

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

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2018

**EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2018

BOARD OF GOVERNORS

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

MEMBER STATES

Republic of Rwanda
United Republic of Tanzania
Republic of Zambia
Republic of Mauritius
Republic of Seychelles
Republic of Uganda
Republic of Burundi
Union of the Comoros
Arab Republic of Egypt
State of Eritrea
Republic of Kenya
Republic of Malawi
Republic of Zimbabwe
Republic of Djibouti
Republic of Sudan
Federal Democratic Republic of Ethiopia
Democratic Republic of Congo
Federal Republic of Somalia
Republic of South Sudan
Kingdom of eSwatini
Republic of Mozambique
Republic of Madagascar

NON-REGIONAL MEMBERS

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

INSTITUTIONS

African Development Bank
National Pension Fund-Mauritius
Mauritian Eagle Insurance Company Limited
Rwanda Social Security Board
Banco Nacional de Investimento
Seychelles Pension Fund
Africa Re- Insurance Corporation
ZEP-RE (PTA Reinsurance Company)
National Social Security Fund – Uganda
SACOS Group Limited
OPEC Fund for International Development
TDB Staff Provident Fund
TDB Directors and Select Stakeholders Provident Fund
BADEA – Arab Bank for Economic Development in Africa

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CORPORATE INFORMATION (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS

Mr. Gerard Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan - Chairman, Board of Directors
Mr. John Bosco Sebabi	Non-Executive Director for All Other Shareholders
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Dr. Natu Mwamba	Non-Executive Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Ms. Isabel Sumar	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Mr. Juste Rwamabuga	Non-Executive Independent Director
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President and Chief Executive
Mr. Samuel Mivedor	Non-Executive Alternate Director for African Institutions
Ms. Kampeta Sayinzoga	Non-Executive Alternate Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
Mr. Rupert Simeon	Non-Executive Alternate Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Prof. Oliver Saasa	Non-Executive Alternate Director for Kenya, Zambia, Mozambique and Somalia
Ms. Marie Gisele Masawa	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros (With effect from 1 October 2018)
Ms. Mariam Hamadou	Non-Executive Alternate Director for Egypt, Tanzania, Djibouti and eSwatini
Ms. Lekha Nair	Non-Executive Alternate Director for All Other Shareholders
Ms. Li Xiaoping	Non-Executive Alternate Director for Non-African States
Mr. Gerome Kamwanga	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros (Up to 1 October 2018)

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CORPORATE INFORMATION (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092, 00100 Nairobi, Kenya	
LAWYERS	Various	
HEADQUARTERS	<p>TDB Headquarters 2nd Floor, Blue Tower Rue de L'Institute, Ebene P. O. Box 43, Reduit, Mauritius Telephone : +230- 4676021/4676016 Fax :+230-4675971 Email :Official@ptabank.org</p>	<p>TDB Headquarters Chaussee, Prince Louis, Rwagasore P. O. Box 1750, Bujumbura, Burundi Telephone :257 (22) 4966 / 257 (22) 4625 Fax :257 (22) 4983 Email :Official@ptabank.org</p>
OTHER OFFICES	<p>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</p> <p>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</p> <p>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</p>	

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2018.

1. PRINCIPAL ACTIVITIES

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

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

2. RESULTS

The results for the period are set out on page 12.

The Bank adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments effective 1 January 2018.

As a result of the above, the net impairment provisions on loans and low credit risk assets decreased from USD 107.5 million to USD 91.5 million. In addition, the equity investments were re-measured from USD 40.2 million to USD 50.9 as at 1 January 2018. The net impact resulted in a credit to total equity as at 1 January 2018 of USD 30.55 million to reflect the impact of the new standard. At the adoption date of IFRS 9, the Bank did not restate the comparative period, as permitted by the standard.

Accordingly, the current year 2018 results on classification, measurement and impairment of financial instruments are based on IFRS 9, while the prior years' results are based on International Accounting Standard (IAS) 39, Financial Instruments: Recognition and Measurement and therefore, certain amounts related to the financial instruments herein and related ratios are not comparable. The main impact under IFRS 9 is related to impairment provisions on loans and advances. The provision for impairment on performing loans and advances is stages 1 and 2 under IFRS 9, while impairment provision for credit losses on impaired loans and advances is stage 3.

For detailed description of the changes, refer to Notes 2, 3, 18 and 39 in these financial statements.

3. DIVIDEND

The Board has recommended a dividend of USD 315.93 (2017: USD 308.67) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

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

5. DIRECTORS

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

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
REPORT OF THE DIRECTORS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

6. AUDITORS

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

By Order of the Board



Chairman

28 March 2019

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The Bank's Charter requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank's Charter. The directors are of the opinion that the annual financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.



Director

28 March 2019



Director

28 March 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK
(TDB - formerly PTA Bank)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastern and Southern African Trade and Development Bank (the "Bank") set out on pages 12 to 114, which comprise the statement of financial position at 31 December 2018 and the statement of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for Audit of the Financial Statements section of our report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of Eastern and Southern African Trade and Development Bank for the year ended 31 December 2017 were audited by another auditor, Ernst & Young LLP, who expressed an unmodified opinion on those financial statements on 12 April 2018.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Application of IFRS 9 in the calculation of impairment of loans and advances	
<p>The measurement of impairment of loans at the end of the year involves significant judgements and estimates by the Directors, which could have material impact on the financial position and the results of the Bank.</p> <p>At 31 December 2018 the Bank reported total gross trade finance loans of USD 2.81 billion and USD 79.95 million of expected credit loss provisions (ECL), and total gross project finance loans of USD 1.46 billion and USD 30.36 million of ECL provisions. These are disclosed in Note 15 and Note 16 in the financial statements.</p> <p>The Bank adopted IFRS 9 from 1 January 2018 which requires impairment losses to be evaluated on an ECL basis. The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter.</p> <p>The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:</p> <p>Accuracy of ECL models</p> <p>The ECL model applies to financial assets measured at amortised cost and certain loan commitments, as well as financial guarantee contracts.</p> <p>Under IFRS 9 loss allowances are measured on either of the following bases:</p> <ul style="list-style-type: none"> (i) 12 month ECLs that result from possible default events within the 12 months after the reporting date; or (ii) Lifetime ECLs that result from ECLs from all possible default events over the expected life of a financial instrument. <p>The Bank is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk ("SICR") since initial recognition.</p> <p>The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Bank's best available forward-looking information.</p>	<p>As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition.</p> <p>We tested the design and implementation of key controls across the processes relevant to the ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring and recording of journal entries.</p> <p>We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance by testing assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.</p> <p>With the support of our internal modelling specialists, we :</p> <ul style="list-style-type: none"> (i) Assessed the reliability of historical macroeconomic and forward-looking information/assumptions used. As the loans are disbursed in different countries, we assessed the reasonableness of the Bank's internal macro-economic tool used to develop each country's ratings. We considered trends in the different economies and industries to which the Bank is exposed. (ii) Tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. (iii) Reviewed the appropriateness of management's assessment of lifetime of financial instruments based on outstanding term of the loan facilities (iv) Reviewed the appropriateness of thresholds used to determine "SICR". The Bank bases this on both quantitative and qualitative indicators which was the basis of our review of the staging for a sample of the loans. (v) Assessed the discounting used in the ECL calculation to ensure discounting was done to the reporting date using the appropriate effective interest rate (EIR).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Application of IFRS 9 in the calculation of impairment of loans and advances	
<p>The abovementioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.</p> <p>The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The Bank measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default. The calculated ECL is then discounted using the original effective interest rate of the financial asset.</p> <p>The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact of the PD, EAD and LGD vary by financial instrument. Significant judgement and estimates are applied in this process of incorporating forward looking information into the SICR assessment and ECL calculation.</p> <p>Refer to Note 3 (j) for the accounting policy on financial instruments; Note 3 (t) for the critical judgements used in determining the impairment losses; and Note 13, 14, 15, 16, 17 and 18 for the disclosure on financial assets.</p>	<p>We found that the models used for the measurement ECL to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to the ECL measurement were found to be appropriate.</p>

Other Information

The directors are responsible for the other information which comprises the Corporate Information and the Report of the directors, which we obtained prior this auditor's report and the Annual Report, and the Chairperson's Statement, President's Statement, Statement on Corporate Governance, Sustainability Reporting Statement, Corporate Information and Information on Economic Environment, Financial Management and Operations, which are expected to be made available to us after that date. The other information does not include the financial statements, and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Bank's Charter, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)

Report on the audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Certified Public Accountants (Kenya)
Nairobi, Kenya



.....2019

CPA Fredrick Okwiri, Practising certificate No. 1699
Signing partner responsible for the independent audit

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD
INCOME			
Interest income	4	361,587,896	276,013,942
Interest expense	5	(198,468,902)	(143,851,524)
Borrowing costs	6	(6,723,839)	(6,524,928)
Interest and similar expense		(205,192,741)	(150,376,452)
Net interest income		156,395,155	125,637,490
Fee and commission income	7a	44,192,454	56,804,279
Net trading income		200,587,609	182,441,769
Risk mitigation costs	7b	(34,541,104)	(37,389,840)
Other income	8	7,482,851	12,575,263
OPERATING INCOME		173,529,356	157,627,192
EXPENDITURE			
Operating expenses	9	(40,707,782)	(30,784,811)
Impairment on other financial assets	11	(3,226,125)	-
Impairment allowance on loans	17	(23,156,955)	(25,323,332)
Net foreign exchange gains		22,886,898	10,345,372
TOTAL EXPENDITURE		(44,203,964)	(45,762,771)
PROFIT FOR THE YEAR		129,325,392	111,864,421
OTHER COMPREHENSIVE INCOME		=====	=====
<i>Items that will not be subsequently reclassified to profit and loss:</i>			
Fair value gain on fair value through other comprehensive income - Equity investments	18	450,000	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		129,775,392	111,864,421
		=====	=====
EARNINGS PER SHARE:			
Basic	12	1,283	1,236
		=====	=====
Diluted	12	1,270	1,176
		=====	=====

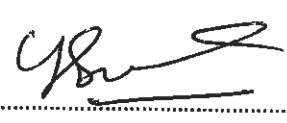
EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 USD	2017 USD
ASSETS			
Cash and balances held with other banks	13	1,145,918,378	1,232,980,427
Derivative financial instruments	14	54,042,940	-
Trade finance loans	15	2,733,444,885	2,571,248,280
Project loans	16	1,429,558,794	1,235,120,149
Investment in Government securities	20	-	57,275,058
Other receivables	21	117,136,030	106,477,488
Equity investments at fair value through other comprehensive income	18	51,521,730	40,257,957
Investment in joint venture	19	386,994	369,493
Property and equipment	23	23,710,110	19,631,950
Intangible assets	24	1,853,744	1,338,030
TOTAL ASSETS		5,557,573,605	5,264,698,832
LIABILITIES AND EQUITY		=====	=====
LIABILITIES			
Collection account deposits	25	119,576,580	127,796,131
Derivative financial instruments	14	-	4,797,549
Short term borrowings	26	2,383,253,601	2,314,562,283
Provision for service and leave pay	29	7,828,640	6,558,688
Other payables	28	72,858,965	81,658,467
Long term borrowings	27	1,782,030,068	1,708,289,548
TOTAL LIABILITIES		4,365,547,854	4,243,662,666
EQUITY			
Share capital	30	461,742,558	431,225,426
Share premium	30	60,500,611	52,968,478
Retained earnings		607,076,151	509,435,480
Fair value reserve		11,178,799	-
Proposed dividend		31,684,721	27,406,782
Management reserve	31	19,842,911	-
TOTAL EQUITY		1,192,025,751	1,021,036,166
TOTAL LIABILITIES AND EQUITY		5,557,573,605	5,264,698,832
		=====	=====

The notes on pages 16 to 114 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 28 March 2019 and were signed on its behalf by:


.....
President


.....
Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total equity USD
At 1 January 2017		372,050,939	35,106,661	424,977,842	24,349,494	-	-	856,484,936
Capital subscriptions	30	59,174,487	-	-	-	-	-	59,174,487
Share Premium	30	-	17,861,817	-	-	-	-	17,861,817
Proposed dividend	30	-	-	(27,406,783)	27,406,783	-	-	-
Dividend declared and paid	30	-	-	-	(23,293,199)	-	-	(23,293,199)
Dividend declared and payable	28	-	-	-	(1,056,296)	-	-	(1,056,296)
Total comprehensive income for the year		-	-	111,864,421	-	-	-	111,864,421
At 31 December 2017		431,225,426	52,968,478	509,435,480	27,406,782	-	-	1,021,036,166
At 1 January 2018-as previously stated		431,225,426	52,968,478	509,435,480	27,406,782	-	-	1,021,036,166
Effect of change in accounting policy	2(b)	-	-	19,842,911	-	-	-	19,842,911
Credit Risk		-	-	-	-	-	-	-
Equity Investments	2(b)	-	-	-	10,728,799	10,728,799	-	10,728,799
At 1 January 2018 – as restated		431,225,426	52,968,478	529,278,391	27,406,782	10,728,799	-	1,051,607,876
Capital subscriptions	30	30,517,132	-	-	-	-	-	30,517,132
Share Premium	30	-	7,532,133	-	-	-	-	7,532,133
Proposed dividend	30	-	-	(31,684,721)	31,684,721	-	-	-
Dividend declared and paid	30	-	-	-	(25,049,089)	-	-	(25,049,089)
Dividend declared and payable	28	-	-	-	(2,357,693)	-	-	(2,357,693)
Equity Investments Reserve	2(b)	-	-	-	-	450,000	-	450,000
Appropriation to the Management Reserve	31	-	-	(19,842,911)	-	-	19,842,911	-
Total comprehensive income for the year		-	-	129,325,392	-	-	-	129,325,392
At 31 December 2018		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751

*Management reserve was created in 2018 following board approval. The purpose of the reserve is for cushioning incidents of significant losses as disclosed in Note 31.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 USD	2017 USD
OPERATING ACTIVITIES			
Net cash (used in)/generated from operations	32(a)	(167,618,832)	449,526,341
INVESTING ACTIVITIES			
Purchase of property and equipment	23	(4,979,569)	(852,533)
Purchase of intangible assets	24	(937,627)	(928,099)
Acquisition of equity investments	18	(84,974)	(22,761,285)
Acquisition of interest in joint venture	19	(17,501)	-
Proceeds from redemption of government securities	20	57,275,058	159,180,887
Net cash generated from investing activities		51,255,387	134,638,970
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	30	30,517,132	59,174,487
Proceeds from share premium	30	7,532,133	17,861,817
Payment of dividends	30	(25,049,089)	(23,293,199)
Net cash generated from financing activities		13,000,176	53,743,105
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(103,363,269)	637,908,416
Foreign exchange gain on cash and cash equivalents		16,301,220	236,392
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,232,980,427	594,835,619
CASH AND CASH EQUIVALENTS AT END OF YEAR	32(c)	1,145,918,378	1,232,980,427
FACILITIES AVAILABLE FOR LENDING	32(d)	1,890,373,212	1,907,781,631

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS

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

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

New pronouncements issued as at 31 December 2018

a) IFRS 15 Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when the Company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The Bank applied IFRS 15 on 1 January 2018 using the modified retrospective approach in which the cumulative effect of initially applying this Standard is recognised at the date of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2018 without restating comparative periods. There was no material impact of application of IFRS 15 and no adjustment to retained earnings was required.

b) IFRS 9 Financial instruments

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Standard replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

During the year, the Bank adopted IFRS 9 Financial Instruments (IFRS 9). As a result of the application of IFRS 9, there was a change in the accounting policies and these new policies were applicable from 1 January 2018. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Bank applied IFRS 9 on 1 January 2018. As a result of the adoption of IFRS 9, the Bank has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information for 2017.

The key changes to the Bank's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 39.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

The standard eliminates the previous IAS 39 categories of held-to-maturity, Loans and advances and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification. For an explanation of how the Bank classifies financial assets under IFRS 9, see Note 3(j).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Bank classifies financial liabilities under IFRS 9, see below.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Bank applies the impairment requirements of IFRS 9, see Note 3(j).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9. The Bank used the exemption not to restate comparative periods.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Bank's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 USD	New carrying amount under IFRS 9 USD
<i>Financial assets:</i>					
Cash and balances held with other banks	13	Loans and receivables	Amortised cost	1,232,980,427	1,231,478,538
Trade finance	15	Loans and receivables	Amortised cost	2,571,248,280	2,589,671,753
Project loans	16	Loans and receivables	Amortised cost	1,235,120,149	1,238,041,476
Investment in Government securities	20	Loans and receivables	Amortised cost	57,275,058	57,275,058
Other receivables	21	Loans and receivables	Amortised cost	106,477,488	106,477,488
Equity investments – at cost	18	Cost	FVOCI	40,257,957	50,986,756
Total financial assets				5,243,359,359	5,273,931,069
				=====	=====
<i>Financial liabilities:</i>					
Collection account deposits	25	Other liabilities	Amortised cost	127,796,131	127,796,131
Derivative financial instruments	14	FVTPL	FVTPL	4,797,549	4,797,549
Short term borrowings	26	Other liabilities	Amortised cost	2,314,562,283	2,314,562,283
Other payables	28	Other liabilities	Amortised cost	81,658,467	81,658,467
Long term borrowings	27	Other liabilities	Amortised cost	1,708,289,548	1,708,289,548
Total financial liabilities				4,237,103,978	4,237,103,978
				=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 – continued

The application of the Bank's policies in line with IFRS 9 did not result in any reclassification.

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

Financial assets:	Note	IAS 39 carrying amount USD	Re-measurement USD	IFRS 9 carrying amount USD
Amortised cost				
<i>Cash and balances held with other banks</i>				
Closing balance under IAS 39	13	1,232,980,427	-	-
Re-measurement – Expected credit losses		-	(1,501,889)	-
Opening balance under IFRS 9		1,232,980,427	(1,501,889)	1,231,478,538
Trade finance loans				
Closing balance under IAS 39	15	2,571,248,280	-	-
Re-measurement – Expected credit losses	17	-	15,787,947	-
Reversal of suspended interest		-	2,635,526	-
Opening balance under IFRS 9		2,571,248,280	18,423,473	2,589,671,753
Project finance loans				
Closing balance under IAS 39	16	1,235,120,149	-	-
Re-measurement – Expected credit losses	17	-	1,737,372	-
Reversal of suspended interest		-	1,183,955	-
Opening balance under IFRS 9		1,235,120,149	2,921,327	1,238,041,476
Investment in Government securities		57,275,058	-	57,275,058
Other receivables		106,477,488	-	106,477,488
Total amortised cost		5,203,101,402	19,842,911	5,222,944,313
Equity Investments – at cost				
Closing balance under IAS 39		40,257,957	-	-
Re-measurement – Expected credit losses		-	(40,257,957)	-
Closing balance		-	-	-
Fair value through other comprehensive income (FVOCI)				
Opening balance		-	-	-
Transfer from available for sale		-	40,257,957	-
Re-measurement – fair value		-	10,728,799	-
Opening balance under IFRS 9		-	-	50,986,756
Total FVOCI		40,257,957	10,728,799	50,986,756
Total assets		5,243,359,359	30,571,710	5,273,931,069

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 – (continued)

Financial liabilities	IAS 39 carrying amount USD	Re- measurement USD	IFRS 9 carrying amount USD
Amortised cost			
Collection account deposits	127,796,131	-	127,796,131
Short term borrowings	2,314,562,283	-	2,314,562,283
Long term borrowings	1,708,289,548	-	1,708,289,548
Closing balance under IAS 39	81,658,467	-	81,658,467
Opening balance under IFRS 9	-	-	81,658,467
Total amortised cost	4,232,306,429	-	4,232,306,429
Fair value through profit or loss			
Derivative financial instruments	4,797,549	-	4,797,549
Total Fair value through profit or loss	4,797,549	-	4,797,549
Total financial liabilities	4,237,103,978	-	4,237,103,978

Impact of transition of IFRS 9 on opening equity reserves

The following table summarises the impact of transition to IFRS 9 on the opening balance of the retained earnings and management reserve. There is no impact on other components of equity.

USD	Impact of adopting IFRS 9 at 1 January 2018
Fair value reserve	
Closing balance under IAS 39 (31 December 2017)	-
Fair valuation of Equity reserves previously measure at Cost	10,728,799
Opening balance under IFRS 9 (1 January 2018)	10,728,799
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	509,435,480
Recognition of expected credit losses under IFRS 9 (including loan commitments)	19,842,911
Opening balance under IFRS 9 (1 January 2018)	529,278,391

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - IFRS (Continued)

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9 (continued)

Impact of transition of IFRS 9 on opening equity reserves (Continued)

Measurement category	Loan loss allowance under IAS 39 USD	Remeasurements USD	Loan loss allowance under IFRS 9 USD
Cash and balances with financial institutions	-	1,501,887	1,501,887
Loans and advances to customers	107,546,640	(17,525,318)	90,021,322
Interest in Suspense (Stage 3 Loans and Advances)	-	(3,819,480)	-
	<hr/>	<hr/>	<hr/>
Total	107,546,640	(19,842,911)	91,523,209
	=====	=====	=====

New pronouncements issued but not effective as at 31 December 2018

a) IFRS 16 Leases

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

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

Key features

The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17. The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of the lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-to-use asset).

- Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

Transition

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

Impact

The Bank is currently assessing the impact of these amendments and plans to adopt the amendments on the required effective date if necessary.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS -IFRS (Continued)

New pronouncements issued but not effective as at 31 December 2018 (Continued)

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

- c) Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests.

Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019.

Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for changes explained in Note 2 (b), the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

- a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the Bank's Charter. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The Bank's functional and reporting currency is the United States Dollars (USD).

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

This is the first set of the Bank's annual financial statements in which IFRS 9 Financial Instruments has been applied. Resultant changes to significant accounting policies are described in Note 2.

Presentation of financial statements

The Bank presents its statement of financial position broadly in the order of liquidity.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

i. Interest income from loans and investments

Interest income is recognised on an accrual basis using the effective interest rate method.

Effective interest rate

Income from loans and Investments is recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (ECL). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Interest on arrears of payable capital is taken to revenue when received.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset is calculated on initial recognition of a financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that were credit-impaired on initial recognition, purchased originated credit impaired (POCI) assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition (continued)

ii. Fees and commissions

Fees and commissions are generally recognised on an accrual basis when a financing facility is provided over a period of time. These fees include Letter of Credit fees, confirmation fees, guarantee fees, commitment and other fees.

Other fees and commission income include one-off fees arising from the provision of financing facilities to the Bank's clients, like facility fees, drawdown fees, restructuring fees, that do not form an integral part of effective interest rate of the facilities are recognised on completion of the underlying transaction.

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of loans or the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

c) Borrowing and financing costs

Borrowing costs are interest and other borrowing and financing costs that the Bank incurs in connection with the borrowing of funds. Interest expense is recognised in profit or loss on the accrual basis taking into account the effective interest rate. Other borrowing and financing costs are expensed in the period in which they are incurred. Discounts and premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity are calculated on an effective interest basis.

d) Foreign currencies

Transactions in foreign currencies are initially recorded at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss. All differences arising on non-trading activities are taken to other operating income in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

e) Property and equipment

All categories of property and equipment are stated at historical cost and subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property and equipment

Depreciation on other assets is calculated at rates which are estimated to write off the cost of property and equipment to their estimated residual values in equal annual instalments over their expected useful lives. The expected useful life of each class of asset is up to the following:

Computer equipment	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Furniture and fittings	5-10 years
Buildings	50 years

Freehold land and buildings are not depreciated.

Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis

Assets in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

f) Intangible assets

The Bank's intangible assets relate to the value of computer software. An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognised.

The intangible assets' useful lives and methods of amortisation are reviewed at each reporting date and adjusted prospectively if appropriate.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Tax

In accordance with paragraph 6 of Article 43 of its Charter, the Bank is exempt from all forms of tax.

h) Share capital

In accordance with Article 7 of the Charter, for Class A shares, issued and called-up shares are paid for in instalments by the members. Payable capital is credited as share capital and instalments not yet due and due but not paid at period-end are deducted there-from. For Class B shares, payment of the amount subscribed by subscribers shall be paid in full within 90 days from the date of subscription.

i) Financial instruments - Policy applicable after 1 January 2018

Financial instruments

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

Financial assets

Initial Recognition and Measurement

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

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

- Amortised Cost;
- Fair Value through Other Comprehensive Income (FVOCI); and
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

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

Fair Value through Other Comprehensive Income (FVOCI) – Debt

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

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

The Bank does not have any debt instruments measured at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

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

Fair Value through Profit or Loss (FVTPL)

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

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

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

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

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

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

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

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

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

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

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

De Minimis

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

Business Model Assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Initial Recognition and Measurement (continued)

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Derecognition and Modification

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

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

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

Financial Liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, although under IAS 39 fair value changes of liabilities designated under the fair value option were recognised in profit and loss, under IFRS 9, fair value changes are generally presented as follows:

- (a) the amount of the change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability should be presented in other comprehensive income; and
- (b) the remainder of the change in the fair value of the liability should be presented in profit or loss unless the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss (in which case all gains or losses are recognised in profit or loss).

Initial Measurement of Financial Liabilities

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings and payables, directly attributable transaction costs.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Financial liabilities (continued)

Subsequent Measurement

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

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

Derecognition

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

Reclassification

The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Bank's senior management as a result of external or internal changes.

An entity shall not reclassify any financial liability.

Write-off

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

Offsetting

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

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

Impairment – Trade finance and Project finance loans, Investments, Other receivables, Loan Commitments and Financial Guarantee Contracts

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Offsetting (Continued)

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

No impairment loss is recognised on equity investments.

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring. The Bank recognises loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

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

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

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

Measurement of ECLs

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract - e.g. a default or past-due event;

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Measurement of ECLs (Continued)

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

Hedge Accounting

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

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments - Policy applicable after 1 January 2018 (continued)

Cash Flow Hedges (Continued)

When the hedged transaction affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

(k) Employee entitlements

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

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed.

A provision is made for the estimated liability of annual leave for services rendered by employees up to the year end.

(l) Retirement benefit costs

The Bank operates a defined contribution provident fund scheme for its employees. The Bank contributes 21% of an employee's gross salary to the fund while employees can choose to contribute 7%, 14% or 21%. The Bank's contributions to the defined contribution plan are charged to profit or loss in the year to which they relate. The funds of the scheme are held independently of the Bank's assets.

(m) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the Bank to support performance by customers to third parties. The Bank will only be required to meet these obligations in the event of the customers' default. These obligations are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired; less advances from banks repayable within three months from the date of the advance.

(o) Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as a lessee

A finance lease is a lease that transfers to the lessee substantially all of the risks and rewards of ownership. A lease that is not a finance lease is an operating lease. Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases (Continued)

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and are recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(p) Provisions for other liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(q) Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset. When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss in equal annual instalments over the expected useful life of the asset.

(r) Collection accounts deposits

Collection accounts deposits include amounts collected on behalf of customers from proceeds of Bank funded commodities. The funds are held until maturity of underlying loans. Collection accounts are recorded at amortized cost. They are derecognized when the underlying assets are discharged.

(s) Investment in Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Bank's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss and other comprehensive income reflects the Bank's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Bank's share of profit or loss 2018 NIL (2017 NIL) of joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investment in Joint Venture (Continued)

The financial statements of the joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Bank determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying amount, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

(t) Critical judgments in applying the Bank's accounting policies

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

(i) *Fair value of financial instruments*

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

The fair value of financial instruments is disclosed in more detail in Note 33.

(ii) *Impairment losses on loans – Trade and Project Finance*

Judgement is made in establishing the criterion for determining whether credit risk on the financial instrument has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Losses (ECLs) and selection and approvals of models used to measure ECL.

Assets accounted for at amortised cost and fair value through other comprehensive income are evaluated for impairment on a basis described in accounting policy 3(b).

The Bank recognises loss allowance at an amount equal to either 12-month expected credit losses (ECLs) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Bank provides for 12-month ECLs. These are classified as Stage 1 assets.

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Critical judgments in applying the Bank's accounting policies (Continued)

ii) Impairment losses on loans – Trade and Project Finance (Continued)

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

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

(iii) Classification and measurement of financial assets

Judgement is made on classification of financial assets assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are Solely for Payment of Principal and Interest (SPPI) on the principal amount outstanding.

The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(iv) Significant increase of credit risk

As explained in note 3 (j) above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. Instead, in assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Refer to note 2 for more details.

(u) Key sources of estimation uncertainty

i. Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

ii. Probability of default:

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Key sources of estimation uncertainty (Continued)

iii. *Loss Given Default:*

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

iv. *Property and equipment*

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

v. *Fair value measurement and valuation process*

In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments.

(v) Models and assumptions used

The Bank uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to note 2 for more details on ECL measurement.

(w) Management Reserve

The Board of Directors approved creation of a management reserve in October 2018. When the Bank adopted at 1 January 2018 IFRS 9- Financial Instruments accounting standard's Expected Loss (ECL) Model it showed that the Bank's credit policy was more conservative and resulted in USD 19.84 million excess impairment provision.

The board therefore approved the creation of the management reserve to cushion the Bank against credit risk and other incidents of significant loss. The USD 19.84 million excess impairment provision was transferred to the management reserve as at 31 December 2018. Transfers into and out of this management reserve will be approved by the Board of Directors.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 USD	2017 USD
4. INTEREST INCOME		
On loans and facilities:		
Project finance loans	125,422,165	95,166,425
Trade finance loans	204,323,254	172,360,418
	<hr/>	<hr/>
	329,745,419	267,526,843
On placements:		
Deposits/Held at amortised cost	31,842,477	8,487,099
	<hr/>	<hr/>
	361,587,896	276,013,942
	=====	=====
5. INTEREST EXPENSE		
Interest payable on funds borrowed from:		
Banks and financial institutions	109,789,083	68,076,920
Regional and International Bond Markets	51,544,521	43,946,456
Other Institutions	37,135,298	31,828,148
	<hr/>	<hr/>
	198,468,902	143,851,524
	=====	=====
6. BORROWING COSTS		
Facility and management fees	3,556,994	1,665,080
Guarantee fees	437,562	1,953,732
Commitment fees	2,068,253	1,608,761
Agency fees	270,784	631,802
Other costs	271,745	496,813
Bank commission	118,501	168,740
	<hr/>	<hr/>
	6,723,839	6,524,928
	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 USD	2017 USD
7. (a) FEE AND COMMISSION INCOME		
Upfront fees in trade finance	20,130,054	41,168,729
Letter of credit fees in trade finance	4,364,683	5,952,378
Management fees in trade finance	5,847,001	537,406
Facility fees in project finance	9,347,577	3,415,925
Drawdown fees in trade finance	683,225	2,247,760
Commitment fees in project finance	505,739	450,494
Drawdown fees in project finance	306,718	386,657
Other fees in trade finance	(87,999)	185,500
Restructuring fees in project finance	1,914,115	875,204
Appraisal fees in project finance	207,704	578,992
Management fees in project finance	380,105	354,326
Letter of credit fees in project finance	116,762	401,407
Document handling fees in trade finance	269,453	151,589
Other Project fees	207,317	97,912
	<u>44,192,454</u>	<u>56,804,279</u>
	=====	=====
(b) RISK MITIGATION COSTS		
*Insurance cover costs	32,139,864	22,275,106
**Risk down-selling costs	2,401,240	15,114,734
	<u>34,541,104</u>	<u>37,389,840</u>
	=====	=====
<p>*This is premium on insurance cover taken on loans made to various borrowers. As at 31 December 2018, the insurance cover was USD 1.45 billion (2017: USD 1.65 billion). The cover was taken with African Trade Insurance Agency Ltd, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are Investment-grade companies.</p> <p>**These costs represent Risk down-selling costs relating to fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Bank's Secondary loan trading and asset distribution activities under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2018, the Bank had down sold/distributed an aggregate of USD 704 million (2017 – USD 950 million).</p>		
8. OTHER INCOME	2018 USD	2017 USD
Impaired assets recovered *	4,356,719	11,086,964
Other income	1,017,817	536,846
Interest on capital arrears**	2,073,647	552,498
Grant income ***	-	297,346
Interest on staff loans	39,668	28,859
Rental income	-	72,750
	<u>7,482,851</u>	<u>12,575,263</u>
	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - FORMERLY PTA BANK)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

8. OTHER INCOME (Continued)

*Impaired assets recovered relate to previously written off loans that were recovered during the year.

**Interest on capital arrears relates to interest on capital subscriptions received during the year from member states that were in arrears.

***The grant is provided by the African Development Bank (AFDB) to fund various consultancies and training. The proceeds are credited to the AFDB deferred income account and included in other payables (Note 29). Transfers are made to income when the costs which the grant relates to have been incurred.

9. OPERATING EXPENSES	2018 USD	2017 USD
Staff costs (Note 10)	26,960,147	20,508,156
Consultants and advisors	5,951,626	3,353,207
Depreciation of property and equipment	898,757	856,858
Official missions	2,028,531	1,604,402
Other operating expenses	1,316,520	894,520
Board of Directors meetings	814,697	893,231
Business promotion	1,334,185	1,318,308
Rent	619,082	509,511
Board of Governors meeting	308,324	416,374
Amortisation of intangible assets	421,913	374,244
Audit fees	54,000	56,000
	<u>40,707,782</u>	<u>30,784,811</u>
	=====	=====
10. STAFF COSTS		
Salaries and wages	15,331,421	12,571,500
Other costs	4,041,442	2,901,054
Staff Provident fund contributions –defined contribution plan	2,340,775	1,952,534
Service and leave pay expenses	1,644,260	1,026,547
Staff reward and recognition scheme	3,602,249	2,056,521
	<u>26,960,147</u>	<u>20,508,156</u>
	=====	=====
11. IMPAIRMENT ON OTHER FINANCIAL ASSETS		
Other receivables (Note 21)	3,226,125	-
	<u>3,226,125</u>	<u>-</u>
	=====	=====

This relates to appraisal fees on projects previously recognized as income receivable, now written off.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 129,325,392 (2017: USD 111,864,421) by the weighted average number of ordinary shares in issue during the year.

Basic Earnings per Share:

The weighted average number of shares in issue is calculated based on the capital instalments due as at year end. The weighted average number of shares in issue during the year was 100,794 comprising Class A – 78,643 and Class B – 22,151 (2017: 90,498 comprising Class A -71,360 and Class B -19,138).

Diluted Earnings per Share:

The diluted earnings per share is computed using the total shares in issue during the year; it takes into account the dilutive effect of the callable Class A shares. The number of shares in issue during the year for purposes of diluted earnings per share was 101,853 (2017: 95,122).

13. CASH AND BALANCES HELD WITH OTHER BANKS

	2018 USD	2017 USD
Current accounts – Note 13 (i)	139,901,609	139,590,914
Call and term deposits with banks – Note 13 (ii)	1,006,016,769	1,093,389,513
	<hr/>	<hr/>
	1,145,918,378	1,232,980,427
	<hr/>	<hr/>
(i) Current accounts:		
Amounts maintained in United States Dollars (USD)	7,915,526	7,991,823
	<hr/>	<hr/>
Amounts maintained in other currencies:		
Euro	18,937,550	77,072,156
Tanzania Shillings	2,805,352	3,953,925
Malawi Kwacha	85,631,536	44,420,987
Ethiopian Birr	408,055	521,832
Ugandan Shilling	7,026	25,558
United Arab Emirates Dirham	18,456,873	4,888,870
South African Rand	8,279	5,136
Burundi Francs	9,572	3,316
Mauritian Rupee	5,200	17,753
British Pounds	17,258	425
Japanese Yen	33,614	29,514
Zambia Kwacha	5,660,730	642,645
Kenyan Shilling	5,038	16,974
	<hr/>	<hr/>
	131,986,083	131,599,091
	<hr/>	<hr/>
	139,901,609	139,590,914
	<hr/>	<hr/>

The average effective interest rate on current accounts was 4.95% (December 2017: 0.49%) per annum.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

13. CASH AND BALANCES HELD WITH OTHER BANKS (Continued)

	2018 USD	2017 USD
(ii) Call and term deposits with banks:		
United States Dollars (USD)	967,299,667	1,006,613,250
Amounts maintained in other currencies:		
Sudanese Pounds	34,091,883	82,400,556
Ugandan Shillings	4,625,219	4,375,707
	38,717,102	86,776,263
	1,006,016,769	1,093,389,513
	=====	=====

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

	2018	2017
Uganda Shillings	11.79%	9.99%
United States Dollars	1.79%	0.51%

The deposits in Sudanese pounds do not earn interest.

14. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Bank uses derivatives for hedging purposes in order to reduce its exposure to interest rate and foreign currency risks. This is done by engaging in interest rate swaps, currency swaps and currency forward contracts.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted off against each other, with the difference being paid by one party to the other. This swap does not qualify for fair value hedge accounting, and the Bank has treated interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond as economic hedges, thus derivatives at fair value through Profit and Loss.

The Bank hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the bank is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The table below shows the derivative financial instruments, recorded as assets or liabilities at year-end.

	2018 USD	2017 USD
(a) Currency Hedges:		
Foreign exchange forward contracts:		
Balance as at 1 January	(4,797,549)	75,418,629
Contracts traded during the year-Net	26,665,311	(84,268,108)
Fair valuation	32,175,178	4,051,930
	<hr/>	<hr/>
Balance as at 31 December	54,042,940	(4,797,549)
	<hr/>	<hr/>
Total Currency Hedges	54,042,940	(4,797,549)
	=====	=====
(b) Interest Rate Swap:		
Cash flows		
Balance as at 1 January	-	341,813
Amounts due from counterparties	-	302,055
Amount received from counterparties	-	(196,062)
Amounts settled	-	(447,806)
	<hr/>	<hr/>
Balance as at 31 December	-	-
	<hr/>	<hr/>
Total Interest Rate Swaps	-	-
	<hr/>	<hr/>
Total derivative assets (a) and (b)	54,042,940	(4,797,549)
	=====	=====
15. TRADE FINANCE LOANS		
Principal loans	2,686,114,042	2,512,940,589
Interest receivable	127,283,804	133,688,966
	<hr/>	<hr/>
Gross loans	2,813,397,846	2,646,629,555
Impairment on trade finance loans (Note 17)	(79,952,961)	(75,381,275)
	<hr/>	<hr/>
Net loans	2,733,444,885	2,571,248,280
	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

15. TRADE FINANCE LOANS (Continued)	2018 USD	2017 USD
Maturing:		
Within one year	1,102,563,832	1,911,498,219
One to three years	1,487,909,814	439,339,600
Over three years	222,924,200	295,791,736
	<u>2,813,397,846</u>	<u>2,646,629,555</u>
	=====	=====

The gross non-performing trade finance loans was USD 76,467,029 (2017: USD 72,098,214). The specific impairment provisions related to these loans amounted to USD 75,208,488 (2017: 50,821,193) hence the carrying value of the loans amount was USD 1,258,541 (2017: 21,277,021). General provisions for trade finance loans amounted to USD 54,744,473 (2017: USD 24,560,077).

16. PROJECT LOANS	2018 USD	2017 USD
Loans disbursed	2,720,138,793	2,291,904,734
Interest capitalised**	56,582,529	50,901,119
Loans repaid	(1,350,947,319)	(1,108,893,002)
	<u>1,425,774,003</u>	<u>1,233,912,851</u>
Principal loan balances	1,425,774,003	1,233,912,851
Interest receivable	34,144,315	33,372,663
	<u>1,459,918,318</u>	<u>1,267,285,514</u>
Gross loans	1,459,918,318	1,267,285,514
Impairment on project loans (Note 17)	(30,359,524)	(32,165,365)
	<u>1,429,558,794</u>	<u>1,235,120,149</u>
	=====	=====

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

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

Maturing:	2018 USD	2017 USD
Within one year	221,675,395	385,586,099
One year to three years	526,726,621	301,717,151
Three to five years	349,469,998	267,791,904
Over five years	362,046,304	312,190,360
	<u>1,459,918,318</u>	<u>1,267,285,514</u>
	=====	=====

The aggregate non-performing project loans was USD 24,147,841 (December 2017 - USD 21,485,839). The specific impairment provisions related to these loans amounted to USD 24,147,841 (December 2017 - USD 21,485,839) hence the carrying value of the loans amounted to NIL (December 2017- NIL). General provisions for project finance loans amounted to USD 6,211,683 (December 2017 - USD 10,679,529).

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

17. IMPAIRMENT ALLOWANCE

The movement in the allowance is as follows:

	Project Finance Loans USD	Trade Finance Loans USD	Low Credit Risk Assets USD	Off-Balance Sheet Commitments USD	Total Allowance USD
At 1 January 2017	49,201,206	48,400,632	-	-	97,601,838
Amounts written-off (Income)/charge for the year	(15,378,530) (1,657,311)	- 26,980,643	- -	- -	(15,378,530) 25,323,332
- Amount written-back	(5,124,877)	(4,871,937)	-	-	(9,996,814)
- Individually assessed	-	31,852,580	-	-	31,852,580
- Collectively assessed	3,467,566	-	-	-	3,467,566
At 31 December 2017	32,165,365	75,381,275	-	-	107,546,640
As 1 January 2018 -As previously stated	32,165,365	75,381,275	-	-	107,546,640
Effect of change in accounting policy*	(1,737,372)	(15,787,947)	1,501,887	-	(16,023,432)
At 1 January 2018-restated (Income)/charge for the year	30,427,993 (68,469)	59,593,328 20,359,633	1,501,887 1,258,541	- 1,607,250	91,523,208 23,156,955
- Amount written-back	(1,437,556)	-	-	-	(1,437,556)
- Provisions	1,369,087	20,359,633	1,258,541	1,607,250	24,594,511
At 31 December 2018	30,359,524	79,952,961	2,760,428	1,607,250	114,680,163

*Arose as a result of adoption of IFRS 9 in January 2018 which resulted in lower provisions than was previously held.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

18. EQUITY INVESTMENTS

(i) Equity participation

	Beginning Cost USD	Additions at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Fair value adjustment for day 1 USD	Fair value adjustment for the year USD
As at 31 December 2018:							
<i>At fair value through other comprehensive income:</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	38,886,000	31,938,654	6,947,346	-
Tanonoka	628,653	-	628,653	1,835,000	628,653	1,206,347	-
Tanruss	1,755,000	-	1,755,000	276,000	1,755,000	(1,691,000)	212,000
Africa Trade Insurance Company	1,000,000	-	1,000,000	1,015,000	1,000,000	(223,000)	238,000
Gulf African Bank	1,978,734	-	1,978,734	2,243,000	1,978,734	264,266	-
Pan African Housing Fund	592,756	84,974	677,730	677,730	592,756	-	-
	40,257,957	84,974	40,342,931	51,521,730	40,257,957	10,728,799	450,000
As at 31 December 2017:							
<i>At cost:</i>							
African Export Import Bank	2,364,160	-	2,364,160	2,364,160	2,364,160	-	-
Africa Trade Insurance Agency	1,000,000	-	1,000,000	1,000,000	1,000,000	-	-
Gulf African Bank	1,978,734	-	1,978,734	1,978,734	1,978,734	-	-
Pan African Housing Fund	433,657	159,099	592,756	592,756	433,657	-	-
Tanruss	1,755,000	-	1,755,000	1,755,000	1,755,000	-	-
Tanonoka	628,653	-	628,653	628,653	628,653	-	-
ZEP-RE (PTA Reinsurance Company)	9,336,468	22,602,186	31,938,654	31,938,654	9,336,468	-	-
	17,496,672	22,761,285	40,257,957	40,257,957	17,496,672	-	-

The Bank's main equity investments are in ZEP-RE (PTA Reinsurance Company), African Export-Import Bank, Tanruss, Africa Trade Insurance Agency and Gulf African Bank. In addition, the Bank has subscribed to the equity of various projects in its Member States. The Bank's participation is expressed in US Dollars. As at 31 December 2018, all investments were carried at fair value as per provision of IFRS 9 adopted in January 2018. In the previous years, these investments were carried at cost, except for Pan African Housing Fund which has always been carried at fair value. The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

18. EQUITY INVESTMENTS (Continued)	2018 USD	2017 USD
ii) Instalments paid:		
Total subscribed capital*	41,865,201	41,865,201
Less: Instalments not due – Note 18 (iii)	(1,522,270)	(1,607,244)
	<u>40,342,931</u>	<u>40,257,957</u>
Instalments paid as at end of year – Note 18 (i) and (iv)	40,342,931	40,257,957
*Total subscribed capital includes paid up capital and unpaid subscriptions		
iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:		
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	322,270	407,244
	<u>1,522,270</u>	<u>1,607,244</u>
*Unpaid subscriptions are payable on call.	1,522,270	1,607,244
iv) Movement in the instalments paid:		
At beginning of year	40,257,957	17,496,672
Net additions at cost – Note 18 (i)	84,974	22,761,285
	<u>40,342,931</u>	<u>40,257,957</u>
At end of year	40,342,931	40,257,957

19. INVESTMENT IN JOINT VENTURES

The Bank has a 50% interest in Eastern and Southern African Trade Advisers Limited (ESATAL) and 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint ventures were incorporated in 2016 and their principal place of business is Ebene, Mauritius. ESATAL and ESAIF are vehicles that will raise and manage the Trade Finance Fund and the Infrastructure Fund, respectively. The Bank's voting rights in the joint ventures is equal to its ownership interest. The Bank's interest in the joint ventures is accounted for using the equity method in the financial statements. No quoted market price exists for the investments. Both ESATAL and ESAIF have a 31 December year end for reporting purposes.

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

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

19. INVESTMENT IN JOINT VENTURES (Continued)

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

	2018 USD	2017 USD
Movement in joint venture:		
At 1 January	369,493	369,493
*Additional investment	17,501	
	<hr/>	<hr/>
At 31 December	386,994	369,493
	<hr/>	<hr/>

* The movement relates to additional investment in ESAIF.

20. INVESTMENTS IN GOVERNMENT SECURITIES

Treasury Notes:

At 1 January	57,275,058	214,699,238
Matured bonds	(57,275,058)	(159,180,887)
Accrued income	-	1,756,707
	<hr/>	<hr/>
At 31 December	-	57,275,058
	<hr/>	<hr/>

The treasury notes were issued by the Government of Malawi and held as investments in Malawi Kwacha equivalent. They matured in 2018, hence the nil balance as 31 December 2018 (December 2017 - USD 57.3 million, bearing interest at a rate of 6.50% per annum). These investments were managed by the Reserve Bank of Malawi and FDH Bank. The investments are classified at amortised cost under IFRS 9.

21. OTHER RECEIVABLES

	2018 USD	2017 USD
Down-sold assets*	70,000,000	75,000,072
Prepayments and other receivables**	44,886,422	29,828,548
Staff loans and advances***	1,216,404	1,034,033
Appraisal fees****	1,033,204	614,835
	<hr/>	<hr/>
	117,136,030	106,477,488
	<hr/>	<hr/>
<i>Appraisal fees receivable****</i>		
As at 1 January	614,835	585,040
Accrued income	5,198,448	544,550
Receipts	(1,553,954)	(514,755)
Amounts written off (Note 11)	(3,226,125)	
	<hr/>	<hr/>
At 31 December	1,033,204	614,835
	<hr/>	<hr/>

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

21. OTHER RECEIVABLES (Continued)	2018 USD	2017 USD
Amounts due within one year	116,834,370	106,173,304
Amounts due after one year	301,660	304,184
	<u>117,136,030</u>	<u>106,477,488</u>
	=====	=====

*Down-sold assets represent loan assets sold to the Bank's counterparties on a non-funded basis. The amount will be settled within 6 months after year end. Down-selling receivable does not attract interest.

**Prepayments and other receivables comprise mainly of insurance costs on the Bank's exposures and facility fees paid in relation to short term facilities extended to the Bank by lenders.

***Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

****Appraisal fees are recognized as income receivable on approval of a facility to the borrower by the Bank.

22. DEFERRED EXPENDITURE	2018 USD	2017 USD
COST		
At beginning of year	-	30,429,340
Additions	-	-
Transfer*	-	(30,429,340)
At end of year	<u>-</u>	<u>-</u>
AMORTISATION		
At beginning of year	-	12,334,174
Charge for the year	-	-
Transfer*	-	(12,334,174)
At end of year	<u>-</u>	<u>-</u>
NET CARRYING AMOUNT		
At end of year	<u>-</u>	<u>-</u>
	=====	=====

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

*This relates to transfer of deferred expenditure to long-term borrowings.

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

23. PROPERTY AND EQUIPMENT

Year ended 31 December 2018:	Freehold land US	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2018	140,400	2,453,865	463,157	22,699,181	588,349	1,551,287	2,043,603	29,939,842
Additions	-	-	603,982	3,883,342	136,920	210,023	145,302	4,979,569
Disposals	-	-	-	-	-	(10,586)	(11,741)	(22,327)
At 31 December 2018	140,400	2,453,865	1,067,139	26,582,523	725,269	1,750,724	2,177,164	34,897,084
DEPRECIATION								
At 1 January 2018	-	51,636	-	7,319,065	411,879	880,198	1,645,114	10,307,892
Charge for the year	-	24,783	-	430,094	85,544	127,335	231,001	898,757
Disposals	-	-	-	-	-	(8,645)	(11,030)	(19,675)
At 31 December 2018	-	76,419	-	7,749,159	497,423	998,888	1,865,085	11,186,974
NET CARRYING AMOUNT								
At 31 December 2018	140,400	2,377,446	1,067,139	18,833,364	227,846	751,836	312,079	23,710,110
Leasehold Land:								

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

Building Under Construction:

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

None of the assets have been pledged to secure borrowings of the Bank.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

23. PROPERTY AND EQUIPMENT (Continued)

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

24. INTANGIBLE ASSETS	2018 USD	2017 USD
COST		
At beginning of year	3,338,765	2,410,666
Additions	937,627	928,099
	<hr/>	<hr/>
At end of year	4,276,392	3,338,765
	<hr/>	<hr/>
AMORTISATION		
At beginning of year	2,000,735	1,626,491
Charge for the year	421,913	374,244
	<hr/>	<hr/>
At end of year	2,422,648	2,000,735
	<hr/>	<hr/>
NET CARRYING AMOUNT		
At end of year	1,853,744	1,338,030
	<hr/>	<hr/>

Intangible assets relate to cost of acquired computer software.
 Computer software are amortised over their estimated useful lives, which is on average 5 years.

25. COLLECTION ACCOUNT DEPOSITS	2018 USD	2017 USD
At 1 January	127,796,131	177,770,025
Increase	43,519,141	45,703,718
Reduction	(51,738,692)	(89,677,612)
	<hr/>	<hr/>
At 31 December	119,576,580	127,796,131
	<hr/>	<hr/>

Collection account deposits represent deposits collected by the Bank on behalf of the customers from proceeds of Bank funded commodities to be applied on loan repayments as they fall due.

26. SHORT TERM BORROWINGS	2018 USD	2017 USD
(a) CERTIFICATES OF DEPOSITS		
Lender		
Reserve Bank of Malawi	-	94,313,391
Banque Commerciale du Congo	-	20,000,000
African Trade Insurance Agency	1,243,996	1,219,232
	<hr/>	<hr/>
	1,243,996	115,532,623
	<hr/>	<hr/>

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 FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

26. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT-TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2018 USD	2017 USD
Syndicated Loan - Citibank	May-18	Oct-21	USD	460,000,000	400,000,000
Syndicated Loan – Asia (I)	Dec-17	Jun-19	USD	340,000,000	340,000,000
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-17	Dec-19	USD	329,301,555	307,052,975
Syndicated Loan – Asia (II)	Dec-17	Dec-20	USD	237,000,000	237,000,000
The Bank of Tokyo Mitsubishi UFJ, Ltd	Oct-18	Dec-21	USD	221,220,401	75,000,000
Standard Chartered Bank London	Dec-17	Dec-20	USD	193,806,513	-
Cargill Kenya Limited	Dec-17	Dec-19	USD	148,247,850	100,000,000
Mashreq Bank	Nov-18	Nov-19	USD	100,000,000	70,000,000
Mizuho Bank London	Nov-18	Nov-19	USD	75,000,000	50,000,000
Nedbank	Oct-18	Nov-21	USD	60,912,877	-
Sumitomo Mitsui Banking Corporation Euro KfW	Jul-18	Feb-19	EUR	58,931,936	22,713,734
Africa50	Dec-18	Mar-19	USD	40,000,000	164,773,423
Citibank	Nov-18	Mar-19	USD	39,761,916	52,712,716
Bank One Ltd	Oct-18	Jan-19	USD	29,952,505	-
Standard Bank South Africa	Oct-18	Jan-19	USD	22,871,000	-
ABSA Bank	Sep-18	Jan-19	USD	5,141,589	-
African Trade Insurance Agency	Oct-18	Apr-19	USD	4,632,718	-
BHF BANK	Jan-18	Sep-19	USD	3,677,350	1,930,823
Commerzbank Frankfurt am Main	Nov-18	Feb-19	USD	2,140,494	8,009,538
Loius Dreyfus Commodities Kenya	Jul-18	Jan-19	USD	307,260	16,275,938
ABC Bank Incorporation Mauritius	Dec-17	Dec-18	USD	-	126,117,322
Bunge S.A	Dec-17	Jan-18	USD	-	66,188,900
Standard Chartered Bank Kenya	Nov-17	Nov-18	USD	-	48,293,746
Allfirst Bank	Dec-17	Jan-18	USD	-	30,000,000
British Arab Commercial Bank PLC	Dec-17	Jun-18	USD	-	25,000,000
Nouvobanq	Jun-18	Dec-18	USD	-	25,000,000
Standard Chartered Bank	Dec-17	Mar-18	USD	-	19,098,457
	Dec-17	Apr-18	USD	-	1,130,482
Sub-total for other short-term borrowings				2,372,905,964	2,186,298,054
INTEREST PAYABLE				9,103,641	12,731,606
Certificate of Deposits (Note 26a)				1,243,996	115,532,623
TOTAL SHORT-TERM BORROWINGS				2,383,253,601	2,314,562,283

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

27. LONG TERM BORROWINGS

Lender	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	Amounts as at 31 December 2018			Amounts as at 31 December 2017		
					Balance outstanding	Amount due within one year	Amount due after one year	Balance outstanding	Amount due within one year	Amount due after one year
					USD	USD	USD	USD	USD	USD
African Development Bank	Dec-04	Aug-23	USD	158,746,264	158,746,264	11,250,000	147,496,264	171,696,249	12,949,985	158,746,264
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	10,000,000	10,000,000	10,000,000	-	20,000,000	10,000,000	10,000,000
China Development Bank	Dec-08	Mar-20	USD	20,000,000	20,000,000	20,000,000	-	48,302,095	28,302,095	20,000,000
KBC Bank	Various	Feb-20	USD	3,144,827	3,144,827	2,515,862	628,965	5,661,944	2,515,862	3,146,082
Exim Bank of India Loan	Various	Various	USD	7,850	7,850	7,850	-	113,192	106,706	6,486
US\$ 1.0 Billion Euro Medium Term Note	Dec-13	Dec-18	USD	-	-	-	-	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	-	700,000,000
Programme: Second Tranche										
FMO	Mar-10	Jan-18	USD	-	-	-	-	2,000,000	15,153,599	23,437,500
Development Bank of Southern Africa	Mar-07	Jun-23	USD	23,437,500	23,437,500	9,375,000	14,062,500	38,591,099	5,949,514	17,104,853
Private Export Funding Corporation	Aug-11	Oct-21	USD	17,104,853	17,104,853	5,949,514	11,155,339	23,054,367	85,000,000	82,142,857
KfW	Dec-13	Dec-28	USD	107,142,857	107,142,857	5,714,286	101,428,571	-	-	-
KfW IPEX	Sep-16	Dec-28	USD	123,111,820	123,111,820	13,364,622	109,747,198	-	-	-
European Investment Bank	Aug-16	Sep-26	USD	88,120,000	88,120,000	5,874,667	82,245,333	88,120,000	13,636,364	31,818,181
CDC Group	Oct-16	Dec-25	USD	81,818,182	81,818,182	14,889,746	66,928,436	45,454,545	1,953,468	1,749,532
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	13,478,240	13,478,240	2,449,520	11,028,720	3,703,000	1,818,950	652,926
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	20,306,413	20,306,413	7,365,175	12,941,238	2,471,876	21,033,379	228,966,621
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	57,000,000	57,000,000	25,274,725	31,725,275	12,000,000	1,391,378	2,388,387
The Exim - Import Bank of China	Dec-17	Dec-23	USD	250,000,001	250,000,001	1,369,446	982,192	3,779,765	1,390,927	2,387,612
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	5,365,496,168	2,351,638	1,369,446	980,576	-	-	-
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	5,364,547,731	2,350,022	1,369,446	980,576	-	-	-
IDC - Industrial Development Corporation	Mar-18	Dec-27	USD	100,565,184	100,565,184	11,173,909	89,391,275	-	-	-
BADEA	Feb-18	Sep-27	USD	5,001,933	5,001,933	-	5,001,933	-	-	-
Sub-total for long term borrowings				1,783,687,584	147,943,768	1,635,743,816	1,720,757,671	338,090,370	1,382,667,301	
Interest payable				25,024,959	25,024,959	-	17,987,840	-	-	-
Total				1,808,712,543	172,968,727	1,635,743,816	1,738,745,511	356,078,210	1,382,667,301	
Deferred Expenditure				(26,682,475)	(26,682,475)	-	(30,455,963)	(112,777)	(30,343,186)	
Total long-term borrowings				1,782,030,068	146,286,252	1,635,743,816	1,708,289,548	355,965,433	1,352,324,115	

The Bank repays these borrowings in either quarterly or semi-annual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them. Borrowings are classified as short term or long term on the basis of the book of business that the Bank funds i.e. Trade or Project loans, and not on the basis of contractual maturity of the liability.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 USD	2017 USD
28. OTHER PAYABLES		
Accrued expenses	9,374,066	4,548,881
Accrued fees-Trade Finance	850,382	968,344
Provident fund*	1,243,471	8,119,134
Other creditors**	54,008,954	63,865,893
Accrued reward & recognition	4,971,407	3,006,127
Accrued fees-Project Finance	1,370	42,170
Rental deposit	51,622	51,622
Dividends payable	2,357,693	1,056,296
	<u>72,858,965</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 clients.

	2018 USD	2017 USD
Analysis of other payables by maturity:		
Amounts due within one year	65,535,685	75,009,560
Amounts due after one year	7,323,280	6,648,907
	<u>72,858,965</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	1,155,218	792,997
Payment of service pay	(196,497)	(191,573)

At end of year	<u>6,040,191</u>	<u>5,081,470</u>
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(ii) PROVISION FOR LEAVE PAY

At beginning of year	1,477,218	1,358,677
Increase in provision	402,898	164,977
Payment of leave pay	(91,667)	(46,436)

At end of year	<u>1,788,449</u>	<u>1,477,218</u>
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TOTAL PROVISION FOR SERVICE AND LEAVE PAY	<u>7,828,640</u>	<u>6,558,688</u>
	=====	=====

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

30. SHARE CAPITAL

	As at 31 December 2018			As at 31 December 2017		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
- 88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
- 220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(166,443,703)	-	(166,443,703)	(265,385,158)	-	(265,385,158)
- Class 'B'	-	(895,282,523)	(895,282,523)	-	(902,613,064)	(902,613,064)
Subscribed capital:						
- 80,891 Class 'A' (2017: 76,526) ordinary shares of USD 22,667 each	1,833,556,297	-	1,833,556,297	1,734,614,842	-	1,734,614,842
- 23,099 Class 'B' (2017: 21,482) ordinary shares of USD 4,533.40 each	-	104,717,477	104,717,477	-	97,386,936	97,386,936
Less: Callable capital	(1,466,845,038)	-	(1,466,845,038)	(1,387,691,874)	-	(1,387,691,874)
Payable capital						
Less: Amounts not yet due	366,711,259 (6,404,787)	104,717,477	471,428,736 (6,404,787)	346,922,968 (9,367,819)	97,386,936	444,309,904 (9,367,819)
Capital due						
Less: subscriptions in arrears	360,306,472 (3,281,391)	104,717,477	465,023,949 (3,281,391)	337,555,149 (3,716,659)	97,386,936	434,942,085 (3,716,659)
Paid up capital	357,025,081	104,717,477	461,742,558	333,838,490	97,386,936	431,225,426

30. SHARE CAPITAL (Continued)

Payable capital is one fifth of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 44 contains the status of subscriptions to the capital stock by member countries.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

30 . SHARE CAPITAL (Continued)

Share Premium: (Class B Shares Only)	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2018:				
At 1 January 2018	21,482	97,386,936	150,355,414	52,968,478
Additions during the year	1,617	7,330,541	14,862,674	7,532,133
At 31 December 2018	23,099	104,717,477	165,218,088	60,500,611
As at 31 December 2017:				
As at 1 January 2017:	17,265	78,269,503	113,376,164	35,106,661
Additions during the year	4,217	19,117,433	36,979,250	17,861,817
As at 31 December 2017:	21,482	97,386,936	150,355,414	52,968,478
	=====	=====	=====	=====

Class A and B shares

As at 31 December 2018, there were 80,891 'A' ordinary shares (2017: 76,526 and 23,099 Class 'B' ordinary shares (2017: 21,482). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.42 each and are issued both to Members and other institutional investors. All ordinary shares have a right to receive dividends in the proportion of the number of shares held by each member, as and when declared by the Board of Governors.

Nature and purpose of the share premium

Class 'B' shares are issued at a premium of USD 6,915.58 (2017: USD 5,884.58) that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

	2018	2017
	USD	USD
<i>Dividends on ordinary shares declared and paid:</i>		
Final dividend for 2017: USD 308.67 per share (2016: 304.21 per share)		
-Declared and paid	25,049,089	23,293,199
-Declared and not paid/payable	2,357,693	1,056,296
	27,406,782	24,349,495
<i>Proposed dividends on ordinary shares:</i>	=====	=====
Dividend for 2018: USD 315.93 per share (2017: USD 308.67 per share)		
	31,684,721	27,406,783
	=====	=====

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

31. MANAGEMENT RESERVE

The management reserve is used to record appropriations from retained earnings to cushion the Bank against future credit risk and other incidents of significant loss. Amounts recorded in management reserves cannot be reclassified to profit or loss and the transfers into and out of this management reserve are approved by the Board of Directors.

32. NOTES TO THE STATEMENT OF CASH FLOWS

	2018 USD	2017 USD
(a) Reconciliation of profit for the year to cash generated from operations:		
Profit for the year	129,325,392	111,864,421
Adjustments:		
Depreciation on property and equipment (Note 23)	898,757	856,858
Amortisation of intangible assets (Note 24)	421,913	374,244
Profit from disposal of property and equipment	2,652	2,266
(Gain) in foreign exchange	(16,301,220)	(236,392)
Interest received	(271,215,413)	(235,762,869)
Interest paid	182,199,807	123,612,040
Management Reserve	19,842,913	-
Provision for impairment	23,156,955	25,323,332
Increase in provision for service and leave pay	981,788	481,956
	<hr/>	<hr/>
Profit before changes in operating assets and liabilities	69,313,544	26,515,856
	=====	=====
Increase in other receivables	(10,658,542)	(26,934,321)
(Increase)/decrease in hedging derivative instruments-Assets	(54,042,940)	75,760,442
(Decrease)/Increase in hedging derivative instruments-Liabilities	(4,797,549)	4,797,549
Increase in trade finance loans	(182,556,237)	(205,086,013)
Increase in project loans	(194,370,177)	(386,576,110)
Decrease in deferred expenditure	-	18,095,167
Decrease in collection accounts deposits	(8,219,550)	(43,973,894)
(Decrease)/Increase in other payables	(14,022,988)	16,980,773
Provision for service and leave pay paid	288,164	238,009
Increase in interest receivable on government securities	-	(1,756,707)
Interest received	271,215,413	235,762,869
Interest paid	(182,199,807)	(123,612,040)
Net increase in borrowings (Note 32 (b))	142,431,837	859,314,761
	<hr/>	<hr/>
	(167,618,832)	449,526,341
	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 USD	2017 USD
32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)		
(b) Analysis of changes in borrowings:		
Short term borrowings:		
At beginning of year	2,314,562,284	2,369,322,431
Loans received	2,634,377,484	1,670,688,314
Repayments	(2,565,686,167)	(1,725,448,461)
	<hr/>	<hr/>
At end of year	2,383,253,601	2,314,562,284
	<hr/>	<hr/>
Long term borrowings:		
At beginning of year	1,708,289,548	794,214,640
Loans received	547,625,476	1,175,933,883
Repayments	(473,884,956)	(261,858,975)
	<hr/>	<hr/>
At end of year	1,782,030,068	1,708,289,548
	<hr/>	<hr/>
Total borrowings:		
At beginning of year	4,022,851,832	3,163,537,071
Loans received	3,182,002,960	2,846,622,197
Repayments	(3,039,571,123)	(1,987,307,436)
	<hr/>	<hr/>
At end of year	4,165,283,669	4,022,851,831
	<hr/>	<hr/>
Increase in total borrowings (Note 32 (a))	142,431,837	859,314,760
	<hr/>	<hr/>
For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Bank and, therefore, are classified as cash generated from operations.		
(c) Analysis of cash and cash equivalents	2018 USD	2017 USD
Cash and balances with other banks - Note 13	1,145,918,378	1,232,980,427
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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending

As at 31 December 2018 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Asian Syndicated Loan 1	340,000,000	340,000,000	-
Middle East Syndication 2017 (First Abu Dhabi Bank PJSC)	329,301,555	329,301,555	-
Cargill Kenya	148,247,850	148,247,850	-
African Trade Insurance Agency	4,921,346	4,921,346	-
BHF Bank	34,306,500	4,972,880	29,333,620
AFREXIM	171,532,500	-	171,532,500
NIC Bank	40,000,000	-	40,000,000
Natixis	30,000,000	-	30,000,000
ING Bank	102,919,500	-	102,919,500
KBC Bank	28,588,750	-	28,588,750
DZ Bank	15,158,226	-	15,158,226
Standard Chartered Bank	330,000,000	221,419,972	108,580,028
Asian Syndication 11, 2017 (Standard Chartered Bank)	237,000,000	237,000,000	-
BNP Paribas Group	75,000,000	-	75,000,000
Commerz Bank	114,355,000	307,260	114,047,740
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	5,141,589	84,858,411
Deutsche Bank	60,000,000	-	60,000,000
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho	80,000,000	75,000,000	5,000,000
Sumitomo Mitsui Banking Corporation	220,000,000	73,665,000	146,335,000
Rand Merchant Bank	50,000,000	-	50,000,000
Bank of Tokyo Mitsubishi	221,220,401	221,220,401	-
Banque de Commerce de placement	9,865,500	-	9,865,500
State Bank of Mauritius	25,000,000	-	25,000,000
Mashreqbank	100,000,000	100,000,000	-
FimBank	28,588,750	-	28,588,750
FBN Bank London	5,000,000	-	5,000,000
Societe Generale	95,000,000	-	95,000,000
Barclays/Absa Bank	24,000,000	23,358,811	641,189
Banque BIA, France	22,871,000	-	22,871,000
BMCE Bank	28,588,750	-	28,588,750
British Arab Commercial Bank	57,177,500	-	57,177,500
Citibank	65,000,000	49,554,598	15,445,402
Syndicated Loan Oct 2018 (Citibank)	460,000,000	460,000,000	-
Nedbank	85,000,000	64,098,885	20,901,115
United Bank Limited	5,000,000	-	5,000,000
Africa50	39,761,917	39,761,917	-
Bank One	22,871,000	22,871,000	-
KFW IPEX	40,000,000	40,000,000	-
TOTAL	4,006,276,045	2,460,843,064	1,545,432,981

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (Continued)

	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
LONG TERM FACILITIES			
LENDER			
Eurobond	700,000,000	700,000,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
European Investment Bank (EIB)	88,120,000	88,120,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
Private Export Funding Corporation (PEFCO)	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
KfW	160,000,000	110,000,000	50,000,000
KfW- Ipex	133,135,287	133,135,287	-
China Development Bank	122,900,000	122,900,000	-
BHF Bank	18,000,000	7,300,000	10,700,000
Japan Bank for International Corporation (JBIC)	80,000,000	23,040,956	56,959,044
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
CDC Group	100,000,000	100,000,000	-
BADEA	15,000,000	5,000,000	10,000,000
IDC- Industrial Development Corporation	105,000,000	100,565,184	4,434,816
Standard Chartered Bank / USAID	50,000,000	14,703,000	35,297,000
AFD -Agence Francaise De Development	75,000,000	57,000,000	18,000,000
The Exim -Import Bank of China	250,000,000	250,000,000	-
OPEC Fund for International Development (OFID)	60,000,000	-	60,000,000
Exim Bank USA	No Limit	-	No Limit
TOTAL	2,640,065,352	2,295,125,121	344,940,231
TOTAL FACILITIES: 31 December 2018	6,646,341,397	4,755,968,185	1,890,373,212

Note:

Facilities utilised include outstanding letters of credit amounting to USD 161,673,239 as disclosed in note 35(b).

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (Continued)

As at 31 December 2017 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan 2	400,000,000	400,000,000	-
Syndicated Loan 1	340,000,000	340,000,000	-
First Abu Dhabi Bank PJSC-Middle East Syndication	336,524,025	307,052,975	29,471,050
Standard Chartered Bank-Asian Syndication	237,000,000	237,000,000	-
Sumitomo Mitsui Banking Corporation	220,000,000	176,608,672	43,391,328
Standard Chartered Bank	180,000,000	89,305,073	90,694,927
AFREXIM Bank	179,662,500	-	179,662,500
KFW	164,773,423	164,773,423	-
Louis Dreyfus	126,117,322	126,117,322	-
Commerzbank	119,775,000	29,250,577	90,524,423
Certificates of deposit	115,532,623	115,532,623	-
ING Bank	107,797,500	-	107,797,500
Cargill Kenya	100,000,000	100,000,000	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	9,053,385	80,946,615
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho Bank	80,000,000	50,000,000	30,000,000
FBN Bank London	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Bank of Tokyo Mitsubishi	75,000,000	75,000,000	-
Mashreq Bank	70,000,000	70,000,000	-
ABC Bank Mauritius	66,188,900	66,188,900	-
Citibank	65,000,000	1,310,211	63,689,789
Deutsche Bank	60,000,000	-	60,000,000
British Arab Commercial Bank	59,887,500	25,000,000	34,887,500
Africa50	52,712,716	52,712,716	-
Rand Merchant Bank	50,000,000	25,000,000	25,000,000
Bunge S.A	48,293,746	48,293,746	-
NIC Bank	40,000,000	-	40,000,000
BHF Bank	35,932,500	19,424,305	16,508,195
Nedbank	35,000,000	-	35,000,000
Natixis	30,000,000	-	30,000,000
KBC Bank	29,943,750	-	29,943,750
FimBank	29,943,750	-	29,943,750
BMCE Bank	29,943,750	-	29,943,750
Bank One	25,000,000	-	25,000,000
Banque BIA, France	23,955,000	-	23,955,000
Barclays/Absa Bank	20,000,000	6,178,650	13,821,350
Nouvobanq	19,098,457	19,098,457	-
DZ Bank	15,158,226	15,158,226	-
State Bank of Mauritius	15,000,000	-	15,000,000
Banque de Commerce de placement	9,993,430	-	9,993,430
United Bank Limited	5,000,000	-	5,000,000
Africa Trade Insurance Agency	1,930,823	-	1,930,823
	<u>4,130,164,941</u>	<u>2,568,059,261</u>	<u>1,562,105,680</u>
	=====	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

32. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (continued)

	Facilities available	Facilities utilised	Facilities unutilised
LONG TERM FACILITIES LENDER	USD	USD	USD
Eurobond	700,000,000	700,000,000	-
Eurobond	300,000,000	300,000,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Eurobond	300,000,000	300,000,000	-
The Exim -Import Bank of China	250,000,000	250,000,000	-
KfW	160,000,000	85,000,000	75,000,000
China Development Bank	122,900,000	122,900,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
European Investment Bank (EIB)	88,120,000	88,120,000	-
Agence Francaise De Development (AFD)	75,000,000	12,000,000	63,000,000
Private Export Funding Corporation (PEFCO)	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
FMO	50,000,000	50,000,000	-
CDC Group	50,000,000	50,000,000	-
Standard Chartered Bank / USAID	50,000,000	3,703,000	46,297,000
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Bank (IDC)	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
BADEA	15,000,000	-	15,000,000
Japan Bank for International Corporation (JBIC)	9,510,931	3,381,351	6,129,580
Exim Bank USA	No limit	-	No limit
	<hr/>	<hr/>	<hr/>
	2,901,440,996	2,555,765,045	345,675,951
	=====	=====	=====
TOTAL FACILITIES AT 31 DECEMBER 2017	6,731,605,937	4,823,824,306	1,907,781,631
	=====	=====	=====

Note:

Facilities utilised include outstanding letters of credit amounting to USD 475,127,528 as disclosed in note 35(b).

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Net derivative financial instruments

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

Financial instruments disclosed at fair value

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

Fair Value hierarchy

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

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

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

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

At 31 December 2018:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Net derivative financial instruments	-	54,042,940	-	54,042,940
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
	<hr/>	<hr/>	<hr/>	<hr/>
	-	54,042,940	51,520,730	105,564,670
	=====	=====	=====	=====
At 31 December 2017:				
LIABILITIES				
Net derivative financial instruments	-	4,797,549	-	4,797,549
	<hr/>	<hr/>	<hr/>	<hr/>
	-	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 FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between Level 1, 2 and Level 3:

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

Valuation of financial Instruments recorded at fair value:

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

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

Valuations of financial instruments are the responsibility of Management.

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

Net changes in fair value of financial assets and financial liabilities -Level 3

	As at 31 December 2018			As at 31 December 2017		
	Realised USD	Unrealised USD	Total gains/(losses) USD	Realised USD	Unrealised USD	Total gains/(losses) USD
ASSETS						
Equity investments						
– at fair value						
through other						
comprehensive						
income	11,178,799	-	11,178,799			
	=====	=====	=====	=====	=====	=====
LIABILITIES	-				-	
	=====	=====	=====	=====	=====	=====

The Bank adopted IFRS 9 Financial Instruments on 1 January 2018. Equity investments, which were previously held at cost under IAS 39, were now recognized at fair value through other comprehensive income. Consequently, the gain disclosed as at 31 December relates to valuation gains upon recognizing the assets at fair value from cost.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	2018 USD	2017 USD
Equity investments – at fair value through other comprehensive income	International Private Equity Valuation Guidelines	Multiple variables	n/a	51,521,730	-

Sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy – Level 3:

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

As at 31 December 2018:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments – at fair value through other comprehensive income	Multiple variables	5%	2,576,087

As at 31 December 2017: NIL

Significant increases (decreases) in the equity of investee companies in isolation would result in a significantly (lower) higher fair value measurement

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	2018 USD	2017 USD
Balance as at 31 January	40,257,957	17,496,672
IFRS 9 adjustment	10,728,799	-
Balance as at 31 January-Restated	50,986,756	17,496,672
FV gains and losses	450,000	-
Additions	84,974	22,761,285
Balance as at 31 December	51,521,730	40,257,957

34. SEGMENT REPORTING

The Bank's main business is offering loan products, which is carried out in distinct geographic coverage areas. As such, the Bank has chosen to organise the Bank based on the loan products offered as well as coverage areas for segmental reporting.

The main types of loan products are:

- Trade finance – Short term and structured medium-term financing in support of trading activities such as imports and exports in various member states.
- Project finance – Medium and long- term financing of viable and commercially oriented public and private sector projects and investments in various economic sectors or industries.

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Bank's main business. The Bank also participates in the investment of Government securities and other unlisted equity investments. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, which form the majority of the statement of financial position.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB-formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 DECEMBER 2018

34. SEGMENT REPORTING (Continued)

a) STATEMENT OF COMPREHENSIVE INCOME

	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Consolidated/ Bank Total USD
INCOME								
Interest income	91,440,363	111,132,038	76,846,704	2,396,245	47,930,069	329,745,419	31,842,477	361,587,896
Interest expense and other borrowing costs	(50,559,206)	(63,454,029)	(44,238,902)	(1,381,908)	(27,331,490)	(186,965,535)	(18,227,206)	(205,192,741)
Net interest income	40,881,157	47,678,009	32,607,802	1,014,337	20,598,579	142,779,884	13,615,271	156,395,155
Fee and commission income	11,977,476	988,364	20,435,473	2,338,308	8,452,833	44,192,454	-	44,192,454
Net Trading Income	52,858,633	48,666,373	53,043,275	3,352,645	29,051,412	186,972,338	13,615,271	200,587,609
Risk Mitigation Costs	(8,221,032)	(9,019,064)	(14,032,706)	-	(279,333)	(31,552,135)	(2,988,969)	(34,541,104)
Other Income	1,564,251	-	2,533,153	49,940	-	4,147,344	3,335,507	7,482,851
Depreciation and amortisation	-	-	-	-	-	-	(1,320,670)	(1,320,670)
Operating expenditure	(897,995)	(389,952)	(450,054)	(748,743)	(3,415,261)	(5,902,005)	(33,485,107)	(39,387,112)
Impairment allowance on loans	(11,012,333)	(1,103,071)	(7,233,548)	(638,737)	(1,910,725)	(21,898,414)	(1,258,541)	(23,156,955)
Impairment on other assets	(471,125)	-	-	(255,000)	-	(726,125)	(2,500,000)	(3,226,125)
Exchange Gains	-	-	-	-	-	-	22,886,898	22,886,898
PROFIT FOR THE YEAR	33,820,399	38,154,286	33,860,120	1,760,105	23,446,093	131,041,003	(1,715,611)	129,325,392

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

34. SEGMENT REPORTING (Continued)

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

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

Year Ended 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	204,323,254	125,422,165	31,842,477	361,587,896
Interest expense and other borrowing costs	(116,941,399)	(70,024,156)	(18,227,206)	(205,192,741)
Net interest income	87,381,855	55,398,029	13,615,271	156,395,155
Fee and commission income	31,206,418	12,986,036	-	44,192,454
Risk mitigation costs	(23,385,321)	(7,905,473)	(3,250,310)	(34,541,104)
Other income	-	-	1,052,485	1,052,485
Interest on capital arrears	-	-	2,073,647	2,073,647
Other assets written-off	(2,500,000)	(726,125)	-	(3,226,125)
Other assets recovered	503,410	3,850,173	3,136	4,356,719
Operating expenses	(19,781,660)	(19,605,452)	-	(39,387,112)
Depreciation and amortisation	(662,813)	(657,857)	-	(1,320,670)
Impairment on assets	(20,359,633)	68,469	(1,258,541)	(21,549,705)
Impairment on off-balance sheet commitments	(744,814)	(862,436)	-	(1,607,250)
Foreign exchange gain	22,886,898	-	-	22,886,898
Profit for the year	74,544,340	42,545,364	12,235,688	129,325,392
Year Ended 31 December 2017:				
Gross interest income	178,408,979	95,166,425	2,438,538	276,013,942
Interest expense and other borrowing costs	(102,929,017)	(44,409,204)	(3,038,231)	(150,376,452)
Net interest income	75,479,962	50,757,221	(599,693)	125,637,490
Fee and commission income	50,243,362	6,560,917	-	56,804,279
Risk mitigation costs	(29,889,732)	(4,128,898)	(3,371,210)	(37,389,840)
Other income	-	-	935,801	935,801
Interest on capital arrears	-	-	552,498	552,498
Other assets recovered	6,029,262	5,057,702	-	11,086,964
Operating expenses	(15,312,618)	(14,241,090)	-	(29,553,708)
Depreciation and amortisation	(624,062)	(607,041)	-	(1,231,103)
Impairment on loans	(26,980,643)	1,657,311	-	(25,323,332)
Foreign exchange loss	10,345,372	-	-	10,345,372
Profit for the year	69,290,903	45,056,122	(2,482,604)	111,864,421

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

34. SEGMENT REPORTING (Continued)

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

b) REVENUE FROM MAJOR GROUPS

	2018 USD	2017 USD
Groups contributing 10% or more of revenue	223,371,145	146,206,289
All other customers	150,566,918	178,124,833
	<hr/>	<hr/>
Total Revenue	373,938,063	324,331,122
	<hr/>	<hr/>

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	56,296,236	-	1,089,622,142	1,145,918,378
Derivative financial instruments	54,042,940	-	-	54,042,940
Other receivables	-	-	117,136,030	117,136,030
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project loans	-	1,429,558,518	-	1,429,558,794
Equity investments at fair value	-	51,521,730	-	51,521,730
other comprehensive income	-	386,994	-	386,994
Investment in Joint Ventures	-	-	-	-
Property and equipment	-	-	23,710,110	23,710,110
Intangible assets	-	-	1,853,744	1,853,744
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	2,843,784,061	1,481,467,242	1,232,322,026	5,557,573,605
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities:				
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	-	1,782,030,068	-	1,782,030,068
Collection account deposits	119,576,580	-	-	119,576,580
Provision for service and leave pay	-	-	7,828,640	7,828,640
Other payables	-	-	72,858,965	72,858,965
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	2,502,830,181	1,782,030,068	80,687,605	4,365,547,854
	<hr/>	<hr/>	<hr/>	<hr/>
Equity	-	-	1,192,025,751	1,192,025,751
	<hr/>	<hr/>	<hr/>	<hr/>
	2,502,830,181	1,782,030,068	1,272,713,356	5,557,573,605
	<hr/>	<hr/>	<hr/>	<hr/>

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

34. SEGMENT REPORTING (Continued)

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2017:

	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	82,400,556	-	1,150,579,871	1,232,980,427
Investment in Government securities - held to maturity	57,275,058	-	-	57,275,058
Other receivables	-	-	106,477,488	106,477,488
Trade finance loans	2,571,248,280	-	-	2,571,248,280
Project loans	-	1,235,120,149	-	1,235,120,149
Equity investments at cost	-	40,257,957	-	40,257,957
Investment in joint ventures	-	369,493	-	369,493
Property and equipment	-	-	19,631,950	19,631,950
Intangible assets	-	-	1,338,030	1,338,030
Total assets	2,710,923,894	1,275,747,599	1,278,027,339	5,264,698,832
	=====	=====	=====	=====
Liabilities:				
Short term borrowings	2,314,562,283	-	-	2,314,562,283
Long term borrowings	-	1,708,289,548	-	1,708,289,548
Collection account deposits	127,796,131	-	-	127,796,131
Derivative financial instruments	4,797,549	-	-	4,797,549
Provision for service and leave pay	-	-	6,558,688	6,558,688
Other payables	-	-	81,658,467	81,658,467
Total liabilities	2,447,155,963	1,708,289,548	88,217,155	4,243,662,666
	=====	=====	=====	=====
Equity	-	-	1,021,036,166	1,021,036,166
	=====	=====	=====	=====
	2,447,155,963	1,708,289,548	1,109,253,321	5,264,698,832
	=====	=====	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

35. CONTINGENT LIABILITIES AND COMMITMENTS

	2018 USD	2017 USD
(a) Approved capital expenditure		
Approved but not contracted	17,294,830	12,841,523
	=====	=====
Approved and contracted	10,105,737	
	=====	=====
(b) Loans committed but not disbursed		
Project finance loans	263,569,643	181,024,180
Trade finance loans	265,445,719	513,906,227
	=====	=====
	529,015,362	694,930,407
	=====	=====

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

	2018 USD	2017 USD
Letters of credit – Project finance loans	280,000	7,223,037
– Trade finance loans	161,393,239	467,904,491
Guarantee	17,000,000	
	=====	=====
	178,673,239	475,127,528
	=====	=====

(c) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was USD NIL (2017 – USD NIL). At the reporting date, the Bank had contracted with tenants for the following future lease receivables (2017: NIL)

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months' notice to vacate the premises. The leases had not been renewed by 31 December, 2018.

The Bank as a lessee

At year end, the Bank had outstanding commitments under operating leases which fall due as follows:

	2018 USD	2017 USD
Within one year	350,021	446,962
In the second to fifth year inclusive	256,661	199,308
	=====	=====
	606,682	646,270
	=====	=====

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

35. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(d) Pending litigation

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

As at 31 December 2018, there were legal proceedings involving the Bank amounting to USD 38,789,873 (2017 – USD 25,100,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

36. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- Twenty two COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders – one non-African State and Fourteen institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of Nineteen (19) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

The following are the details of the transactions and balances with related parties:-

	2018 USD	2017 USD
(b) Loans to member states		
Outstanding loans at 1 January	1,907,869,877	1,132,314,880
Loans disbursed during the year	453,571,429	844,696,940
Loans repaid during the year	(559,053,690)	(69,141,943)
	<hr/>	<hr/>
Outstanding loan balances at 31 December	1,802,387,616	1,907,869,877
	=====	=====

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any specific provision for doubtful debts relating to amounts owed by related parties (2017: Nil). General provisions have been raised as applicable.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

36. RELATED PARTY TRANSACTIONS (Continued)

	2018 USD	2017 USD
(c) Borrowings from members		
Outstanding borrowings at 1 January	266,009,640	321,797,391
Borrowings received during the year	8,513,580	122,903,638
Borrowings repaid during the year	(115,776,956)	(178,691,389)
	<hr/>	<hr/>
Outstanding balances at 31 December	158,746,264	266,009,640
	=====	=====

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at year-end are unsecured and there has been no guarantee provided by the Bank for any borrowings from members. The borrowings are for an average period of ten years.

	2018 USD	2017 USD
(d) Income and expenses		
• Interest income from loans to Member States earned during the year	180,127,858	124,347,488
	=====	=====
• Interest expense on borrowings from Member States incurred during the year	(9,367,901)	(8,275,603)
	=====	=====
• Fees and commission earned from Member States during the year	20,406,465	43,171,393
	=====	=====
(e) Other related parties		

The remuneration of members of key management staff during the year was as follows:

	2018 USD	2017 USD
Salaries and other short-term benefits	4,520,153	2,854,882
Post employment benefits: Defined contribution: Provident Fund	705,313	636,269
Board of Directors and Board of Governors allowances	258,775	345,600
Other long-term employee benefits	279,153	183,911
	<hr/>	<hr/>
	5,763,394	4,020,662
	=====	=====
(f) Share capital		

During the year, Class 'B' shares with a value of USD 2,212,308 (2017: USD 4,338,484) were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

37. CURRENCY

The financial statements are presented in United States Dollars (USD). At the reporting date, the conversion rates between one USD and certain other currencies were as analysed below:

	2018	2017
British Pound	0.7885	0.7411
Euro	0.8745	0.8318
United Arab Emirates Dirham	3.6729	3.6730
Zambian Kwacha	11.9500	9.9500
Sudanese Pound	28.8370	19.7015
South Africa Rand	14.3717	12.3075
Ethiopian Birr	28.3273	27.3345
Mauritian Rupee	34.1500	33.5095
Kenya Shilling	101.8000	103.3000
Japanese Yen	110.4350	112.5400
Malawi Kwacha	728.7700	726.0702
Burundi Franc	1756.0000	1757.6050
Tanzania Shilling	2281.6000	2246.0000
Uganda Shilling	3726.2500	3635.7500

38. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to, these financial statements.

39. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are as outlined below:

(a) INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement monitoring and reporting, subject to risk limits and other governance controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk (non-trading risks). It is also subject to country risk.

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk appetite statement and risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive appetite statement and risk management framework for measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and other stakeholders understand their roles and obligations.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) INTRODUCTION (Continued)

Risk management structure (Continued)

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on prudential limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) CREDIT RISK

The Bank defines credit risk as the risk that adverse changes in the credit quality of borrowers will negatively affect the Bank's financial performance and financial condition. Credit risk arises from both client-specific risk and country risk. The Bank, through its lending operations to private sector and public sector entities in its Member Countries, and to a lesser extent, treasury operations, is exposed to credit risk.

Credit Risk Appetite

The Bank adheres to a defined credit risk appetite which considers the maximum credit losses the Bank is prepared to absorb from its lending activities in pursuit of corporate objectives.

The credit risk appetite statement further defines risk-based lending mandates and limits to manage credit risk concentrations at single/group borrower, country and sector levels within expectations to minimise unexpected credit losses.

All limits were within approved risk appetite thresholds as at 31 December 2018

Risk Management Policies and Processes

The Bank manages credit risk through an integrated risk management policy framework and processes which place great emphasis on rigorous screening of borrowers at loan origination.

The risk management policies and processes are designed to identify, measure, manage and control credit risk throughout the whole project cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Client-Specific Risk

The Bank uses credit assessment and risk profiling systems, including borrower risk rating models to evaluate the credit risk of the investment proposals both at loan origination and during the life of the loan.

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value.

Country risk

The Bank considers country-specific political, social and economic events which may have an adverse impact on the credit quality of its borrowers. To mitigate such risks, the Bank uses prudent country exposure management policies. In addition, the Bank considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

Notes 42 and 43 of the Financial Statements contain further country exposure analysis as at 31 December 2018 and 31 December 2017.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 35(b).

Credit quality

The following tables sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost (31 December 2018) and loans and receivables (31 December 2017). Unless specifically indicated, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the undrawn portion of amounts committed. Loan commitments are undisbursed facilities including letters of credit. Explanation of the terms 'Stage 1', 'Stage 2', 'Stage 3' and purchased originated credit impaired (POCI) assets is included in Note 2 (b) and 3 (j).

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2018				31 December 2017
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Total USD
<i>Project finance loans:</i>					
Pass/Acceptable	1,254,771,124	-	-	1,254,771,124	1,094,560,380
Special mention	-	180,999,353	-	180,999,353	151,239,295
Substandard, Doubtful & Loss	-	-	24,147,841	24,147,841	21,485,839
	<u>1,254,771,124</u>	<u>180,999,353</u>	<u>24,147,841</u>	<u>1,459,918,318</u>	<u>1,267,285,514</u>
Loss Allowance	(1,584,648)	(4,627,035)	(24,147,841)	(30,359,524)	(32,165,365)
Carrying Amount	<u>1,253,186,476</u>	<u>176,372,318</u>	<u>-</u>	<u>1,429,558,794</u>	<u>1,235,120,149</u>
	=====	=====	=====	=====	=====
<i>Trade finance loans:</i>					
Pass/ acceptable	2,527,025,580	-	-	2,527,025,580	2,383,278,832
Special mention	-	211,163,777	-	211,163,777	191,252,509
Substandard, Doubtful & Loss	-	-	75,208,489	75,208,489	72,098,214
	<u>2,527,025,580</u>	<u>211,163,777</u>	<u>75,208,489</u>	<u>2,813,397,846</u>	<u>2,646,629,555</u>
Loss Allowance	(2,470,667)	(2,273,805)	(75,208,489)	(79,952,961)	(75,381,275)
Carrying Amount	<u>2,524,554,913</u>	<u>208,889,972</u>	<u>-</u>	<u>2,733,444,885</u>	<u>2,571,248,280</u>
	=====	=====	=====	=====	=====
<i>Undisbursed commitments:</i>					
Pass/ Acceptable	566,479,040	-	-	566,479,040	396,963,457
Special mention	-	2,457,056	-	2,457,056	15,411,903
	<u>566,479,040</u>	<u>2,457,056</u>	<u>-</u>	<u>568,936,096</u>	<u>412,375,360</u>
Loss Allowance	(1,517,384)	(27,252)	-	(1,544,636)	-
Carrying Amount	<u>564,961,656</u>	<u>2,429,804</u>	<u>-</u>	<u>567,391,460</u>	<u>412,375,360</u>
	=====	=====	=====	=====	=====
<i>Letters of Credit:</i>					
Pass/acceptable	19,121,521	-	-	19,121,521	47,948,322
Special mention	-	-	-	-	22,682,974
	<u>19,121,521</u>	<u>-</u>	<u>-</u>	<u>19,121,521</u>	<u>70,631,296</u>
Loss Allowance	(62,614)	-	-	(62,614)	-
Carrying Amount	<u>19,058,907</u>	<u>-</u>	<u>-</u>	<u>19,058,907</u>	<u>70,631,296</u>
	=====	=====	=====	=====	=====

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	31 December 2018			31 December 2017	
Total off-balance sheet items	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Total USD
Pass/ Acceptable	585,600,561	-	-	585,600,561	444,911,779
Special mention	-	2,457,056	-	2,457,056	38,094,877
	585,600,561	2,457,056	-	588,057,617	483,006,656
Loss Allowance	(1,579,998)	(27,252)	-	(1,607,250)	-
Carrying Amount	584,020,563	2,429,804	-	586,450,367	483,006,656

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	2018 USD	%	2017 USD	%
------------------	-------------	---	-------------	---

On – statement of financial position Items

Cash and Balances held with other banks	1,145,918,378	21	1,232,980,427	23
Investment in Government securities	-	-	57,275,058	1
Other receivables	72,249,608	1	76,648,950	1
Derivative financial instruments	54,042,940	1	-	-
Loans and advances	4,273,316,164	77	3,913,915,069	75
-Project loans	1,459,918,318		1,267,285,514	
-Trade finance loans	2,813,397,846		2,646,629,555	
Sub Total	5,545,527,090	100	5,280,819,504	100

Off – statement of financial position Items

Letters of Credit	161,673,239	23	475,127,528	41
Loan Commitments not disbursed	529,015,362	75	694,930,407	59
Guarantees and Performance Bonds	17,000,000	2	-	-
Sub Total	707,688,601	100	1,170,057,935	100
Total Credit Exposure	6,253,215,691		6,450,877,439	

The above figures represent the worst case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 79.66% in 2018 (2017 – 78.8%) of the total maximum credit exposure.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Other than cash and bank balances amounting to USD 1,145,918,378 (2017 -USD 1,232,980,427) and Investment in government securities of USD NIL (2017-USD 57,275,058) all other credit risk exposures are secured by collateral in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

As at 31 December 2018, the fair value of collateral held for impaired loans and advances was USD 251,217,197 (2017 – USD 256,464,924) and provided sufficient cover over the gross exposure of USD 100,614,870 (2017-USD 93,584,053) and over the net exposure of USD NIL (2017-USD 21,277,021) after deducting the impairment allowances.

Classification of Loans and advances

For year ended 31 December 2018: Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	4,043,912,116	(10,956,156)	4,032,955,960	97
Past due but not impaired	128,789,178		128,789,178	3
Impaired	100,614,870	(99,356,329)	1,258,541	0
	<u>4,273,316,164</u>	<u>(110,312,485)</u>	<u>4,163,003,679</u>	<u>100</u>
	=====	=====	=====	===
Total				
	<u>4,273,316,164</u>	<u>(110,312,485)</u>	<u>4,163,003,679</u>	<u>100</u>
	=====	=====	=====	===
For year ended 31 December 2017 Category				
Neither past due nor impaired*	3,640,648,029	(35,239,608)	3,605,408,421	95
Past due but not impaired	179,682,987		179,682,987	4
Impaired	93,584,053	(72,307,032)	21,277,021	1
	<u>3,913,915,069</u>	<u>(107,546,640)</u>	<u>3,806,368,429</u>	<u>100</u>
	=====	=====	=====	===
Total				
	<u>3,913,915,069</u>	<u>(107,546,640)</u>	<u>3,806,368,429</u>	<u>100</u>
	=====	=====	=====	===

The amounts which are past due but not impaired are secured by collaterals in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

*The impairment allowance on neither past due nor impaired amounts relate to general provisions.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances (Continued)

Ageing of arrears for past due loans and advances not impaired

	2018 USD	2017 USD
Below 30 Days	49,728,080	26,100,797
31 to 90 Days	4,326,490	31,394,293
91-180 Days	4,153,855	23,155,054
181-360 Days	40,221,656	58,044,357
Over 360 Days	30,359,097	40,988,486

Total arrears	128,789,178	179,682,987
	=====	=====

Ageing of arrears for impaired loans and advances

Below 30 Days	195,265	1,214,342
31-90 Days	301,917	-
91-180 Days	739,049	12,287,561
181-360 Days	2,989,861	11,574,262
Over 360 Days	74,751,873	54,684,000

Total arrears	78,977,965	79,760,165
	=====	=====

Amounts not in arrears	21,636,905	13,823,888
	=====	=====

Total	100,614,870	93,584,053
	=====	=====

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for borrowers that are up to date with their principal and interest payments and conforming to all the agreed terms and conditions. Such borrowers are financially sound and demonstrate capacity to continue to service their debts in the future. The Bank classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

Past due but not impaired

Loans under this category are performing well but exhibit potential weaknesses which may, if not corrected in good time, weaken the borrower's capacity to repay. These weaknesses may also result in the Bank's interest not being adequately protected. Such weaknesses include temporary cash flow constraints and deteriorating economic conditions. The Bank classifies such loans as 'Fair Risk-PTAR 3 and Watch Risk- PTAR 4' in line with its Loan Classification Policy. Sovereign loans that are past due are not considered impaired unless otherwise approved by the Bank's Board of Directors.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard-PTAR 5', 'Doubtful-PTAR 6' and 'Loss-PTAR 7'. Thus, impaired loans range from those that are not adequately protected by their current sound worth and paying capacity of the obligor to those that are considered uncollectible or of such little value that their continuance as bankable assets is not warranted.

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements in need. In this regard, the Bank calls for security such as mortgage interest on property, registered securities over financed or third-party assets and guarantees. The security cover required is, at least, one and a third times the loan amount that is disbursed. Such security is subject to regular reviews and, if necessary, revaluation every three years.

The Bank does not hold security over deposits placed with other banks or financial institutions and government securities. However, the Bank places deposits with well vetted and financially sound counter-parties. In addition, the Bank places limits on counter-party exposures which are set, monitored and reviewed by the Bank-Wide Integrated Risk Management Committee.

For both periods ended 31 December 2018 and 31 December 2017, the Bank's collateral exceeded the outstanding gross portfolio.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio

	2018 USD	2017 USD
(i) Total portfolio:		
Mortgages on properties	587,971,517	695,558,779
Fixed charge on plant and equipment	786,375,582	816,158,207
Cash security deposits	1,087,466,651	740,061,620
Sovereign undertakings	381,906,582	912,363,601
Insurance and Guarantees	2,979,738,078	2,082,965,110
Other floating all asset debenture	63,678,563	45,878,563
	<hr/>	<hr/>
Total security cover	5,887,136,973	5,292,985,880
	<hr/>	<hr/>
Gross portfolio	(4,273,316,164)	(3,913,915,069)
	<hr/>	<hr/>
Net cover	1,613,820,809	1,379,070,811
	<hr/>	<hr/>
(ii) Loans not impaired:		
Mortgages on properties	493,631,052	591,884,789
Fixed charge on plant and equipment	661,389,974	709,434,599
Cash security deposits	1,087,466,651	740,061,620
Sovereign undertakings	381,906,582	912,363,601
Insurance and Guarantees	2,947,846,954	2,036,897,784
Other floating all asset debenture	63,678,563	45,878,563
	<hr/>	<hr/>
Total security cover	5,635,919,776	5,036,520,956
	<hr/>	<hr/>
Gross portfolio	(4,172,701,294)	(3,820,331,016)
	<hr/>	<hr/>
Net cover	1,463,218,482	1,216,189,940
	<hr/>	<hr/>
(iii) Impaired loans:		
Mortgages on properties	94,340,465	103,673,990
Fixed charge on plant and equipment	124,985,608	106,723,608
Insurance and Guarantees	31,891,124	46,067,326
	<hr/>	<hr/>
Total security cover	251,217,197	256,464,924
	<hr/>	<hr/>
Gross portfolio	(100,614,870)	(93,584,053)
	<hr/>	<hr/>
Net cover	150,602,327	162,880,871
	<hr/>	<hr/>

Inputs, assumptions and techniques used for estimating impairment

Significant Increase in Credit Risk

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk:

- Qualitative indicators;
- Project finance and Trade Finance loans rated PTAR 3 and 4; and
- a backstop of 30 days past due

Credit Risk Classification

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

The table below provides an indicative mapping of how the Group's internal credit grades relate to PD.

Trade Finance loans

<i>Grading:</i>	12-month weighted average PD
Very Low risk	0.33%
Low risk	
Moderate risk	3.06%
High risk	
Substandard	100%

Project Finance loans

<i>Grading:</i>	12-month weighted average PD
Very Low risk	0.54%
Low risk	
Moderate risk	10.90%
High risk	
Substandard	100%
Bad & Doubtful	
Loss	

Determining Whether Credit Risk Has Increased Significantly

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

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Determining Whether Credit Risk Has Increased Significantly

Currently, the Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being rated as PTAR 3 and PTAR 4 or being in arrears for a period of 30 to 89 days. The Bank will develop an internal rating model going forward and movement in the probability of default (PD) between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk. In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors linked to the Bank's risk management processes indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past-due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Definition of Default

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

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

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

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

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

Incorporation of forward-looking Information

The Bank incorporates forward-looking information in its measurement of ECLs. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, assigned a 20% and 30% probability of occurring respectively. The base case represents a most-likely outcome and is aligned with information used by the Bank for determining country lending limits as well as strategic planning. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the various jurisdictions in which the Bank operates, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters.

The Bank formulates a 'base case' view of the future direction of relevant economic variables in the various jurisdictions in which it operates, and a representative range of other possible forecast scenarios based on advice from the Bank's Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment – continued

Incorporation of forward-looking Information - continued

The macroeconomic variables applied are those used as part of determining the country risk ratings for different jurisdictions in which the bank lends. Using forecasted macroeconomic information, the country risk ratings are forecasted for a period of three (3) years and the aggregated changes in country risk ratings, year-on-year, starting with the base year (financial reporting year-end) are applied as the forward looking information.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These key drivers include Political risk, Economic strength and performance, Transfer and currency risk, Governance, Debt sustainability vs Fiscal strength and Bank experience. Country risk ratings have been developed based on analysing these factors and the aggregate predicted changes in these ratings considered as the predictor of the future default rate. The economic scenarios used are approved by the Bank's Credit Committee.

Modified Financial Assets (Restructured Assets)

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

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

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

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment - continued

Inputs into Measurement of ECLs

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

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

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

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

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

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

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

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

- Product type; and
- Industry.

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 are shown in Note 17, and they represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
<i>Project finance loans:</i>				
Balance at 1 January	1,964,474	6,539,709	21,485,839	29,990,022
Transfer to 12 months ECL	773,111	(773,111)	-	-
Transfer to Lifetime ECL not credit impaired	(65,570)	65,570	-	-
Transfer to Lifetime ECL credit impaired	-	(47,915)	47,915	-
Net re-measurement of Loss allowance	(958,225)	(1,071,756)	4,051,643	2,021,662
Financial assets derecognised	(129,142)	(85,462)	-	(214,604)
Financial assets written off	-	-	(1,437,556)	(1,437,556)
	<u>1,584,648</u>	<u>4,627,035</u>	<u>24,147,841</u>	<u>30,359,524</u>
<i>Trade finance loans:</i>				
Balance at 1 January	3,756,909	3,039,495	50,821,193	57,617,597
Transfer to 12 months ECL	1,055,331	(1,055,331)	-	-
Transfer to Lifetime ECL not credit impaired	(65,989)	65,989	-	-
Transfer to Lifetime ECL credit impaired	-	(569,898)	569,898	-
Net of financial assets originated and remeasurement of Loss allowance	(1,899,056)	(464,885)	25,075,938	22,711,997
Financial assets derecognised	(376,620)	(13)	-	(376,633)
	<u>2,470,575</u>	<u>1,015,357</u>	<u>76,467,029</u>	<u>79,952,961</u>
<i>Undisbursed commitments:</i>				
Balance at 1 January	1,670,699	89,134	-	1,759,833
Net remeasurement of Loss allowance	(177,385)	-	-	(177,385)
Net financial assets originated or purchased	1,265,725	27,252	-	1,292,977
Financial assets derecognised	(1,241,655)	(89,134)	-	(1,330,789)
	<u>1,517,384</u>	<u>27,252</u>	<u>-</u>	<u>1,544,636</u>
<i>Letters of credit:</i>				
Balance at 1 January	333,710	131,186	-	464,896
Net remeasurement of Loss allowance	5,287	-	-	5,287
Net financial assets originated or purchased	34,641	-	-	34,641
Financial assets derecognized	(311,025)	(131,186)	-	(442,211)
	<u>62,613</u>	<u>-</u>	<u>-</u>	<u>62,613</u>

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance (Continued)

The ECL on cash and balances with other banks, Trade and Project finance loans and loan commitments are presented in cash and balances with other banks, Trade and Project finance loans and other liabilities respectively in the statement of financial position.

Gross Loans and advances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018				31 December
	Stage 1	Stage 2	Stage 3	Total	2017
	USD	USD	USD	USD	USD
<i>Project finance loans;</i>					
Balance at 1 January	1,076,907,090	151,239,295	21,485,839	1,249,632,224	846,886,728
Transfer to 12 months ECL	34,455,556	(34,455,556)	-	-	-
Transfer to Lifetime ECL not credit impaired	(61,713,993)	61,713,993	-	-	-
Transfer to Lifetime ECL credit impaired	-	(3,823,196)	3,823,196	-	-
New financial assets originated	226,550,837	13,209,361	276,362	240,036,560	435,777,316
Financial assets derecognised	(21,428,366)	(6,884,544)	-	(28,312,910)	-
Financial assets written off	-	-	(1,437,556)	(1,437,556)	(15,378,530)
Balance at 31 December	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,267,285,514
<i>Trade finance loans:</i>					
Balance at 1 January	2,417,929,845	191,252,509	72,098,214	2,681,280,568	2,441,543,542
Transfer to 12 months ECL	75,155,108	(75,155,108)	-	-	-
Transfer to Lifetime ECL not credit impaired	(32,424,801)	32,424,801	-	-	-
Transfer to Lifetime ECL credit impaired	-	(10,326,100)	10,326,100	-	-
Net remeasurement	224,260,830	72,971,480	(7,215,825)	290,016,485	205,086,013
Financial assets derecognised	(157,895,402)	(3,805)	-	(157,899,207)	-
Balance at 31 December	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,646,629,555
<i>Undisbursed commitments:</i>					
Balance at 1 January	396,963,457	15,411,903	-	412,375,360	-
Net financial assets originated or purchased	424,761,405	2,457,056	-	427,218,461	-
Financial assets derecognised	(255,245,822)	15,411,903	-	270,657,725	-
Balance at 31 December	566,479,040	2,457,056	-	568,936,096	-
<i>Letters of credit:</i>					
Balance at 1 January	47,948,322	22,682,974	-	70,631,296	-
Net financial assets originated or purchased	4,797,522	-	-	4,797,522	-
Financial assets derecognised	(4,254,323)	(22,682,974)	-	(66,937,297)	-
Balance at 31 December	19,121,521	-	-	19,121,521	-

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2018

	Gross Exposure		Off-statement Of financial Position	USD	%	Cash collateral/ In transit		Insurance	USD	Net Exposure	%
	On-statement Of financial Position	USD									
Agribusiness	1,074,418,460		25	199,350,368		28	(140,559,232)	(476,138,225)		657,071,371	25
Banking and Financial Services	198,917,764		5	204,013,500		29	(149)	(61,391,880)		341,539,235	13
Education	2,308,796									2,308,796	
Hospitality	34,547,045		1	15,000,000		2				49,547,045	2
Manufacturing and Heavy Industries	223,670,818		5	3,763,300		1				227,434,118	8
Other	7,642,328			388,775			(204,720)			7,826,383	
Health Services	11,985,131			15,000,000		2				26,985,131	1
Energy	192,794,558		5	145,128,143		20		(19,179,459)		318,743,242	13
Oil & Gas	1,412,473,215		33	33,422,949		5	(709,659,400)	(496,091,494)		240,145,270	9
Real Estate	38,024,424		1							38,024,424	1
Telecommunications	4,620,074			6,663,365		1		(4,047,378)		7,236,061	
Infrastructure	589,779,418		14	83,300,000		12		(314,011,050)		359,068,368	13
Transport and Logistics	259,221,780		6	1,658,201				(61,200,000)		199,679,981	7
Wholesale Commodities	91,986,022		2					(19,000,000)		72,986,022	3
ICT	130,926,331		3							130,926,331	5
	4,273,316,164		100	707,688,601		100	(850,423,501)	(1,451,059,486)		2,679,521,778	100

**Off-statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector (continued)

As at 31 December 2017

	Gross Exposure		Off-statement		Cash collateral/ In transit		Insurance		Net Exposure		%
	On-statement Of financial Position USD	%	Of financial Position USD	%	USD	%	USD	%	USD	%	
Mining and Quarrying	8,567,631	-	-	-	-	-	-	-	8,567,631	-	-
Agribusiness	910,940,603	23	196,765,320	17	(80,878,832)	-	(399,656,043)	-	627,171,048	26	26
Banking and Financial Services	278,284,537	7	292,026,009	25	2,000,000	-	(170,427,487)	-	401,883,059	16	16
Education	4,037,391	-	-	-	-	-	-	-	4,037,391	-	-
Hospitality	37,182,259	1	15,244,864	1	-	-	-	-	52,427,123	2	2
Manufacturing and Heavy Industries	240,465,941	6	48,677,060	4	-	-	-	-	289,143,001	12	12
Other	73,715,613	2	185,841,241	16	(180,983,268)	-	(18,000,000)	-	60,573,586	2	2
Health Services	15,020,366	-	1,342,852	-	-	-	-	-	16,363,218	1	1
Energy	156,085,001	4	117,959,009	10	-	-	(24,589,200)	-	249,454,810	10	10
Petrochemicals	1,396,665,838	36	264,028,147	23	(720,675,589)	-	(691,975,775)	-	248,042,621	10	10
Real Estate	42,416,192	1	-	-	-	-	-	-	42,416,192	2	2
Telecommunications	91,667,804	3	2,115,912	-	-	-	(5,059,926)	-	88,723,790	4	4
Infrastructure	385,195,515	10	9,523,432	1	-	-	(280,000,000)	-	114,718,947	5	5
Transport and Logistics	273,670,379	7	36,534,089	3	-	-	(61,200,000)	-	249,004,468	10	10
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	-	(1,650,908,431)	-	2,452,526,884	100	100

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB-formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2018

	Gross Exposure		Off-statement -f Financial Position	On-statement of Financial Position	Cash Collateral/ In transit	Insurance	Net Exposure	%
	USD	%	USD	USD	USD	USD	USD	%
Burundi	13,102,481	-	-	-	-	(4,047,378)	9,055,103	-
Congo DRC	12,958,133	-	-	-	-	-	12,958,133	-
Djibouti	48,980,244	2	-	-	-	-	48,980,244	3
Egypt	29,529,122	1	-	-	-	(19,000,000)	10,529,122	-
Ethiopia	184,184,481	4	108,576,800	-	(149)	-	292,761,132	11
Kenya	657,625,678	15	6,663,365	1	-	(280,000,000)	384,289,043	14
Malawi	439,317,346	10	125,364,368	18	(85,303,325)	(248,000,000)	231,378,389	9
Mauritius	138,937,939	3	78,725,000	11	-	-	217,662,939	8
Mozambique	4,736,869	-	48,133,750	7	-	-	52,870,619	3
Rwanda	460,312,576	11	28,466,575	3	(150,000,000)	(61,200,000)	277,579,151	10
Seychelles	4,318,402	-	-	-	(880)	-	4,317,522	-
Sudan	648,191,877	15	-	-	(214,546,597)	(228,138,225)	205,507,055	8
Tanzania	222,677,538	5	48,911,673	7	382,512	-	271,971,723	10
Uganda	166,941,115	4	118,147,070	17	-	(34,011,050)	251,077,135	9
Zambia	686,824,380	16	60,500,000	9	(955,062)	(496,091,494)	250,277,824	9
Zimbabwe	554,677,983	14	84,200,000	12	(400,000,000)	(80,571,339)	158,306,644	6
	4,273,316,164	100	707,688,601	100	(850,423,501)	(1,451,059,486)	2,679,521,778	100

**Off-statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB-formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country (Continued)

As at 31 December 2017

	Gross Exposure		Off-statement Of Financial Position USD	Off-statement Of Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Net Exposure USD	%
	Off-statement Of Financial Position USD	%							
Burundi	13,064,427	-	-	-	-	-	(5,059,926)	8,004,501	-
Djibouti	6,505,141	-	1,342,852	-	-	-	-	7,847,993	-
DR Congo	46,012,291	2	17,500,000	-	1	-	-	63,512,291	3
Egypt	28,168,977	1	-	-	-	-	(18,000,000)	10,168,977	-
Ethiopia	123,554,893	3	224,006,841	-	19	2,000,000	-	349,561,734	14
Kenya	438,090,767	11	38,149,999	-	3	(1,000)	(280,000,000)	196,239,766	8
Malawi	248,075,222	6	251,900,000	-	22	(44,311,024)	(228,275,775)	227,388,423	10
Mauritius	128,562,888	3	286,087,668	-	24	(180,617,792)	(37,500,000)	196,532,764	8
Rwanda	432,130,450	11	29,458,931	-	3	(140,000,000)	(61,200,000)	260,389,381	11
Seychelles	5,698,688	-	-	-	-	(900)	-	5,697,788	-
Sudan	681,130,494	17	-	-	-	(263,299,240)	(239,848,875)	177,982,379	7
Tanzania	209,885,358	5	73,952,121	-	7	(3,939,083)	-	279,898,396	11
Uganda	257,938,242	7	18,702,239	-	2	-	(100,000,000)	176,640,481	7
Zambia	700,420,807	18	49,733,898	-	4	(368,650)	(550,000,000)	199,786,055	9
Zimbabwe	594,676,424	16	179,223,386	-	15	(350,000,000)	(131,023,855)	292,875,955	12
	3,913,915,069	100	1,170,057,935	-	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans

During the course of the Bank's normal course of business and lending activities, financial assets may be restructured or modified.

The following tables refer to restructured financial assets where the restructuring does not result in de-recognition

	2018 USD	2017 USD
Financial assets restructured during the year*		
Gross carrying amount before restructuring	56,600,390	20,220,515
Loss allowance before restructuring	(1,525,044)	
Net amortised cost before restructuring	55,075,336	20,220,515
Net restructuring loss	(209,376)	
Net amortised cost after restructuring	54,865,960	20,220,515

Financial assets restructured since initial recognition at a time when loss allowance was based on lifetime ECL.

Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after restructuring.

*2018 loss allowance is based on lifetime Expected Credit Loss (ECL) under IFRS 9 while 2017 loss allowance is based on IAS 39 Incurred Loss.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Bank's liquidity policy ensures that it has resources to meet its net disbursement and debt service obligations and allows it flexibility in deciding the appropriate time to access capital markets.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from its lending partners and the capital markets for an extended period of time. To achieve this objective, the Bank operates on a prudential minimum level of liquidity, which is based on projected net cash requirements.

The prudential minimum level of liquidity is updated quarterly.

The liquidity position statement is presented under the most prudent consideration of maturity dates. Liabilities are classified according to the earliest possible repayment date, while assets are classified according to the latest possible repayment date.

The Bank-wide Integrated Risk Management Committee (BIRMC) is tasked with the responsibility of ensuring that all foreseeable funding commitments can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur.

BIRMC relies substantially on the Treasury Department to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2018	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	958,325,687	-	182,967,472	4,625,219	-	-	1,145,918,378
Other receivables	71,396,778	117,481	164,047	269,642	301,660	-	72,249,608
Derivative financial instruments	54,042,940	-	-	-	-	-	54,042,940
Trade finance loans	190,018,891	88,866,009	344,140,366	494,825,692	2,177,224,269	41,639,354	3,336,714,581
Project loans	55,099,605	59,790,767	58,900,733	169,856,644	1,359,940,100	642,159,604	2,345,747,453
Equity investment at fair value	-	-	-	-	-	-	-
through other comprehensive income	-	-	-	-	51,521,730	-	51,521,730
Investment in joint venture	-	-	-	-	386,994	-	386,994
Total assets	1,328,883,901	148,774,257	586,172,618	669,577,197	3,589,374,753	683,798,958	7,006,581,684
LIABILITIES							
Short term borrowings	252,645,244	109,832,041	496,795,236	645,204,854	893,220,401	-	2,397,697,776
Long term borrowings	13,560,334	53,351,287	33,689,541	138,683,519	1,552,411,862	357,760,071	2,149,456,614
Collection Account	119,576,580	-	-	-	-	-	119,576,580
Other payables	64,311,909	226,454	333,016	664,306	4,750,909	5,520,749	75,807,343
Total liabilities	450,094,067	163,409,782	530,817,793	784,552,679	2,450,383,172	363,280,820	4,742,538,313
Net liquidity gap	878,789,834	(14,635,525)	55,354,825	(114,975,482)	1,138,991,581	320,518,138	2,264,043,371
Cumulative gap	878,789,834	864,154,309	919,509,134	804,533,652	1,943,525,233	2,264,043,371	2,264,043,371

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2017	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	1,232,980,427	-	-	-	-	-	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	57,275,058
Other receivables	75,847,285	105,758	156,449	235,275	304,184	-	76,648,951
Trade finance loans	100,611,075	225,648,773	336,334,051	1,565,962,488	848,586,613	1,820,500	3,078,963,500
Project loans	11,584,658	210,502,557	124,885,693	128,870,005	785,529,011	375,621,242	1,636,993,166
Equity investment at cost	-	-	-	-	40,257,957	-	40,257,957
Investment in joint venture	-	-	-	-	369,493	-	369,493
Total assets	1,478,298,503	436,257,088	461,376,193	1,695,067,768	1,675,047,258	377,441,742	6,123,488,552
LIABILITIES							
Short term borrowings	253,987,143	357,739,680	68,052,488	671,043,419	998,604,537	-	2,349,427,267
Long term borrowings	25,215,078	43,933,835	24,606,962	326,842,575	1,364,120,384	251,533,898	2,036,252,732
Derivative financial instruments	4,797,549	-	-	-	-	-	4,797,549
Collection Account	127,796,131	-	-	-	-	-	127,796,131
Other payables	73,424,114	304,117	452,983	828,345	4,438,719	2,158,568	81,606,846
Total liabilities	485,220,015	401,977,632	93,112,433	998,714,339	2,367,163,640	253,692,466	4,599,880,525
Net liquidity gap	993,078,488	34,279,456	368,263,760	696,353,429	(692,116,382)	123,749,276	1,523,608,027
Cumulative gap	993,078,488	1,027,357,944	1,395,621,704	2,091,975,133	1,399,858,751	1,523,608,027	1,523,608,027

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of loan commitments and off-balance financial liabilities are as follows:

	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 December 2018							
Guarantees	-	17,000,000	-	-	-	-	17,000,000
Letters of credit	56,946,523	98,867,112	5,859,604	-	-	-	161,673,239
Loan commitments	52,901,536	105,803,072	158,704,609	211,606,145	-	-	529,015,362
Total	109,848,059	221,670,184	164,564,213	211,606,145	-	-	707,688,601
At 31 December 2017							
Letters of credit	64,183,515	172,281,800	86,207,002	133,562,349	18,892,862	-	475,127,528
Loan commitments	102,299,180	-	411,124,982	181,506,245	-	-	694,930,407
Total	166,482,695	172,281,800	497,331,984	315,068,594	18,892,862	-	1,170,057,935

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Bank's liquidity and funding policies require:

- Entering into lending contracts subject to availability of funds,
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto,
- Maintaining a diverse range of funding sources with back-up facilities,
- Investment in short term liquid instruments which can easily be sold in the market when the need arises,
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows,
- Maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications.

(ii) Contingency Plans

The Bank carries out contingency funding planning at the beginning of the year. This details the following measures to combat liquidity crisis:

- Unutilised lines of credit, including standby facilities, from different counter-parties.
- Term deposits with counter-parties and prospects of withdrawal and rollovers.
- Investment portfolio and its defeasance period.
- Amount of short-term resources with a time period, required to raise such resources.
- Amount which can be raised from other counter parties based on the Bank's past relationships.

(d) MARKET RISK

The objective of the Bank's market risk management process is to manage and control market risk exposures in order to optimise return on risk. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with BIRMC. The Treasury Department is responsible for the development of detailed market risk management policies and for the day-to-day implementation of those policies.

The management of market risk is supplemented by the monitoring of sensitivity analysis of the key market risk variables. The Bank normally uses simulation models to measure the impact of changes in interest rates on net interest income. The key assumptions used in these models include loan volumes and pricing and changes in market conditions. Those assumptions are based on the best estimates of actual positions. The models cannot precisely predict the actual impact of changes in interest rates on income because these assumptions are highly uncertain.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The extent of exposure to interest rate risk is largely determined by the length of time for which the rate of interest is fixed for a financial instrument. The Bank's principal interest rate risk management objective is to generate a suitable overall net interest margin by matching the interest rate characteristic and re-pricing profile of assets with those of the underlying borrowings and equity sources respectively.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT

(d) MARKET RISK (Continued)

(i) Interest rate risk continued (Continued)

The table below summarises the Bank's exposure to interest rate risk

At 31 December 2018:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	902,029,451	182,967,472	4,625,219	-	-	56,296,236	1,145,918,378
Other receivables	-	-	-	-	914,339	71,335,269	72,249,608
Derivative financial Instruments	-	-	-	-	-	54,042,940	54,042,940
Trade finance loans	203,086,043	781,557,716	478,249,313	-	1,270,551,813	-	2,733,444,885
Project finance loans	72,530,429	1,247,295,494	-	-	109,732,871	-	1,429,558,794
Equity Investments at fair value	-	-	-	-	-	-	-
through other comprehensive income	-	-	-	-	-	51,521,730	51,521,730
Investment in Joint Venture	-	-	-	-	-	386,994	386,994
Total financial assets	1,177,645,923	2,211,820,682	482,874,532	-	1,381,199,023	233,583,169	5,487,123,329
FINANCIAL LIABILITIES							
Short term borrowings	436,539,339	1,628,889,926	315,290,536	-	2,533,800	-	2,383,253,601
Long term borrowings	280,695,902	801,334,166	-	-	700,000,000	-	1,782,030,068
Collection Accounts	-	-	-	-	-	119,576,580	119,576,580
Other payables	-	-	-	-	8,660,284	64,147,059	72,807,343
Total financial liabilities	717,235,241	2,430,224,092	315,290,536	-	711,194,084	183,723,639	4,357,667,592
Net interest rate exposure	460,410,682	(218,403,410)	167,583,996	-	670,004,939	49,859,530	1,129,455,737
Cumulative interest rate exposure	460,410,682	242,007,272	409,591,268	409,591,268	1,079,596,207	1,129,455,737	1,129,455,737

* Fixed interest and non-interest-bearing items are stated at amortised costs or their carrying amounts which approximate their fair values

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the Bank's exposure to interest rate risk.

At 31 December 2017:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	1,150,579,872	-	-	-	-	82,400,555	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	-	57,275,058
Other receivables	418,911,241	729,453,680	213,404,000	19,482,554	854,947	75,794,004	76,648,951
Trade finance loans	345,717,665	775,878,035	-	-	1,189,996,805	-	2,571,248,280
Project finance loans	-	-	-	-	97,559,575	15,964,874	1,235,120,149
Equity Investments cost	-	-	-	-	-	40,257,957	40,257,957
Investment in Joint Venture	-	-	-	-	-	369,493	369,493
Total financial assets	1,915,208,778	1,505,331,715	213,404,000	19,482,554	1,345,686,385	214,786,883	5,213,900,315
FINANCIAL LIABILITIES							
Short term borrowings	501,955,108	1,226,180,118	352,940,970	-	233,486,087	-	2,314,562,283
Long term borrowings	13,433,428	774,045,655	-	-	920,810,465	-	1,708,289,548
Collection Accounts	-	-	-	-	-	127,796,131	127,796,131
Derivative financial instruments	-	-	-	-	7,532,183	4,797,549	4,797,549
Other payables	-	-	-	-	-	74,074,663	81,606,846
Total financial liabilities	515,388,536	2,000,225,773	352,940,970	-	1,161,828,735	206,668,343	4,237,052,357
Net interest rate exposure	1,399,820,242	(494,894,058)	(139,536,970)	19,482,554	183,857,650	8,118,540	976,847,958
Cumulative interest rate exposure	1,399,820,242	(904,926,184)	765,389,214	(784,871,768)	968,729,418	976,847,958	976,847,958

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Bank monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the year would have on net interest income.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2018 were outstanding at those levels for the whole year,
- Interest-bearing assets and liabilities denominated in currencies other than USD experienced similar movements in interest rates, and
- All other variables are held constant.

If interest rates had been 100 basis points higher or lower with the above assumptions applying, the Bank's net profit for the year ended 31 December 2018 of USD 129,325,392 (2017: USD 111,864,421) would increase or decrease by USD 4,098,006 (2017 - USD 7,848,718) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2018 would increase to USD 133,423,398 (2017: USD 119,713,139) or decrease to USD 125,227,386 (2017: USD 104,015,703).

The potential change is 3.2% (2017 – 7%) of the year's profit.

(ii) Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics.

Foreign currency positions are monitored on a quarterly basis. The single currency exposure, irrespective of short or long positions should not exceed the limit of 10% of the Bank's net worth.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2018 was as follows:

FINANCIAL ASSETS	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
Cash and balances with other banks	975,223,472	17,258	18,937,550	5,038	34,091,883	4,632,245	18,456,873	85,631,536	2,805,352	6,117,171	1,145,918,378
Other receivables	2,249,608	-	70,000,000	-	-	-	-	-	-	-	72,249,608
Derivative Financial Investment	1,088,955,690	-	(1,034,912,750)	-	-	-	-	-	-	-	54,042,940
Trade finance loans	1,591,736,052	-	1,141,708,833	-	-	-	-	-	-	-	2,733,444,885
Project finance loans	1,402,654,661	-	20,336,543	-	-	-	-	-	6,567,590	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	51,521,730	-	-	-	-	-	-	-	-	-	51,521,730
Investment in Joint Venture	386,994	-	-	-	-	-	-	-	-	-	386,994
Total financial assets	5,112,728,207	17,258	216,070,176	5,038	34,091,883	4,632,245	18,456,873	85,631,536	9,372,942	6,117,171	5,487,123,329
FINANCIAL LIABILITIES											
Short term borrowings	2,285,474,141	-	97,779,460	-	-	-	-	-	-	-	2,383,253,601
Long term borrowings	1,777,327,209	-	-	-	-	-	-	-	4,702,859	-	1,782,030,068
Collection account	205,749.05	-	-	33,461,879	-	-	-	85,519,973	(587,232)	976,211	119,576,580
Other payables	72,649,235	-	-	152,773	-	-	-	-	-	5,335	72,807,343
Total financial liabilities	4,135,656,334	-	97,779,460	152,773	33,461,879	-	-	85,519,973	4,115,627	981,546	4,357,667,592
NET POSITION	977,071,873	17,258	118,290,716	(147,735)	630,004	4,632,245	18,456,873	111,563	5,257,315	5,135,625	1,129,455,737

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2017 was as follows:

FINANCIAL ASSETS	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
Cash and balances with other banks	1,014,605,073	425	77,072,156	16,975	82,400,265	4,401,265	4,888,870	44,420,987	3,953,925	1,220,486	1,232,980,427
Investment in											
Government securities	57,275,058			-							57,275,058
Other receivables	76,648,951										76,648,951
Trade finance loans	1,394,732,339	-	1,176,515,941								2,571,248,280
Project finance loans	1,202,942,585		23,423,835						8,753,729		1,235,120,149
Equity Investments at cost	40,257,957										40,257,957
Investment in joint venture	369,493										369,493
Total financial assets	3,786,831,455	425	1,277,011,932	16,975	82,400,556	4,401,265	4,888,870	44,420,987	12,707,654	1,220,486	5,213,900,315
FINANCIAL LIABILITIES											
Short term borrowings	2,183,627,303		130,934,980								2,314,562,283
Long term borrowings	1,700,730,044								7,559,504		1,708,289,548
Collection account	(1,632,500)				80,877,832			44,311,024	3,573,608	666,167	127,796,131
Derivative financial instruments	(1,087,446,834)	-	1,092,244,383								4,797,549
Other payables	81,449,473			151,023						6,350	81,606,846
Total financial liabilities	2,876,727,486	-	1,223,179,363	151,023	80,877,832			44,311,024	11,133,112	672,517	4,237,052,357
NET POSITION	910,103,970	425	53,832,569	(134,048)	1,522,433	4,401,265	4,888,870	109,963	1,574,542	547,679	976,847,958

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes cash and term deposits, securities, loans and borrowings in currencies other than United States Dollars. A positive number below indicates a decrease in profit and reserves when the USD strengthens by 10% against the other currencies in which the Bank has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.

The Bank has operations in and lends to customers in Zimbabwe but all the transactions are made in USD.

	GBP	EURO	KES	TSH	AED	SDG	UGX
2018	2,291	10,778,941	(1,110)	230	502,451	2,135	(11,150)
	=====	=====	=====	=====	=====	=====	=====
2017	287	6,913,644	(143)	72	124,440	15,708	(33,941)
	=====	=====	=====	=====	=====	=====	=====

40. CAPITAL MANAGEMENT

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

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and the paper prepared by the Basel Committee entitled "International Convergence of Capital Measurement and Standards: A Revised Framework" dated June 2004 as amended from time to time (Basel II Paper).

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To have sufficient capital to support its development mandate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to Member States and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. Currently, the Bank's capital is entirely Tier 1 capital which is: Paid-up share capital, retained earnings and other reserves.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 FOR THE YEAR ENDED 31 DECEMBER 2018

40. CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of seven risk weights classified to reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

A summary of the Bank's capital adequacy computations is provided below.

	2018 USD	2017 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	3,336,944,081	2,657,945,022
Off- Statement of financial position assets	32,334,648	95,025,505
	<hr/>	<hr/>
Total risk weighted assets	3,369,278,729	2,752,970,527
	<hr/>	<hr/>
CAPITAL		
Paid up capital	461,742,558	431,225,426
Retained earnings and reserves	730,283,193	589,810,739
	<hr/>	<hr/>
Total capital	1,192,025,751	1,021,036,165
	<hr/>	<hr/>
CAPITAL ADEQUACY RATIO	35.4%	37.1%
	<hr/>	<hr/>

In addition to its paid-up capital, the Bank has access to additional capital in the form of callable capital. During the years, the Bank complied with its capital adequacy requirements. There were no events after the reporting date.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

41. FINANCIAL INSTRUMENTS CATEGORIES

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

As at 31 December 2018:	Amortised Cost USD	At fair value through profit or loss USD	At fair value through other comprehensive income USD	Total carrying amount USD
Financial assets				
Cash and balances held with banks	1,145,918,378	-	-	1,145,918,378
Other receivables	72,249,608	-	-	72,249,608
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project finance loans	1,429,558,794	-	-	1,429,558,794
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
Investment in joint ventures	386,994	-	-	386,994
Derivative financial instruments	-	54,042,940	-	54,042,940
Total financial assets	5,381,558,659	54,042,940	51,521,730	5,487,123,329
Financial liabilities				
Collection account deposits	119,576,580	-	-	119,576,580
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	1,782,030,068	-	-	1,782,030,068
Other payables	72,807,343	-	-	72,807,343
Total financial liabilities	4,357,667,592	-	-	4,357,667,592

Note: The classification as at 31 December 2018 is based on IFRS 9.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

41. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2017:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	1,232,980,427	-	-	-	-	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	57,275,058
Other receivables	76,648,951	-	-	-	-	76,648,951
Trade finance loans	2,571,248,280	-	-	-	-	2,571,248,280
Project finance loans	1,235,120,149	-	-	-	-	1,235,120,149
Equity investments at cost	-	-	40,257,957	-	-	40,257,957
Investment in joint ventures	-	-	369,493	-	-	369,493
Total financial assets	5,115,997,807	-	40,427,450	-	57,275,058	5,213,900,315
Financial liabilities						
Collection account deposits	127,796,131	-	-	-	-	127,796,131
Derivative financial instruments	-	4,797,549	-	-	-	4,797,549
Short term borrowings	2,314,562,283	-	-	-	-	2,314,562,283
Long term borrowings	1,708,289,548	-	-	-	-	1,708,289,548
Other payables	81,606,846	-	-	-	-	81,606,846
Total financial liabilities	4,232,254,808	4,797,549	-	-	-	4,237,052,357

Note: The classification as at 31 December 2017 is based on IAS 39.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

42. TRADE FINANCE LOAN PORTFOLIO

Country	As at 31 December 2018			As at 31 December 2017		
	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Congo DRC	10,053,966	53,966	10,000,000	2,530,000	2,530,000	-
Djibouti	5,338,371	29,200	5,309,171	4,948,151	548,684	4,399,467
Egypt	29,529,122	29,529,122	-	28,168,977	28,168,977	-
Ethiopia	110,056,653	31,343,679	78,712,974	58,307,075	8,306,721	50,000,354
Kenya	30,493,663	980,363	29,513,300	25,708,146	4,591,646	21,116,500
Malawi	439,317,346	173,701,598	265,615,748	241,879,726	118,177,171	123,702,555
Mauritius	10,852,025	10,852,025	-	43,647,842	43,647,842	-
Rwanda	196,309,241	1,309,241	195,000,000	140,150,914	-	140,150,914
Sudan	611,176,960	138,770,894	472,406,066	646,441,078	122,706,295	523,734,783
Tanzania	179,263,850	113,323,337	65,940,513	169,760,948	100,417,163	69,343,785
Uganda	78,938,128	37,321,450	41,616,678	177,230,606	69,237,311	107,993,295
Zambia	670,633,392	134,633,392	536,000,000	679,696,821	41,501,167	638,195,654
Zimbabwe	441,435,129	12,430,788	429,004,341	428,159,271	26,239,089	401,920,182
Gross Loans	2,813,397,846	684,279,055	2,129,118,791	2,646,629,555	566,072,066	2,080,557,489
Less: Impairment on trade finance loans (Note 17)	(79,952,961)	-	(79,952,961)	(75,381,275)	-	(75,381,275)
NET LOANS	2,733,444,885	684,279,055	2,049,165,830	2,571,248,280	566,072,066	2,005,176,214

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

43. PROJECT LOAN PORTFOLIO

Country	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	As at 31 December 2018		As at 31 December 2017	
						Due within One year USD	Due after One year USD	Due Within One year USD	Due after One year USD
Burundi	26,176,875	1,192,186	(15,240,573)	973,994	13,102,482	4,788,604	8,313,878	2,679,656	10,384,771
Congo DRC	2,835,000	-	-	69,168	2,904,168	2,388,540	41,253,333	2,228,958	41,253,333
Djibouti	44,200,000	-	(2,946,666)	2,388,540	43,641,874	600,730	2,303,438	64,843	1,492,147
Eritrea	403,652	-	(403,652)	-	74,127,827	5,466,504	68,661,323	-	-
Ethiopia	118,686,267	603,611	(48,551,941)	3,389,890	627,132,014	67,539,019	559,592,995	12,514,129	52,733,688
Kenya	968,413,563	1,532,900	(354,048,895)	11,234,446	627,132,014	67,539,019	559,592,995	51,480,420	360,902,200
Malawi	60,793,337	2,920	(60,796,257)	-	-	-	-	6,195,495	(2)
Mauritius	138,914,516	-	(11,566,112)	737,511	128,085,915	19,892,107	108,193,807	2,981,158	81,933,888
Mozambique	4,666,250	-	-	70,619	4,736,869	70,619	4,666,250	-	-
Rwanda	375,079,500	3,612,691	(118,071,523)	3,382,667	264,003,335	33,772,051	230,231,284	189,653,714	102,325,823
Seychelles	41,364,276	-	(37,046,094)	220	4,318,402	1,363,856	2,954,546	1,380,506	4,318,181
Sudan	45,106,624	17,056,064	(25,392,904)	245,132	37,014,916	245,132	36,769,784	20,549,806	14,139,610
Tanzania	204,861,005	682,910	(163,634,208)	1,503,981	43,413,688	11,762,367	31,651,321	15,513,281	24,611,131
Uganda	232,819,778	6,103,522	(156,882,191)	5,961,877	88,002,986	23,749,363	64,253,624	29,104,023	51,603,615
Zambia	131,225,914	25,086,069	(140,120,995)	-	16,190,988	7,601,691	8,589,297	8,574,675	12,149,311
Zimbabwe	324,592,236	709,656	(216,245,308)	4,186,270	113,242,854	42,434,812	70,808,043	42,665,433	123,851,719
Gross loans	2,720,138,793	56,582,529	(1,350,947,319)	34,144,315	1,459,918,318	221,675,395	1,238,242,923	385,586,099	881,699,415
Less: Impairment on project loans (note 17)					(30,359,524)		(30,359,524)		(32,165,365)
NET LOANS					1,429,558,794	221,675,395	1,238,242,923	385,586,099	849,534,050

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2018:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2018 USD	Instalments paid as at 31.12.2018 USD
Belarus	1,205	1.49	27,313,735	21,850,988	5,462,747	5,462,747	5,462,747
Burundi	1,602	1.98	36,312,534	29,050,027	7,262,507	7,262,507	7,262,507
China	4,433	5.48	100,482,811	80,386,249	20,096,562	20,096,562	20,096,562
Comoros	173	0.21	3,921,391	3,137,113	784,278	784,278	784,278
Djibouti	380	0.47	8,613,460	6,890,768	1,722,692	1,722,692	1,722,692
Congo DRC	5,607	6.93	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Egypt	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Eritrea	240	0.30	5,440,080	4,352,064	1,088,016	1,088,016	709,306
Ethiopia	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Kenya	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Madagascar	442	0.55	10,018,814	8,015,051	2,003,763	400,753	400,753
Malawi	1,721	2.13	39,009,907	31,207,926	7,801,981	7,801,981	7,801,981
Mauritius	3,293	4.07	74,642,431	59,713,945	14,928,486	14,928,486	14,928,486
Mozambique	2,252	2.78	51,046,084	40,836,869	10,209,215	6,208,944	4,208,806
Rwanda	1,957	2.42	44,359,319	35,487,455	8,871,864	8,871,864	8,871,864
Seychelles	351	0.43	7,956,117	6,364,894	1,591,223	1,591,223	1,591,223
Somalia	318	0.39	7,208,106	5,766,485	1,441,621	1,441,621	939,830
South Sudan	2,209	2.73	50,071,403	40,057,122	10,014,281	10,014,281	10,014,281
Sudan	5,277	6.52	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	444	0.55	10,064,148	8,051,318	2,012,830	1,211,324	810,572
Tanzania	6,735	8.33	152,662,245	122,129,796	30,532,449	30,532,449	30,532,449
Uganda	5,129	6.34	116,259,043	93,007,234	23,251,809	23,251,809	23,251,809
Zambia	5,989	7.40	135,752,663	108,602,130	27,150,533	27,150,533	27,150,533
Zimbabwe	6,337	7.83	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,911	4.83	88,650,637	70,920,510	17,730,127	17,730,127	17,730,127
	80,891	100	1,833,556,297	1,466,845,038	366,711,259	360,306,472	357,025,081

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

Class 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31 December 2018:							
Total Shares Issued	220,584	100%	1,000,000,000				
African Development Bank	3,333	14.43	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Africa Reinsurance Corporation	780	3.38	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
BADEA – Arab Bank for Economic Development in Africa	960	4.16	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investimento	888	3.84	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.17	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	7.74	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,966	12.84	13,446,125	13,446,125	13,446,125	12,381,427	25,827,552
OPEC Fund for International Development (OFID)	2,054	8.89	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	15.39	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,066	13.27	13,899,467	13,899,467	13,899,467	7,893,485	21,792,952
Sacos Group Limited	121	0.52	548,544	548,544	548,544	454,304	1,002,848
Seychelles Pension Fund	1,029	4.45	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	87	0.38	394,408	394,408	394,408	145,292	539,700
TDB Staff Provident Fund	1,368	5.92	6,201,717	6,201,717	6,201,717	2,164,875	8,366,592
ZEP-RE (PTA Reinsurance company)	834	3.61	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	23,099	100	104,717,477	104,717,477	104,717,477	60,500,611	165,218,088

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2017 USD	Instalments paid as at 31.12.2017 USD
Belarus	1,156	1.51	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542
Burundi	1,500	1.96	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100
China	4,150	5.42	94,068,050	75,254,440	18,813,610	18,813,610	18,813,610
Comoros	164	0.21	3,717,388	2,973,910	743,478	743,478	743,478
Djibouti	356	0.47	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	6.98	121,041,780	96,833,424	24,208,356	24,208,356	21,878,078
Egypt	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Eritrea	240	0.31	5,440,080	4,352,064	1,088,016	1,088,016	664,089
Ethiopia	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Kenya	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Malawi	1,611	2.11	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307
Mauritius	3,083	4.03	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472
Mozambique	2,220	2.90	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740
Rwanda	1,838	2.40	41,661,946	33,329,557	8,332,389	8,332,389	8,332,389
Seychelles	329	0.43	7,457,443	5,965,954	1,491,489	1,491,489	1,491,489
Somalia	318	0.42	7,208,106	5,766,485	1,441,621	1,441,621	879,919
South Sudan	2,206	2.88	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680
Sudan	5,277	6.90	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	442	0.58	10,018,814	8,015,050	2,003,764	801,505	400,753
Tanzania	6,306	8.24	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620
Uganda	4,830	6.31	109,481,610	87,585,288	21,896,322	20,731,238	20,731,238
Zambia	5,607	7.33	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Zimbabwe	6,337	8.28	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,662	4.79	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311
	76,526	100	1,734,614,842	1,387,691,874	346,922,968	337,555,149	333,838,490

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEARENDED 31 DECEMBER 2018

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017:								
Class 'B' Shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD	
Africa Reinsurance Corporation	780	3.63	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479	
African Development Bank	3,333	15.52	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000	
Banco Nacional de Invertemento	888	4.13	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715	
Mauritian Eagle Insurance Company Limited	270	1.26	1,224,024	1,224,024	1,224,024	395,976	1,620,000	
National Pension Fund—Mauritius	1,787	8.32	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786	
National Social Security Fund Uganda	2,880	13.41	13,056,251	13,056,251	13,056,251	11,875,353	24,931,604	
OPEC Fund for International Development (OFID)	2,054	9.56	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798	
People's Republic of China	3,556	16.55	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842	
Rwanda Social Security Board	2,983	13.89	13,523,193	13,523,193	13,523,193	7,405,065	20,928,258	
Seychelles Pension Fund	1,029	4.79	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544	
Sacos Group Limited	121	0.56	548,544	548,544	548,544	454,304	1,002,848	
TDB Staff Provident Fund	920	4.28	4,170,745	4,170,745	4,170,745	1,349,255	5,520,000	
TDB Directors and Select Stakeholders Provident Fund	47	0.22	213,071	213,071	213,071	72,469	285,540	
ZEP-RE (PTA Reinsurance company)	834	3.88	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000	
	21,482	100	97,386,936	97,386,936	97,386,936	52,968,478	150,355,414	