2014

ANNUAL REPORT & FINANCIAL STATEMENTS

PTA BANK
BANQUE DE LA ZEP

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

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FINANCIAL HIGHLIGHTS

24%

LOAN ASSETS

US$ 2.51billion

30%

EQUITY CAPITAL

US$ 622 million

16%

NET PROFIT

US$ 77 million

31%

NON-PERFORMING LOANS

3.04%

LETTER OF TRANSMITTAL

The Chairman

Board of Governors
Eastern and Southern African Trade and Development Bank

Dear Mr. Chairman,

In accordance with Article 35(2) of the Bank's Charter, I have the honour, on behalf of the Board of Directors, to submit herewith the Annual Report of the Bank for the period 1 January to 31 December 2014.

The report covers the year's activities and audited financial statements for the period.

Mr. Chairman, please accept the assurances of my highest consideration.

MR. RUPERT HORACE SIMEON
Chairman of the Board of Directors

CHAIRMAN'S STATEMENT

The African and International Economic Context

In 2014, Africa projected to close the year with an average growth rate of 4.8%, 0.8% higher than 2013. This demonstrates the continent's sustained resilience compared to the global economy, which continued to recover, albeit, at a more subdued pace. Sub-Saharan Africa grew by 5.8% in 2014 with an improved projection of 6.8% in 2015. Overall, Africa's medium term growth prospects are positive, mainly driven by increased domestic demand, infrastructure development and continued inflows of foreign direct investment (FDI).

The African growth trajectory is expected to be sustained in the short to medium term should downside risks associated with insecurity, political tensions and low commodity export prices of oil and minerals be contained. With particular reference to commodity prices, it is worth noting that in 2014, oil prices declined significantly during the latter part of the year dropping below the psychological peg of US$100 per barrel, the first in 5 years, to end at a low of US$54 per barrel in December. Key factors were of oversupply and the sluggish global demand particularly from China.

The world economy edged higher in 2014, but by a more modest 0.3% higher than the 2013 level, to 3.3%. The United States of America positive growth on the backdrop of the success of the Federal Reserve's Quantitative Easing (QE) program. However, in the Euro-zone, concerns of stagnation and deflation accelerated with slower than expected recovery. Unfortunately, the Japanese economy remained in recession. This was further accentuated by slower economic performance in Emerging Markets (EMs). China and India's growth rates averaged about 7.1%, for the first time in decades; the Chinese economy has recorded a lower growth rate. This led to an increase in global downside risks characterized by a worsening of geopolitical tensions and a reversal of recent risk spreads. Over the medium term, risks include stagnation and low potential growth in advanced economies and a potential decline in growth in EMs.

Financial Highlights

Notwithstanding the average global and African economic performance in 2014, I am delighted and honored to report that the Bank has continued to record excellent financial performance both on a year-on-year basis and with respect to the targets of the 5th Corporate Plan (2013 – 2017). Total assets grew by 42% to US$3,54Billions; equity capital grew by 30% to US$ 622M; net profits increased by 16% to US$ 77M; and non-performing loans ratio decreased to 3.04% from 4.43% in 2013. This is splendid performance by any standard and deserves recognition and commendation by stakeholders and partners.
The Bank also continued to receive unqualified support and confidence from its shareholders who by the close of the year had subscribed up to 98% of the General Capital Increase launched in 2007. However, the most pleasing development and testimony is the sustained increase and interest in the Bank's new class B shares. In 2013, the Bank rolled out the new class B share equity investment, and attracted its first pension fund investor. In 2014, 6 new institutional investors signed up, together with an existing shareholder, who joined in as a class B shareholder, bringing in a total of US$51M of fresh equity capital, 50% higher than the amounts contributed in 2013.To all our new shareholders, I wish to welcome you aboard and look forward to your valued contribution in our shareholder community.

Corporate Governance

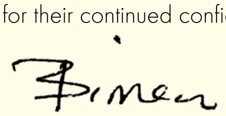
During the year, the Bank implemented the new governance framework in line with reforms rolled out in 2013. To this end, two new Board Committees comprising the Investment & Credit Committee and the Remuneration & Nomination Committee were operationalized. Positions for independent directors on the boards of the Bank and its special purpose funds were filled based on a competitive selection process. Training was also held for board members in the areas of enterprise-wide risk management, and further training was planned in the area of anti-money laundering to be carried out in 2015.

Acknowledgements

Finally, I wish to place on record special recognition and thanks to our esteemed shareholders for the trust, support and guidance bestowed upon us to deliver the Bank's mandate in the region and beyond.

On behalf of the Board of Directors, I wish to also congratulate and thank the President of the Bank, Mr. Admassu Tadesse, and his management team and staff for another year of outstanding results, that has seen the Bank rated as one of the best performing development finance institutions in the continent for the second year running. The Bank's modernization, innovation and institutional strengthening is indeed inspiring, and unfolding a brighter future for the Bank.

I also wish to place on record, our appreciation of the excellent contributions made by the Board, in growing and modernizing the Bank, and guiding it through reforms and new performance heights. I also wish to thank our clients, our lenders and partners for their continued confidence.



MR. RUPERT HORACE SIMEON
Chairman, PTA Bank Board of Directors

PRESIDENT'S STATEMENT

STRATEGIC OVERVIEW

The year 2014, the second year of the Bank's Fifth Corporate Plan (2013-2017), marked yet another successful one.

In line with the overarching thrust of the five-year corporate plan, the Bank has continued in its journey of transforming into a world class African financial institution. The Bank continues to diversify its loan exposure, entering into new frontier markets and extending its market coverage, whilst increasing its attractiveness to institutional shareholders and funding partners.

In terms of growth, the Bank's balance sheet grew annually by 42% to US$3.54B, reflecting another strong increase in the volume of financing to Member States, spread across various sectors and countries. The Bank's loan portfolio has grown by 24% year on year commensurate with its capital growth and asset quality. The strong capital growth of 30% to US$622M, compared to US$477M in 2013, is the result of both new equity subscriptions particularly class B shares as well as growth in retained earnings. The Bank's net profit for the year rose by 16% to US$77M, up from US$67M in 2013. The budgeted profit of US$67M was exceeded by 16%. Accordingly, the Bank attained a Return on Capital Employed ratio of 14.01% and also recorded continuous improvements in its asset quality with the non-performing loans ratio decreasing further to 3.04% from 4.43% in 2013.

In terms of resource mobilization, by the end of 2014, the Bank was able to raise close to 80% of the targeted US$100M class B shares for the period 2013-2017. In addition to the African Development Bank (AfDB) and National Pension Fund of Mauritius (NPF), which acquired US$30M of the class B shares in 2013, six new members and an existing shareholder subscribed to a record level of US$51M in class B shares during 2014. This comprised the Africa Reinsurance Company (US$3M), Banco Nacional de Investimento (BNI) of Mozambique(US$5M), Mauritius Eagle Insurance (US$1.62M), Peoples Bank of China (US$20M); Rwanda Social Security Board (US$12M); Seychelles Pension Fund (US$4M) and ZEP Reinsurance Company (US$5M).

The Bank closed its 2nd international syndicated loan facility, and raised US$320M, 1.6 times of the planned ticket size. The strong support that the Bank enjoys with fellow banking partners was further demonstrated by the fact that 12 banks joined the general syndication. The syndication witnessed strong African bank participation from Egypt, Nigeria and South Africa, as well as China, Japan and the Gulf. Notably, the Bank was able to drive down it's cost of funding by 25% from the levels achieved in the 2012 debut syndicated loan. Among new lines of credit secured, the European Investment Bank (EIB) provided a EUR 80 million line of credit to support SME and the midcap enterprise sector. China Development Bank's partnership with PTA Bank entered its third phase with an additional amount of US$ 60M. As at 31st December 2014, total resources available for lending amounted to US$2.8B. The Bank has strong commitment from its shareholders and partners, attested by continual growth of its capital as well as a positive response from the financial markets.

During the year, the Bank was able to conclude and sign the transfer agreement of the COMESA Infrastructure Fund (CIF). Further, the Bank signed an agreement with Harith General Partners and finalized the terms of engagement with a view of establishing a fund management vehicle. In this regard, the Bank approved a seed investment of US$15M for the first closing of the COMESA Infrastructure Fund (CIF or the Fund). The Bank has also made significant progress in establishing a new Trade Finance Fund. The open-ended Fund will provide trade financing to importers and exporters located in or having trade relationships with other importers and exporters in the Bank's member countries.

The Bank continued to strengthen its risk management framework to incorporate best practices especially in credit risk taking and portfolio management, which is beginning to bear fruit in terms of improvement in overall asset quality.

To entrench the principles of excellence and best practice across the Bank's organizational framework, there have been several structural and organizational reforms during the year. Two new Board committees have been created, Board Credit and Investment Committee (INVESCO) and Remuneration and Nominations Committee (REMCO). The Board Audit Committee has been formally expanded to cover detailed risk oversight and guidance, as well as overall operational and financial performance review. The Bank further enhanced its Board composition with the introduction of an Independent Board Director and innovation in-line with best practice.

The Bank has also given focused attention to strengthening it's human capital base through skills development programs, new recruitment drives, succession planning and further implementation of a new performance management tool – the Balance Scorecard. Notably, the management team was enhanced with the recruitment of a Chief Risk Officer and appointment of a Chief Finance Officer and earlier a Treasurer.

Other initiatives are underway to enhance the Bank's institutional capacity and outreach. There are a number of ongoing capacity building interventions funded internally and through technical assistance grants from funding partners. These include a review of the enterprise risk management policy framework and our environment and social risk policy; upgrading of our anti-money laundering policy; and introduction of business continuity planning. System upgrades are also underway in the area of treasury, financial modelling and SAP applications to promote efficiency, automation and knowledge management.

Under the newly launched Corporate Social Responsibility (CSR) program, the Bank funded three carefully selected interventions, with respect to community needs and priorities, in Burundi, Kenya and Zimbabwe. The Bank will continue to undertake CSR activities in all its Member States on a rotational basis.

Through strengthened organizational capacity, partnership and higher credibility in the market, the Bank intends to mobilize more funding from new prospective member states, financial institutions as well as competitively priced lines of credit from highly rated global DFIs. It is pleasing to note that in 2014 and for the second time in a row, the Bank has been selected as one of the best performing banks in the region by the African Association of Development Finance Institutions (AADFI) with a rating of AA. Furthermore, the Bank has become a new institutional member of the International Development Finance Club, joining a select group of leading DFIs in the world.

Even though the region has experienced new challenges such as a slump in China, a key trading partner, an attendant decline in commodity and oil prices, continued risks from the Ebola pandemic and terrorism, the region has overall been resilient. Growth in Sub-Saharan Africa is expected to remain strong averaging 5% to 6% in 2015. This is driven by sustained infrastructure investment effort, growth in service sectors, strong agricultural production and accelerated foreign direct investments. The Bank's performance and specific areas of interventions are presented in the subsequent sections.

OPERATIONS

Project and Infrastructure Finance (PIF)

PIF continued to conduct its business in line with the Bank's five strategic themes under the current Corporate Plan. Diversification of the loan portfolio remained an important business development guideline in 2014. As a result of a strategic focus on frontier markets, PIF executed a US$84.2M landmark transaction which marked the Bank's maiden foray in the Democratic Republic of Congo, which is the newest member state, having joined the Bank in 2012. In terms of sectors, given the catalytic role of infrastructure in economic development and poverty reduction, PIF made this a priority sector through both direct interventions in core infrastructure projects as well as through supportive industries such as cement manufacturing. Further the Bank has identified syndication as a key service to be implemented in order to broaden its financial offerings, crowd in third party funds and enhance income diversification. In FY2013 and FY2014, significant progress was made in the delivery of this service including putting together a team dedicated for this purpose. In this regard, several syndication mandates were secured, some of which are currently under implementation whilst others are in the pipeline.

In the year 2014, the Bank approved a record level of US$309.1M across 9 transactions, comprising both debt and equity, spread across several Member Countries.

Trade Finance

The macroeconomic and operating environment continued to be viable for the Bank's trade finance operations and activities in 2014. The demand for trade finance facilities has been sustained during the period under review as a direct result of a strong economic performance in the Bank's Member States. The conducive operating environment sustained by increased business development activities in the Member States and complimented by efficiencies in internal processes and improved technology in the Bank, led to a marked increase in business volumes in 2014. Inaugural trade finance activities were concluded in Djibouti and the Democratic Republic of Congo, a further indication of consistent execution of the Bank's diversification strategy. More importantly, approximately 10% of these approvals were geared towards programs with inherent regional geographic outreach.

As guided by the 2013 - 2017 Corporate Plan, Trade Finance's main focus was on diversifying its activities to include new and underserviced markets such as Egypt, Ethiopia and Sudan, whilst notable progress was made in the Democratic Republic of Congo and Rwanda, contributing to the pipeline of transactions for the year under review and more importantly for the future.

Under the Corporate Plan, the Bank also seeks to deepen product innovation and investment as one of the core plan of activities. In this regard, a US$250M note-issuance program was concluded with the Reserve Bank of Malawi under the macroeconomic enhancement and trade defiscalisation program. This led to an increase in foreign exchange reserves and appreciation of the local currency.

Funds Management

The Bank's Funds Management Initiative (FM) was established in 2013 under the 5th Corporate Plan (2013 - 17) to support the implementation of the Bank's strategy, in pursuing growth and diversification. Its mandate entails, among other duties, developing new businesses through a dedicated team of staff to leverage the Bank's existing market knowledge and coverage.

The Bank is establishing and championing two new funds, namely the COMESA Infrastructure Fund (the Fund, CIF) and the Eastern and Southern African Trade Finance Fund (the Trade Finance Fund, ESATF). CIF is an equity close-ended infrastructure focused fund that proposes to finance infrastructure projects in select sectors within the sub-region. The Trade Finance Fund is an open-ended debt fund which will predominantly invest in trade finance, structured trade finance, export finance and project finance or related obligations of companies or other entities (including sovereign entities) located primarily in or having exposure to Eastern and Southern Africa.

Risk Management

The Bank continued to base its risk management framework on a well-established governance process, with different lines of defence and relied both on individual responsibility and collective oversight, supported by a comprehensive reporting and escalation process. The industry standard three lines of defence model is embedded in PTA Bank's operating model.

The Bank's Enterprise-wide Risk Management Framework

(ERMF) lays emphasis on accountability, responsibility, independence, reporting, communications and transparency and comprises 12 key risk categories that are managed, measured and reported on by all functions across the bank. The Bank compartmentalizes the 12 risk categories into two broad types of risks. The first type of risk includes 'credit risk' and 'market risk', which are taken to actively generate profits, and the second is 'operational' risk that arises unobtrusively in the course of operations. These risks were well managed throughout the year.

To further improve the control environment, a number of risk-oriented projects and initiatives were either completed or commenced during the period under review. The Credit Policy was reviewed to align risk strategy with the Corporate Plan. The Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) program was reviewed to adopt and implement effective internal controls, which include comprehensive customer due diligence (CDD) policies, procedures, processes for all customers, particularly those that present a high risk for money laundering or terrorist financing. A consultant was engaged to develop and document a comprehensive Business Continuity Plan (BCP). The Bank also conducted a regional assessment to get a better understanding and appreciation of region-specific risks inherent in PTA Bank's operating environment in addition to the credit risk.

The department further strengthened its capacity building through the recruitment of a Chief Risk Officer. Various skills enhancement measures were undertaken throughout the Bank including training, workshops and seminars on enterprise risk management, fraud risk assessment, financial modelling, AML/CFT and mastering Trade Finance. The Board was also trained on enterprise-wide risk management during this period.

Resource Mobilization

During the year, the Bank funded its operations through its short-term and long-term lines of credit, syndicated loans, as well as new equity. While drawing on existing lines of credit availed from regional FIs and Global Tier 1 FIs, new facilities were also negotiated and drawn from in 2014.

China Development Bank's partnership with PTA Bank entered its third phase with an additional amount of USD60M to finance projects and SMEs in the COMESA region. Likewise, the Bank has a committed amount of EUR80M with European Investment Bank that will advance our collaboration in key development projects. Relative to shorter tenures, new trade finance lines were availed, for example from Citi Bank at US$65M, and increases in existing lines were concluded, for example with Standard Chartered Bank from US$50M to US$150M. The aforementioned are only a highlight of the strong appetite that has been displayed by regional and Global FIs for PTA Bank.

In October 2014, the Bank's second syndicated loan was over-subscribed by 1.6 times its original target. Originally targeting US$200M, the Bank together with its arranging team – CommerzBank, Sumitomo Banking Corporation Europe, Standard Chartered Bank, Industrial and Commercial Bank of China, and Mashreq Bank - raised US$320M. Moreover, the pricing achieved in this second Syndicated Loan was 25% lower than the previous 2012 Syndicated Loan. This reflects the market's appreciation of the Bank's recent performance, its strategy going forward and the geography it plays in while creating brand awareness in some markets and in others, strengthening our profile as a player in the syndication market.

The Bank also pursued its resource mobilization efforts in 2014 in the equity segment. Reflective of the sustainable performance and development impact achieved, the Bank's existing shareholders increased their participation through the Class A and Class B shares. In this regard, the paid up Class A capital increased by US$17M whilst Class B shares were taken up for an aggregate of US$51M.

PTA Bank's successful Class B shares fund raising continues to attract new strategic investors. Since the creation of Class B shares in late 2012, the Bank has received subscriptions for 13,482 shares valued at US$80M. This successful fund raising has been bolstered by the Bank's high growth and profitability as well as strong support from existing shareholders, notably regional member states and countries as well as institutional shareholders. The African Development Bank and the People's Bank of China, two of the Bank's largest existing shareholders, account for the largest purchase of Class B shares.

Other investors in Class B shares include the National Pension Fund of Mauritius, the Seychelles Pension Fund and the Rwanda Social Security Board. These National pension funds aquired Class B shares offered an attractive potential return as well as a way to support economic growth in their countries and the rest of the region. Class B shares also attracted two reinsurance multilateral institutions; PTA Reinsurance and Africa Reinsurance a highly rated investor. These new shareholdings will reinforce the strategic relationship of the Bank with other African multilaterals. A

private insurance company, Mauritian Eagle Insurance, has also invested in Class B shares. This investment followed the National Pension Fund of Mauritius transaction and highlights how national pension funds of member states and countries are in a unique position to support the Bank's quest to raise capital.

Banco Nacionale de Investimento (BNI) wholly owned by the Government of Mozambique also invested in Class B shares in December 2014. This landmark transaction marks the start of a mutually beneficial relationship with Mozambique. The Class B shares fund raising is fully aligned with the Bank's 5th Corporate Plan objectives, specifically its intention to extend membership to new countries in the region in addition to institutional investors and strategic partners.

The Bank is in negotiations for further subscriptions from DFIs, Sovereign Wealth Funds, National Pension Funds and private other institutional investors where their long-term interests are aligned with the Bank's mission to integrate and advance the economies of the region. Significantly more capital will continue to be raised as interest in Class B shares remains strong within the region and beyond.

International Ratings

With an expanded equity base and increased mix of shareholding, the Bank secured its first credit ratings upgrades, by GCR in 2012 and Fitch in 2013, with the ratings up to BB+ and BB respectively. Fitch Ratings upgraded PTA Bank's Long-term Issuer Default Rating (IDR) to "BB" from 'BB-'. The National Long-term rating was upgraded to 'AAA' (Ken); from 'AA+' (Ken); and the Short-term IDR affirmed at 'B'. The outlook was rated stable. The upgrade of the rating and the stable outlook reflects improved risk management governance structures that have been instituted since 2012.

All three of the Bank's ratings agencies have given the Bank a stable outlook, citing the Bank's expanding capital base and strong liquidity among the critical strengths taken into consideration.

Financial Management

In 2014, the Bank recorded strong operational and financial performance. Return on capital employed (ROE) was 14.01% compared to 16.23% in 2013 and the annual budget of 13.28%. Though below the 2013 level, the 2014 ROE exceeded the corporate plan minimum target of 9% for the year 2014. The Bank recorded a 2.55% return on assets, compared to the 3.08% recorded in 2013 and the 2.66% budget for 2014. The ROE and ROA have dropped modestly because of the introduction of general provisions in 2014 as part of the implementation of the Bank's new risk management policies, as well as a significant increase in the Bank's capital through new subscriptions that were invested in Q4 of 2014. General provisions were not provided for in 2013, nor were they factored in the Bank's corporate plan or 2014 budget.

The Bank's net profit for the year rose by 16% to US$77M from US$67M in 2013, exceeding the US$67M budget by 16%. Total interest income grew by 40% from US$112M in 2013 to US$157M, surpassing the budget by 16%. While lending interest rates during the year recorded a modest decline, the growth in interest income is largely attributable to the portfolio growth recorded during the year.

Net Fees and commission income was recorded at US$42M from US$44M in 2013. Though gross fee income in 2014 increased by 4%compared to 2013, a three-fold increase in Letters of Credit (LC) expenses coupled with a significant rise in insurance costs more than offset the growth in income. LC costs increased because of new clients with different structures. Increasing insurance cover enabled the Bank to manage its risks better. Risk down-selling and insurance are part of the Bank's strategy to mitigate credit concentration risk.

Operating Income, which comprises net interest income and net fee income, was recorded at US$111M, growing 18% from the US$ 94M recorded in 2013.

In 2014, the Bank's operating expenses grew from US$16M to US$19M. The increase, which is within budget, was occasioned by the recruitment of new staff to support the various strategic business initiatives in the 5th Corporate Plan. This notwithstanding, the Administration cost/Total Income and Staff/Total Income ratios were well within budget at

9.57% compared to the 11.57% budget and 10.03% in 2013 and 6.99% compared to the 8.03% budget and 7.21% in 2013 respectively.

While the Bank registered a 24% portfolio growth in 2014, the level of non-performing loans (NPL) decreased by 15% to US$78Mfrom the US$93M reported in 2013. The Bank provided for an impairment charge of US$25M, which included general provisions for the first time. As at 31st December 2014, cumulative impairment provisions amounted to US$68M providing 87% coverage of the gross NPL exposure.

During the year, the Bank grew its assets by 42% to US$3.54B. This performance resulted from the strong growth in the Bank's Trade Finance and cash equivalents, including central bank placements, which increased by 32% and 61% respectively.

Human Resources & Administration

2014 marked the second year of the Bank's current five year corporate plan in which the human capital development initiatives of the Bank is full speed ahead in attracting and retaining a talented and motivated work force. Accordingly, fourteen new and existing positions were filled mainly in project and infrastructure finance, compliance and risk management, trade finance and human resources and administration departments through a competitive selection process. Subsequent to the formation of a Trade Finance Fund (TFF) with GML Capital LLP, a Deputy Chief Executive Officer and other senior officers were selected from within the Bank to co-manage the affairs of the fund.

The Bank's Balanced Scorecard (BSC) methodology has been well positioned to align the performances of the Bank's human resource to its corporate goals and objectives. Through implementation of the BSC, a culture of delivery, accountability and measurement of performance has been enhanced including the Bank's recognition and reward system.

During 2014, a wide range of training programs were provided to build the Bank's professional and technical competencies, increase their knowledge and enhance their individual opportunities for future growth. Our year-end staff complement for 2014 was 117 out of which 75 employees were professionals constituting 64% of the total workforce. The ratio of female employees has also improved significantly to 44% of the workforce.

The renovation of the Harare regional office was completed, and a major renovation of the Bank's headquarters in Bujumbura was launched and is expected to be finalized in the second quarter of 2015. The Bank has also secured an approval to start the first phase of a modern office building on the property already acquired in Nairobi for the existing regional office.

To further enhance the management team, the Bank recruited a Chief Risk Officer and also appointed a Chief Finance Officer. The Bank places a high premium on best corporate governance and management practices, which is a key thrust of the 5th Corporate Plan.

Conclusion

Looking ahead, the Bank will continue advance a managed sustainable growth strategy and reinforce its interventions in infrastructure and industrial development, as well as intra-regional trade to promote further integration and economic advancement of the region.

The Bank has shown remarkable performance in the first two years of its' 5th Corporate plan (2013-2017). My highest regard and appreciation goes to the Board of Governors and the Board of Directors for their extraordinary guidance, wisdom and strong support of the Bank's growth, modernization and innovation. I would also like to thank our clients and investors for their confidence in us as business partners during the year. Last and certainly not least, our achievement in 2014 would not have been possible without the commendable hard work and commitment of my management team and the Bank's staff to achieve our corporate objectives during the year.

I look forward to another successful year of sustained growth and performance to fulfil our mandate in the economies of the region, while creating a strong value proposition for our shareholders and stakeholders.

ADMASSU TADESSE
President & Chief Executive

STATEMENT ON CORPORATE GOVERNANCE

The key aspects of our approach to Corporate Governance are as follows:

Corporate Governance Standards

The Board of Directors of PTA Bank is responsible for the governance of the company and has final accountability for its strategic direction and performance. In executing its duties, the Board ensures the Bank complies with good corporate governance principles and high ethical standards as embedded in the Bank's Charter.

As a multilateral institution, the Bank is not subject to the supervisory authority of any local jurisdiction. Accordingly, the corporate governance principles and standards adopted by the Board have been developed with close reference to guidelines adopted by other highly rated international multilateral financial institutions as well as some best practices recommended from different parts of the world including the Principles of Corporate Governance in the Commonwealth, the King Code of Governance (1999) and codes of best practice as developed by various regulatory authorities in the Bank's Member States.

To underpin its commitment to sound corporate governance, the Bank signed a joint approach statement on corporate governance alongside 30 international development finance institutions in October, 2007.

Governance Structure

The Bank is a multi-national legal entity established by Charter. The Charter which is binding on all Members sets out the objectives, membership, capital structure and organization of the Bank as well as identifying the type of transactions the Bank may engage in. It also sets out the immunities, exemptions and privileges of the Bank. The Charter also contains provisions with respect to the allocation of capital subscriptions.

The Bank has two policy organs namely the Board of Governors and the Board of Directors.

Board of Governors

All powers of the Bank are vested in the Board of Governors. Each Member of the Bank appoints one Governor and one alternate, with the alternate only voting in the absence of the principal. -The Governor, or the alternate, exercises voting powers on behalf of the Member for which he or she is a nominee. Each Governor is entitled to cast the number of votes of the Member State or Member which appointed them and which they represent and, except as otherwise expressly provided in the Charter, all matters before the Board of Governors shall be decided by a majority of the voting power present at the meeting. ¬The Board of Governors generally comprises Ministers of Finance or Ministers of Economic Planning from Member States as well as appointees of Members other than the Member States. ¬

The Board of Governors appoints the President of the Bank and Non-Executive Directors (NEDs) of the Board of Directors. It delegates powers to the Board, and ordinarily meets once a year. Although it has delegated powers to the Board of Directors, certain specific powers, such as the increase or decrease of the Bank's authorized capital, amendment of the Charter and approval of the Bank's audited accounts, are retained by the Board of Governors.

Board of Directors

The Bank's Charter outlines specific roles and responsibilities for the Board of Directors, which has responsibility for the general conduct of the ordinary operations of the Bank. ¬Article 27 (6) of the Bank's Charter provides that the Board of Directors shall be responsible for the conduct of the general operations of the Bank. The Charter provides for the board to consist of no more than 10 NEDs and the President as an executive member. Five of the 10 NEDs represent five groups of Member State constituencies. Each Member State constituency also has an Alternate NED. One represents non-African Member Countries, two represent institutional investors and two are independent NEDs in line with good corporate governance. During 2014, the board of directors consisted of 9 members.

Board meetings are held at the Bank's Headquarters or branch locations or at any other location specified in the notice convening the meeting. Board Members elect a director to serve as Chairman and Vice-Chairman of the Board for a period of one year. The President serves as Co-Chairman and works jointly with the Chairman and Vice-Chairman Th¬e role and responsibilities of the Chairman and of the President are distinct and held separately as specified in the Charter.

To assist members of the Board in the discharge of their responsibilities, the Bank has in place Rules of Procedure to guide the conduct of meetings and a Code of Conduct for Directors. Quorum for any board meeting is a majority of the total number of directors representing not less than two-thirds of the voting rights of the Bank. In 2014, all Board Meetings satisfied this quorum criterion.

The Audit and Risk Committee's (ARCO) mandate is to assist the Board of Directors in discharging its duties relating to the identification and management of the key risks facing the Bank as they relate to monitoring and reviewing the Bank's Enterprise Risk Management framework, Internal control and Financial reporting practices. It serves in an advisory capacity to the Board and ensures that the Bank's assets are safeguarded, adequate internal controls are in place and that material risks are effectively managed.

The Investment and Credit Committee's (INVESCO) mandate is to provide oversight on matters relating to the Bank's investment and credit mandate, providing advice to management regarding the implementation of investment initiatives and assisting the Board in making major investments decisions; and monitoring investment policies.

The Remuneration and Nominations Committee's (REMCO) mandate is to review, recommend and improve the Bank's policy framework and other inputs on human resource management including remuneration, incentives and other matters affecting working conditions, advising and making recommendations to the Board with regard to corporate performance and issues affecting staff working conditions.

Each Board-Committee is composed of 4 Directors. The President is a member of INVESCO and REMCO, and attends ARCO in an ex-officio capacity.

The Board of Governors approved the appointment of 3 Independent Non-Executive Directors to serve for a period of three years.

- Dr. Frannie Leautier as an Independent NED on the Board of Directors of the Bank, beginning 2015.
- Mr. Mohammed Iqbal Mallam-Hasham as an Independent NED on the COMESA Infrastructure Fund (CIF) Management Company and also as the Alternate Independent NED on the Trade Finance Fund (TFF) Management Company.
- Ms. Bethlehem Shiferaw as the Independent NED of the Trade Finance Fund (TFF) Management Company and also as the Alternate NED on the COMESA Infrastructure Fund Management Company.

The President

According to the Bank's Charter, the President shall be a person of integrity and of the highest competence to matters pertaining to the activities, management and administration of the Bank. He/she shall preside over the affairs of the Bank, and serve as both its Chief Executive and legal representative. He/she shall conduct the current business of the Bank under the direction of the Board of Directors. The President is assisted in his or her role by a Management Team

The table below shows attendance by Board Members in 2014.

	Board Meetings	Audit Committee Meetings	INVESCO Meetings	REMCO Meetings
Mr. Sanders Mutandwa	2/4		1/1	
Mr. Samuel Mivedor	1/2		1/2	
Dr. Maxwell Mkwezalamba	1/2			
Mr. Willard Manungo		3/4		
Mr. SullemanKamolleh			3/4	
Mr. Mingzhi Liu	4/4	4/4		
Prof. Oliver Saasa	4/4			3/4
Ms. KampetaSayinzoga	3/4	3/4		2/4
Mr. Gerome Kamwanga	4/4	1/4	2/2	
Ms. Mariam Hamadou	4/4			3/4
Mr. Rupert Simeon	4/4	4/4		
Mr. Admassu Tadesse	4/4	4/4		4/4

SUSTAINABILITY REPORTING STATEMENT

Promoting Sustainable Development

Sustainable development is an integrated system of the Bank's operations driven by our vision to become a world class African financial institution that aims at advancing the economic development, integration and prosperity of the region. The Bank's strategy is to unlock the African potential in a cohesive approach by leveraging on its regional presence and size to achieve a dynamic balance of economic, social and environmental sustainability. Our footprint on the African continent has positioned us to capitalize on strong growth rates in Africa as well as the shift in global trade and capital in-flows to the continent.

Value Creation for the Environment

The Bank continuously embeds Environmental Social Governance (ESG) issues into its corporate strategic agenda. The ESG efforts have focused on Environmental awareness process optimization and efficiency in our credit due diligence and appraisal process as well as the governance framework. This is to ensure that the Bank promotes sustainable development through responsible investing, legal compliance and risk management.

Our dedication to creating value for the environment has been driven by an endeavouring effort to ensure responsible Environment and Social Risk Management (ESRM) as a core part of building long-term sustainable value for all stakeholders. It was therefore imperative for the Bank to augment in-depth implementation of the Equator Principles in terms of the Bank's operational workflows and structure to ensure they are adequate to assess and manage the risks associated with projects as well as comply with internationally acceptable social standards and best practices in ESRM. In this regard, the Bank embarked on an independent review and revision of the ESRM policy demonstrating its progressive commitment to enhancing profitability through proactive environmental and risk management.

To enhance robust Environmental and Social Management, the staff was trained on E&S issues affecting overall business, financing and investment engagements to ensure the process integrates environmental awareness throughout the Bank's processes. The training covered newly adopted principles as well as amended policies, procedures and processes hence, improved capacity to assess, mitigate, document and monitor the environmental and social risk associated with financing projects and give insights on resources for continuous information on industry best practice.

Renewable Energy (RE) which has been on the region's agenda for decades has gained a strong momentum as a catalyst that would enhance energy security, mitigate

climate change, create employment and enable developing countries make substantial foreign exchange savings. In this regard, the Bank continued to demonstrate its commitment to promotion of RE projects through its intervention in the clean and renewable energy sector.

Corporate Social Responsibility (CSR)

Organizations play a crucial role in the overall development of societies. Not only do they generate growth and create jobs, but they also have an influence on people's wellbeing and an impact on the environment.

CSR is another ingrained aspect of the Bank's operations and hence strives to develop a sustainable existence for all stakeholder categories of the society through various initiatives. PTA Bank has concerted efforts that go beyond our mandate that governs our activities in the ordinary course of business, and aspires to attain the ultimate objective of the CSR activity by being sensitive to societal needs.

The Bank's approach to CSR has been providing proactive solutions in addressing societal and environmental challenges, as well as collaboration with internal and external stakeholders to improve CSR performance in the Bank.

The CSR initiative is multilateral in nature and is facilitated through contribution by the Bank's, staff, the community and our Member Countries.

Partnership with Jua Kali Association to Support the Craft Market – Ka Family Handcraft Market

This initiative aimed at supporting the development and preservation of local cultural activities through a partnership with the Jua Kali Association. The goal for this project is to eventually create permanent structures for the market traders to operate long-term, with continuous support in key areas critical to their business.

Partnership with the Green Belt Action for Environment

The Bank in collaboration with the Green Belt Action for Environment embarked on rehabilitation works at the Jardin Publique, a popular jogging ground whose main aim is to encourage healthy living through exercise for its residents. The property was granted to the Green Belt Action for Environment which among other tasks is responsible for the maintenance of the garden. The initiative to rehabilitate the sports track is focused on paving the jogging track and tracing gutters with lightly reinforced concrete slabs for improving storm drainage.

Activation at Jairos Jiri Centre

An initiative by the Bank to rehabilitate a centre for physically challenged children aged between 2 and 7 years at the Jairos Jiri Association (JJA). JJA is the largest service provider to people with disabilities with over 6500 clients saved every year through outreach and follow up integration programmes. In addition the Association operates 16 centers where 1200 children and adults get treatment, care and education. Among its many activities are special primary schools for the deaf, blind and physically challenged, hostels and homes, vocational training center, agriculture skills training center, clinics, orthopaedic workshop and satellite units, Community-based Rehabilitation Programme, craft shops and gender empowerment programmes. The initiative involved the rehabilitation of the entire building, renovations and repairs of the hydrotherapy pool and paving of pathways to ease accessibility for wheelchairs.

Advancing Economic Development

PTA Bank focuses on fostering economic growth and sustainable development. The current size of trade and project finance requirements of Africa have grown strongly with need for greater volumes of financing and stronger intermediation. The Bank's loan portfolio as at December 2014 stood at US$2.58B with interventions spread across 14 member states and 14 economic sectors. In this regard PTA Bank has made amongst others the following investments; in agribusiness the Bank has financed the exports of tobacco and other agricultural inputs such as fertilizers within the Region; the Bank has supported companies from Zambia and Kenya to export fertilizers to neighbouring countries, such as Malawi, Tanzania, Zimbabwe and Rwanda; there was also significant input in the petrochemical sector reflecting the importance of petroleum products in economic activities and the fact that all the Bank's Member States are net importers of petroleum products.

The Bank continues in its catalytic role to promote economic development and regional integration through tighter collaboration with private sector investors and stake-holders, to share financial risk while maintaining our strong commitment to adhere to best practices.

ECONOMIC ENVIRONMENT

Global Economic Overview

The recent IMF's World Economic Outlook Update of April 2015, states global growth was 3.4% in 2014. This reflects an increase in growth from advanced economies of 1.8%, coupled with a decline in growth in emerging markets and developing economies by 1.8%. Looking forward to 2015 and 2016, global GDP growth is expected to be 3.5%, due to higher growth of 2.4% from advanced economies in 2015 and 2016, while growth from emerging markets and developing economies will average 4.3% and 4.7%, respectively. Clearly, there has been a decline in economic performance from emerging markets and developing economies from the 5% growth figure of 2013, while advanced economies are improving. Perhaps, we are seeing a reversal of fortunes, albeit temporarily, and may be the beginnings of convergence, in the long-run. The impact of the oil price drop will be felt, going forward, with net oil-exporters experiencing a decline in economic growth compared to net oil-importers. Indeed, exchange rates globally, will respond to this decline in the oil price resulting in inflation and fiscal challenges in some net oil importers countries. Needless to say the remnants of the financial crisis such as weak banks and high levels of debt, both private and public, now coupled with the decline in oil prices, continue to drive the deleveraging process and growth.

Regional Performance

The United States' economy continues on its recovery path exhibiting a growth of 2.5% in 2014, and set to increase to 3.1% in both 2015 and 2016. The US dollar has kept pace with the growth by appreciating against the Yen and Euro. The stronger dollar may help cap economic growth in a healthy manner that will keep imported inflation in check, and also keep tighter monetary action at bay. Annualized GDP growth was 3.9% in the last three quarters of 2014.The driver behind strong growth in the US is consumption, which has benefited from steady job creation, lower oil prices, and general increase in consumer confidence. The unemployment rate averaged at about 6% in 2014 and is set to decline to 5.1% in 2015. Consumer price inflation averaged 1.6% in 2014 and is set to decline in 2015 due to lower energy prices. The housing market continued its upward recovery trend and the equity market, as measured by the S&P 500, continued on an upward trend buoyed by a strong economy, low inflationary pressures, and easy monetary policy. The Federal Reserve ended its asset purchase program in October 2014, marking an official end to the quantitative easing strategy. Long-term bond yields remain low, due to investment demand for dollar assets, globally, and weaker external conditions.

The Eurozone is bedevilled by the so called 'Grexit' possibility, that is, Greece defaulting on its sovereign debt and being forced to leave the European Union. Economic growth continued to be sluggish in 2014 and increased the possibility of a full-scale introduction of a Quantitative Easing program, based on asset purchase by the European Central Bank (ECB). With the exception of Germany, Spain and Ireland, investment remained weak in the Eurozone, due to low growth expectations, policy uncertainty and geo-political forces. Inflation remains subdued and in fact negative in 2014, pointing to signs of deflation. The introduction of the asset purchase program will lead to a weaker euro, ease financial conditions, and halt the deflationary trend. Eurozone GDP growth was 0.9% in 2014 and is expected to increase to 1.5% in 2015 due to the positive impact of asset purchases by the ECB which will give rise to easier monetary conditions, and lower oil prices. The standoff over Ukraine, and Crimea breakoff into Russia, presented a major political challenge in 2014. Among the advanced economies in Europe, the UK economy showed the strongest growth of 2.6%, Norway 2.2%, Sweden 2.1% and Switzerland 2.0 %. In the emerging countries group, Hungary showed the strongest growth of 3.6% and Poland 3.3%. Germany, the Eurozone powerhouse grew at 1.6% in 2014, and France was much lower at 0.4%. Inflation levels, which were at 1.1% in 2014, are expected to decline in 2015 to 0.5% and then increase to 1.6% in 2016. It seems, Europe will be able to avoid a deflationary spiral, going forward.

Asia and Pacific zone, while it remained the global growth leader in 2014, growth slowed somewhat from 5.9% in 2013 to 5.6 % in 2014. Economic growth slowed down substantially in the bigger economies of China, Indonesia and Japan. Investment growth slowed down in China and the real estate market saw a decline, and export volumes growth declined somewhat. In Japan, consumption declined markedly. China grew at 7.4% in 2014, while India grew at 7.2 %. Japan grew at -0.1 % in 2014. Overall, advanced Asian economies grew at 1.6 % in 2014 largely affected by Japan. The growth rates for the other advanced Asian and Pacific countries are Korea (3.3%), Australia (2.7%), Taiwan province of China (3.7%), Singapore (2.9%) Hong Kong SAR (2.3%) and New Zealand (3.2%). Australia has been affected by the downturn in commodity prices and investment, in that sector.
The strongest growth in 2014 came from India and China, despite the slowdown in China. Emerging Asian countries such as Indonesia, Thailand, Malaysia, Philippines and Vietnam recorded a growth of 5%, 0.75%, 6%, 6.15%, and 6%, respectively.

In the Middle East, North Africa, Afghanistan and Pakistan regions political uncertainty and unrest continued to dominate in 2014, while for net oil exporters the drop in the oil price became an additional negative factor. In 2014, GDP growth for this region was 2.6%. Among oil exporters, the strongest growth in 2014 was recorded in Qatar (6.1%), and Algeria (4.1%). Saudi Arabia, recorded a growth of 3.6% in 2014, while UAE recorded a growth of 3.6%, and Kuwait, 1.4%. Iraq, ravaged by war, recorded a negative growth of -2.4%. Among oil importers, growth was strongest in Pakistan at 4.1% and Sudan at 3.4% and Jordan at 3.1%. Tunisia and Egypt, which have witnessed the advent of new constitutions, elections, and new governments, post Arab-spring, recorded growths of 2.3% and 2.2%, respectively. Even Morocco which was not negatively affected by the Arab Spring, recorded a modest growth of 2.9% in 2014. Clearly, the tourism sector, which is a big economic driver in these North Africa economies, did not recover significantly in 2014. Israel, which is culturally different from other countries in this region but is still a part of the Middle-East, grew at 2.8% in 2014.

In the Latin America and Caribbean region, GDP growth declined to 1.3% in 2014, for a 4th consecutive year. Particularly in South America, growth was affected by declining investment, declining terms of trade, declining commodity prices and widening external trade balances. In 2014, South America grew at 0.7%, Central America at 4% and Caribbean at 4.7%. Within South America, Brazil was flat with a growth of 0.1% and Argentina at 0.5%, due to low business and consumer confidence in Brazil, and falling investment and exports volumes in Argentina. The largest growth rates were recorded in Bolivia at 5.4%, Columbia at 4.6% and Paraguay at 4.4%. Venezuela was the only country in South America to record negative growth of -4% in 2014 and this trend is expected to continue in 2015 and 2016.

Sub - Sahara Africa

In 2014, economic growth in Sub-Saharan Africa (SSA) remained strong at 5% GDP growth. The region's low-income countries drove most of this growth. The key drivers were investment in natural resources and infrastructure, and

consumption. Low income countries recorded a growth of 6.5%, with Ethiopia being the best performer at 10.3%, DR Congo at 9.1%, and Tanzania at 7.2%. Oil exporters grew at 5.8%, with the strongest growth from Chad (6.9%), Nigeria (6.3%) and Republic of Congo (6%). Nigeria's growth was driven by the non-oil sector, showing that the economy is diversifying. This group of countries will experience more downward pressure from low oil prices going into 2015. Middle-income countries grew at a modest 2.9%. In this group Cote d'Ivoire was the strongest performer with a growth of 7.5%, and South Africa grew a modest 1.5%. South Africa was impacted negatively by electricity supply shortages and labour unrest in the mining sector. Low income countries such as Guinea, Liberia and Sierra Leone were impacted by the outbreak of Ebola. The epidemic disrupted the flow of foreign investment, agricultural activity, and mining activity. Tourism was also affected, with contagion spreading beyond this region into the whole of the West African region and parts of East and Southern Africa, due to risks of perception.

The Ebola-affected countries suffered fiscal stress due to unforeseen expenditures. Mozambique showed a large fiscal deficit, while Ghana and Zambia began experiencing recovery in their fiscal balances. In Ghana, wage pressures in the public sector, which have impacted the fiscal position, still need tackling in order to make them more manageable. Most countries have continued to implement accommodative monetary policy conditions which have been supportive of growth, especially in non-oil producing countries.

The combination of strong growth prospects for some of the African countries, combined with low global bond yields, encouraged the issuance of Sovereign bonds. Cote d'Ivoire, Ethiopia, and Kenya, issued sovereign bonds, and brought the total issuance to US$8.7B in 2014, compared to US$6.5B in 2013. This upward trend is set to continue, as long as global bond yields remain subdued and growth in Africa remains robust.

Looking at the domestic investment climate, Benin, Cote d'Ivoire, DRC, Senegal, and Togo, have improved the investment climate and conditions for doing business. In 2014, total external flows to Africa were US$181B (7.3% of GDP), about 6% lower than in 2013, all due to a drop in portfolio flows and FDI linked to commodities. Remittances from abroad increased by 2.1% and so did ODA by 1.1%.

Intra-Africa trade is growing modestly, especially within sub regions. During the period 2010-2013, inter-Africa trade grew by 60% to US$61.4B. Generally, there has been steady growth of trade with China, resulting in a 22% growth in trade with Asia, between 2010 and 2013. Trade with Europe, Africa's largest trading partner, grew by 15% during the period 2010-2013. A notable decline is in trade between Africa and the US, which has been on a downward trend since the highs of 2008.

Outlook for 2015

In 2015, global growth prospects will hinge on deleveraging by the banking sector, high debt levels, declining oil price and other commodity prices. The IMF forecasts global growth to be 3.5% in 2015 and 3.8% in 2016, but uneven across countries, and groupings. Advanced countries will experience economic recovery while emerging markets will experience a decline in economic growth. For advanced countries, the outlook is set to improve, with growth in this group expected to be 2.4% in both 2015 and 2016. The strongest performer in this group will be the US with a growth of 3.1% in both 2015 and 2016. Japanese growth will remain the slowest at 1.0% in 2015 and 1.2% in 2016, which is still a recovery from the 2014 levels. Victory by the conservative government in the UK elections of May 2015, which has engineered economic recovery in the last 5 years, is set to keep the UK on a positive growth trajectory of 2.7% in 2015 and 2.3% in 2017.

Growth in emerging markets is expected to slow down, with China recording a growth of 6.8% in 2015 and 6.8% in 2016. However, reforms designed to boost domestic demand and lower commodity prices will provide a soft landing for growth in China. India is set to grow at 7.5% in both 2015 and 2016, and ongoing reforms and declining commodity prices will support this growth. Brazil's economic performance in 2015 and 2016, hinges on renewed commitment to fiscal discipline and monetary prudence, all of which could help bolster business and investor confidence. Brazilian growth is projected to be -0.1% in 2015 and 1.0 % in 2016. Uncertainty of policy reforms in Chile is likely to weigh down on the economy and result in a growth of 2.7% in 2015 and 3.3% in 2016. However, recovering growth in the US is likely to be positive for Latin America from a trade point of view.

In the Eurozone, the possibility of a default on sovereign debt by Greece, on one hand, and the introduction of the ECB asset purchase program to ease monetary policy, on the other, are important factors in this zone in 2015-2016. Negative bond yields are being experienced in some of the countries, all signifying easier monetary conditions designed to support deleveraging and increase liquidity. The possible exit of Greece from the Eurozone could throw the region into turmoil. The proposed referendum by the new UK government may also add further risk to cohesion of the region. Greece is expected to grow at 2.5% in 2015 and 3.7% in 2016. Germany, the largest economy in Europe, is expected to grow at 1.6% in 2015 and 1.7% in 2016, while France is expected to grow at 1.2% and 1.5%, for the same period. Overall, economies in the Eurozone are projected to grow at 1.5% in 2015 and 1.6% in 2017.

The economic outlook for Sub-Saharan Africa (SSA) for 2015 and 2016 will be impacted by lower oil prices and lower commodity prices. South Africa, Africa's second largest economy is facing energy shortages, labour unrest, and social-cohesion challenges in the 'negative sentiment on foreign nationals' which is dampening business and consumer confidence. Nigeria, the largest economy has been affected negatively by the drop in oil prices. Generally, oil exporters such as Nigeria, Angola, Gabon, and Republic of Congo, will experience a drop in economic growth to 4.8%, 4.5%, 4.4% and 5.2%, respectively, in 2015. South Africa is expected to grow at 2% in 2015 and 2.1% in 2016. Ghana, which faced macroeconomic instability in 2014, is

now receiving support from the IMF, and will experience growth of 3.5% in 2015 but then rebound to 6.4% in 2016. Core d'Ivoire, is expected to remain a strong performer with a growth of 7.7% in 2015 and 7.8% in 2016. Kenya, which has experienced security challenges in turn impacting the tourism sector negatively, is expected to grow at 6.0% in 2015 and 7.2% in 2016. Tanzania is expected to grow at 7.2% in 2015 and 7.1% in 2016.

From a regional point of view, Central Africa is expected to grow at 5.5% in 2015 and 5.8% in 2016, with the strongest growth coming from Chad and DRC, and slowest growth in Equatorial Guinea and Gabon. East Africa is projected to grow at 5.6% in 2015 and 6.7% in 2016, driven by strong growth in Ethiopia, Rwanda and Tanzania. The attempted coup in Burundi has increased uncertainty, and a lot depends on the post-election situation, in restoring investor confidence. Southern Africa is expected to grow at 3.1% in 2015 and 3.5% in 2016, with strong performance from Mozambique and Zambia weighed down by weaker performance from South Africa, Angola, Mauritius, Swaziland and Zimbabwe. In the West African region, growth is projected to be 5% in 2015, and 6.1% in 2016, also due to recovery from the Ebola scourge. Cote d'Ivoire is the biggest contributor to average growth, while the Ebola-affected countries, Sierra Leone, Guinea, and Liberia will have the slowest growth, including Cape Verde.

Overall, SSA growth will drop to 4.5% in 2015 and is expected to rebound in 2016 to 5.1%.

Sources: International Monetary Fund, World Bank, and African Development Bank


rnings
$ 67,228,166
Dividends
41%
$ 13,946,511
6,504,606
1,960,477
7,736,223
5,825,769
35,973,586
$ 31,254,580
$ 3,599,566
$ 27,655,014
$
Shares

FINANCIAL MANAGEMENT & TREASURY

Income

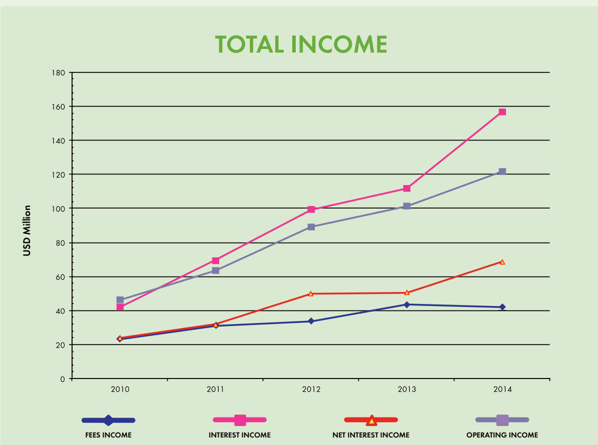
In 2014, the Bank grew its interest income by 40% to US$157M from US$112M in 2013. The increase is attributed to growth in both the Project Finance and Trade Finance loan portfolio. Trade Finance contributed 69% to the increase in interest income.

Net fees and commission income was US$42M from US$44M in 2013. Though gross fee income increased by 4% in 2014 from 2013, a three-fold increase in Letter of Credit (LC) expenses coupled with a significant rise in insurance costs more than offset the growth in income. These costs increased because of new clients with different structures. Increasing the insurance cover enabled the Bank manage its risks better. Trade Finance fees comprise upfront, letter of credit, guarantee, management, drawdown, document handling and other fees; while Project Finance fees comprise appraisal, facility, commitment, letter of credit, syndication, drawdown, management and other fees.

Total borrowing costs increased by 44% over 2013 to US$88M. Interest expense on long term and short term borrowings rose from US$54M in 2013 to US$78M, as a result of the 54% increase in total borrowings. The growth in borrowings is in line with the 42% growth in the Bank's assets. Other costs related to borrowings grew to US$10Mfrom US$7M because of new facilities secured by the Bank during the year.

Consequently, net interest income grew by 36% to US$69M from US$50M in 2013. Operating income rose by 18% to US$111M.

The chart below depicts the Bank's fee, gross interest, net interest and operating income over a five-year period.



Operating expenditure

Operating expenditure increased by 22% from US$16M in 2013 to US$19M in 2014. The increase is due to the recruitment of new staff to support the various strategic business initiatives in the 5th Corporate Plan.

Impairment

Impairment on Project and Trade Finance loans increased by 11%, from US$22M to US$ 25M. Impairment provision is made after a detailed review of the Bank's entire loan portfolio. The provision for 2014 includes US$11M of general provisions introduced during the year as part of the Bank's revised risk management policies.

The Bank in 2014 recovered an unprecedented US$9M from previously written off loan accounts compared to US$5M recovered in 2013. One major client accounted for half of the amount recovered during the year.

Profitability

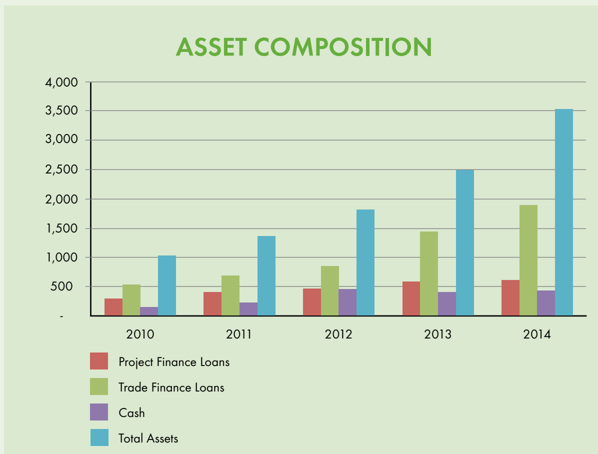
The Bank made a net profit for the year 2013 of US$77M from US$67M. This compares favorably with the annual budget of US$67M. The profitability achieved exceeds the US$68M level projected for 2016 in the Corporate Plan. The 16% growth in profitability is attributable mainly to the increased interest income and recoveries from written-off accounts. The ROE and ROA have dropped modestly to 14.01% and 2.55% from 16.23% and 3.08% respectively because of the introduction of general provisions in 2014 as part of implementation of the Bank's new risk management policies, as well as a significant increase in the Bank's capital towards year end.

The Graph below illustrates the Bank's profitability and profitability ratios over five years.

Assets

The Bank grew its assets by 42% to US$3.54B, the level planned for the end of 2017 in the Bank's Corporate Plan. Of the US$1.05B asset growth, US$458.21M is attributable to Trade Finance loans, whose net balance was US$1.90B, 32% up from 2013 due to new disbursements. Other receivables increased by US$282M largely due to Trade Finance assets down sold to counterparties. Cash and cash equivalents grew by 61% (US$248M) to US$652M owing to significant (US$216M) investment in treasury notes with Central banks in the Bank's member states. Project Finance loans grew by a net amount of US$26M to US$610M as a result of disbursements made during the year. The Bank's loan assets grew year on year by a net amount of 24%.

The chart below depicts the growth in the Bank's Project Finance and Trade Finance loans, cash and total assets over five years.



Liabilities

The Bank's total liabilities grew by 45% (US$900M) to US$2.92B. Short-term borrowings grew by US$946M to

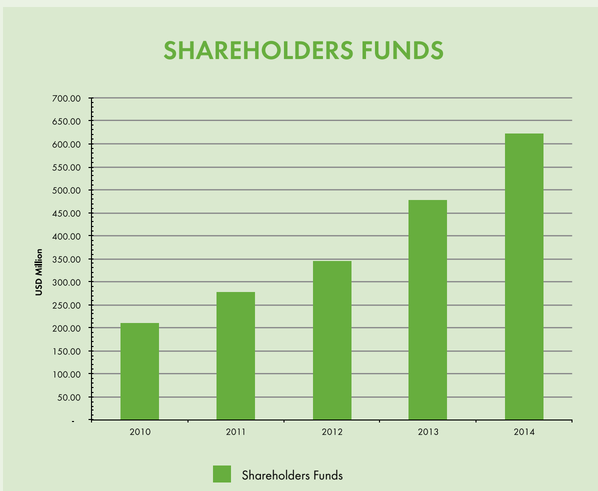
US$1.92B to fund the Bank's Trade Finance book, while long-term borrowings increased by US$26M to US$849M to fund Project Finance loans. Included in the short-term loans is a US$321M syndicated loan issued in September and October 2014, maturing in 2016 and US$277M received from Central banks and other banks in the Bank's member states under the COMESA Central Bank placements Programme. Some of the syndicated loan proceeds were used in retiring an existing US$150M syndicated loan that matured in September 2014. Collection account deposits reduced by US$76M following application of the amounts to settle corresponding maturing obligations. Collection accounts represent cash deposited by Trade Finance clients as part of the facility structure, which is included in the Bank's cash balances.

Capital

The Bank's shareholders' funds grew 30% (US$145M) to US$622M, exceeding the 24% growth in the Bank's net loan assets. This compares favorably with and surpasses by 18% the US$525M projected for 2014 in the Bank's Corporate Plan.

Of the US$145M increase in total equity, US$63M was in the form of new capital subscriptions including share premium, while US$77M is from retained earnings for the year. A dividend distribution of USD$19.24M is proposed from these earnings.

The graph below presents growth in the Bank's shareholder's funds (total equity) during the five years to 2014.



FINANCIAL STRENGTH INDICATORS

The table below depicts the Bank's major ratios for the year to December 2014, compared to the 2013 and 2014 budget:

	DECEMBER 2014 ACTUAL	DECEMBER 2013 ACTUAL	DECEMBER 2014 BUDGET
PROFITABILITY RATIOS			
Return on Capital Employed	14.01%	16.23%	13.28%
(Net Profit / Total Shareholders' Funds)			
Return on Assets	2.55%	3.08%	2.66%
Net Profit Margin (Net Profit / Gross Income)	36.71%	41.05%	36.38%
Net Interest Margin	3.46%	3.43%	2.68%
EFFICIENCY RATIOS			
Operating Costs to Total Income	20.99%	23.73%	21.19%
Administration Costs/Total Income	9.57%	10.03%	11.57%
Staff Costs/Total Income	6.99%	7.07%	8.03%
LEVERAGE RATIOS			
Total Debt to Equity Ratio	445%	377%	324%
(Total Borrowings / Total Shareholders' Funds)			
Total Capital and Reserves to Total Assets	17.55%	19.09%	21%
Capital Adequacy Ratio	33.7%	34.6%	35.0%
OTHER PERFORMANCE INDICATORS			
Liquidity Ratio	12.30%	16.17%	11.60%
(Liquid Assets / Total Assets)			
Gross NPL Ratio	3.04%	4.43%	3.10%
NPL Coverage Ratio	86.73%	65.80%	77.30%
Revenues (US$ million)	220	172	202

OPERATIONS

PROJECT AND INFRASTRUCTURE FINANCE

The objectives of the Project and Infrastructure Finance (PIF) activities are the provision of finance and technical assistance to projects that promote the economic integration of the countries of the sub-region. Additionally, PIF aims to identify and implement viable projects that help to harness resources from various long term financing partners including export credit agencies.

Under PIF, the Bank finances transactions with minimum capital borrowing requirements of US$1M while the upper limit is determined based on an exposure not exceeding a maximum of 10% of the Bank's balance sheet size. However, for infrastructure and strategic sovereign backed investments, the Bank's exposure to any one project is limited to 25% of the balance sheet.

As at 31 December 2014, the PIF portfolio stood at a total of US$625M representing 24% of the total assets of the Bank.

Business Development

In line with the Bank's five strategic themes under the current Corporate Plan, PIF continued to conduct its business by: (i) deepening and broadening current areas of engagement in existing Member Countries as well as in new Members joining the Bank; (ii) targeted extension to markets with low coverage; and (iii) product innovation and investment in existing and new business areas.

Diversification of the loan portfolio remained one of the important business development guidelines of the Bank in 2014. As a result of a strategic focus on frontier markets, PIF executed a US$84.2M landmark transaction in August 2014 which marked the Bank's maiden intervention in the Democratic Republic of Congo, which is the newest member state, having joined the Bank in 2012. In terms of sectors, given the catalytic role of infrastructure in economic development and poverty reduction, PIF made this a priority sector through both direct interventions in core infrastructure projects as well as indirectly through supportive industries such as cement manufacturing.

Syndications

In its current Corporate Plan, the Bank has identified syndication as a key service to be implemented in order to broaden its financial offerings, support its off-balance sheet activities and enhance income diversification. In FY2013 and FY2014, significant progress was made in the delivery of this service including putting together a team dedicated for this purpose. In this regard, several syndication mandates were secured, some of which are currently under implementation with others still in the pipeline.

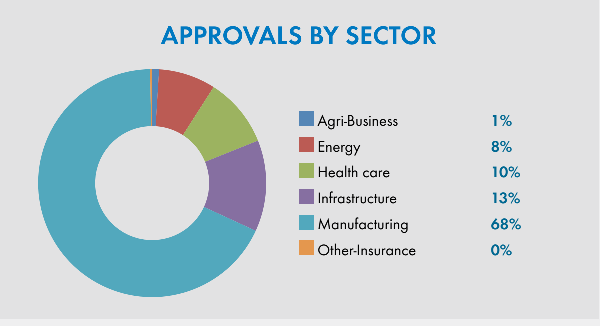
Throughout 2014, PIF therefore increased its focus on syndication as a value-add service to its clients, taking the role of Mandated Lead Arranger in a number of transactions. Syndicated approvals stood at US$214.7M from four transactions, namely PPC Barnet (DRC), PHL (Zimbabwe), Ubora Group Limited (Kenya) and Azalea Holdings Limited (Kenya).

Transactions Approved

In the year 2014, the Bank approved a total of US$309.1M traversing 9 transactions, comprising both debt and equity, spread across several Member Countries. In comparison, the approvals in 2013 stood at US$289.3M, which translates to a 7% increase. Further, details of the Bank's interventions in project and infrastructure finance are given in the sections below.

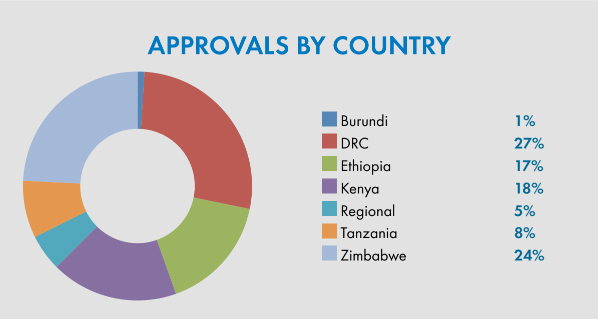
Approvals by Sector

The sector distribution of the approved projects is as follows: Agri-business – US$3M (1%); Energy – US$25M (8%); Infrastructure US$40M (13%); Manufacturing & Heavy Industries – US$209.7M (68%); Health Care US$ 30.5M (10%) and others accounting for US$900,000 (0.3%). The heavy weighting on manufacturing reflects the strategic focus to support the cement sector in DRC, Ethiopia, and Zimbabwe.



Approvals by Country

The geographical distribution of approved project finance interventions for the year was evenly spread across several Member Countries. The distribution is as follows: Burundi – US$3M (1%); Ethiopia - US$50.5M (17%); Kenya – US$55.5M (18%); DRC – US$84.2M (27%); Tanzania – US$25M (8%); Zimbabwe – US$75M (24%); and Regional – US$15.9M (5%).



Project Commitments

A significant milestone in project finance is commitments and fulfilment of conditions precedent to disbursement to facilitate draw down of approved loans. In the last few years, management has been reviewing the internal processes aimed at shortening the period between loan approval and disbursements and thereby making the facilities available to clients at the shortest time possible.

In 2014, a total of seven (7) transactions reached commitment stage for an aggregate amount of US$ 209.6M.

Project Disbursements

In the year under review, disbursement of PIF facilities amounted to US$138.2M in the form of both disbursements and outstanding Letters of Credit (LCs) established in various sectors. The LCs, with varying maturities, are recognized as contingent liabilities in the balance sheet and the loans are only booked upon settlement of matured LCs.

PROFILES OF PROJECTS APPROVED

The Bank approved the following projects in 2014:

Kilwa Energy II (US$ 25M) – Tanzania

The Bank approved financing of the second phase (Phase II) of a natural gas-fired power plant involving conversion of a 232.8MW Simple Cycle Power Plant to a 342.8MW Combined Cycle Power Plant. The project is geared towards meeting Tanzania's energy deficit, estimated to be 126MW or 835 GWh in 2014. In addition, the project is expected to contribute towards rural electrification in the villages surrounding the power station and along the 230km transmission line route to improve the low national average electrification level. Additionally, it is expected to save the country substantial amounts of foreign exchange through reducing importation of power from neighbouring countries.

PPC Barnet (US$84.2M) – DRC

This project represents the Bank's maiden intervention into the DRC and has, therefore, enhanced geographical diversification. The project involves the establishment of a 3000 TPD (1 million TPA) rotary kiln, dry process based integrated cement plant to be located near Kimpese. It is expected to have a significant developmental impact on the economy including import substitution through substantial value addition to local raw materials. The Bank was appointed Co-Lead Arranger together with the International Finance Corporation (IFC), thus enhancing the Bank's syndication strategy and sharing risk.

Habesha Cement Share Company Ltd (US$50.5M) – Ethiopia

The Bank approved long-term financing of the establishment of a Greenfield 3000 TPD cement manufacturing plant located at Holota town, Addis Ababa, Ethiopia. The Project is expected to have a significant developmental impact on the economy and substantial value addition through the transformation of local raw materials.

Portland Holdings Limited (US$75M) – Zimbabwe

The Bank approved financing for the expansion of Portland Holdings Limited cement operations through the establishment of a 100TPH / 744,000 Mtpa installed capacity cement grinding plant in Harare, Zimbabwe. The expansion will increase PHL's installed cement capacity by 49% from 779,000 Mtpa to 1,523,000 Mtpa. The Bank was Mandated Lead Arranger and underwrote the full transaction amount.

COMESA Infrastructure Fund – CIF (US$15M) – Seed Investment (Regional)

The Bank approved a seed investment of up to US$15M of the total commitment of the first closing of the COMESA Infrastructure Fund (CIF or the Fund). The Fund has a target to mobilise up to US$1B (to be raised in different tranches) for investment in infrastructure projects across the Common Market for Eastern and Southern Africa (COMESA) region. The CIF will be managed by a team of experienced professionals through a joint-venture between PTA Bank (the Bank) and an experienced fund manager (Harith General Partners). The proposed seed capital is expected, to not only support the start-up of the Fund's operations but also to increase the attractiveness of the Fund to potential investors.

African Trade Insurance Agency – ATI (US$ 900,000) – Regional

The Bank approved an Increase in Share Capital from US$ 100,000 to US$1,000,000 as part of ATI's general capital raising to increase its underwriting capacity ATI, an A/Stable rated (Standard & Poor) insurance company, has supported growth in export trade and investment across the Bank's ten (10) Member States. To serve its objectives and purpose, ATI facilitates the development of trade, investments and other productive activities in its African Member States by providing insurance or reinsurance coverage against political and commercial risks.

Ubora Group Limited (US$30.5M) – Kenya

The Bank approved a term loan of US$30.5M to establish a US$49.8M tertiary level multi – specialty 106 – bed hospital facility with general hospital care capability equipped with advanced diagnostic and treatment facilities in Kiambu County, Kenya. The proposed hospital is to be a part of the Migaa Residential Development (MRD), an integrated mixed use development scheme comprising of an executive 18-hole golf course, commercial centre, school and residential properties of different configurations consisting of cottages, duplexes and apartments which will have an estimated resident population of 20,000. The Bank was appointed as the Project Mandated Lead Arranger (MLA).

Azalea Limited (US$25M) – Kenya

A term loan of US$25M was approved by the Bank for Azalea Limited to finance the construction of a high-end lifestyle shopping mall in the Karen area of the Nairobi metropolis in Kenya. The grounds plus 2 floors of commercial real estate development will be a mixed-use retail complex offering a comprehensive range of services providing convenience, variety and entertainment.

Burundi Brewery (US$3M) – Burundi

The Bank approved a term loan of US$3M for Burundi Brewery for the expansion and modernization of its plant located in Ngozi Province of Burundi. Through the Project, beer production capacity will be increased from 10,000 hectolitres to 100,000 hectolitres per year. The Project supports Burundi's agri-based economy and will make use of locally grown bananas as the main raw material.

TRADE FINANCE

Performance Review

In the 2014 financial year, the macroeconomic and operating environment continued to be viable for the Bank's trade finance operations and activities. The demand for trade finance facilities has been sustained during the period under review as a direct result of a strong economic performance in the Bank's Member States.

Detailed performance including approvals, disbursements, sectoral and geographic growth for the last year is reported in the sections below.

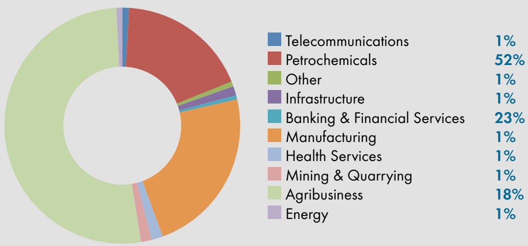
Loan Approvals

The conducive operating environment sustained by increased business development activities in the Member States and compliemented by efficiencies in internal processes and improved technology in the Bank, led to a marked increase in business volumes in 2014. During this period approvals grew by almost 6% year on year from US$3.6B in 2013 to approximately US$3.7B in 2014. Compared to 2013, it is noted that approvals in 2014 were spread across thirteen Member States compared to eight Member States in 2013, thereby deepening the Bank's geographic coverage. This geographic diversification is consistent with the Bank's strategic objective of diversifying its interventions across its Member States. During the 2014 financial year, inaugural trade finance activities were concluded in Djibouti and the Democratic Republic of Congo, a further indication of consistent execution of the Bank's diversification strategy. More importantly, approximately 10% of these approvals were geared towards programs with inherent regional geographic outreach.

Approvals by Sector

The distribution of the Bank's trade finance facilities by sector reflected a leaning towards the petrochemical sector which accounted for 51% of approvals in 2014, exhibiting the importance of petroleum products in economic activities and the fact that the entire Bank's Member States are net importers of petroleum products. The rest of the remaining 49% of approvals were distributed across the other sectors as follows: banking and financial sector 23 %, agribusiness 18%, while energy, infrastructure and other sectors accounted for 2% each. Manufacturing, mining and quarrying, telecommunications and health services all accounted for 2% of the sector spread.

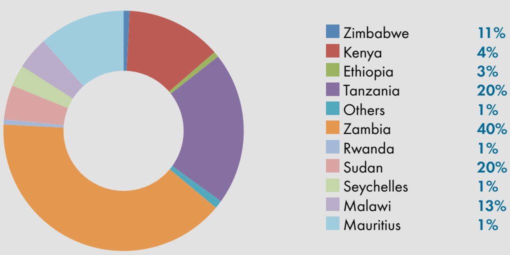
APPROVALS BY SECTOR 2014



Approvals by Country

Zambia remained the largest recipient of the Bank's trade finance approvals in terms of volume due to the size of the intervention in the petrochemical sector. In this regard, the total approvals under Zambia oil facility reached US$1.49B in 2014, representing a net reduction by 14% compared to US$1.6B in 2013. Sudan composite facilities had the second largest approval of US$754M in 2014, approximately an 18% reduction compared to US$918M in 2013. The remaining 40% of approvals were spread across the other Member States as follows: Zimbabwe (11%), Malawi (9%), Kenya (4%), Ethiopia (3%), Tanzania (5%), Rwanda, Mauritius, Seychelles and others 1% each.

APPROVALS BY COUNTRY



Disbursements

The total disbursements in 2014 stood at US$2.83B, an increase of 49% compared to in US$1.895B in 2013.

As in the past years, Letters of Credit continued to be Trade Finance's key instrument of disbursement. Out of the US$2.83B disbursed in the 2014 financial year, approximately 86%, an equivalent of US$2.44B was disbursed through Letters of Credit and the other 14% was a cash disbursement.

Strategy Execution

As guided by the 2013 -2017 Corporate Plan, Trade Finance's main focus was on diversifying its activities to include new and underserviced markets. Building on the progress made in the previous year, the Bank undertook several business development missions and seminars to attract and widen its reach in its Member States. In this regard, business seminars aimed at introducing the Bank and its products were held.

In addition, several targeted business development missions were also launched during the review period.

In line with the trend set in 2013, trade finance activities in 2014 were sustained in the new and underserviced markets such as Egypt, Ethiopia and Djibouti, whilst noticeable progress was made in the Democratic Republic of Congo and Rwanda, contributing to the pipeline of transactions for the year under review and more importantly in future. New approvals coming from these markets reached up to US$200M in 2014.

The Bank further intensified its efforts to diversify the sectors of intervention with agribusiness witnessing an impressive increase in trade finance approvals. The Bank saw a further increase in tobacco pre-shipment export finance under the global social and economic tobacco value chain in five Member States. The Bank has also continued to fund cotton farming and exports under the broader agribusiness sector.

Under the Corporate Plan, the Bank also seeks to deepen product innovation and investment as one of the core plan of activities. In this regard, a US$250M note-issuance program was concluded with the Reserve Bank of Malawi under the macroeconomic enhancement and trade defiscalisation program. This led to an increase in foreign exchange reserves and appreciation of the local currency.

KEY TRADE FINANCE PROGRAMS AND FACILITIES

Global Farmer Finance

In 2014, PTA Bank, in partnership with the local subsidiaries of Alliance One International Inc. put in place a global farmer finance facility for small holder farmers in Kenya, Malawi, Tanzania, Zambia and Zimbabwe. The facility has a total pilot seed portfolio of US$46M, aimed at supporting small holder tobacco farmers, by providing them with funding for farming inputs.

Ministry of Mines, Energy and Water Development, Zambia

The Bank continued its collaboration with the Zambian government through the Ministry of Mines, Energy and Water Development to facilitate the importation of strategic crude and refined petroleum products for resale within the country.

Ministry of Finance and National Economy, Sudan

The Bank executed a strategic facility for the importation of petrochemicals and agribusiness products in favor of the Sudanese Government through the Ministry of Finance and National Economy.

Risingstar Commodities Limited, Kenya

During the period under review, the Bank provided an Import Finance Facility in favour of Risingstar Commodities Limited for the importation of rice and sugar.

Commercial Bank of Ethiopia (CBE), Ethiopia

The Bank intervened in the forfaiting market to purchase medium-term Commercial Bank of Ethiopia payment obligations supporting capital equipment imports. This facility was a major breakthrough and effectively demonstrated the Bank's potential to play a key role in developing the forfaiting market for African trade risk.

Ethiopian Airlines, Ethiopia

The Bank, in 2014 continued working with Ethiopian Airlines by providing Pre Delivery Deposit (PDP) financing of four Boeing 777 Freighters. The delivery of the first plane took place in October 2014.

Government of Malawi (GoM)

The Bank provided a medium term facility to GoM through the purchase of treasury bonds to be issued by the Reserve Bank of Malawi on behalf of Ministry of Finance, Economic Planning & Development.

Banque Commerciale du Congo, DRC (BCDC)

The Bank provided a line of credit in favor of BCDC for on-lending to their various corporate clients in the Democratic Republic of Congo.

Master Steel Limited, Rwanda

Master Steel Limited received a revolving short term facility to enable it to import semi-processed steel and raw materials for further processing into finished products to be sold in Rwanda, and neighboring member countries.

Reserve Bank of Zimbabwe

The Bank approved a resource-backed facility in favour of the Reserve Bank of Zimbabwe. The Facility is aimed at supporting gold mining, marketing and development.

Multiple Hauliers (E.A) Limited, Uganda

The Bank approved an Asset-backed Finance Facility for the purchase of a complete modular cement grinding station for the Kampala Cement Plant.

FUNDS MANAGEMENT

The Funds Management Department (FM) was established in 2013 under the 5th Corporate Plan (2013 - 17) to support the implementation of the Bank's strategy, in pursuing growth and diversification, by spearheading new initiatives. Its mandate entails, among other roles, developing new business through a dedicated team of staff to leverage the Bank's existing market knowledge and coverage. This initiative is in-line with Article 9 and 10 of the Charter which stipulate that the Bank will establish and manage a Trade Financing Fund and Special Purpose Fund designed to promote the objectives of the Bank.

PTA Bank is currently working on the establishment of two strategic funds, namely the COMESA Infrastructure Fund (the Fund, CIF) and the Eastern and Southern African Trade Fund (the Trade Fund, ESATF). CIF is an equity close-ended infrastructure focused fund that proposes to finance infrastructure projects in selected sectors within the COMESA Region, while the Trade Finance Fund is an open-ended debt fund which will predominantly invest in trade finance, structured trade finance, export finance and project finance or related obligations of companies or other entities (including sovereign entities) located primarily in or having exposure to Eastern and Southern Africa.

The COMESA Infrastructure Fund

In 2010, COMESA member states decided to set up a US$1B COMESA Infrastructure Fund, a fund that was setup to address the infrastructure deficit in the region. After conducting various studies and consultations, it was decided in 2012 that PTA Bank (the Bank) would be better suited to establish the Fund, in line with best practice. A Transfer Agreement between COMESA and PTA Bank was signed on March 27th 2014 signifying the official transfer of the Fund. The Fund's focus is intervention in the infrastructure in various sectors including Energy, Transport, Telecoms, Water and Sanitation, Healthcare Facilities and Education among others.

Following a competitive selection process, the COMESA Infrastructure Fund Interim Advisory Board (the Board) selected Harith General Partners (HGP) as PTA Bank's preferred partner to operationalise the COMESA Infrastructure Fund (CIF). HGP is a leading infrastructure private equity firm, headquartered in South Africa with offices in London, Accra, Tunis and Washington DC. HGP manages four funds with combined assets under management in excess of US$2.5B and is one of the largest infrastructure players on the African continent.

During the year under review, PTA Bank and HGP negotiated and finalized the terms of engagement with a view to establishing the fund management vehicle, Eastern and Southern Africa Infrastructure Fund Managers (ESAIF). The ESAIF, a joint venture between the partners is being set up as a dedicated investment manager of the CIF.

The Fund and its manager will be domiciled in Mauritius and regulated by the Financial Services Commission, Mauritius.

During the year, the Board appointed various Mauritius based service providers namely, ABAX as the Fund Administrator, BedellCristin as the Legal Counsel in addition to PricewaterhouseCoopers and BDO as the auditors for the Fund and Fund Manager respectively. The service providers have assisted the partners in the preparation of all relevant registration and constitutive documents for both the Fund and Fund Manager.

In 2014, the Fund secured commitments of US$25M from PTA Bank and some COMESA member states, thus sending a strong signal of their commitment to and confidence in the CIF.

Focus for 2015

Fund raising activities will be the focus during 2015. The Fund and the Fund Manager are set to be incorporated and duly licensed during Q1, 2015. Road shows and other fund raising activities are planned by the partners and the fund management team beginning Q1, 2015. The capital of the CIF will be provided by diverse investors including Development Finance Institutions, National Pension Funds, Sovereign Wealth Funds, Insurance Companies and Investment Houses in the region and the rest of the world.

Eastern and Southern African Trade Fund

In 2014, through a competitive tender process, PTA Bank selected GML Capital (GML), an experienced manager of trade finance investment funds, as its preferred partner to establish an investment fund domiciled in Mauritius. The Trade

Fund is envisaged as a vehicle to provide trade financing for the benefit of the countries that are members of the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and Southern Africa Development Community (SADC) regional economic communities in Africa (together referred to as 'Tripartite').

GML Capital LLP is a private investment advisory and management firm, specializing in emerging markets. GML advises and manages funds invested primarily in emerging market high yield credit, special situations and trade finance. GML has originated and syndicated more than 400 trade finance transactions since 1991, and investment funds managed by GML have invested in trade finance assets since 1996.

PTA Bank and GML Capital have agreed to jointly establish Eastern and Southern African Trade Advisers Limited (the Fund Manager) a new fund management company domiciled in Mauritius. It will act as fund manager for ESATF, the new investment fund which will provide trade financing to importers and exporters located in or having trade relationships with other importers and exporters in Member Countries of PTA Bank, which include countries located in Eastern and Southern Africa. The Trade Fund will be an attractive US Dollar-based liquidity management tool for institutional investors, offering much higher returns than are available from other liquid investment funds.

In 2014, in line with market practice, the partners selected service providers for the Trade Fund, namely, APEX Fund Services as Fund Administrators, AfrAsia Bank as Custodian and Bankers, KPMG as the Auditors and BLC Chambers as the Legal Counsel. The selected service providers all have vast experience in providing services to CIS funds such as the ESATF, with competent dedicated personnel.

Focus for 2015

The focus in 2015 will be on the registration and licensing of the Trade Fund in Mauritius, which is expected in Q1. Following the registration and licensing, management, with support of the partners will embark on road shows and other fund raising initiatives with the aim of achieving the target initial fund size of US$250M, scalable to US$1B. Once launched, the fund will focus on transactions in Agri-business, Petrochemicals, Banking and Financial Services, Energy, Manufacturing and Heavy Industries, Health, the Transport sector among others.

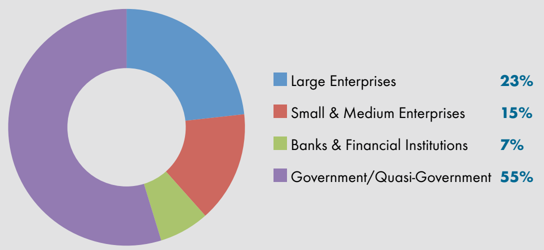
PORTFOLIO MANAGEMENT

Portfolio Overview

Despite increased competition from both regional and international financial institutions in 2014, the Bank's gross loan portfolio continued to grow standing at US$2.58B at the end of 2014, 24% higher than the US$2.08B at the end of 2013. Structured trade and commodity finance continued to drive portfolio growth across Member States with specific focus on previously under-serviced markets and sectors.

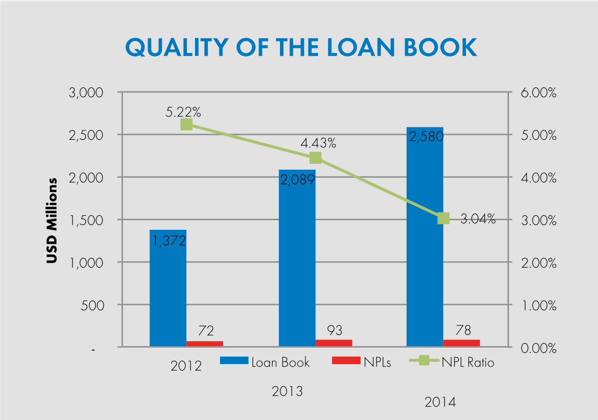
Guided by the Bank's mandate to strengthen intra–regional trade and drive economic growth in Sub-Saharan Africa, the Bank's exposure was distributed across public and private sector entities. The bank's exposure to Government and quasi-government projects remained significant at 55%, largely driven by the deliberate focus on the agribusiness, infrastructure and petrochemical sectors. The sectors are targeted mainly because they drive economic growth within Member States. The loan portfolio mix at the end of 2014 is shown in the figure below.

PORTFOLIO MIX



Quality of the portfolio

Balancing growth and maintaining the quality of the loan book remained a priority in the year under review. In the last three years, asset quality has continued to improve in line with the Bank's corporate target. To achieve this, the Bank continued to enhance overall portfolio risk management and monitoring throughout the credit cycle, aside from rigorous vetting of new business. Consequently, the non-performing asset ratio declined from 4.43% at the end of 2013 to 3.04% at the end of 2014 as shown in the table below.



Driven by the regional demand for cross border transactions specifically in the infrastructure space and trade, the Bank's portfolio is now characterized by large ticket single funded and syndicated transactions. The portfolio is reaching maturity and requires special focus to ensure that performance and quality is maintained. In light of this, the Bank continues to develop cross-cutting monitoring systems on individual loans, establish follow-up actions once red flags are identified and ensure early detection of warning signals to remedy resultant portfolio risks.

The Bank continues its catalytic role of promoting economic growth and development through financing transactions that create employment and foster Corporate Social Responsibility. Specific to employment creation, in the year under review, the Bank approved project and trade finance transactions which are expected to directly generate over 4,500 jobs and indirectly approximately 14,000 jobs. Cumulatively, the direct employment opportunities created by the Bank's intervention in the region is estimated at 80,000 over the last 5 years.

ENVIRONMENTAL AND SOCIAL GOVERNANCE

Over the past year, the Bank continued to invest in transactions that had a positive impact on the environment and the community. In pursuit of best practice and to position itself as a bank which is environmentally conscious, the Bank, with funding from AgenceFrançaise de Dévelopement AFD, has engaged an Environmental and Social Risk Management Consultancy firm to review the Bank's current environmental and social management practices. The review will align and refocus the Bank and its business partners on the management of environmental and social impacts guided by global Environmental and Social Standards and Best Practices. The recommendations from the study shall be implemented in 2015.

Focus for 2015

Enhance overall portfolio risk management and maintain a high quality portfolio aimed at achieving the Bank's desirable credit rating. The process will also entail augmenting portfolio monitoring specifically to strengthen risk assessment at transaction origination, post-investment implementation, workout and recovery.

Pursue early rehabilitation of delinquent loans and identifying early warning signals on distressed loan accounts in order to manage probability of default. Workout and recovery will continue to play a vital role in the management of loans, hence assessment of individual borrowers and their challenges before agreeing on turn-around strategies.

COMPLIANCE AND RISK MANAGEMENT

Overview and Executive Summary

In the course of their operations, banks are invariably faced with different types of risks that may have a potentially negative effect on their businesses. The effective management of risk within the stated risk appetite is fundamental for the banking activities of PTA Bank. Risk appetite is an expression of the amount, type and tenure of risk the Bank is willing to take in pursuit of its financial and strategic objectives. The Bank seeks to achieve a measured balance between risk and reward in its business. In this regard, the Bank continued to positively embrace risk management by abiding to all risk and compliance related matters. This was achieved through adoption of risk management practices, which include compliance with internal policies and procedures. The Bank has a strong risk culture and follows world-class enterprise-wide risk management, which aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimize the opportunities, threats and uncertainties.

Overall responsibility for risk management within PTA Bank rests with the Board of Directors (the Board). Day-to-day responsibility is delegated to Bank-wide Integrated Risk Management Committee (BIRMC) which reviews and summarizes the entire risk universe. The Board also delegates high-level risk functions to the Audit Committee and the

Investment and Credit Standing Committee (INVESCO), with each committee focusing on different aspects of risk management. Accountability for risk management resides at all levels within the Bank (everyone is a 'risk manager'), from the top executive to each business manager and risk analyst.

The Bank continued to base its risk management framework on a well-established governance process, with different lines of defense and relied both on individual responsibility and collective oversight, supported by a comprehensive reporting and escalation process. The industry standard three lines of defense model is embedded in PTA Bank's operating model. In the first line of defense, line management is principally responsible for risk management. Business unit management is responsible for identification and appropriate reporting of risks to the various governance bodies within the Bank. The Risk Management Function represents the second line of defense which is independent of line management within the Bank. The risk function is essentially accountable for establishing and maintaining the Bank's risk management framework as well as for providing risk oversight and independent reporting of risk to Senior Management and the Board. The third line of defense consists of internal auditors who provide an independent assessment of the adequacy and effectiveness of the control environment. The internal audit function reports independently to the Board Audit Committee.

The Bank's Enterprise-wide Risk Management Framework (ERMF) places emphasis on accountability, responsibility, independence, reporting, communications and transparency, and comprises of 12 key risk categories that are managed, measured and reported on by all functions across the bank. The Bank compartmentalizes the 12 risk categories into two broad types of risks. The first type of risk includes 'credit risk' and 'market risk', which are actively taken to actively generate profits, and the second is 'operational' risk that arises passively in the course of carrying out business. These risks were well managed throughout the year.

REVIEW FOR THE YEAR

The 2014 financial performance, delivered amid difficult macroeconomic conditions, was underpinned by a strong robust balance sheet, solid capital position, sound asset quality, an enabling but prudent risk appetite and excellence in risk management. The Bank's overall risk profile remained contained at moderate levels with a stable outlook.

Capital adequacy slightly reduced to 33.5% (2013: 34.6%) against a set minimum threshold of 30%, well positioned to support growth and pursue other strategic opportunities. The Bank's capital adequacy level compared favourably with peers. Sound asset quality and prudent risk management practices curbed the rate of migration of loans into the default category, which declined by 15.3% to US$78.34M (2013: US$92.53M) and amounted to 3.04% of gross loans and advances (2013: 4.43%). The improvement in the quality of the loan book is attributed to enhanced screening and vetting of deals at entry level, sustained excellence in collections effort and effective client rehabilitation. Early-cycle delinquencies improved as benefits of effective project monitoring and sound credit policy became evident. Timely write-offs and other loan restructuring initiatives also contributed to the significant improvement in impaired advances. The credit-loss ratio improved to 0.96% (2013: 1.07%) partially due to the asset mix and growth of the book. The Bank strengthened its prudent and conservative provisioning across all its credit portfolios. The coverage ratio for total and specific impairments significantly increased to 86.73% (2013: 65.80%) and 72.93% (2013: 65.80%) respectively.

To further improve the control environment, a number of risk-oriented projects and initiatives were either completed or commenced during the period under review. The Credit Policy was reviewed to align risk strategy with the Corporate Plan. The Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) program was reviewed to adopt and implement effective internal controls, which include comprehensive customer due diligence (CDD) policies, procedures, processes for all customers, particularly those that present a high risk for money laundering or terrorist financing. A consultant was also engaged to develop and document a comprehensive Business Continuity Plan (BCP). The Bank also conducted a regional assessment to get a better understanding and appreciation of region-specific risks inherent in PTA Bank's operating environment.

The department further strengthened its capacity building through the recruitment of a Chief Risk Officer. Various skills enhancement interventions including training, workshops and seminars on enterprise risk management, fraud risk assessment, financial modelling, AML/CFT and mastering Trade Finance were conducted bank wide. The Board was also trained on enterprise-wide risk management during the period under review.

Focus for 2015

To strengthen the Bank's overall risk management framework, going forward the strategic emphasis will be on the following:

- Review and update the Bank's ERM Framework to incorporate best practices and international standards.

- Rollout and embed enhanced AML/CFT policy that incorporates best practice techniques and practical solutions.
- Develop, document and implement a comprehensive, resilient and tested Business Continuity Plan (BCP) to enable the Bank to continue to operate/resume operations in the event of any eventualities, inter arlia, incidents, disasters, disruptive challenges or emergencies adversely affecting the Bank's operations, offices and staff.
- As part of strengthening its Risk Management, the Bank will engage a reputable consultancy firm to undertake the review and assessment of the PTA Bank Risk Management Maturity Stage, with the objective of drawing a baseline assessment of the current Risk Maturity Level against best practice standards.
- Enhance risk assessment analytics across the Risk Universe and expand the range of compliance environment. This will involve procurement of appropriate risk assessment tools to achieve efficiency and effectiveness. The Treasury Management System (TMS-market/liquidity risk) and Operational Risk Management (ORM-operational risk) tools will be rolled out in 2015. Enhanced AML/CFT solutions will also be installed in the next twelve months.
- Further strengthening risk management capacity: re-structure risk department with a focus for specialization and building centers of excellence in key areas of credit, market/liquidity, operational and compliance risk.

HUMAN RESOURCES AND ADMINISTRATION

2014 marked the second year of the Bank's current five year Corporate Plan in which human capital development initiatives of the Bank were readily implemented to attract and retain a talented and motivated work force. Accordingly, 14 new and existing positions were filled mainly in project and infrastructure finance, compliance and risk management, trade finance and human resources and administration departments through a competitive selection process. Subsequent to the formation of a Tripartite Trade Finance Fund (TTFF) with GML Capital LLP, a Deputy Chief Executive Officer and other senior officers were selected from within to manage the affairs of the fund.

The Bank's balanced scorecard (BSC) methodology has been well positioned to align the performances of the Bank's human resources to its corporate goals and objectives. Through the BSC implementation, not only a culture of delivery, accountability and measurement of performance has been enhanced but also the Bank's recognition and reward system.

After the initial launch of the Young Professionals Programme (YPP), 2014 has seen a successful pilot and implementation period that proved the very purpose it originally envisioned, i.e., the creation of a pool for talent and a means to promote diversity in our workforce. The program has proven to be effective and the Bank has revised the YPP policy for the board's approval so that it can launch an accelerated YPP program to garner talented multi-disciplinary individuals into the organization in line with the human capital development initiatives of the Bank.

During 2014, a wide range of training programs were provided to build our staff's professional competencies, increase their knowledge and improve their skill set so as to contribute to PTA's mission and enhance their individual opportunities for future growth. The training and development workshops cover different areas including mastering trade finance, financial modelling, enterprise risk management (ERM), SAP portal and HR training and fraud detection training. Some of these training programs were also provided for Board members and regional stakeholders in where upon 13 development institutions participated in one of the programs. The Bank facilitated the training in conjunction with the Association of African Development Finance Institutions (AADFI).

The renovation of the Harare Regional Office was completed and functional. The renovation project of the Bank's Headquarters in Bujumbura has started and is expected to be finalized in the second quarter of 2015. The Board approved the first phase of renovations for a modern office building on the property acquired in Nairobi.

In line with the Bank's Corporate Plan to strengthening its organizational development, the implementation of an effective employee engagement strategy was formulated. Accordingly, a request for proposal (RFP) was initiated and through a competitive process, a firm has been selected to undertake the survey with an objective of measuring the level of employee motivation, involvement and commitment at PTA Bank and propose appropriate measures to enhance staff engagement levels.

During the year, efforts for improved internal processes and strict administrative costs control measures were initiated and targets were attained. Human Resources and Administrative processes were enhanced through the introduction and implementation of a HR Information System that automated administrative functions related to leave, travel management, loans and reimbursement processes. Procurement, logistical and administrative support services including transport, protocol and insurance services were provided on a value for money, efficiency and effective basis.

Our year-end staff complement for 2014 was 117 out of which 75 employees were professionals constituting 64% of the total workforce. The ratio of female employees has also improved to 44% of the workforce.

INFORMATION TECHNOLOGY

In March, a web-portal based on the SAP system was deployed. It includes an Intranet which provides quick access to various categories of information within the Bank including departmental roles, team compositions and procedural manuals, as well as workflows for employees self-service, to automated functionality such as leave, travel, staff loans and reimbursement requests and approvals. Most importantly the system enables staff to access such information and functionality irrespective of their location.

Enhancements to various SAP reports were undertaken; these included, amongst others, formats to accommodate new requirements in the credit risk cycle.

Centralization of the Bank's server and storage infrastructure was implemented. This provides a robust and versatile IT landscape that minimizes the amount of hardware and software resources required to be deployed at individual office locations, while allowing for more efficient system management and backup capabilities. With this infrastructure topology, the Bank is now even better-positioned to cater for the IT requirements of any new office locations as they arise.

Reconfiguration of the Local Area Network was carried out to allow for future growth in the number of connecting devices and further optimize network traffic flow. A new wireless network system was also deployed providing wider coverage and more accessibility levels.

During the year, the Bank undertook a review of the policies and procedures around document management. This exercise was a first step towards the implementation of a fully-fledged Electronic Document Management System scheduled for 2015.

Towards the end of the fourth quarter of the year, the Bank successfully piloted video-conferencing facilities across all its four office locations. Rollout is expected to be completed by end of February 2015, thereby enabling improved interaction and collaboration between staff at various locations, and with external parties.

Under the co-ordination of the Risk Department, an IT Business Continuity Plan was developed that will culminate in further streamlining of the IT Disaster Recovery Plan.

ANNUAL REPORT & FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF *GOVERNORS*

Hon. Saada Mkuya Salum*
Minister of Finance and Economic Affairs
United Republic of Tanzania
Chairman of Board of Governors

Mr. Charles O. Boamah*
Vice President, Finance
African Development Bank

Mr. Corneille Karekezi*
Group Managing Director
Africa Re-Insurance Company

Mr. Tomas Rodriguez Matola*
Chief Executive Officer
Banco Nacional Investimento (Bni)

Hon. Mohamed Ali Soilihi*
Vice President in Charge of Finance,
Economy, Budget, Investment, Foreign
Trade and Privatisation
Federal Islamic Republic of Comoros

Hon. Monsieur Tabu Abdallah Manirakiza*
Minister of Finance
Republic of Burundi

Hon. Henri Yav Mulang*
Minister of Finance
Democratic Republic of Congo

Hon. Ilyas Moussa Dawaleh*
Minister of Economy, Finance and
Planning
Republic of Djibouti

Hon. Mounir Fakhry Abdel Nour*
Minister of Foreign Trade and Industry
Republic of Egypt

Hon. Berhane Abrehe*
Minister of Finance
State of Eritrea

Hon. Sufian Ahmed*
Minister of Finance and Economic
Development
Federal Democratic Republic of Ethiopia

Hon. Phyllis Kipkingor-Kandie*
Cabinet Secretary for Eac Affairs,
Commerce and Tourism
Kenya

Hon. Goodall Gondwe*
Minister of Finance
Republic of Malawi

Hon. Seetanah Lutchmeenaraidoo*
Minister of Finance and Economic
Empowerment,
Republic of Mauritius

Mr. Derek Wong Wan Po*
Managing Director
Mauritian Eagle Insurance Company
Limited

Mr. Veenay Rambarassah*
Senior Analyst
National Pension Fund of Mauritius

Mr. Andrei S. Brishtelev*
Chairman of The Board
Paritet Bank (Republic of Belarus)

Mr. Zhou Xiaochuan*
Governor, for the People's Bank of China
People's Bank of China

Hon. Claver Gatete*
Minister of Finance and Economic
Planning
Rwanda

Mr. Ufitikirezi Daniel*
Director General
Rwanda Social Security Board

Mr. Willy Confait*
Chief Executive Officer
Seychelles Pension Fund

Hon. Jean Paul Adam*
Minister of Finance,Trade and the Blue
Economy
Seychelles

Hon. Hussein Abdi Halane*
Minister for Finance, Planning and
International Co- orperation
Federal Govermanet of the Somali
Republic
Mogadishu, Somalia

Hon. Badreldin Mahmoud Abbas*
Minister of Finance and National
Economy
Sudan

Hon. Matia Kasaija*
Minister of Finance, Planning and
Economic Development
Uganda

Hon. Alexander B. Chikwanda*
Minister of Finance & National Planning
Zambia

Mr. Rajni Varia*
Zep Re, Managing Director

Hon. Patrick Chinamasa*
Minister for Finance & Economic
Development
Zimbabwe

PREVIOUS BOARD OF *GOVERNORS*

His Excellency. Dr. Navinchandra Ramgoolam, GCSK, FRCP**
Mauritius

Honourable Monsieur Pierre Laporte,**
Seychelles

Honourable Maria Kiwanuka,**
Uganda

Engineer Hatem Saleh**
Egypt**

Patrice Kitedi Kibol **
Republique Democratique Du Congo

*** Incoming Governors**
**** Outgoing Governors**

BOARD OF *DIRECTORS*

Mr. Rupert Horace Simeon
Director For Seychelles, Ethiopia, Burundi and Malawi
Chairman of the Board of Directors

Mr. Admassu Tadesse
President and Chief Executive

Mr. Liu Mingzhi
Director for Non-African state members

Mr. Samuel Mivedor
Director for African Financial Institutions (AFI)

Mr. Gerome Manankisi Kamwanga
Director for Uganda, Sudan, DR Congo and Comoros

Ms. Kampeta Sayinzoga
Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Vice-Chairman

Ms. Mariam Hamadou
Director for Egypt, Tanzania and Djibouti

Prof. Oliver Saasa
Director for Kenya, Zambia and Somalia

ALTERNATE *DIRECTORS*

Mr. Lawrence Kiiza
Alternate Director for Uganda, Sudan and Comoros

Mr. Willard Manungo
Alternate Director for Zimbabwe, Mauritius, Rwanda and Eritrea

Mr. Tarek Fayed
Alternate Director for Egypt, Tanzania and Djibouti

Mr. Sulleman Kamolleh
Alternate Director for Kenya, Zambia and Somalia

AUDITORS

Ernst & Young
Kenya Re Towers, Upperhill
Off Ragati Road
P. O. Box 44286 – 00100
Nairobi, Kenya

LAWYERS

Various

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Fax: +263-772788345

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (PTA Bank) for the year ended 31 December 2014.

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 55.

3. DIVIDEND

The Board has recommended a dividend of USD 329.50 (2013: USD Nil) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current members of the Board of Governors are shown on page 50.

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 51.

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

6. AUDITORS

The Bank's auditors, Ernst & Young, 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

Nairobi
30th April 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

30th April 2015

DIRECTOR

30th April 2015

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Eastern and Southern African Trade and Development Bank (PTA Bank), which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 5 to 151.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank's charter, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Joseph K Cheboror *– P/No. P.1145.*

Nairobi, Kenya

14th May 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 USD	2013 USD
INCOME			
Interest income	4	156,739,455	111,583,586
Interest expense	5	(78,101,408)	(54,161,866)
Other costs related to borrowing	6	(9,891,843)	(6,953,413)
Interest and similar expense		(87,993,251)	(61,115,279)
Net interest income		68,746,204	50,468,307
Fee and commission income	7	41,999,967	43,679,479
Net trading income		110,746,171	94,147,786
Other income	8	10,975,925	7,036,324
OPERATING INCOME		121,722,096	101,184,110
EXPENDITURE			
Operating expenses	9	(19,228,565)	(15,810,528)
Impairment on other financial assets	11	-	(132,887)
Impairment allowance on project and trade finance loans	17	(24,792,314)	(22,300,974)
Fair value (loss) / gains on equity investments at fair value through profit or loss	18	(1,280,792)	2,344,752
Net foreign exchange gains		557,313	1,345,903
TOTAL EXPENDITURE		(44,744,358)	(34,553,734)
PROFIT FOR THE YEAR		76,977,738	66,630,376
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		76,977,738	66,630,376
EARNINGS PER SHARE:			
Basic	12	1,254	1,232
Diluted	12	1,144	1,154

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	2014 USD	2013 Restated USD	2012 Restated USD
ASSETS				
Cash and balances held with other banks	13	435,996,933	404,006,930	462,607,857
Derivative financial instruments	14	34,189,322	-	1,232,788
Trade finance loans	15	1,901,553,050	1,443,338,055	847,524,196
Project loans	16	610,158,235	584,309,124	476,419,727
Equity investments – at fair value through profit or loss	18	12,654,291	19,753,620	10,855,430
Equity investments –at cost		6,675,075	-	-
Investment in Government securities – held to maturity	19	216,000,000	-	-
Other receivables	20	289,119,653	7,306,035	5,169,379
Deferred expenditure	21	16,627,274	19,154,092	7,503,221
Property and equipment	22	20,465,968	20,417,400	19,736,664
Intangible assets	23	407,437	304,596	313,747
TOTAL ASSETS		3,543,847,238	2,498,589,852	1,831,363,009
LIABILITIES AND EQUITY				
LIABILITIES				
Collection account deposits	24	126,774,345	202,540,691	144,851,598
Derivative financial instruments	14	-	126,423	-
Short term borrowings	25	1,919,329,465	972,855,019	681,326,318
Long term borrowings	26	849,402,489	823,598,652	648,239,614
Other payables	27	21,000,595	17,636,607	8,492,492
Provision for service and leave pay	28	5,417,994	4,853,389	4,201,424
TOTAL LIABILITIES		2,921,924,888	2,021,610,781	1,487,111,446
EQUITY				
Share capital	29	307,962,561	252,440,548	193,678,294
Share premium	29	19,778,406	7,334,878	-
Retained earnings		274,936,948	217,203,645	150,573,269
Proposed dividend		19,244,435	-	-
TOTAL EQUITY		621,922,350	476,979,071	344,251,563
TOTAL LIABILITIES AND EQUITY		3,543,847,238	2,498,589,852	1,831,363,009

The financial statements were approved by the board of directors on 30th April 2015 and were signed on its behalf by:

....

President **Director**

* Certain amounts shown here do not correspond to the 2013 financial statements and reflect adjustments made. Refer to Note 37.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital USD	Share premium USD	Retained Earnings USD	Proposed dividend USD	Total equity USD
At 1 January 2013	193,678,294	-	150,573,269	-	344,251,563
Capital subscriptions (Note 29)	58,762,254	-	-	-	58,762,254
Share Premium (Note 29)	-	7,334,878	-	-	7,334,878
Total comprehensive income for the year	-	-	66,630,376	-	66,630,376
At 31 December 2013	252,440,548	7,334,878	217,203,645	-	476,979,071
At 1 January 2014	252,440,548	7,334,878	217,203,645	-	476,979,071
Capital subscriptions (Note 29)	55,522,013	-	-	-	55,522,013
Share Premium (Note 29)	-	12,443,528	-	-	12,443,528
Proposed dividend	-	-	(19,244,435)	19,244,435	-
Total comprehensive income for the year	-	-	76,977,738	-	76,977,738
At 31 December 2014	307,962,561	19,778,406	274,936,948	19,244,435	621,922,350

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 USD	2013 USD
OPERATING ACTIVITIES			
Net cash generated from/ (used in) operations	30(a)	181,169,011	(118,137,842)
INVESTING ACTIVITIES			
Purchase of property and equipment	22	(626,791)	(1,280,858)
Purchase of intangible assets	23	(218,533)	(71,824)
Acquisition of equity investments	18	(856,538)	(6,553,437)
Purchase of Government securities	19	(216,000,000)	-
Net cash used in investing activities		(217,701,862)	(7,906,119)
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	29	55,522,013	58,762,254
Proceeds from share premium	29	12,443,528	7,334,878
Net cash generated from financing activities		67,965,541	66,097,132
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		31,432,690	(59,946,829)
Foreign exchange gain on cash and cash equivalents		557,313	1,345,903
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		404,006,930	462,607,857
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	30(c)	435,996,933	404,006,930
FACILITIES AVAILABLE FOR LENDING	30(d)	1,153,353,486	876,116,011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Statement of compliance

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

Presentation of financial statements

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

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Income from loans and investments is recognised as profit or loss when it accrues, by reference to the principal outstanding and the effective interest rate applicable. Interest on arrears of payable capital is taken to revenue when received.

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

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

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

Dividend from investments is recognised when the Bank's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Borrowing costs

Borrowing costs are interest and other costs that the Bank incurs in connection with the borrowing of funds. Interest expense is recognised in profit or loss on the accrual basis taking into account the effective interest rate. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. Other borrowing 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, and discounts and premiums are allocated over the relevant period as revenue or expense respectively.

(d) Foreign currencies

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

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

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

(e) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment loss. Repairs and maintenance costs are capitalised if the recognition criteria are complied with. All other repairs and maintenance costs are expensed as incurred.

Depreciation is calculated at rates which are estimated to write-off the cost of property and equipment to its estimated residual value 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 is not depreciated.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

The Bank's intangible assets relate to the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated at rates which are estimated to write-off the cost of the intangible assets in equal annual instalments over 3-5 years.

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

The intangible assets' useful lives and methods of amortisation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

(g) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either:

(i) the asset's fair value less costs of disposal is higher than its carrying amount; or
(ii) the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of non-financial assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(h) Deferred expenditure

Expenditure incurred in relation to a borrowing facility from which the Bank will derive benefits over a period beyond the year in which the facility is secured, if material, is capitalised and amortised over the life of the facility. This relates to expenditure incurred to acquire long term facilities.

(i) Tax

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

(j) Share capital

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

(k) Financial instruments

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

Financial assets

Initial recognition and measurement

The Bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition depending on the purpose and characteristics of the asset and management's intention in acquiring them. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial assets at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Non-hedging derivatives are also categorised as held for trading.

Loans, advances and receivables

The Bank deals in project and infrastructure financing and trade financing. Project financing is long term in nature, while, trade financing is short term in nature. Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than for an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Hedge accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Hedge accounting (Continued)

Cash flow hedges

Fair value hedges

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

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

Cash flow hedges

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

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

Available-for-sale financial assets

This category comprises financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) held-to-maturity investments. The Bank has not designated any loans or receivables as available-for-sale. The Bank does not have investments classified in this category.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the available-for sale reserve. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in profit or loss in other operating income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Subsequent measurement

For purposes of subsequent measurement financial assets are classified in four categories:

1. Financial assets at fair value through profit or loss
2. Loans and receivables
3. Held-to-maturity investments
4. Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment of loans and advances, and other receivables, are recognised as separate line items, in the statement of profit or loss, and other comprehensive income, respectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as impairment on other financial assets. As at 31 December 2014, Investment in Government Securities was held-to-maturity. The Bank did not have any held-to-maturity investments during the year ended 31 December 2013.

Available-for-sale financial (AFS) investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognised in OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss as impairment on other financial assets. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established. During the two periods the Bank has no AFS investments.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired, or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or payables. The Bank determines the classification of its financial liabilities at initial recognition.

Initial measurement of financial liabilities

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

Subsequent measurement

Subsequent measurement of financial liabilities at fair value through profit or loss is at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.

After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in profit or loss unless required or permitted by any accounting standard or interpretation, and is specifically disclosed in the accounting policies of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets, other than investments at fair value through profit or loss, is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss on loans and receivables and held to maturity investments carried at amortised cost has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is known to be uncollectible, when all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off against the related provision for loan impairment. Subsequent recoveries of amounts previously written off are included in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Fair Value Measurement (Continued)

The principal or the most advantageous market must be accessible to by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Bank's management determines the policies and procedures for both recurring fair value measurement, and unquoted AFS financial assets.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair value of financial instruments is described in more detail in Note 31.

(l) Employee entitlements

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee entitlements (Continued)

An actuarial valuation is carried out every three years to determine the service pay liability. The last valuation was carried out in December 2012.

(m) Retirement benefit costs

The Bank operates a defined contribution provident fund scheme for its employees. The Bank's contributions to the contribution plan are charged to profit or loss in the year to which they relate. The funds of the scheme are held independently of the Bank's assets.

(n) Contingent liabilities

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

(o) Cash and cash equivalents

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

(p) Leases

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

Bank as a lessee

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

Bank as a lessor

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

(q) Provisions for other liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, where 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Government grants

Government grants are not recognized unless there is reasonable assurance that the grants will be received and that the Bank will comply with the conditions attaching to the grant.

(s) Comparatives

When necessary, comparative figures are reclassified to conform to changes in presentation in the current year. The changes have been disclosed in note 37.

(t) 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.

(u) Critical judgements 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 judgements 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, judgement is required to establish fair values. The judgements 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 balance sheet date.

(ii) Impairment losses on loans and advances

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Critical judgements in applying the Bank's accounting policies (Continued)

(iii) Property and equipment

In applying the Bank's accounting policy, management makes judgement in determining the useful life for property and equipment. The depreciation rates used are set out in the accounting policy (e) above. See Note 22 for the depreciation charge for the year.

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

New and amended standards, interpretations and improvements

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments and interpretations effective 1 January 2014:

The Bank only considered those that are relevant to its operations.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. Refer to note 37 for offsetting arrangements in regard to derivative financial assets and liabilities.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as the Bank has not novated its derivatives during the current or prior periods.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

The amendments to IAS 36 *Impairment of Assets* clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant.

In addition, the IASB added two disclosure requirements:
- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

As a result of the amendments, entities are no longer required to disclose information that was regarded as commercially sensitive by preparers. Nevertheless, additional information needs to be provided. In general, it is likely that the information required to be disclosed will be readily available. The adoption of the amendment did not have a significant impact on the financial position or performance of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

New and amended standards, interpretations and improvements (Continued)

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment did not have a significant impact on the financial position or performance of the Bank, since the balances of such receivables and payables held by the Bank were carried at their undiscounted amounts.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank are existing IFRS preparers.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The Bank is currently assessing the impact that this standard will have on the financial position and performance.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank has already adopted IFRS, this standard would not apply.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

New and amended standards, interpretations and improvements (Continued)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Bank, since it does not have defined benefit plans with contributions from employees or third parties.

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.
The amendments clarify
- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.The amendments affect presentation only and have no impact on the Banks financial position or performance. This amendment becomes effective for annual periods beginning on or after 1 January 2016.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. These standards are part of the improvement process and are not new issued standards. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

New and amended standards, interpretations and improvements (Continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. These standards are part of the improvement process and are not new issued standards. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

New and amended standards, interpretations and improvements (Continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 11 - Joint Arrangements: Accounting for acqusition of interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Bank is currently assessing the impact of IFRS 11 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

New and amended standards, interpretations and improvements (Continued)

2012-2014 Cycle (issued in September 2014)

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, summaries of which are provided below. These standards are part of the improvement process and are not new issued standards. The changes are effective 1 January 2016. Earlier application is permitted and must be disclosed.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Changes in methods of disposal
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment must be applied retrospectively.

IAS 19 Employee Benefits

Discount rate: regional market issue

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

Disclosure of information 'elsewhere in the interim financial report'

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment must be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

4.	INTEREST INCOME	2014 USD	2013 USD
	On loans and facilities:		
	Project finance loans	46,000,222	37,921,552
	Trade finance loans	108,073,658	72,255,395
		154,073,880	110,176,947
	On placements:		
	Deposits/Held-to-maturity investments	2,665,575	1,406,639
		156,739,455	111,583,586

5.	INTEREST EXPENSE		
	Interest payable on funds borrowed from:		
	Banks and financial institutions	45,828,574	23,647,286
	Other institutions	21,576,948	11,082,969
	Regional and International Bond Markets	10,695,886	19,431,611
		78,101,408	54,161,866

6.	OTHER COSTS RELATED TO BORROWING		
	Amortisation of deferred expenditure	6,177,606	3,469,279
	Facility and management fees	1,992,140	1,191,667
	Other costs	717,350	857,050
	Drawdown fees	635,602	-
	Hedging derivatives costs	274,996	1,376,974
	Bank commissions and charges	94,149	58,443
		9,891,843	6,953,413

7. FEE AND COMMISSION INCOME	2014 USD	2013 USD
Upfront fees in trade finance	26,550,964	28,408,863
Letter of credit fees in trade finance	17,068,007	20,470,991
Drawdown fees in trade finance	2,152,093	1,419,325
Facility fees in project finance	1,970,808	1,738,267
Syndication fees in project finance	1,782,529	420,000
Management fees in trade finance	1,302,625	1,103,993
Appraisal fees in project finance	1,176,297	365,610
Letter of credit fees in project finance	821,487	821,405
Restructuring fees in project finance	524,831	375,283
Commitment fees in project finance	585,922	1,233,967
Other Project fees	287,797	524,012
Document handling fees in trade finance	228,044	501,808
Drawdown fees in project finance	202,563	148,325
Other fees in trade finance	147,540	58,577
Management fees in project finance	146,420	202,501
*Insurance cover costs	(8,037,245)	(4,649,217)
**Risk down-selling costs	(4,910,715)	(9,464,231)
	41,999,967	43,679,479

* This is insurance cover taken on loans made to the Ministry of Finance, Zambia. As at 31 December 2014, the insurance cover was USD 550 million (2013: USD 400 million). The cover was taken with African Trade Insurance Agency Ltd and reinsured with Lloyds of London (Syndicates and Insurance Companies).

**These costs represent the income foregone as a result of the Bank selling down part of its large credit exposures to certain counterparties. The risk down-selling strategy aims to reduce concentration risk especially in the Petrochemicals sector and allows the retention of large clients whose financing requirements may exceed the Bank's lending limits. As at 31 December 2014, the Bank had secured from various counterparties risk management capacity amounting to USD 600 million (31 December 2013: USD 325 million).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

8. OTHER INCOME	2014 USD	2013 USD
Impaired assets recovered *	9,043,199	4,736,096
Interest on capital arrears**	1,261,075	1,687,805
Other income	392,911	192,545
Rental income	227,460	223,760
Grant income ***	28,482	179,179
Interest on staff loans	22,798	16,939
	10,975,925	7,036,324

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

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

***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 27). Transfers are made to income when the costs which the grant relates to have been incurred.

9. OPERATING EXPENSES	2014 USD	2013 USD
Staff costs (Note 10)	14,021,779	11,357,069
Consultants and advisors	1,170,396	875,579
Official missions	1,051,925	1,018,415
Other operating expenses	732,328	531,665
Board of Directors meetings	630,982	503,061
Depreciation of property and equipment	578,203	594,768
Business promotion	374,992	302,677
Rent	293,560	295,438
Board of Governors meeting	212,124	210,885
Amortisation of intangible assets	115,691	80,975
Audit fees	46,585	39,996
	19,228,565	15,810,528

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

10. STAFF COSTS	2014 USD	2013 USD
Salaries and wages	7,731,619	6,773,056
Staff reward and recognition scheme	2,017,549	889,598
Other costs	1,936,959	1,627,131
Staff Provident fund contributions – defined contribution plan	1,434,794	1,264,427
Service and leave pay expenses	900,858	802,857
	14,021,779	11,357,069

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS	2014 USD	2013 USD
Other receivables (Note 20)	-	132,887

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

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 76,977,738 (2013: USD 66,630,376) 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 61,385 comprising Class A - 55,657 and Class B - 5,729 (2013: 54,066 comprising Class A - 53,997 and Class B - 69).

Diluted Earnings per Share:

Diluted earnings per share takes into account the dilutive effect of the callable Class A shares. The number of shares in issue during the year for purposes of diluted earnings per share was 67,286 (2013:57,743).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

13. CASH AND BALANCES HELD WITH OTHER BANKS	2014 USD	2013 USD
Current accounts – Note 13 (i)	21,934,346	25,683,981
Call and term deposits with banks – Note 13 (ii)	414,062,587	378,322,949
	435,996,933	404,006,930
(i) Current accounts:		
Amounts maintained in United States Dollars (USD)	8,078,463	3,865,635
Amounts maintained in other currencies:		
Euro	12,278,756	21,297,953
Ethiopian Birr	792,144	346,765
Tanzania Shillings	724,300	91
Kenyan Shillings	26,335	108,127
Ugandan Shillings	13,376	3,592
South African Rand	8,960	13,437
Burundi Francs	6,530	20,176
Mauritian Rupee	3,556	-
British Pounds	1,227	26,022
Malawi Kwacha	581	817
Japanese Yen	118	1,366
	13,855,883	21,818,346
	21,934,346	25,683,981

The average effective interest rate on current accounts was 0.49% (December 2013: 0.49%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

13.	CASH AND BALANCES HELD WITH OTHER BANKS (Continued)	2014 USD	2013 USD
(ii)	Call and term deposits with banks:		
	United States Dollars (USD)	285,218,600	254,445,495
	Amounts maintained in other currencies:		
	Sudanese pounds	127,861,520	122,758,153
	Ugandan shillings	981,169	581,374
	Malawi Kwacha	1,298	138,621
	Kenya Shillings	-	399,306
		128,843,987	123,877,454
		414,062,587	378,322,949

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

	2014	2013
Uganda Shillings	11.61%	11.00%
Kenya Shillings	9.56%	8.60%
Malawi Kwacha	6.50%	7.83%
United States Dollars	1.43%	1.36%
Euro	-	2.25%

The deposits in Sudanese pounds do not earn interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. The Bank applies fair value hedge accounting to interest rate swaps contracted to hedge the interest rate risk exposure associated with the fixed rate on its Eurobond.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled. To avoid creating currency mismatches, the Bank swaps its EURO assets/loans for USD in cases where disbursement made was in EURO.

The Bank also hedges its exposure to adverse movements on currency exchange rates on its EURO disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)	2014 USD	2013 USD
The table below shows the derivative financial instruments, recorded as assets or liabilities at year-end.		
a) Currency Hedges		
(i) Cross Currency Swap:		
Net opening balance as at 1 January	(1,004,408)	(288,320)
Payments under swap arrangement	2,947,408	3,818,255
Exchange gain/(loss)	867,268	(400,831)
Fair value gain /(loss)	442,584	(387,178)
Receipts under swap agreement	(2,984,033)	(3,746,334)
Balance as at 31 December	268,819	(1,004,408)
(ii) Foreign exchange forward contracts		
Balance as at 1 January	(916,856)	-
Contracts entered into during the year-Net	34,772,845	(4,222,641)
Net amounts settled	(968,209)	3,305,785
Balance as at 31 December	32,887,780	(916,856)
Total Currency Hedges	33,156,599	(1,921,264)
b) Interest Rate Swap:		
(i) Fair value movements		
Balance as at 1 January	299,164	448,749
Amortisation of interest rate swap	(149,585)	(149,585)
Balance as at 31 December	149,579	299,164
(ii) Cash flows		
Balance as at 1 January	1,495,677	1,072,359
Amounts due from counterparties	3,210,969	2,247,296
Amount received from counterparties	(3,823,502)	(1,823,978)
Balance as at 31 December	883,144	1,495,677
Total Interest Rate Swaps	1,032,723	1,794,841
Total derivative assets/(liabilities) a and b	34,189,322	(126,423)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

In December 2010, the Bank entered into interest rate swaps to hedge USD 150 million of funds received from the first tranche of the Fixed Rate Eurobond issued in November 2010. At the inception of the second tranche of the USD 300 million Eurobond in December 2013, the Bank entered into further interest swaps to hedge USD180 million. The swaps exchanged the fixed rate for floating rate in order to match the floating rates offered on loans. USD 75 million of the swap from the first tranche of the Eurobond was retired in January 2014.

In addition, in December 2010, the Bank entered into a cross currency swap by exchanging a Euro receivable (loan) of EUR 10,113,078 for a US dollar receivable of USD 13,407,919.

Further, the Bank entered into foreign exchange forward contracts to hedge against mismatches in EUR assets and liabilities by selling EUR and buying USD forward. The Bank's exposure under derivative instruments is monitored as part of the overall management of its market risk.

15. TRADE FINANCE LOANS	2014 USD	2013 USD
Principal loans	1,878,596,369	1,396,831,345
Interest receivable	76,202,028	84,777,135
Gross loans	1,954,798,397	1,481,608,480
Impairment on trade finance loans (Note 17)	(53,245,347)	(38,270,425)
Net loans	1,901,553,050	1,443,338,055
The weighted average effective interest rate was 5.58% (December 2013: 6.12%) per annum		
Maturing:		
Within one year	1,870,644,287	1,375,593,686
One to three years	84,154,110	83,839,939
Over three years	-	22,174,855
	1,954,798,397	1,481,608,480

The gross non performing trade finance loans were USD 53,261,481 (December 2013: USD 57,607,903). The impairment allowance related to these loans amounted to USD 53,245,344 (December 2013: USD 38,270,425) hence the carrying value of the loans amount to USD 16,138 (December 2013: USD 19,337,478).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

16. PROJECT LOANS	2014 USD	2013 USD
Approved loans less cancellations	2,003,949,552	1,656,330,999
Less: Unsigned loans*	(323,727,211)	(287,598,701)
Loans signed	1,680,222,341	1,368,732,298
Less: Undisbursed - Letters of credit opened	(64,489,727)	(21,698,552)
- Letters of credit not yet opened	(334,139,978)	(233,018,499)
Loans disbursed	1,281,592,636	1,114,015,247
Interest capitalised**	42,547,425	38,857,363
Loans repaid	(711,108,627)	(556,668,116)
Principal loan balances	613,031,434	596,204,494
Interest receivable	11,822,197	10,721,956
Gross loans	624,853,631	606,926,450
Impairment on project loans (Note 17)	(14,695,396)	(22,617,326)
Net loans	610,158,235	584,309,124

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

**Interest capitalised relates to interest in arrears on loans which were restructured now capitalized.
The average effective interest rate was 7.78% (December 2013: 7.44%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

16. PROJECT LOANS (Continued)	2014 USD	2013 USD
Maturing:		
Within one year	139,011,328	180,250,190
One year to three years	197,935,701	171,802,645
Three to five years	147,262,380	127,572,104
Over five years	140,644,222	127,301,511
	624,853,631	606,926,450

The aggregate non performing project loans were USD 25,075,966 (December 2013: USD 34,924,449). The impairment allowance related to these loans amounted to USD 14,695,398 (December 2013: USD 22,617,326) hence the carrying value of the loans amounted to USD 10,380,568(December 2013: USD 12,307,123) at the end of the year.

17. IMPAIRMENT ALLOWANCE ON PROJECT AND TRADE FINANCE LOANS

The movement in allowance is as follows:

	Project finance loans USD	Trade finance loans USD	Total Allowance USD
At 1 January 2013	25,635,932	22,641,929	48,277,861
Amounts written-off	(9,653,738)	(37,346)	(9,691,084)
Charge for the year	6,635,132	15,665,842	22,300,974
- Specific provisions	6,635,132	15,665,842	22,300,974
- General provisions	-	-	-
At 31 December 2013	22,617,326	38,270,425	60,887,751
At 1 January 2014	22,617,326	38,270,425	60,887,751
Amounts written -off	(13,392,864)	(4,346,458)	(17,739,322)
Charge for the year	5,470,933	19,321,381	24,792,314
- Specific provisions	2,893,071	11,087,522	13,980,593
- General provisions	2,577,862	8,233,859	10,811,721
At 31 December 2014	14,695,395	53,245,348	67,940,743

18. EQUITY INVESTMENTS

i) Equity participation

31 December 2014	Share-holding	Beginning Cost USD	(Disposals)/ Additions at Cost USD	Total Ending Cost USD	Investment Carrying Value 2014 USD	Investment Carrying Value 2013 USD	Fair value gain/(loss) / Adjustment for the year* USD
At fair value through profit or loss							
ZEP-RE (PTA Reinsurance Company)	8.28	9,336,468	-	9,336,468	12,141,991	12,200,551	(58,560)
Aureos East Africa Fund	5.00	487,996	(132,301)	355,695	512,300	1,741,296	(1,096,695)
		9,824,464	(132,301)	9,692,163	12,654,291	13,941,847	(1,155,255)
At cost							
African Export Import Bank	0.48	1,182,080	-	1,182,080	1,182,080	2,872,893	(1,690,813)
Tononoka	5.00	628,653	-	628,653	628,653	413,550	215,103
Tanruss	4.06	1,755,000	-	1,755,000	1,755,000	879,174	875,826
Africa Trade Insurance Agency	0.10	100,000	900,000	1,000,000	1,000,000	-	3,101
Gulf African Bank	5.33	1,978,734	-	1,978,734	1,978,734	1,507,488	471,246
Pan African Housing Fund	2.38	41,769	88,839	130,608	130,608	-	-
		5,686,236	988,839	6,675,075	6,675,075	5,811,773	(125,537)
TOTAL		15,510,700	856,538	16,367,238	19,329,366	19,753,620	(1,280,792)

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 2013, all equity investments were measured using the Bank's proportionate share of the average net assets of the investee company. At 31 December 2014, only investments in Aureos East Africa and ZEP-RE (PTA Reinsurance Company) were carried at fair value, all other investments were carried at cost as there were no readily available prices since the shares are not traded in an active market, and their fair values cannot be reliably measured. An over the counter market exists where market participants can trade in the shares on willing buyer willing seller basis. The Bank does not intend to dispose the shares in the short term, and none of the shares have been derecognized. An adjustment amounting to USD 125,537 has been made write back to cost the investments previously held at fair value.

18. EQUITY INVESTMENTS

i) Equity participation (Continued)
31 December 2013:

	Share-holding %	Beginning Cost USD	Additions/ disposals at cost USD	Total Ending Cost USD	Investment Carrying Value 2013 USD	Investment Carrying Value 2012 USD	Fair Value Gain for the Year USD
At fair value through profit or loss							
ZEP-RE (PTA Reinsurance Company)	8.28	2,527,498	6,808,970	9,336,468	12,200,551	4,627,652	763,929
Aureos East Africa Fund	5.00	1,328,891	(840,895)	487,996	1,741,296	1,669,415	912,775
African Export Import Bank	0.48	1,182,080	-	1,182,080	2,872,893	2,420,819	452,074
Tononoka	5.00	628,653	-	628,653	413,550	405,012	8,539
Tanruss	4.06	1,755,000	-	1,755,000	879,174	819,013	60,161
Africa Trade Insurance Company	0.10	100,000	-	100,000	96,899	96,317	582
Gulf African Bank	5.33	1,435,141	543,593	1,978,734	1,507,488	817,202	146,692
Pan African Housing Fund	2.38	-	41,769	41,769	41,769	-	-
		8,957,263	6,553,437	15,510,700	19,753,620	10,855,430	2,344,752
At Cost		-	-	-	-	-	-
TOTAL		8,957,263	6,553,437	15,510,700	19,753,620	10,855,430	2,344,752

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

18. EQUITY INVESTMENTS (Continued)	2014 USD	2013 USD
ii) Instalments paid:		
Total subscribed capital	18,454,565	17,686,866
Less: Instalments not due – Note 18 (ii)	(2,087,327)	(2,176,166)
Instalments paid as at end of year – Note 18 (I) and (iii)	16,367,238	15,510,700
i) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:		
African Export-Import Bank*	1,200,000	1,200,000
Aureos East Africa Fund*	17,935	17,935
Pan African Housing Fund*	869,392	958,231
	2,087,327	2,176,166
ii) Movement in the instalments paid:		
At beginning of year	15,510,700	8,957,263
Net additions at cost – Note 18 (i)	856,538	6,553,437
At end of year	16,367,238	15,510,700

*Unpaid subscriptions are payable on call.

19. INVESTMENTS IN GOVERNMENT SECURITIES	2014 USD	2013 USD
Treasury Notes: Held to maturity		
Maturing within 180 days after period end (at face value)	-	-
Additions during year	216,000,000	-
Matured bonds	-	-
Income earned during the year	-	-
Less: Unearned discount	-	-
	216,000,000	-

The treasury notes issued by the Government of Malawi, represent investments made in Malawi Kwacha equivalent to USD 216 million bearing interest at a rate of 6.50% per annum. These investments are managed by the Reserve bank of Malawi and FDH Bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

20. OTHER RECEIVABLES	2014 USD	2013 USD
Down-sold assets*	279,578,800	-
Prepayments and other receivables**	8,169,564	5,525,671
Appraisal fees***	805,000	1,318,263
Staff loans and advances****	566,289	462,101
	289,119,653	7,306,035
*Appraisal fees receivable****		
As at 1 January	1,318,263	1,624,502
Accrued income	240,007	1,083,004
Receipts	(753,270)	(1,256,356)
Amounts written off (Note 11)	-	(132,887)
At 31 December	805,000	1,318,263
Analysis of other receivables by maturity:		
Amounts due within one year	288,968,165	7,131,216
Amounts due after one year	151,488	174,819
	289,119,653	7,306,035

*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.

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

****Staff loans and advances are granted in accordance with the Staff Rules and Regulations approved by the Board of Directors. The effective interest rate on staff loans and advances was 4.35% (December 2013: 4.32%) per annum. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

21. DEFERRED EXPENDITURE	2014 USD	2013 USD
COST		
At beginning of year	27,766,430	12,646,280
Additions	3,650,788	15,120,150
Disposals	(3,355,199)	-
At end of year	28,062,019	27,766,430
AMORTISATION		
At beginning of year	8,612,338	5,143,059
Disposals	(3,355,199)	-
Charge for the year	6,177,606	3,469,279
At end of year	11,434,745	8,612,338
NET CARRYING AMOUNT		
At end of year	16,627,274	19,154,092

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 year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

22. PROPERTY AND EQUIPMENT

	Freehold land USD	Building USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
At 31 December 2014:						
COST						
At 1 January 2014	140,400	23,454,596	395,073	1,156,755	1,253,301	26,400,125
Additions	-	304,212	60,349	107,703	154,527	626,791
Reclassification	2,453,865	(2,453,865)	-	-	-	-
Disposals	-	-	-	-	(30)	(30)
At 31 December 2014	2,594,265	21,304,943	455,422	1,264,458	1,407,798	27,026,886
DEPRECIATION						
At 1 January 2014	-	4,211,010	247,365	556,851	967,499	5,982,725
Charge for the period	-	340,502	45,263	72,632	119,806	578,203
Disposals	-	-	-	-	(10)	(10)
At 31 December 2014	-	4,551,512	292,628	629,483	1,087,295	6,560,918
NET CARRYING AMOUNT						
At 31 December 2014	2,594,265	16,753,431	162,794	634,975	320,503	20,465,968
At 31 December 2013:						
COST						
At 1 January 2013	140,400	23,076,068	302,691	638,314	1,052,671	25,210,144
Additions	-	407,083	92,382	580,763	200,630	1,280,858
Disposals	-	(28,555)	-	(62,322)	-	(90,877)
At 31 December 2013	140,400	23,454,596	395,073	1,156,755	1,253,301	26,400,125
DEPRECIATION						
At 1 January 2013	-	3,774,773	220,330	580,149	898,228	5,473,480
Charge for the year	-	464,792	27,035	33,670	69,271	594,768
Disposals	-	(28,555)	-	(56,968)	-	(85,523)
At 31 December 2013	-	4,211,010	247,365	556,851	967,499	5,982,725
NET CARRYING AMOUNT						
At 31 December 2013	140,400	19,243,586	147,708	599,904	285,802	20,417,400

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

Land and buildings represent costs of the Bank's Headquarters Building in Burundi and Harare and Nairobi office properties. The land on which the Headquarters building stands was granted by the Government of Burundi. There are no unfulfilled conditions in relation to this grant.

The reclassification is in relation to the cost of the land amounting to USD 2,453,865 located on LR 1 /184 Lenana Road , which was previously classified under land and buildings.

23. INTANGIBLE ASSETS	2014 USD	2013 USD
COST		
At beginning of year	1,515,999	1,444,175
Additions	218,533	71,824
At end of year	1,734,532	1,515,999
AMORTISATION		
At beginning of year	1,211,403	1,130,428
Charge for the year	115,692	80,975
At end of year	1,327,095	1,211,403
NET CARRYING AMOUNT		
At end of year	407,437	304,596

Intangible assets relate to cost of acquired computer software.

24. COLLECTION ACCOUNT DEPOSITS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

25. SHORT TERM BORROWINGS	2014 USD	2013 USD
(A) SHORT TERM PLACEMENTS		
Lender		
Reserve Bank of Malawi	216,000,000	-
Bank of the Republic of Burundi	40,000,000	-
Banque Commerciale du Congo	10,000,000	-
Banque International pour l'Afrique au Congo	10,000,000	-
African Trade Insurance Agency	1,200,000	1,200,000
	277,200,000	1,200,000

Short Term Placements relate to borrowings that are payable within one year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

25. SHORT TERM BORROWINGS (Continued)
OTHER SHORT TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2014 USD	2013 USD
Syndicated Loan	Oct-14	Sep-16	USD	320,500,000	150,000,000
Mashreq Bank	Dec-14	Jun-15	USD	267,589,338	30,790,160
Sumitomo Mitsui Banking Corporation	Aug-14	Aug-15	USD	120,439,978	-
Standard Chartered Bank	Dec-14	Apr-15	USD	106,217,201	37,357,089
African Export Import Bank	Nov-14	Aug-15	EUR	91,113,968	39,262,586
FirstRand Bank Ltd	Dec-14	Apr-15	USD	88,759,198	89,898,400
Commerzbank	Nov-14	Mar-15	USD	72,338,464	74,981,717
Fimbank	Nov-14	Mar-15	EUR	56,453,926	22,102,656
FBN Bank	Dec-14	Jun-15	EUR	50,676,028	14,112,404
British Arab Commercial Bank	Aug-14	Feb-15	EUR	50,724,868	-
Africa Finance Corporation	Dec-14	Feb-15	USD	50,000,000	50,000,000
Bank One Ltd	Dec-14	Jan-15	USD	50,000,000	-
Afrasia Bank Ltd-Mauritius	Jan-14	Jan-15	USD	40,000,000	-
ABC Bank Inc.Mauritius	Dec-14	Feb-15	USD	35,909,933	-
Standard Corporate and Merchant Bank	Dec-14	Mar-15	USD	31,962,618	40,259,109
ING Bank	Oct-14	Feb-15	USD	30,512,729	44,835,034
Commercial Bank of Africa	Oct-14	Jan-15	USD	29,522,767	62,690,655
Banque Cantonale Vaudoise	Sep-14	Mar-15	EUR	29,173,440	10,519,304
BMCE Bank International PLC	Aug-14	Apr-15	EUR	27,264,511	-
Ghana Internatiional Bank	Dec-14	Sep-15	USD	20,000,000	20,000,000
Standard Chartered Bank Tanzania	Dec-14	Apr-15	TZS	18,634,645	-
KBC Bank	Oct-14	Feb-15	USD	13,513,387	-
BHF Bank	Nov-14	Feb-15	USD	11,240,088	10,845,586
Banque BIA	Jul-14	Jan-15	EUR	10,174,237	-
State Bank of Mauritius	Nov-14	Mar-15	USD	2,900,268	-
Citibank New York	Oct-14	Jan-15	USD	2,432,559	-
Banque de Commerce et de Placement	Nov-14	Feb-15	USD	927,277	-
Mauritius Commercial Bank	Dec-13	Mar-14	USD	-	94,756,505
Deutsche Bank	Oct-13	Jun-14	USD	-	62,118,016
Byblos Bank S.A.L	Dec-13	Jun-14	EUR	-	38,421,929
HSBC Bank	Dec-13	Mar-14	USD	-	44,424,757
United Bank for Africa	May-13	May-14	USD	-	20,000,000
NIC Bank	Nov-13	Mar-14	USD	-	9,718,664

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

25. SHORT TERM BORROWINGS (Continued)

OTHER SHORT TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	2014 USD	2013 USD
Sub total for other short term borrowings				1,628,891,428	967,094,571
INTEREST PAYABLE				13,238,037	4,560,448
Short Term Placements (Note 25a)				277,200,000	1,200,000
TOTAL SHORT TERM BORROWINGS				1,919,329,465	972,855,019

The effective interest rate during the year was 3.41% (December 2013: 3.31%) per annum. The short term borrowings are unsecured.

26. LONG TERM BORROWINGS

	Date of Renewal/ disbursement	Maturity Date	Currency	Amount in Currency	Amounts as at 31 December 2014			Amounts as at 31 December 2013		
					Balance outstanding	Amount due within one year	Amount due after one year	Balance outstanding	Amount due within one year	Amount due after one Year
LENDER					USD	USD	USD	USD	USD	USD
African Development Bank	Dec-04	Aug-23	USD	63,156,500	63,156,500	8,156,500	55,000,000	46,145,657	8,000,000	38,145,657
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	30,000,000	30,000,000	-	30,000,000	30,000,000	-	30,000,000
China Development Bank	Dec-08	Mar-20	USD	111,449,715	111,449,715	9,938,095	101,511,620	54,721,414	3,271,429	51,449,985
KBC Bank	Various	Jul-19	USD	16,643,546	16,643,546	3,891,014	12,752,532	20,533,684	3,889,971	16,643,713
Kenya local currency bonds II	Oct-07	Oct-14	KES	-	-	-	-	2,314,082	2,314,082	-
Exim Bank of India Loan	Various	Various	USD	4,958,575	4,958,575	2,970,901	1,987,674	9,909,774	5,181,942	4,727,832
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Jan-18	USD	300,000,000	300,000,000	-	300,000,000	300,000,000	-	300,000,000
US$ 1.0 Billion Euro Medium Term Note Programme: First Tranche	Nov-10	Jan-16	USD	98,746,000	98,746,000	-	98,746,000	101,594,525	2,848,525	98,746,000
FMO	Mar-10	Jan-18	USD	26,000,000	26,000,000	8,000,000	18,000,000	34,000,000	8,000,000	26,000,000
Ceskoslovenska Obchodni Banka AS	Jul-07	May-17	USD	2,052,658	2,052,658	821,265	1,231,393	2,873,869	821,265	2,052,604
BHF Bank	Various	Sep-15	USD	588,912	588,912	588,912	-	1,613,608	1,024,696	588,912
Development Bank of Southern Africa	Mar-07	Jun-23	USD	67,187,500	67,187,500	11,875,000	55,312,500	86,897,912	19,674,995	67,222,917
OPEC Fund for International Development	Jun-13	Jun-16	USD	50,000,000	50,000,000	-	50,000,000	50,000,000	-	50,000,000
Overseas Private Investment Corporation	Sep-03	Mar-15	USD	350,000	350,000	350,000	-	1,050,000	700,000	350,000
Private Export Funding Corporation	Aug-11	Oct-21	USD	40,902,909	40,902,909	5,949,514	34,953,395	46,852,423	5,949,514	40,902,909
KfW	Dec-13	Dec-18	USD	30,000,000	30,000,000	-	30,000,000	30,000,000	-	30,000,000
Uganda local currency fixed rate bond	Oct-09	Oct-16	UGX	237,804,756	86,036	30,956	55,080	129,513	33,882	95,631
Uganda local currency floating rate bond	Oct-09	Oct-16	UGX	2,832,514,833	1,024,706	525,081	499,625	1,695,930	574,718	1,121,212
Sub total for long term borrowings					843,147,057	53,097,238	790,049,819	820,332,391	62,285,019	758,047,372
Interest payable					6,255,432	6,255,432	-	3,266,261	3,266,261	-
Total long term borrowings					849,402,489	59,352,670	790,049,819	823,598,652	65,551,280	758,047,372

The effective interest rate during the year was 4.52% (2013: 4.69%). The borrowings are either at variable or fixed rate.

The Bank repays these borrowings in either quarterly or semiannual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

27. OTHER PAYABLES	2014 USD	2013 USD
Provident fund*	6,060,132	5,314,726
Other creditors**	5,417,786	3,634,329
Accrued fees-Trade Finance	5,374,235	6,410,694
Accrued expenses	3,831,692	1,414,022
Accrued fees-Project Finance	263,015	809,101
Rental deposit	51,622	51,622
Unspent African Development Bank Grant***	2,113	2,113
	21,000,595	17,636,607

*Provident fund relates to the Bank's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.
***This relates to the minimum balance being held in a bank account where the grant is banked.

	2014 USD	2013 USD
Analysis of other payables by maturity:		
Amounts due within one year	17,062,895	14,766,974
Amounts due after one year	3,937,700	2,869,633
	21,000,595	17,636,607

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

28.	PROVISION FOR SERVICE AND LEAVE PAY	2014 USD	2013 USD
(i)	PROVISION FOR SERVICE PAY		
	At beginning of year	3,845,311	3,330,699
	Increase in provision	645,858	571,044
	Payment of service pay	(267,111)	(56,432)
	At end of period	4,224,058	3,845,311
(ii)	PROVISION FOR LEAVE PAY		
	At beginning of year	1,008,078	870,725
	Increase in provision	255,000	162,297
	Payment of leave pay	(69,142)	(24,944)
	At end of period	1,193,936	1,008,078
	TOTAL PROVISION FOR SERVICE AND LEAVE PAY	5,417,994	4,853,389

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

29. SHARE CAPITAL

	As at 31 December 2014			As at 31 December 2013		
	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 4,533.420375 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
• Class 'A'	(604,687,481)	-	(604,687,481)	(692,703,442)		(692,703,442)
• Class 'B'	-	(938,880,425)	(938,880,425)	-	(977,332,898)	(977,332,898)
Subscribed capital: 61,557 Class 'A' (2013: 57,674) ordinary shares of USD 22,667 each	1,395,312,519	-	1,395,312,519	1,307,296,558	-	1,307,296,558
13,482 Class 'B' (2013: 5,000) ordinary shares of USD 4,533.420375 each	-	61,119,575	61,119,575	-	22,667,102	22,667,102
Less: Callable capital	(1,116,250,015)	-	(1,116,250,015)	(1,045,837,246)	-	(1,045,837,246)
Payable capital	279,062,504	61,119,575	340,182,079	261,459,312	22,667,102	284,126,414
Less: Amounts not yet due	(25,453,397)	-	(25,453,397)	(14,525,015)	-	(14,525,015)
Capital due	253,609,107	61,119,575	314,728,682	246,934,297	22,667,102	269,601,399
Less: subscriptions in arrears	(6,766,121)	-	(6,766,121)	(17,160,851)	-	(17,160,851)
Paid up capital	246,842,986	61,119,575	307,962,561	229,773,446	22,667,102	252,440,548

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

29. SHARE CAPITAL (Continued)

Share Premium:	Number of Shares	Share Value USD	Price Paid USD	Share Premium USD
As at 31 December 2014:				
At1 January 2014	5,000	22,667,102	30,001,980	7,334,878
Additions during the year	8,482	38,452,473	50,896,001	12,443,528
At 31 December 2014	13,482	61,119,575	80,897,981	19,778,406
As at 31 December 2013:				
As at 1 January 2013:	-	-	-	-
Additions during the year	5,000	22,667,102	30,001,980	7,334,878
As at 31 December 2013:	5,000	22,667,102	30,001,980	7,334,878

Class A and B shares

As at 31 December 2014, there were 61,557 Class 'A' ordinary shares (2013: 57,674) and 13,482 Class 'B' ordinary shares (2013: 5,000). Class 'A' shares have a par value of USD 22,667 each 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 reserves

Class 'B' shares are issued at a premium of USD 1,467 that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

Proposed dividend

A dividend amounting to USD 19,244,435 was proposed after the reporting date by the directors in respect of the year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

29. SHARE CAPITAL (Continued)

	As at 31 December 2014			As at 31 December 2013		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Movement in paid up share capital:						
At beginning of year	229,773,446	22,667,102	252,440,548	193,678,294	-	193,678,294
African Development Bank	-	-	-	-	15,109,890	15,109,890
National Pension Fund-Mauritius	-	-	-	-	7,557,212	7,557,212
Mauritian Eagle Insurance Company	-	1,224,024	1,224,024	-	-	-
Seychelles Pension Fund	-	3,019,258	3,019,258	-	-	-
Rwanda Social Security Board	-	9,266,311	9,266,311	-	-	-
Banco Nationale De Investment	-	3,780,873	3,780,873	-	-	-
Africa Reinsurance Corporation	-	2,266,710	2,266,710	-	-	-
ZEP-RE (PTA Reinsurance Company)	-	3,780,873	3,780,873	-	-	-
Belarus	1,000,068	-	1,000,068	-	-	-
Burundi	207,336	-	207,336	451,457	-	451,457
China- People's Republic	-	15,114,424	15,114,424	-	-	-
Congo DRC	6,069,838	-	6,069,838	2,402,836	-	2,402,836
Djibouti	-	-	-	1,190,536	-	1,190,536
Egypt	-	-	-	2,420,836	-	2,420,836
Ethiopia	-	-	-	2,420,836	-	2,420,836
Kenya	-	-	-	2,420,836	-	2,420,836
Malawi	-	-	-	598,409	-	598,409
Rwanda	-	-	-	565,770	-	565,770
Seychelles		-	-	122,401	-	122,401
Sudan	-	-		9,850,338		9,850,338
Tanzania	4,555,647	-	4,555,647	4,508,325	-	4,508,325
Uganda	4,403,580	-	4,403,580	2,930,000	-	2,930,000
Zambia	833,071	-	833,071	3,701,068	-	3,701,068
Zimbabwe	-	-	-	2,511,504	-	2,511,504
	17,069,540	38,452,473	55,522,013	36,095,152	22,667,102	58,762,254
At the end of the year	246,842,986	61,119,575	307,962,561	229,773,446	22,667,102	252,440,548

Payable capital is one fifth of the subscribed capital to Class 'A' shares. The remaining four fifths of the subscribed capital constitutes callable capital. The Bank's Board of Governors may, on the recommendation of the Board of Directors, make a call only when the amount thereof is required to repay existing borrowings or to meet guaranteed commitments. Note 43 contains the status of subscriptions to the capital stock by member countries.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

30.	NOTES TO THE STATEMENT OF CASH FLOWS	2014 USD	2013 USD
(a)	Reconciliation of profit for the year to cash generated from operations:		
	Profit for the year	76,977,738	66,630,376
	Adjustments:		
	Depreciation	578,203	594,768
	Gain in foreign exchange	(557,313)	(1,345,903)
	Loss on disposal of property and equipment	20	5,354
	Fair value (gain) on revaluation of equity investments	1,280,792	(2,344,752)
	Amortisation of intangible assets	115,692	80,975
	Profit before changes in operating assets and liabilities	78,395,132	63,620,818
	Increase in other receivables	(281,813,618)	(2,136,656)
	Increase in hedging derivative asset	(34,189,322)	(24,150,934)
	(Decrease)/Increase in hedging derivative liability	(126,423)	25,510,145
	(Increase) in trade finance loans	(458,214,995)	(595,813,859)
	(Increase) in project loans	(25,849,111)	(107,889,397)
	Decrease/(Increase)in deferred expenditure	2,526,818	(11,650,871)
	(Decrease)/Increase in collection accounts deposits	(75,766,346)	57,689,093
	Increase in other payables	3,363,988	9,144,115
	Increase in provision for service and leave pay	564,605	651,965
	Increase in borrowings 30 (b)	972,278,283	466,887,739
		181,169,011	(118,137,842)
(b)	Analysis of changes in borrowings:		
	Short term borrowings:		
	At beginning of year	972,855,019	681,326,318
	Loans received	3,247,694,788	1,754,645,870
	Repayments	(2,301,220,342)	(1,463,117,169)
	At end of year	1,919,329,465	972,855,019
	Long term borrowings:		
	At beginning of year	823,598,652	648,239,614
	Loans received	127,554,556	465,016,171
	Repayments	(101,750,718)	(289,657,133)
	At end of year	849,402,489	823,598,652

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

30.	NOTES TO THE STATEMENT OF CASH FLOWS (Cont)	2014 USD	2013 USD
	Total borrowings:		
	At beginning of year	1,796,453,671	1,329,565,932
	Loans received	3,375,249,343	2,219,662,041
	Repayments	(2,402,971,060)	(1,752,774,302)
	At end of year	2,768,731,954	1,796,453,671
	Increase in total borrowings (30 a)	972,278,283	466,887,739
(c)	Analysis of cash and cash equivalents		
	Cash and balances with other banks - Note 13	435,996,933	404,006,930

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

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

SHORT-TERM FACILITIES LENDER	Facilities Available USD	Facilities utilized USD	Facilities unutilised USD
(d) Facilities available for lending			
As at 31 December 2014 the following facilities were available to the Bank for lending			
Government of Malawi	277,200,000	277,200,000	-
Mashreq Bank	232,171,960	231,763,705	408,255
Mauritius Commercial Bank	160,000,000	-	160,000,000
Standard Chartered Bank	150,000,000	147,399,662	2,600,338
Commerzbank	121,556,000	118,489,383	3,066,617
Rand Merchant Bank	100,000,000	80,696,352	19,303,648
AFREXIM Bank	125,000,000	125,000,000	-
ING Bank	109,400,400	30,512,729	78,887,671
Standard Bank South Africa	90,000,000	54,742,414	35,257,586
Commercial Bank of Africa	80,000,000	29,522,767	50,477,233
FBN Bank London	80,000,000	79,683,220	316,780
BNP Paribas Group	75,000,000	-	75,000,000
HSBC Bank	72,000,000	7,731,207	64,268,793
Citibank Nairobi	65,000,000	48,000,000	17,000,000
British Arab Commercial Bank	60,778,000	50,724,867	10,053,133
Deutsche Bank	60,000,000	30,317,274	29,682,726
Sumitomo Mitsui Banking Corporation	55,000,000	55,000,000	-
Kenya Commercial Bank	50,000,000	-	50,000,000
UBA,New York	50,000,000	-	50,000,000
Societe Generale	50,000,000	13,859,175	36,140,825
NIC Bank	40,000,000	-	40,000,000
BCV-Banque Cantonale Vaudoise	36,466,800	29,173,440	7,293,360
KBC Bank	30,389,000	13,637,835	16,751,165
BMCE Bank	30,389,000	27,264,510	3,124,490
Fim Bank	29,439,759	26,742,319	2,697,440
Natixis	30,000,000	-	30,000,000
CFC Stanbic Bank	30,000,000	-	30,000,000
African Finance Corporation	50,000,000	50,000,000	-
Byblos Bank	24,311,200	208,804	24,102,396
Banque BIA France	24,311,200	10,174,237	14,136,963
BHF Bank	24,311,200	20,697,118	3,614,082
International Islamic Trade Finance Corporation	20,000,000	-	20,000,000
Opec Fund for International Development	20,000,000	20,000,000	-
Ghana International Bank	20,000,000	20,000,000	-
Banque de Commerce et de Placement	18,233,400	10,770,386	7,463,014
DZ Bank	15,000,000	-	15,000,000
State Bank of Mauritius	15,000,000	3,487,400	11,512,600
	2,520,957,919	1,612,798,804	908,159,115

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

LONG TERM FACILITIES LENDER	Facilities Available USD	Facilities utilised USD	Facilities unutilised USD
(d) Facilities available for lending (continued)			
Eurobond	398,746,000	398,746,000	-
African Development Bank	150,000,000	125,000,000	25,000,000
Exim Bank India	100,000,000	75,000,000	25,000,000
China Development Bank	122,900,000	122,900,000	-
European Investment Bank	97,245,000	-	97,245,000
Development Bank of Southern Africa	95,000,000	95,000,000	-
Private Export Funding Corporation	60,000,000	60,000,000	-
KfW	60,000,000	30,000,000	30,000,000
KBC Bank	51,403,510	36,854,139	14,549,371
Opec Fund for International Development	50,000,000	50,000,000	-
FMO	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Corporation	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Japan Bank for International Corporation	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Uganda Shillings Local Currency Bond	3,674,312	3,674,312	-
Overseas Private Investment Corporation	1,400,000	1,400,000	-
Exim Bank USA	No limit	-	No limit
	1,337,644,776	1,092,450,405	245,194,371
TOTAL FACILITIES At 31 DECEMBER 2014	3,858,602,695	2,705,249,209	1,153,353,486

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
(d) Facilities available for lending (Continued)			
As at 31 December 2013, the following facilities were available to the Bank for lending			
Syndicated Loan	150,000,000	150,000,000	-
Commerzbank	137,940,000	115,423,750	22,516,250
Mauritius Commercial Bank	160,000,000	159,379,820	620,180
Rand Merchant Bank	130,000,000	90,152,767	39,847,233
AFREXIM Bank	125,000,000	110,594,926	14,405,074
Standard Bank of South Africa	90,000,000	58,596,589	31,403,411
BNP Paribas	75,000,000	134,608	74,865,392
Mashreq Bank	65,000,000	30,950,000	34,050,000
Commercial Bank of Africa	86,000,000	85,509,222	490,778
FBN Bank London	80,000,000	27,312,120	52,687,880
HSBC Bank	72,000,000	44,424,757	27,575,243
Deutsche Bank	60,000,000	60,000,000	-
Sumitomo Mitsui Banking Corporation	55,000,000	-	55,000,000
Standard Chartered Bank	50,000,000	37,542,388	12,457,612
Kenya Commercial Bank	50,000,000	-	50,000,000
United Bank of Africa, New York	50,000,000	-	50,000,000
Societe Generale	50,000,000	35,686,412	14,313,588
BCV-Banque Cantonale Vaudoise	41,382,000	10,519,305	30,862,695
NIC Bank	40,000,000	2,299,882	37,700,118
KBC Bank	34,485,000	26,451,451	8,033,549
Byblos	33,413,339	32,694,882	718,457
Natixis	30,000,000	-	30,000,000
CfC Stanbic Bank	30,000,000	-	30,000,000
Banque de Commerce et de placement	20,691,000	-	20,691,000
African Finance Corporation	25,000,000	25,000,000	-
International Islamic Trade Finance Corporation	20,000,000	-	20,000,000
Opec Fund for International Development	20,000,000	20,000,000	-
Ghana International Bank	20,000,000	20,000,000	-
BHF Bank	20,691,000	20,691,000	-
DZ Bank	15,000,000	-	15,000,000
State Bank of Mauritius	15,000,000	10,465,071	4,534,929
FIM Bank	39,845,188	39,792,903	52,285
Barclays /Absa Bank	15,000,000	-	15,000,000
ING Bank	55,176,000	44,835,034	10,340,966
	1,961,623,527	1,258,456,887	703,166,640

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

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

LONG TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities Unutilized USD
(d) Facilities available for lending (Continued)			
Eurobond	398,746,000	398,746,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
African Development Bank	150,000,000	100,000,000	50,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
Industrial development Corporation	30,000,000	-	30,000,000
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
FMO	50,000,000	50,000,000	-
KBC Bank	51,403,510	36,854,139	14,549,371
KfW	60,000,000	30,000,000	30,000,000
OFID	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund (AATIF)	30,000,000	30,000,000	-
China Development Bank	62,900,000	62,900,000	-
BHF Bank	18,000,000	7,300,000	10,700,000
Kenya Local Currency Bond II	13,975,818	13,975,818	-
Japan Bank for International Corporation (JBIC)	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Uganda Shillings Local Currency Bond	3,674,312	3,674,312	-
Overseas Private Investment Corporation	1,400,000	1,400,000	-
Exim Bank USA	No limit	-	No limit
	1,194,375,594	1,021,426,223	172,949,371
TOTAL FACILITIES			
At 31 December 2013	3,155,999,121	2,279,883,110	876,116,011

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

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

Derivative financial instruments

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

Equity Investments – at fair value through profit or loss

Unquoted equity investments are valued using a valuation technique with non market observable inputs. The unobservable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2014:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Derivative financial instruments	-	34,189,322	-	34,189,322
Equity investments – at fair value through profit or loss	-	12,141,991	512,300	12,654,291
	-	46,331,313	512,300	46,843,613
LIABILITIES				
Derivative financial instruments	-	-	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2013:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Derivative financial instruments	-	-	-	-
Equity Investments – at fair value through profit or loss	-	-	19,753,620	19,753,620
	-	-	19,753,620	19,753,620
LIABILITIES				
Net Derivative financial instruments	-	126,423	-	126,423
	-	126,423	-	126,423

The Bank has not designated any loan or receivable or borrowings and payables as at fair value through profit or loss. Transfers between Level 1, 2 and Level 3:

As at 31 December 2014, the equity holding in ZEP-RE (PTA Reinsurance Company) was transferred from level 3 to level 2 of the fair value hierarchy. The transfer was due to a change in the valuation technique used to value the equity holding in ZEP-RE (PTA Reinsurance Company) from use of the average equity method to the use of the last transaction price as the basis of valuation. The last transaction price is deemed to be a more accurate measure of the fair value as it represents an observable transaction involving the trade in the shares of ZEP-RE (PTA Reinsurance Company). There were no transfers made between levels of the fair value hierarchy as at 31 December 2013.

Valuation of financial Instruments recorded at fair value:
The Bank uses widely recognised valuation models for determining fair values of interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including both credit and debit valuation adjustments for counterparty and own credit risk, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, significant inputs into models are market observable and are included within Level 2.
The Bank invests in private equity companies which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Bank uses the International Private Equity Valuation Guidelines for these positions.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Net changes in fair value of financial assets and financial liabilities through profit or loss:

	As at 31 December 2014			As at 31 December 2013		
	Realised USD	Unrealised USD	Total gains/ (losses) USD	Realised USD	Unrealised USD	Total gains/ (losses) USD
ASSETS						
Net Derivative financial instruments:						
- Interest rate swap	-	(149,585)	(149,585)	-	(149,585)	(149,585)
- Currency swap	-	442,584	442,584	-	-	-
Equity investments – at fair value through profit or loss	-	(1,280,792)	(1,280,792)	-	2,344,752	2,344,752
	-	(987,793)	(987,793)	-	2,195,167	2,195,167
LIABILITIES						
Derivative financial instruments	-	-	-	-	(387,178)	(387,178)
	-	-	-	-	(387,178)	(387,178)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	2014 USD	2013 USD
Equity investments – at fair value through profit or loss	International Private Equity Valuation Guidelines	Multiple variables	n/a	512,300	19,753,620

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 2014:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments – at fair value through profit or loss	Multiple variables	5%	25,615

As at 31 December 2013:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments – at fair value through profit or loss	Average equity of investee companies	5%	987,681

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

31. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 reconciliation

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

	2014 USD	2013 USD
Balance as at 31 January	19,753,620	10,855,430
Financial assets recognized at FV-Level 2	(12,141,991)	-
Financial assets recognized at cost in current year	(6,675,075)	-
	936,554	10,855,430
Total FV gains and losses in profit or loss	(1,155,255)	2,344,752
Additions	863,302	7,394,333
Retirements	(132,301)	(840,895)
Balance as at 31 December	512,300	19,753,620

32. SEGMENT REPORTING

The Bank's main business is offering loan products. As such, the Bank has chosen to organise the Bank based on the loan products offered for segmental reporting.

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

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

Information about geographical areas has not been included, as this is not available and the cost to develop is considered to be excessive.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

32. SEGMENT REPORTING (Continued)

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

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2014:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	108,073,658	46,000,222	2,665,575	156,739,455
Interest expense and other borrowing costs	(62,198,376)	(22,742,730)	(3,052,145)	(87,993,251)
Net interest income	45,875,282	23,257,492	(386,570)	68,746,204
Fee and commission income	34,501,313	7,498,654	-	41,999,967
Other income	-	-	671,651	671,651
Interest on capital arrears	-	-	1,261,075	1,261,075
Other assets recovered	714,193	8,329,006	-	9,043,199
Operating expenses	(15,939,996)	(2,489,675)	(105,000)	(18,534,671)
Depreciation and amortisation	(657,378)	(36,516)	-	(693,894)
Impairment on loans	(19,321,381)	(5,470,933)	-	(24,792,314)
Foreign exchange loss	557,313	-	-	557,313
Fair value gain on equity investments	-	-	(1,280,792)	(1,280,792)
Profit for the year	45,729,346	31,088,028	160,364	76,977,738
Year Ended 31 December 2013:				
Gross interest income	72,255,395	37,921,552	1,406,639	111,583,586
Interest expense and other borrowing costs	(38,713,787)	(20,496,686)	(1,904,806)	(61,115,279)
Net interest income	33,541,608	17,424,866	(498,167)	50,468,307
Fee and commission income	37,850,109	5,829,370	-	43,679,479
Other income	-	-	612,423	612,423
Other assets written off	-	(132,887)	-	(132,887)
Interest on capital arrears	-	-	1,687,805	1,687,805
Other assets recovered	567,647	4,168,449	-	4,736,096
Operating expenses	(12,180,695)	(2,954,090)	-	(15,134,785)
Depreciation and amortisation	(605,666)	(70,077)	-	(675,743)
Impairment on loans	(15,665,842)	(6,635,132)	-	(22,300,974)
Foreign exchange gain	1,345,903	-	-	1,345,903
Fair value gain on equity investments	-	-	2,344,752	2,344,752
Profit for the year	44,853,064	17,630,499	4,146,813	66,630,376

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

32. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2014:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	-	-	435,996,933	435,996,933
Investment on Government securities -held to maturity			216,000,000	216,000,000
Derivative financial instruments	-	-	34,189,322	34,189,322
Trade finance loans	1,901,553,050	-	-	1,901,553,050
Project loans	-	610,158,235	-	610,158,235
Equity investments at fair value through profit or loss	-	-	12,654,291	12,654,291
Equity investments at cost	-	-	6,675,075	6,675,075
Other receivables	-	-	289,119,653	289,119,653
Deferred expenditure	-	-	16,627,274	16,627,274
Property and equipment	-	-	20,465,968	20,465,968
Intangible assets	-	-	407,437	407,437
Total assets	1,901,553,050	610,158,235	1,032,135,953	3,543,847,238
Liabilities:				
Collection account deposits	126,774,345	-	-	126,774,345
Short term borrowings	1,919,329,465	-	-	1,919,329,465
Long term borrowings	-	849,402,489	-	849,402,489
Other payables	-	-	21,000,595	21,000,595
Provision for service and leave pay	- -	-	5,417,994	5,417,994
Total liabilities	2,046,103,810	849,402,489	26,418,589	2,921,924,888
Equity	-	-	621,922,350	621,922,350
	2,046,103,810	849,402,489	648,340,939	3,543,847,238

32. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 DECEMBER 2014:	Trade finance USD	Project finance USD	Other USD	Total USD
As at 31 December 2013:				
Assets:				
Cash and balances held with other banks	-	-	404,006,930	404,006,930
Trade finance loans	1,443,338,055	-	-	1,443,338,055
Project loans	-	584,309,124	-	584,309,124
Equity investments at fair value through profit or loss	-	-	19,753,620	19,753,620
Other receivables	-	-	7,306,035	7,306,035
Deferred expenditure	-	-	19,154,092	19,154,092
Property and equipment	-	-	20,417,400	20,417,400
Intangible assets	-	-	304,596	304,596
Total assets	1,443,338,055	584,309,124	470,942,673	2,498,589,852
Liabilities:				
Collection account deposits	202,540,691	-	-	202,540,691
Derivative financial instruments	-	-	126,423	126,423
Short term borrowings	972,855,019	-	-	972,855,019
Long term borrowings	-	823,598,652	-	823,598,652
Other payables	-	-	17,636,007	17,636,007
Provision for service and leave pay	- -	-	4,853,389	4,853,389
Total liabilities	1,175,395,710	823,598,652	22,615,819	2,021,610,781
Equity	- -	-	476,979,071	476,979,071
	1,175,395,710	823,598,652	499,594,890	2,498,589,852

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

33. CONTINGENT LIABILITIES AND COMMITMENTS	2014 USD	2013 USD
(a) Capital commitments		
Approved but not contracted	2,665,894	2,613,800
Approved and contracted	-	334,636
(b) Loans committed but not disbursed		
Project finance loans	271,798,340	398,629,705
Trade finance loans	377,243,504	516,628,179
	649,041,844	915,257,884

(c) Contingencies

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

	2014 USD	2013 USD
Letters of credit - Project finance loans	64,489,727	21,698,552
- Trade finance loans	405,146,928	491,583,857
Guarantees	20,377,524	84,079,960
	490,014,179	597,362,369

(d) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was USD 227,460 (2013 - USD 223,760). At reporting date, the Bank had contracted with tenants for the following future lease receivables:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

33. CONTINGENT LIABILITIES AND COMMITMENTS	2014 USD	2013 USD
Within one year	128,408	222,960
In the second and third year inclusive	-	93,150
	128,408	316,110

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.

(d) Operating lease arrangements (Continued)

The Bank as a lessee

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

	2014 USD	2013 USD
Within one year	262,647	243,871
In the second to fifth year inclusive	990,553	1,079,152
Over five years	-	161,343
	1,253,200	1,484,366

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.

(a) 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 2014, there were legal proceedings involving the Bank amounting to USD 18,200,000 (December 2013 - USD 4,200,000) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

34. RELATED PARTY TRANSACTIONS

(a) Membership and Governance

As a supranational development financial institution with a membership comprising eighteen (18) COMESA / African States (the "Member States"), two (2) non-African State and eight (8) institutional member, 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 nine (9) 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:-

		2014 USD	2013 USD
(b)	Loans with Member States		
	Outstanding loans at 1 January	803,299,392	361,380,300
	Loans disbursed during the year	2,220,727,959	1,282,707,362
	Loans repaid during the year	(1,867,922,530)	(840,788,270)
	Outstanding loan balances at 31 December	1,156,104,821	803,299,392

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 with Member States are performing and the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2013: Nil). The loans are granted for an average period of one year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

34. RELATED PARTY TRANSACTIONS (Continued)

	2014 USD	2013 USD
(c) Borrowings from Members		
Outstanding borrowings at 1 January	46,145,657	54,165,851
Borrowings received during the year	241,739,266	946,889
Borrowings repaid during the year	(8,728,423)	(8,967,083)
Outstanding balances at 31 December	279,156,500	46,145,657

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.

	2014 USD	2013 USD
(d) Income and expenses		
· Interest income from loans to Members earned during the period	65,956,299	25,627,866
· Interest expense from borrowings with Members incurred during the period	(1,152,774)	(837,763)
· Fees and commission	17,324,372	40,319,704

(e) Other related parties

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

	2014 USD	2013 USD
Salaries and other short-term benefits	1,873,716	1,765,257
Post employment benefits: Defined contribution: Provident Fund	469,607	435,438
Board of Directors and Board of Governors allowances	181,800	131,200
	2,525,122	2,331,895

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

35. 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:

	2014	2013
British Pound	0.6426	0.6067
Euro	0.8227	0.7250
Sudanese Pound	5.6692	5.6605
Zambian Kwacha	6.3420	5.2512
South Africa Rand	11.5561	10.4222
Ethiopian Birr	20.0150	18.8740
Mauritian Rupee	31.6780	30.2016
Kenya Shilling	90.6000	86.4000
Japanese Yen	119.6700	105.0300
Malawi Kwacha	445.0000	406.0000
Burundi Franc	1537.0000	1527.0000
Tanzania Shilling	1738.6100	1591.4900
Uganda Shilling	2764.2060	2525.4700

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

36. 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.

37. COMPARATIVES

Derivative financial assets and liabilities for the year ended 31 December, 2013 which were previously shown separately in the statement of financial position as 'Derivative financial assets' and 'Derivative financial liabilities' have now been off-set and reclassified as either 'Net derivative financial assets' or 'Net derivative financial liabilities'. The derivative financial assets and liabilities are held with the same counterparties, and the cash flows arising from the derivative instruments are settled net.

Effect on statement of financial position as at 31 December 2013 and 31 December 2012:

	Gross amount	Amount off-set	Net amount presented in the statement of financial position
Derivative financial assets	USD	USD	USD
31 December 2013	37,691,976	37,691,976	-
31 December 2012	13,541,042	12,308,254	1,232,788
Derivative financial liabilities			
31 December 2013	37,818,399	37,691,976	126,423
31 December 2012	12,308,254	12,308,254	-

The net amount presented in the statement of financial position as at 31 December 2013 amounted to USD 126,423 (Note 14) (2012: USD 1,232,788). The change did not have an impact on statement of profit or loss and other comprehensive income, equity, earnings per share or the Bank's operating, investing and financing cash flows for the year ended 31 December 2013 (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT

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

(a) INTRODUCTION

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

Risk management structure

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

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

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

Risk measurement and reporting systems

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

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.

Risk Management Policies and Processes

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

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

Client-Specific Risk

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

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value. To ensure prudent management of concentration risk, the Bank limits exposure to a single borrower to 25% of its paid up capital and retained earnings.

Country risk

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

The Bank limits its exposure to any single Member country to 30% of its total loan portfolio. As at 31 December 2014, all country exposures were within this limit.

Notes 41 and 42 of the Financial Statements contain the country exposure analysis as at 31 December 2014 and 31 December 2013.

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 33(c).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

	2014 USD	%	2013 USD	%
Credit Exposures				
On - statement of financial position Items				
Cash and Balances held with other banks	435,996,933	12	404,006,930	16
Investment in Government securities	216,000,000	6	-	-
Other receivables	280,950,089	8	1,780,364	-
Loans and advances	2,579,652,028	74	2,088,534,930	84
-Project loans	624,853,631		606,926,450	-
-Trade finance loans	1,954,798,397		1,481,608,480	-
Sub Total	3,512,599,050	100	2,494,322,224	100

	2014 USD	%	2013 USD	%
Off - statement of financial position Items				
Letters of Credit	469,636,655	41	513,282,409	34
Loan Commitments not disbursed	649,041,844	57	915,257,884	61
Guarantees and Performance Bonds	20,377,524	2	84,079,960	6
Sub Total	1,139,056,023	100	1,512,620,253	100
Total Credit Exposure	4,646,363,322		3,601,155,183	

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 80% in 2014 (2013 - 90%) of the total maximum credit exposure.

Other than cash and bank balances amounting to USD 435,996,933 (2013 -USD 404,006,930) 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, 2014, the fair value of collateral held for impaired loans and advances was USD 155,728,529 (2013 - USD 103,062,921) and provided sufficient cover over the gross exposure of USD 78,337,447 (2013-USD 92,532,352) and over the net exposure of USD 21,208,427 (2013-USD 31,664,602) after deducting the impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)
Maximum Exposure to Credit Risk before Collateral Held:

Classification of Loans and advances

For year ended 31 December 2014:

Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired	2,298,846,349	(10,811,721)	2,288,034,628	91
Past due but not impaired	202,468,232	-	202,468,232	8
Impaired	78,337,447	(57,129,021)	21,208,426	1
Total	2,579,652,028	(67,940,742)	2,511,711,286	100

For year ended 31 December 2013:

Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired	1,896,796,963	-	1,896,796,963	93
Past due but not impaired	99,205,614	(60,887,750	99,205,614	5
Impaired	92,532,353	(60,887,750)	31,644,603	2
Total	2,088,534,930	(60,887,750)	2,027,647,180	100

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

Ageing of arrears for past due loans and advances not impaired

	2014 USD	2013 USD
Below 30 Days	132,376,019	95,383,429
31 to 90 Days	70,092,213	3,822,185
Total arrears	202,468,232	99,205,614
Ageing of arrears for impaired loans and advances		
Below 30 Days	2,776,708	1,443,001
31-90 Days	927,249	3,588,513
91-180 Days	27,025,050	6,215,171
181-360 Days	9,043,049	29,490,203
Over 360 Days	88,981,122	39,857,591
Total arrears	128,753,178	80,594,479
(Restructured loans)/Amounts not in arrears	(50,415,731)	11,937,873
Total	78,337,447	92,532,352

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 'Acceptable' in line with its Loan Classification Policy.

Past due but not impaired

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

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard', 'Doubtful' and 'Loss'. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)
Maximum Exposure to Credit Risk before Collateral Held:

Collateral Held

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

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

For both periods ended 31 December 2014 and 31 December 2013, the Bank's collateral exceeded the outstanding gross portfolio.

		2014 USD	2013 USD
	Collateral held for loan portfolio		
(i)	Total portfolio:		
	Mortgages on properties	701,496,217	586,374,377
	Fixed charge on plant and equipment	316,495,621	522,832,664
	Cash security deposits	889,584,657	144,848,515
	Floating all asset debentures	252,868,715	146,525,910
	Sovereign undertakings / guarantees	662,766,017	456,202,525
	insurance	768,543,694	462,500,000
	Total security cover	3,591,754,921	2,319,283,991
	Gross portfolio	(2,579,652,028)	(2,088,534,930)
	Net cover	1,012,102,893	230,749,061

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)
Maximum Exposure to Credit Risk before Collateral Held:

Collateral held for loan portfolio (Continued)

		2014 USD	2013 USD
(ii)	Past due but not impaired:		
	Mortgages on properties	264,133,360	77,598,907
	Fixed charge on plant and equipment	61,265,841	163,012,886
	Cash security deposits	-	459,643
	Other floating all asset debentures	103,000,000	39,663,608
	Sovereign undertakings / guarantees	202,322,881	-
	insurance	30,000,000	-
		660,722,082	280,735,044
	Portfolio	(202,468,232)	(99,205,614)
	Net cover	458,253,850	181,529,430
(iii)	Impaired loans:		
	Mortgages on properties	64,591,539	65,440,952
	Fixed charge on plant and equipment	13,818,000	37,621,969
	Sovereign undertakings / guarantees	77,318,990	-
		155,728,529	103,062,921
	Portfolio	(78,337,447)	(92,532,353)
	Net cover	77,391,082	10,530,568

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT

(b) CREDIT RISK (Continued)

Concentration of risk

As at 31 December 2014

	Gross Exposure on statement of financial Position USD	%	Off-statement of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Mining and Quarrying	12,026,498	1	68,716,001	6	-	-	80,742,499	4
Agribusiness	639,378,047	25	268,766,721	24	(206,445,940)	(30,000,000)	671,698,828	31
Banking and Financial Services	247,091,966	10	79,261,203	7	-	-	326,353,169	15
Education	8,247,326	-	376,468	-	-	-	8,623,794	-
Hospitality	59,847,013	2	3,606,551	-	-	-	63,453,564	3
Manufacturing and Heavy Industries	95,564,830	4	162,826,820	14	-	-	258,391,650	12
Other	31,153,240	1	32,459,811	3	-	-	63,613,051	3
Health Services	28,633,901	1	29,143,285	3	-	-	57,777,186	3
Energy	95,478,518	4	51,946,335	5	-	-	147,424,853	7
Petrochemicals	1,059,096,021	41	402,240,897	35	(611,723,436)	(712,867,992)	136,745,490	6
Real Estate	62,560,702	2	26,022,323	2	-	-	88,583,025	4
Telecommunications	35,738,016	1	8,085,974	1	-	(6,209,696)	37,614,294	2
Infrastructure	92,300,731	4	5,603,634	-	-	-	97,904,365	5
Transport and Logistics	112,535,219	4	-	-	-	-	112,535,219	5
	2,579,652,028	100	1,139,056,023	100	(818,169,376)	(749,077,688)	2,151,460,987	100

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

The Bank, as part of its prudent management of credit risk arising from high sectoral concentration, limits the net exposure to Petrochemiclas and Agribusiness sectors to 35% of the Bank's total loan book, and 25% for all other sectors. As at 31 December 2014, all loan and advances sectoral concentrations were within the stipulated limit

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

Concentration of risk

As at 31 December 2013

	Gross Exposure On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Mining and Quarrying	21,654,996	1	53,504,912	4	-	-	75,159,908	3
Agribusiness	433,517,152	21	585,107,621	39	(177,785,008)	(30,000,000)	810,839,765	22
Banking and Financial Services	238,447,444	11	37,710,543	2	-	-	276,157,987	13
Education	6,548,525	-	2,100,000	-	-	-	8,648,525	-
Hospitality	66,606,987	3	5,898,914	0	-	-	72,505,901	3
Manufacturing and Heavy Industries	56,322,622	3	34,576,282	2	22	(2,500,000)	88,398,926	3
Other	27,627,027	1	14,344,839	1	-	-	41,971,865	1
Health Services	26,452,394	1	23,489,464	2	-	-	49,941,858	2
Energy	76,241,568	4	44,176,433	3	-	(17,357,833)	103,060,169	4
Petrochemicals	783,947,354	38	615,955,901	41	(576,515,705)	(400,000,000)	423,387,550	31
Real Estate	65,490,148	3	27,901,995	2	-	-	93,392,143	4
Telecommunications	35,361,750	2	11,416,318	1	-	(4,231,176)	42,546,892	2
Infrastructure	118,091,812	6	5,613,825	-	-	-	123,705,637	5
Transport and Logistics	132,225,151	6	50,823,206	3	-	-	183,048,358	7
	2,088,534,930	100	1,512,620,253	100	(754,300,691)	(454,089,008)	2,392,765,483	100

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT

(b) CREDIT RISK (Continued)

	2014 USD	2013 USD
Restructured loans		
Project finance loans	30,559,636	37,528,338
Trade finance loans	180,824,733	-
	211,384,369	37,528,332

(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 Unit to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2014	Up to 1 month USD	2 t o 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	435,082,303	914,630	-	-	-	-	435,996,933
Investment in Government securities	-	-	-	-	216,000,000	-	216,000,000
Other receivables	108,722	279,638,674	144,564	101,640	151,489	-	280,145,089
Derivative financial instruments	-	-	-	-	34,189,322	-	34,189,322
Trade finance loans	553,780,658	363,608,299	216,706,268	736,549,062	30,908,763	-	1,901,553,050
Project loans	31,633,890	19,199,013	20,976,147	52,506,882	345,198,081	140,644,222	610,158,235
Equity investments							
At fair value through profit or loss	-	-	-	-	12,654,291	-	12,654,291
At cost					6,675,075		6,675,075
Total financial assets	1,020,605,573	663,360,616	237,826,979	789,157,584	645,777,021	140,644,222	3,497,371,995
FINANCIAL LIABILITIES							
Short term borrowings	389,832,778	579,734,616	333,957,011	295,305,060	320,500,000	-	1,919,329,465
Long term borrowings	9,000,165	9,449,711	11,397,700	29,505,095	727,781,354	62,268,464	849,402,489
Collection Account	4,204,577	-	-	122,569,768	-	-	126,774,345
Other payables	12,257,290	3,858,918	396,680	496,271	2,530,712	1,406,989	20,946,860
Total liabilities	415,294,810	593,043,245	345,751,391	447,876,194	1,050,812,066	63,675,453	2,916,453,159
Net liquidity gap	605,310,763	70,317,371	(107,924,412)	341,281,390	(405,035,045)	76,968,769	580,918,836
Cumulative gap	605,310,763	675,628,134	567,703,722	908,985,112	503,950,067	580,918,836	580,918,836

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

	Up to 1 month USD	1 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 DECEMBER 2013						
FINANCIAL ASSETS						
Cash and balances with other banks	403,425,557	581,373	-	-	-	404,006,930
Other receivables	1,390,625	118,435	96,485	174,819	-	1,780,364
Derivative financial instruments	-	-	26,818,040	10,873,936	-	37,691,976
Trade finance loans	495,364,969	643,820,204	236,408,512	54,439,457	13,304,913	1,443,338,055
Project loans	28,552,056	37,385,155	114,312,979	276,757,423	127,301,511	584,309,124
Equity investments	-	-	-	19,753,620	-	19,753,620
Total financial assets	928,733,207	681,905,167	377,636,016	361,999,255	140,606,424	2,490,880,069
FINANCIAL LIABILITIES						
Short term borrowings	257,646,326	514,008,693	150,000,000	51,200,000	-	972,855,019
Long term borrowings	17,341,719	19,687,611	25,255,686	372,990,511	388,323,125	823,598,652
Derivative financial instruments	-	-	27,734,896	10,083,503	-	37,818,399
Collection Account	23,386,835	94,829,235	38,296,927	46,027,694	-	202,540,691
Other payables	7,345,623	4,213,330	1,435,366	4,588,553	-	17,582,872
Total financial liabilities	305,720,503	632,738,869	242,722,875	484,890,261	388,323,125	2,054,395,633
Net liquidity gap	623,012,704	49,166,298	134,913,141	(122,891,006)	(247,716,701)	436,484,436
Cumulative gap	623,012,704	672,179,002	807,092,143	684,201,137	436,484,436	436,484,436

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

I. *Liquidity and funding management*

The Bank's liquidity and funding policies require:

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

II. *Contingency Plans*

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

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

(d) MARKET RISK

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

Overall responsibility for management of market risk rests with BIRMC. The Treasury unit 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk continued (Continued)

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

At 31 December 2014:	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	190,835,202	914,630	-	-	-	244,247,101	435,996,933
Investment in Government securities	-	-	-	-	216,000,000	-	216,000,000
Other receivables	-	-	-	-	491,057	288,628,596	289,119,653
Derivative financial instruments	1,301,542	-	-	-	-	32,887,780	34,189,322
Trade finance loans	439,738,455	490,477,922	141,595,230	19,144,927	810,580,391	16,125	1,901,553,050
Project finance loans	295,859,554	101,530,285	9,090,751	-	193,295,655	10,381,990	610,158,235
Equity investments							
- At fair value through profit or loss	-	-	-	-	-	12,654,291	12,654,291
- At cost	-	-	-	-	-	6,675,075	6,675,075
Total financial assets	927,734,753	592,922,837	150,685,981	19,144,927	1,220,367,103	595,490,958	3,506,346,559
FINANCIAL LIABILITIES							
Short term borrowings	760,332,778	862,491,627	79,305,060	-	217,200,000	-	1,919,329,465
Long term borrowings	128,079,774	577,576,715	-	-	143,746,000	-	849,402,489
Collection Accounts	-	-	-	-	-	126,774,345	126,774,345
Other payables	-	-	-	-	4,923,992	16,076,603	21,000,595
Provision for Service and Leave pay	-	-	-	-	-	5,417,994	5,417,994
Total financial liabilities	888,412,552	1,440,068,342	79,305,060	-	365,869,992	148,268,942	2,921,924,888
Net interest rate exposure	39,322,201	(847,145,505)	71,380,921	19,144,927	854,497,111	447,222,016	584,421,671
Cumulative interest rate exposure	39,322,201	(807,823,304)	(736,442,383)	(717,297,456)	137,199,655	584,421,671	584,421,671

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

I. Interest rate risk (Continued)

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

At 31 December 2013:	Up to 1 month USD	1 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Fixed interest USD	Non-Interest USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	403,425,557	581,373	-	-	-	-	404,006,930
Other receivables	-	-	-	-	-	7,306,035	7,306,035
Derivative financial instruments	-	-	26,818,040	10,873,936	-	-	37,691,976
Trade finance loans	348,510,578	716,243,204	172,288,869	-	144,569,675	61,725,729	1,443,338,055
Project loans	243,426,188	152,008,958	-	-	185,228,728	3,645,250	584,309,124
Equity investments	-	-	-	-	-	19,753,620	19,753,620
Total financial assets	995,362,323	868,833,535	199,106,909	10,873,936	329,798,403	92,430,634	2,496,405,740
FINANCIAL LIABILITIES							
Short term borrowings	307,646,326	664,008,693	-	-	1,200,000	-	972,855,019
Long term borrowings	196,617,503	528,235,149	-	-	98,746,000	-	823,598,652
Derivative financial instruments	-	10,083,503	27,734,896	-	-	-	37,818,399
Collection Account	-	-	-	-	-	202,540,691	202,540,691
Provision for Service and Leave pay	-	-	-	-	-	4,853,389	4,853,389
Other payables	-	-	-	-	3,748,488	13,888,119	17,636,607
Total financial liabilities	504,263,829	1,202,327,345	27,734,896	-	103,694,488	221,282,199	2,059,302,757
Net interest rate exposure	491,098,494	(333,493,810)	171,372,013	10,873,936	226,103,915	(128,851,565)	437,102,983
Cumulative interest rate exposure	491,098,494	157,604,684	328,976,697	339,850,633	565,954,548	437,102,983	437,102,983

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

II. 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 2014 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 2014 would increase or decrease by USD 7,185,990 (2013 - USD 1,400,851) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2014 would increase to USD 84,163,728 (2013: USD 68,031,227) or decrease to USD 69,796,748 (2013: USD 65,229,525).

The potential change is 9.3% (2013 – 2.1%) of the year's profit.

III. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. 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 2014 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	TZSH	OTHER	TOTAL
FINANCIAL ASSETS									
Cash and balances with other banks	293,297,063	1,227	12,278,756	26,335	127,861,520	994,544	724,300	813,188	435,996,933
Investment in Government securities	216,000,000	-	-	-	-	-	-	-	216,000,000
Other receivables	289,119,653	-	-	-	-	-	-	-	289,119,653
Derivative financial instruments	422,543,703	-	(388,354,381)	-	-	-	-	-	34,189,322
Trade finance loans	923,605,593	-	977,947,457	-	-	-	-	-	1,901,553,050
Project finance loans	584,389,389	-	5,167,260	-	-	1,504,437	19,097,149	-	610,158,235
Equity investments									
At fair value through profit or loss	12,654,291	-	-	-	-	-	-	-	12,654,291
- At cost	6,675,075	-	-	-	-	-	-	-	6,675,075
Total financial assets	2,748,284,767	1,227	607,039,092	26,335	127,861,520	2,498,981	19,821,449	813,188	3,506,346,559
FINANCIAL LIABILITIES									
Short term borrowings	1,285,614,569	-	615,080,251	-	-	-	18,634,645	-	1,919,329,465
Long term borrowings	848,291,747	-	-	-	-	1,110,742	-	-	849,402,489
Collection account	4,203,278	-	-	-	122,569,768	-	-	1,299	126,774,345
Other payables	20,963,898	-	-	34,065	-	-	-	2,632	21,000,595
Provision for Service and Leave pay	5,417,994	-	-	-	-	-	-	-	5,417,994
Total financial liabilities	2,164, 491,486	-	615,080,251	34,065	122,569,768	1,110,742	18,634,645	3,931	2,921,924,888
NET POSITION	583,793,281,	1,227	(8,041,159)	(7,730)	5,291,752	1,388,239	1,186,804	809,257	584,421,671

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. 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 2013 was as follows:

	USD	GBP	EURO	KES	TZS	UGX	MK	OTHER	TOTAL
FINANCIAL ASSETS									
Cash and balances with other banks	258,311,130	26,022	21,297,953	507,433	122,758,154	584,966	139,438	381,834	404,006,930
Other receivables	7,306,035	-	-	-	-	-	-	-	7,306,035
Derivative financial instruments	37,691,976	-	-	-	-	-	-	-	37,691,976
Trade finance loans	1,189,558,857	-	253,779,198	-	-	-	-	-	1,443,338,055
Project loans	562,779,934	-	10,003,967	8,767,810	-	2,757,413	-	-	584,309,124
Equity investments	19,753,620	-	-	-	-	-	-	-	19,753,620
Total financial assets	2,075,401,552	26,022	285,081,118	9,275,243	122,758,154	3,342,379	139,438	381,834	2,496,405,740
FINANCIAL LIABILITIES									
Short term borrowings	832,255,701	-	140,599,318	-	-	-	-	-	972,855,019
Long term borrowings	819,459,130	-	-	2,314,074	-	1,825,448	-	-	823,598,652
Derivative financial instruments	-	-	37,818,399	-	-	-	-	-	37,818,399
Collection Account	79,643,916	-	-	-	122,758,154	-	138,621	-	202,540,691
Provision for Service and Leave pay	4,853,389	-	-	-	-	-	-	-	4,853,389
Other payables	17,543,022	-	-	75,306	-	-	-	18,279	17,636,607
Total financial liabilities	1,753,755,158	-	178,417,717	2,389,380	122,758,154	1,825,448	138,621	18,279	2,059,302,757
NET POSITION	321,646,394	26,022	106,663,401	6,885,863	-	1,516,931	817	363,555	437,102,983

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2014

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

Currency risk - Sensitivity Analysis

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

	GBP	EURO	KES	TSH	MWK	UGX
2014	(144)	(1,104,303)	2,981	68	-	(12,690)
2013	4,360	13,767,594	4,212,572)	-	(22)	(7,175)

39. CAPITAL MANAGEMENT

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

38. CAPITAL MANAGEMENT (Continued)

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

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

	2014 USD	2013 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	1,739,613,887	1,238,983,956
Off- Statement of financial position assets	104,116,093	134,416,156
Total risk weighted assets	1,843,729,980	1,373,400,112
CAPITAL		
Paid up capital	307,962,561	252,440,548
Retained earnings and reserves	313,959,788	224,538,523
Total capital	621,922,348	476,979,071
CAPITAL ADEQUACY RATIO	33.7%	34.7%

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

40. FINANCIAL INSTRUMENTS CATEGORIES

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

As at 31 December 2014:	Loans and receivables USD	Held to maturity USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Loans and borrowings USD	Total carrying amount USD
Financial assets							
Cash and balances held with banks	435,996,933	-	-	-	-	-	435,996,933
Investment in Government securities held to maturity	-	216,000,000	-	-	-	-	216,000,000
Trade finance loans	1,901,553,050		-	-	-	-	1,901,553,050
Project finance loans	610,158,235	-	-	-	-	-	610,158,235
Equity investments at fair value through profit or loss	-	-	12,654,291	-	-	-	12,654,291
Equity investments at cost	-	-	-	6,675,075	-	-	6,675,075
Derivative financial instruments	-	-	-	-	34,189,322	-	34,189,322
Total financial assets	2,947,708,218	216,000,000	12,654,291	6,675,075	34,189,322	-	3,217,226,906
Financial liabilities							
Collection account deposits	-	-	-	-	-	126,774,345	126,774,345
Derivative financial instruments	-	-	-	-	-	-	-
Short term borrowings	-	-	-	-	-	1,919,329,465	1,919,329,465
Long term borrowings	-	-	-	-	-	849,402,489	849,402,489
Other payables	-	-	-	-	-	20,946,860	20,946,860
Total financial liabilities	-	-	-	-	-	2,916,453,159	2,916,453,159

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

40. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2013:	Loans and receivables USD	Held to maturity USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Loans and borrowings USD	Total carrying amount USD
Financial assets							
Cash and balances held with banks	404,006,930	-	-	-	-	-	404,006,930
Trade finance loans	1,443,338,055	-	-	-	-	-	1,443,338,055
Project finance loans	584,309,124	-	-		-	-	584,309,124
Equity investments	-	-	19,753,620	-	-	-	19,753,620
Derivative financial instruments	-	-	-	-	-	-	-
Total financial assets	2,431,654,109	-	19,753,620	-	-	-	2,451,407,729
Financial liabilities							
Collection account deposits	-	-	-	-	-	202,540,691	202,540,691
Derivative financial instruments	-	-	-	-	126,423	-	126,423
Short term borrowings	-	-	-	-	-	972,855,019	972,855,019
Long term borrowings	-	-	-	-	-	823,598,652	823,598,652
Other payables	-	-	-	-	-	17,582,872	17,582,872
Total financial liabilities	-	-	-	-	126,423	2,016,577,234	2,016,703,657

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

41. TRADE FINANCE LOAN PORTFOLIO

Country	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Ethiopia	61,666,968	12,371,335	49,295,633	20,845,019	3,052,251	17,792,768
Kenya	74,403,775	63,403,775	11,000,000	37,180,892	37,032,115	148,777
Malawi	204,126,016	128,596,516	75,529,500	230,661,773	230,422,551	239,222
Mauritius	3,234	3,234	-	115,487	115,487	-
Rwanda	-	-	-	747,227	747,227	-
Seychelles	42,262,613	23,120,558	19,142,055	39,996,801	33,089,187	6,907,614
Sudan	700,034,021	165,269,559	534,764,462	258,594,660	258,594,660	-
Tanzania	129,389,290	70,657,456	58,791,834	78,085,633	78,085,633	-
Uganda	3,717,490	1,765,659	1,951,831	4,224,381	1,653,057	2,571,324
Zambia	530,845,445	530,845,445	-	574,125,922	574,125,922	-
Zimbabwe	208,349,545	138,061,688	70,287,857	237,030,685	158,675,595	78,355,090
Gross Loans	1,954,798,397	1,134,095,225	820,703,172	1,481,608,480	1,375,593,685	106,014,795
Less: Impairment on trade finance loans (Note 17)	(53,245,347)	-	(53,245,347)	(38,270,425)	-	(38,270,425)
NET LOANS	1,901,553,050	1,134,095,225	767,457,825	1,443,338,055	1,375,593,685	67,744,370

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

42. PROJECT LOAN PORTFOLIO

							As at 31 December 2014			As at 31 December 2013		
Country	Amounts Approved USD	Amounts Signed USD	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Within One year USD	Due after One year USD
Burundi	40,115,973	35,815,973	35,035,710	139,767	(12,379,631)	295,211	13,091,057	1,951,688	11,139,369	9,415,721	1,309,793	8,105,928
Congo DRC	84,200,000	84,200,000	-	-	-	164,892	164,892	164,892	-	-	-	-
Eritrea	403,652	403,652	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	140,464,439	66,464,439	43,936,954	522,176	(28,630,454)	720,943	16,549,619	4,833,726	11,715,893	16,696,802	4,760,584	11,936,218
Kenya	398,252,129	325,052,129	263,002,296	1,532,900	(211,930,775)	361,600	52,966,021	13,630,249	39,335,772	135,829,598	81,228,868	54,600,730
Malawi	61,713,723	61,713,723	60,793,336	2,920	(37,767,140)	471,893	23,501,009	5,011,360	18,489,649	29,647,812	5,812,216	23,835,596
Mauritius	67,100,000	16,000,000	16,000,000	-	(8,396,610)	16,343	7,619,733	549,679	7,070,054	8,000,000	820,747	7,179,253
Rwanda	158,697,670	148,998,954	138,704,572	2,974,471	(41,760,608)	955,764	100,874,199	10,861,244	90,012,955	81,048,256	8,458,177	72,590,079
Seychelles	47,500,000	41,500,000	37,048,542	-	(28,839,568)	2,134	8,211,108	2,580,862	5,650,246	23,682,785	10,471,884	13,210,901
Sudan	78,381,910	78,381,910	44,272,673	5,473,714	(23,675,642)	2,421,769	28,492,513	3,798,699	24,693,814	19,510,217	1,201,480	18,308,737
Tanzania	311,822,792	227,822,792	185,155,463	682,910	(85,015,318)	2,211,067	103,034,122	19,680,798	83,353,324	78,645,382	23,834,305	54,811,077
Uganda	162,004,291	157,004,291	155,050,455	4,959,273	(84,191,892)	879,649	76,697,485	22,033,929	54,663,556	85,397,948	18,303,581	67,094,367
Zambia	140,902,661	129,824,151	131,567,409	25,586,250	(101,811,703)	1,377,598	56,719,555	8,793,598	47,925,957	66,183,446	9,471,686	56,711,760
Zimbabwe	312,390,312	307,040,327	180,621,574	673,044	(46,305,635)	1,943,335	136,932,318	30,425,208	106,507,110	52,868,483	14,576,869	38,291,614
Gross loans	2,003,949,552	1,680,222,341	1,291,592,636	42,547,425	(711,108,628)	11,822,198	624,853,631	124,315,932	500,557,699	606,926,450	180,250,190	426,676,260
Less: Impairment on project loans (note 17)							(14,695,396)	-	(14,695,396)	(22.617.326)	-	(22,617,326)
NET LOANS							610,158,235	124,315,932	485,862,303	584,309,124	180,250,190	404,058,934

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 DECEMBER 2014:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable capital USD	Instalments due as at 31.12.2014 USD	Instalments paid as at 31.12.2014 USD
Belarus	1,103	1.79	25,001,701	20,001,361	5,000,340	1,000,068	1,000,068
Burundi	1,230	2.00	27,880,410	22,304,328	5,576,082	5,576,082	5,576,082
China	3,400	5.52	77,067,800	61,654,240	15,413,560	15,413,560	15,413,560
Comoros	54	0.09	1,224,018	979,214	244,804	244,804	122,400
Djibouti	312	0.51	7,072,104	5,657,683	1,414,421	1,414,421	1,414,421
Congo DRC	5,340	8.67	121,041,780	96,833,424	24,208,356	14,525,013	9,972,673
Egypt	5,340	8.67	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Eritrea	240	0.39	5,440,080	4,352,064	1,088,016	1,088,016	544,000
Ethiopia	5,340	8.67	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Kenya	5,340	8.67	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Malawi	1,320	2.29	29,920,440	23,936,352	5,984,088	5,984,088	5,984,088
Mauritius	1,566	2.72	35,496,522	28,397,218	7,099,304	7,099,304	7,099,304
Rwanda	1,641	2.67	37,196,547	29,757,238	7,439,309	5,657,683	5,657,683
Seychelles	1,370	2.23	31,053,790	24,843,032	6,210,758	1,224,018	1,224,018
Somalia	318	0.52	7,208,106	5,766,485	1,441,621	1,441,621	720,800
Sudan	4,920	7.99	111,521,640	89,217,312	22,304,328	22,304,328	22,304,328
Tanzania	5,214	8.47	118,185,738	94,548,590	23,637,148	23,637,148	23,637,148
Uganda	3,600	5.85	81,601,200	65,280,960	16,320,240	16,320,240	15,493,700
Zambia	5,369	8.72	121,699,123	97,359,298	24,339,825	19,338,409	19,338,409
Zimbabwe	5,540	9.00	125,575,180	100,460,144	25,115,036	25,115,036	25,115,036
African Development Bank	3,000	4.87	68,001,000	54,400,800	13,600,200	13,600,200	13,600,200
	61,557	100	1,395,312,519	1,116,250,015	279,062,504	253,609,107	246,842,986

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 DECEMBER 2013:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable capital USD	Instalments due as at 31.12.2013 USD	Instalments paid as at 31.12.2013 USD
Burundi	1,230	2.13	27,880,410	22,304,328	5,576,082	5,576,082	5,368,747
China	3,400	5.90	77,067,800	61,654,240	15,413,560	15,413,560	15,413,560
Comoros	54	0.09	1,224,018	979,214	244,804	244,804	122,400
Djibouti	312	0.54	7,072,104	5,657,683	1,414,421	1,414,421	1,414,421
Congo DRC	5,340	9.26	121,041,780	96,833,424	24,208,356	9,683,342	3,902,834
Egypt	5,340	9.26	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Eritrea	240	0.42	5,440,080	4,352,064	1,088,016	1,088,016	544,000
Ethiopia	5,340	9.26	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Kenya	5,340	9.26	121,041,780	96,833,424	24,208,356	24,208,356	24,208,356
Malawi	1,320	2.29	29,920,440	23,936,352	5,984,088	5,984,088	5,984,088
Mauritius	1,566	2.72	35,496,522	28,397,218	7,099,304	7,099,304	7,099,304
Rwanda	1,248	2.16	28,288,416	22,630,733	5,657,683	5,657,683	5,657,683
Seychelles	270	0.47	6,120,090	4,896,072	1,224,018	1,224,018	1,224,018
Somalia	318	0.55	7,208,106	5,766,485	1,441,621	1,441,621	720,800
Sudan	4,920	8.53	111,521,640	89,217,312	22,304,328	22,304,328	22,304,328
Tanzania	5,214	9.04	118,185,738	94,548,590	23,637,148	23,637,148	19,081,501
Uganda	3,600	6.24	81,601,200	65,280,960	16,320,240	16,320,240	11,090,120
Zambia	4,082	7.08	92,526,694	74,021,355	18,505,339	18,505,338	18,505,338
Zimbabwe	5,540	9.61	125,575,180	100,460,144	25,115,036	25,115,036	25,115,036
African Development Bank	3,000	5.20	68,001,000	54,400,800	13,600,200	13,600,200	13,600,200
	57,674	100	1,307,296,558	1,045,837,246	261,459,312	246,934,297	229,773,446

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

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
At USD 4,533.420375 per share	220,584	100	1,000,000,000				
As at 31 December 2014:							
Africa Reinsurance Corporation	500	0.23	2,266,710	2,266,710	2,266,710	733,290	3,000,000
African Development Bank	3,333	1.51	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nationale de Investment	834	0.38	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
Mauritian Eagle Insurance Company Limited	270	0.12	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund -Mauritius	1,667	0.76	7,557,212	7,557,212	7,557,212	2,444,768	10,001,980
People's Republic of China	3,334	1.51	15,114,424	15,114,424	15,114,424	4,889,576	20,004,000
Rwanda Social Security Board	2,044	0.93	9,266,311	9,266,311	9,266,311	2,997,690	12,264,001
Seychelles Pension Fund	666	0.30	3,019,258	3,019,258	3,019,258	980,742	4,000,000
ZEP-RE (PTA Reinsurance company)	834	0.38	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	13,482	6.12	61,119,575	61,119,575	61,119,575	19,778,406	80,897,981
As at 31 December 2013:							
African Development Bank	3,333	1.51	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
National Pension Fund -Mauritius	1,667	0.76	7,557,212	7,557,212	7,557,212	2,444,768	10,001,980
	5,000	2.27	22,667,102	22,667,102	22,667,102	7,334,878	30,001,980

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.

BOARD OF *DIRECTORS*

Notes

Notes

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

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