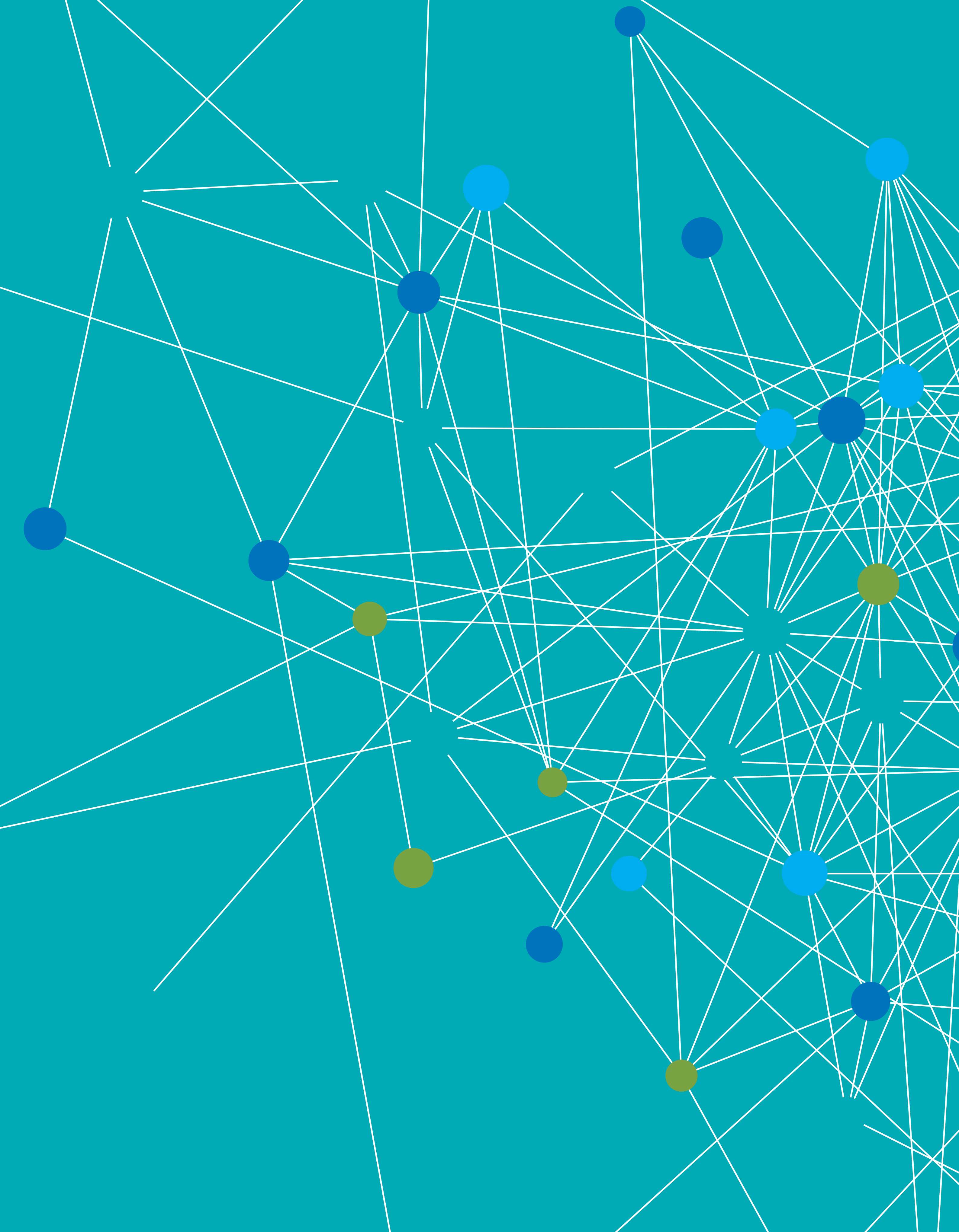
2015

ANNUAL REPORT & FINANCIAL STATEMENTS

PTA BANK

BANQUE DE LA ZEP

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK



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Performance Highlights

Despite the economic headwinds, the Bank performed very well in 2015 posting strong operational and financial performance as summarized below.

TOTAL ASSETS

16%

$ 4.09B

In line with the Bank's 5th Corporate Plan (2013 – 2017) growth strategy, total assets grew by 16% to close at USD 4.09B from USD 3.54B in 2014.

LOAN ASSETS

16%

$ 2.91B

Loan assets grew by 16%, increasing from USD 2.51B in 2014 to USD 2.91B in 2015.

EQUITY CAPITAL

18%

$ 736M

There was an increase in equity capital by 18% to USD 736M from USD 622M the previous year.

NON-PERFORMING LOAN

2.87%

There was a significant improvement in overall loan asset quality with non-performing loan ratio further decreasing to 2.87% from 3.04% in 2014.

NET PROFIT

94.7M

23%

The Bank posted a record net profit of USD 94.7M, representing a 23% increase over the previous year.

Letter of Transmittal

The Chairperson

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 financial period 1 January to 31 December 2015.

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

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

Ms. KAMPETA SAYINZOGA
Chairperson, Board of Directors

CHAIRPERSON'S STATEMENT

Chairperson's Statement

Foreword

On behalf of the Board of Directors, I am delighted to present the Bank's Annual Report and financial statements for the year ended 31st December, 2015.

International Economic Environment

The year 2015 was quite challenging, with global economic activity generally subdued, and reduced in emerging markets and developing countries. Overall, the world economy grew by 3.1%, a slight decline from 3.4% in 2014. Emerging and developing economies, accounting for over 70% of global growth, recorded a decline for the fifth consecutive year closing at 4% from 4.5% in 2014.

On a positive note, modest recovery continued in advanced economies. In this context, the United States, the Eurozone and Japan recorded economic growth rates of 2.6%, 1.5% and 1% respectively. The Chinese economy slowed down marginally to 6.8% from 7% in 2014 in the context of reforms. India continued its upward growth trajectory with a 7.5% growth rate. However, the other two big emerging economies of Brazil and Russia fell into recession recording negative rates of 1.3% and 2.7% respectively.

Sub-Saharan Africa's growth rate declined to 3.75% from 4.5% in 2014 mainly driven by markedly lower commodity prices, notably oil and metals exports. Be this as it may, some of the Bank's Member States such as DRC, Ethiopia, Mozambique, Tanzania and Rwanda recorded high growth rates averaging 7%, while others such as Kenya have picked up strongly.

Looking ahead, the trajectory of the global economy is set to be characterized by 3 major factors, namely: a gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing toward domestic consumption and services; low prices for energy and other commodities; and gradual tightening of monetary policy in the United States in the context of a resilient recovery, while

SHAREHOLDERS EQUITY

+18%

There was also an increase in equity capital by 18% to USD 736M from USD 622M in the previous year.

simultaneously, several other major advanced economies are implementing quantitative easing monetary interventions in a bid to stimulate economic growth.

Faits Saillants de la Performance de la Banque

Despite the economic headwinds, the Bank performed very well in 2015 posting strong operational and financial performance as summarized below.

In line with the Bank's 5th Corporate Plan (2013 – 2017) growth strategy, total assets grew by 16% to close at USD 4.09B from USD 3.54B in 2014. Loan assets also grew by 16% to USD 2.91B in 2015 from USD 2.51B in 2014. There was also an increase in equity capital by 18% to USD 736M from USD 622M the previous year. This was on the strength of strong profitability and new equity subscriptions. There was also a significant improvement in overall loan asset quality with the non-performing loan ratio further decreasing to 2.87% from 3.04% in 2014. The Bank posted a record net profit of USD 94.7M, a 23% increase over the previous year. On the back of improved profitability, the Board will be recommending a dividend distribution as was done in the previous year.

Corporate Governance

The Bank continued to enhance its corporate governance structures and practices by building on the reforms begun in 2013 with the 5th Corporate Plan. Quarterly board meetings were held along with specialized board committees in the areas of audit-risk-finance; investment & credit; and also remuneration & nomination. The first independent Non-Executive Director, competitively recruited at the end of 2014, assumed office. In a

quest for continuous improvement of board skills, several training programs were conducted for board members in the areas of anti-money laundering, environmental & social risk management. Detailed reviews were also undertaken of the economic & social situation in the Bank's member states, to guide the Bank's loan interventions. In addition, the board and committees undertook its first self-assessment to examine its effectiveness in providing strategic direction and oversight.

Acknowledgements

In conclusion, I wish to recognize and thank all stakeholders who continue to contribute to the Bank's sustained growth and financial performance. In this regard, our loyal clients stand out and deserve appreciation for their business support and commitment to the Bank. Secondly, special recognition goes to our esteemed lenders and other financial partners for continuing to support us with competitively priced funds to benefit our clientele.

All the Bank's achievements would be in vain without the anchor support of all the shareholders. This has been exemplified by a number of shareholders continuing to increase and being up to date with their capital subscriptions despite the many fiscal challenges and alternative investment opportunities. We salute the unwavering commitment and support from the Bank's apex decision making organ, the Board of Governors.

In closing, I wish to place on record my sincere thanks and appreciation to my fellow Directors on the Board for their contribution and commitment. It was a privilege to work with such an engaged and enthusiastic team of colleagues with a wide range of diverse skills and experience to steer the Bank's affairs. In the same vein, and on behalf of the Board, I wish to commend our President, Mr. Admassu Tadesse, the Management team and staff for continuing to grow and manage the Bank professionally while delivering yet another year of sterling results.

Despite the global challenges, we remain optimistic that given its track record and professional management team, the Bank will continue to perform and serve the region's needs. Accordingly, we look forward to a good 2016.

Ms. KAMPETA SAYINZOGA
Chairperson, Board of Directors

+2 Independent non-executive board seats.

The 1st independent Non-Executive Director assumed office as part of strengthened board.

"All the Bank's achievements would be in vain without the anchor support of all the shareholders. This has been exemplified by a number of shareholders continuing to increase and being up to date with their capital subscriptions despite the many fiscal challenges and alternative investment opportunities."

PRESIDENT'S STATEMENT

President's Statement

+16%
Asset growth

2.87%
Non-performing loans decreased in 2015

Strategic Overview

2015 was a milestone year for the Bank; marking the midpoint of the current Five Year Corporate Plan (FYCP): 2013 – 2017. It is in this context that the Bank's operational and financial performance is reviewed and reported.

Moderate growth and consolidation was a key strategic theme in 2015, given the strong growth in the Bank's capital and loan assets in the past two years. Another theme was continued reforms, institutional strengthening and repositioning of the Bank as a world class African financial institution, with emphasis on portfolio diversification across countries and sectors; maintenance of asset quality, greater attention to infrastructure and industrial projects; while maintaining cost-effectiveness in the Bank's operations.

Accordingly, in 2015, the Bank grew its balance sheet by 16% to USD 4.09B from USD 3.54B in 2014. The Bank grew it's loan asset book by a similar 16% to USD 2.91 billion from USD 2.51B in the previous year. Asset growth was aligned to growth in the Bank's capital, which grew by 18% to USD 736M from USD 622M in 2014. Notwithstanding, the Bank registered a strong increase in its profits, posting a net profit of USD 94.7M, 23% above the quantum achieved in the previous year. This yielded a return on equity ratio of 14.02%. Asset quality also improved over the previous year, with non-performing loans decreasing from 3.04% in 2014 to 2.87% in 2015.

These results were achieved in a volatile global economy that was not a conducive business environment. Notwithstanding the Bank's good performance, the adverse developments in 2015 did impact negatively on some revenue targets particularly fee income arising from the significant sustained decline in oil prices. The crude oil price per barrel closed at USD 35 in 2015 from USD 54 in 2014 driven by higher supplies and slow and reduced demand from key economies such as the People's Republic of China. Lower oil prices strained the fiscal positions

The Republic of Mozambique joins the Bank's Membership

Pioneering interventions gain traction in Egypt, DRC and Djibouti

of fuel exporters and sharply dampened their growth prospects. In addition, the economic slowdown and rebalancing in China resulted in significant declines in commodity prices such as mineral exports. Several Member States were adversely affected by depreciation in exchange rates and reductions in foreign exchange and reserves.

Auspiciously, the Bank also finalized the entry of the State of Mozambique into the Bank's membership. Mozambique has a favourable and strategic geographic location given its long coastline and position as a maritime gateway for several land-locked Member States. It possesses considerable mineral reserves (coal), major gas reserves, rich agricultural lands and sizeable hydroelectric potential. With Mozambique as a Member State, the Bank will be able to contribute to key regional infrastructure projects on the Eastern coast of Southern Africa.

Financial Management

In 2015, the Bank grew its interest income by 23% to USD 209M from USD 157M in 2014. The increase is attributed to growth in both the project finance and trade finance portfolios. Trade Finance contributed 77% of the increase in interest income. Total borrowing costs increased by 11% from USD 88M in 2014 to USD 98M. Interest expense on both long term and short term borrowings rose from USD 78M in 2014 to USD 89M, due to the 10% increase in total borrowings. The growth in borrowings was less than the 16% growth in the Bank's assets. The remaining asset growth was funded by increased equity. Other costs related to borrowings decreased by 10% from USD 10M in 2014 to USD 9M mainly because of decreased facility fees occasioned by reduced rollovers and volumes of some facilities which attract drawdown fees during the year.

Consequently, net interest income grew by 59% to USD 110M from USD 69M in 2014. Net fees and commission income was USD 33M from USD 42M in 2014. The 21% decline is attributed to a reduction in international oil prices resulting in reduced volumes of oil transactions funded by the Bank. 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, drawdown, management, syndication and other fees. Operating income rose by 25% to USD 152M in 2015 from the 2014 level of USD 122M.

The Bank grew its assets by 16% over 2014 to USD 4.09B, well above the USD 3.48B level planned for 2017 in the Bank's 5th Corporate Plan. Of the USD 551M asset growth, USD 395M was from loan growth, in which USD 307M is attributable to Trade Finance loans, whose net balance was USD 2.21B, 16% up from USD 1.90B in 2014, due to new disbursements net of repayments. Project Finance loans grew by a net amount of USD 89M to USD 699M as a result of disbursements net of repayments made during the year. The Bank's loan asset grew year on year by of 16%.

OPERATIONS

Project and Infrastructure Finance (PIF)

PIF continued to align the department's strategy to the Bank's Corporate Plan. The department expanded its operations in new Member States through targeted business development and product innovation. Diversification of the loan portfolio remained a key thrust of the Bank in 2015. Through strategic focus on frontier markets, PIF has continued to explore new business with maiden interventions in Djibouti and Mozambique. Quick turnaround of transactions has also been a key focus and as a result PIF several transactions were approved, committed and disbursed within the year.

Trade Finance (TF)

In 2015 trade finance activities maintained fairly good performance trends in spite of

"Bank's diversification efforts advance in DRC, Ethiopia, Kenya, Mauritius and Uganda".

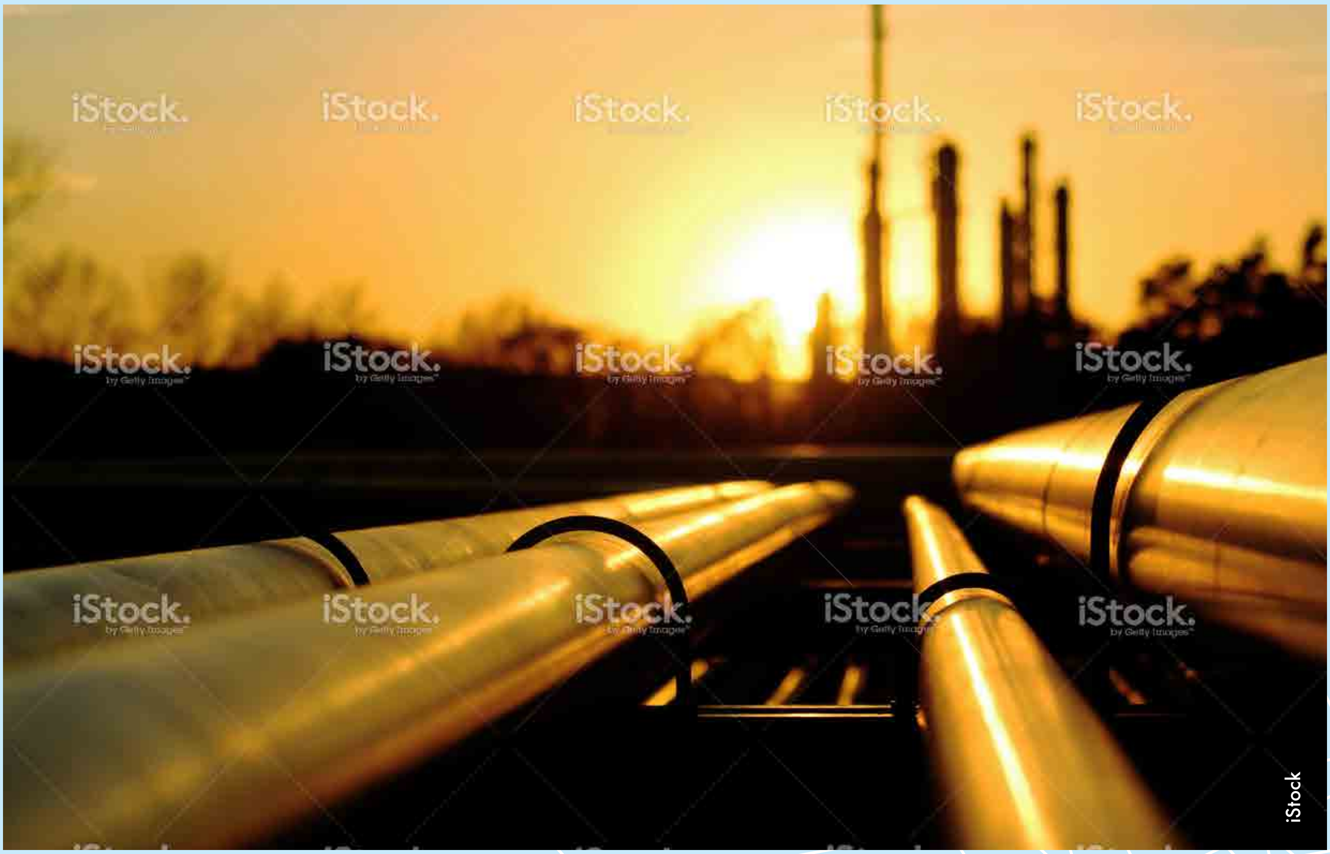
the economic headwinds and slower growth across regional economies. The strategic thrust for trade finance aimed at moderating downside risks to economic challenges in addition to supporting the growth trajectory and security of supply of strategic commodities in Member States. The Bank continues to pursue intervention opportinities in markets such as Djibouti, Egypt, Ethiopia, Kenya, Mozambique, Uganda and the DRC per our diversification thrust. Interventions in new markets will broaden trade corridors which is vital to regional value chain development.

Sector diversification continued to gain ground on the back of USD 160M forfaiting transactions executed in the transport and logistics, manufacturing and heavy industries and telecommunication sectors. As part of the process of effectively managing risk, the Bank procured Credit Default Swaps as part of portfolio de-risking mechanisms to sustain capacity for supporting Member States.

Funds Management

The Bank's Funds Management Initiative (FMI) was established in 2013 under the FYCP (2013–2017) to support the implementation of the Bank's overall strategy, including managed growth and diversification, by spearheading new initiatives. This initiative is in line with Article 9 and 10 of the Charter, which stipulates that the Bank will establish and manage a Trade Financing Fund and Special Purpose Funds designed to promote the objectives of the Bank.

In the year under review, the Bank realized the official establishment of both the COMESA Infrastructure Fund (the CIF) and the Eastern and Southern African Trade Finance Fund (ESATF). This achievement was driven by several milestones, including the finalization of joint-venture arrangements with specialized partners for each fund, the incorporation, licensing and marketing of each fund in



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Reforms in risk management deepen and institutional capacity strengthens

Strong momentum continues with institutional investors and funding partners

Mauritius, the establishment of the underlying joint-venture fund manager for each fund, and the conclusion of agreements with the Government of Mauritius to grant certain benefits to each fund and its respective joint-venture fund manager.

With target investors showing appetite for the CIF and ESATF, the Bank and its joint-venture partners are well embarked on resource mobilization.

Risk Management

The Bank's continued commitment to sound risk management has proven to be effective as reflected in the financial performance and strong capital position. During the year, the Bank engaged a reputable consultancy firm to undertake a review and assessment of the Bank's risk maturity level as part of the process of strengthening risk management, with the objective of drawing a baseline against best practice standards. Other projects undertaken during the year included the review of the credit policy, Enterprise Risk Management (ERM) Policy Framework, the Environmental & Social Management Policy, and implementation of Anti-money Laundering (AML)/Combating of the Financing of Terrorism (CFT) program and implementation of a Business Continuity Plan (BCP).

The Bank, through Compliance and Risk Management Department (CRMD), further strengthened its risk management capacity by recruitment of a Head of Compliance, with a wealth of banking experience and legal background to effectively manage the compliance function and roll-out the new AML/CFT framework.

Resource Mobilization

The Bank's moderated rate of growth of loan assets was reflected in a corresponding moderate growth in funding liabilities. Also, in the latter part of 2015, liquidity within the global capital markets tightened following the announcement by the US Fed to gradually unwind the quantitative easing measures that have been in place several decades. In spite of liquidity tightening, the Bank was able to maintain a well-funded position throughout the year.

During the year under review, several funding initiatives were launched to raise long term funding for the project and infrastructure business with a focus on negotiating new lines of credit from Export Credit Agencies. The Bank led the arrangement of large scale ECA funding for RwandAir to purchase aircrafts from Airbus. The Bank is also at an advanced stage in negotiations with other ECAs to fund power projects. Negotiation with BNDES has culminated in the establishment of a USD 50M line of credit targeted at small and medium enterprises. Other bilateral long term facilities were also explored with several OECD and other partners.

A memorandum of understanding was signed with Export and Import Bank of China in April 2015 that covers a range of short and long term funding. China is one of the largest trading partners of the region, and it is expected that the operationalization of this new funding partnership will unlock significant funds for trade and infrastructure development.

Also, various new trade finance lines were established, for example from BADEA Bank in the amount of USD 40M. In addition, increases in existing lines were concluded, with total short term lines of credit increasing by a net amount of USD 260M. The Bank's funding base was diversified with new counterparties like the Bank of Tokyo Mitsubishi, Sumitomo Mitsui Banking Corporation, KFW IPEX and Investec Bank Limited providing over USD 150M of new short term funding.

Since the introduction of Class B shares, PTA Bank raised close to USD 100M, including USD 15M raised in 2015. New class B investments were made by a new shareholder from Uganda, thus further diversifying the Bank's class B ownership. The National Security Fund of Uganda (NSSF) signed up USD 14M of Class B Shares.

Also, several existing institutional investors increased their equity investments, demonstrating continued faith in PTA Bank and its prospects for profitable growth through its trade and development financing. These included the Seychelles Pension Fund and the Africa Reinsurance Company (Africa Re), which increased their investments by an additional USD3M and USD 2M respectively.

The Bank also fulfilled its commitment to investors by declaring its first dividend of USD 329.5 per share for the financial year 2014 which implied an attractive yield of 5.5% for investors that joined the Bank in addition to capital appreciation of 38%, since the introduction of Class B Shares. Class B Shares offer attractive returns and dividends for investors, while supporting the Bank's development impact in the region. Several institutional investors, including the Rwanda Social Security Board, National Pension Fund of Mauritius, Banco Nacionale de Investmento of Mozambique, and the People's Republic of China have chosen to reinvest their dividends into additional Class B Shares.

The Bank will continue its fund raising efforts and aims at building more partnerships with both regional and global institutional investors.

International Ratings

With an expanded equity base, improved quality of assets and enhanced corporate governance, 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. The National Long-term rating was upgraded to 'AAA' (Ken); from 'AA+' (Ken). The Bank will continue to seek to improve its credit ratings, which is a key objective of the FYCP (2013-2017). Particular focus will be on credit enhancement of the Bank's back-up capital, reduced leverage and enhanced liquidity.

Human Resources and Administration

Various human capital initiatives continued to be implemented to attract and retain a talented and motivated work force.

Accordingly, 17 new and existing positions were filled across several departments through a competitive selection process

and internal promotions.

The Bank's balanced scorecard (BSC) methodology continued to be applied to focus efforts in key areas and align performance. Through BSC implementation, the Bank's culture of performance has been enhanced to drive delivery, ensure accountability and advance the practice of recognition and reward.

The on-going Young Professionals Programme (YPP) has created a pool of talent and promoted diversity in the Bank's workforce. In 2015, three young professionals were recruited as part of the Bank's human capital development initiatives.

In 2015, the Bank commissioned an external specialist firm to review the Bank's compensation structure, both guaranteed and variable pay, with the objective of ensuring a strong employee value proposition. A long term incentive and retention scheme that aligns employee's interest with the Bank's long term performance has been introduced. An employee engagement survey was also conducted to gauge the level of employee involvement, engagement and commitment at the Bank.

The renovation project of the Bank's Headquarters building in Bujumbura was finalized in the third quarter of 2015, while the second phase renovation of the Harare regional office commenced. Following the Board of Directors' approval to procure preliminary design work for the development of the Nairobi Office building, an architectural consulting firm was appointed and a concept and design was adopted.

To achieve operational efficiency and effectiveness, the Bank has intensified its focus on IT automation initiatives. An IT Steering committee was constituted to oversee the development of an enhanced IT Strategy, complete with an architecture and implementation plan, on the basis of a comprehensive IT review and diagnostic study as well as benchmarking exercise.

Rebranding

The Bank's rebranding initiative was advanced with completion of a brand audit, as well as a customer and partners satisfaction survey. The surveys and analysis provided an in-depth understanding of the Bank's brand on the basis of which to renew and revitalize the brand. The brand audit provided significant insights into the current brand perception and current brand positioning.

In 2016, the re-branding initiative will advance with Phase 2 to develop further the Bank's brand identity. An integrated internal task force has been formed with a specialized agency that will obtain perspectives from the various Bank stakeholders, e.g. employees, shareholders, Board of Directors, Governors, partners etc.

Customer and Partner Satisfaction Survey

It is in line with the corporate plan in 2014 that the Bank engaged a consortium of Africa Practice and OG+A as consultants to undertake a Customer & Partner Satisfaction Survey with the objective of identifying any gaps in delivery of solutions to customers, partners and stakeholders. The survey targeted customers and partners who are part of the regional Member states across COMESA, SADC, EAC, IGAD and IOC countries.

"The total overall PTA Bank's customer and partner satisfaction survey for FY 2015 stood at 4.30. The rating was similar to the 4.29 rating from the year before. The scale varies from "1" for very dissatisfied to a maximum of "5" for very satisfied. The various indices and measures from the survey are important indicators on the Bank's engagement with clients and partners. By collecting quantitative data from customers and partners at regular intervals, the Bank can monitor service delivery and find ways to amend its strategy and come up with innovative solutions.

Awards

Over the last few years the Bank has won several awards in recognition of the Bank's adoption of high standards of governance, and performance. The Bank was awarded the African Association for Development Finance Institutions (AADFI) award for best performing regional DFI for 2013, 2014 and 2015. Previously, the Bank was presented two awards for the best local trade finance bank in Zambia and Zimbabwe by the Global Trade Review (GTR) in its Annual Africa Trade & Export Finance Conference. In 2014, the Bank was honoured with the Global Transport Finance (GTF) Award for the best Aircraft Deal of the year in Africa. Through the improvement of E&S policies and commitment to furthering the social and economic development of the region, the Bank in 2015 was recognized as the Best ESG Private Enterprise Bank, Africa. The Bank also won the GTR Award for the Best Trade Finance Bank in East Africa 2015.

Conclusion

As we take stock of our solid achievements, including lessons learnt in terms of global and regional challenges in the last year and first 3 years of the Bank's current FYCP (2013 – 17), I am confident that we shall make further strides toward the corporate plan goals in the next 2 years. In line with one of our core values, we shall continue to adapt to the ever dynamic business environment and endeavor to deliver our developmental mandate to the region.

It is very much in order that I convey my wholehearted appreciation and gratitude to our valued clients, funding partners, and indeed investors for their interest and support of the Bank. I am also grateful to the Board of Directors for their wisdom and active engagement in directing the affairs of the Bank; and to the Board of Governors for their guidance and support. And of course, I wish to warmly thank and salute my management team and staff for the *esprit de corp,* hard work and commitment to the Bank's vision and mandate.

We look forward to 2016 as we consolidate the gains in recent years and embark on crafting the next Corporate Plan (2018 – 2022) with our various stakeholders, and move closer to realizing our vision.

ADMASSU Y. TADESSE
President & Chief Executive Officer

STATEMENT ON CORPORATE GOVERNANCE

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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 Bank and has final accountability for its strategic direction, management 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 multi-lateral 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 which led to the development of the Corporate Governance Development Framework under which the signatories endeavor to work together to advance the cause of good corporate governance.

In 2015, following a peer review under the Association of African Development Finance Institutions' Prudential Standards, Guidelines and Rating System, the Bank was assessed as one of the best performing development finance institutions in Africa, with a score of 94 percent and a rating of AA. Also in 2015, the Bank was recognized as best ESG Private Enterprise Bank, Africa by Capital Finance International, whose judging panel underlined PTA Bank's adherence to '"a rigid code of corporate ethics that ensures that its internal and external processes are consistently conducted in accordance with the highest standards of governance and transparency".

Governance Structure

The Bank is a multi-national legal entity established by its Charter. The Charter which is binding on all Members sets out the objectives, membership, capital structure and organization of the Bank as well as identifies the type of transactions that 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 presented 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, amendments to 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 not more than 10 NEDs (in addition to the President as an executive member) or such other number as may be determined by the Board of Governors from time to time. Five of the 10 NEDs represent five groups of Member State constituencies. Each Member State constituency also has an Alternate NED. In addition, each of the following shareholder categories has one seat on the Board: i) non-African States, ii) African Institutions; and iii) all other institutional Shareholders not represented by African Institutions. The remaining two seats on the Board are reserved for independent NEDs in line with good corporate governance. During 2015, 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 Chairperson and Vice-Chairperson of the Board for a period of one year. The President serves as Co-Chairman and works jointly with the Chairman and Vice-Chairman. The 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 2015, all Board Meetings satisfied this quorum criterion.

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

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

The Remuneration and Nominations Committee (REMCO) is mandated to review, recommend and improve the Bank's policy framework and other inputs on human resource management including remuneration, incentives and other matters affecting working conditions, advising and making recommendations to the Board with regard to corporate performance and issues affecting staff working conditions. REMCO also acts as the reference committee for all matters relating to the Board's Code of Conduct.

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

The table below shows attendance by Board Members in 2015.

	Board Meetings	Audit Committee Meetings	INVESCO Meetings	REMCO Meetings
Mr. Samuel Mivedor[1]	2/2		2/2	
Mr. Solomon Asamoah[2]	1/2		0/2	
Dr. Frannie Leautier	3/4		3/4	3/4
Mr. Mingzhi Liu	4/4	4/4	4/4	
Prof. Oliver Saasa	4/4	4/4	4/4	
Ms. Kampeta Sayinzoga	4/4	4/4		4/4
Mr. Gerome Kamwanga	4/4	4/4	4/4	
Ms. Mariam Hamadou	4/4		4/4	4/4
Mr. Rupert Simeon	4/4	4/4		4/4
Mr. Admassu Tadesse	4/4		4/4	4/4

The President

Pursuant 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, serve as Chief Executive and legal representative of the Bank. 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.

(Footnotes)

1 Substantive Non-Executive Director for African Institutions from January 2015 to September 2015. Alternate Director from September 2015 to December 2015.

2 Substantive Non-Executive Director for African Institutions from September 2015 to December 2015.

Statement on Corporate Governance

SUSTAINABILITY REPORTING STATEMENT

PTA Bank's financing and development activities are designed to create economic value, social development and healthy ecosystems in the tripartite sub-Saharan region. Consistent with its mission to become a world class African financial institution, the Bank is mandated to drive economic growth and integration, through sustainable financial investments and strategic partnerships with stakeholders.

In sustainability financing, the PTA Bank strives to boost both development and financial returns, while at the same time embracing risk based exposure management:

Risk as an enabler to business growth. Well aware of the regional challenges, PTA Bank's financing model is designed to generate acceptable, risk-adjustable returns to the Bank. Internally, sustainable financing coupled with enterprise-wide risk management is designed to identify, analyze, evaluate, integrate, monitor and communicate risks encountered across the organization. In an effort to reduce exposure to risk, the Bank is aware that sustainability financing is premised on clear communications of a strong risk-focused culture and risk-related business objectives. Consequently, the Bank aims to achieve risk intelligent processes in all its financing interventions.

A drive towards new business opportunities. Embracing sustainability financing comes with new business and market opportunities. New industry sectors such as wind power, solar energy, biomass or hydropower, are developing quite rapidly in the frontier markets. The potential in such sectors and business opportunities in the sub Saharan region are immense for the Bank.

Managing environmental and social risk through partners. Across the public and private sectors, is a growing awareness of the reputational risks associated with environmental and social concerns. The danger is in product liability, market collapse or damage to a company image. The risks can have a direct implication for the institution that is financing the companies, therefore, sound environmental risk management and adequate measures to minimise impact are important tools in project appraisal. The Bank's strategy is to partner with borrowers and stakeholders to ensure utmost compliance in its financial interventions.

Environmental Sustainability

PTA Bank's social and environmental governance framework serves to promote awareness and enforcement of responsible practices within the Bank and its clients. In 2015, the Bank strengthened the framework, through a review of the existing policies and in collaboration with a key strategic partner enhanced expertise in the renewable energy sector.

Environmental and social management considerations are documented in the framework, titled 'Environmental and Social Management System (ESMS)'. The revised framework was approved by the Bank's Board of Directors in October, 2015. The revision of the policy enhanced the integration of Equator Principles into the Bank's operational workflows 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 ESMS. The framework embodies diverse themes, across the Bank's process workflow, with governance structures ensuring that these themes are put to practice in the Bank and its clients; as summarized in the figure on page 27.

Social Development Impact

To drive its development mandate, the PTA Bank is focused on promoting economic growth and sustainable development in the region. The Bank's portfolio is spread across 14 member states and 14 economic sectors which include Banking and Financial Services, Manufacturing and Heavy Industries, Agribusiness, Agriculture and Forestry, Infrastructure, Energy, Petrochemical, ICT, transport and Logistics, Hospitality, Real Estate, Mining and Quarrying, Education and Health Services.

The Bank has in collaboration with private sector investors and stake-holders, intervened in Member States experiencing institutional and market failures, sharing of financial risk with other players in the region, while maintaining prudent risk management practices. Accordingly, several investments were in manufacturing and heavy industries, notably cement factories in DRC Congo, Rwanda and Ethiopia. In energy and infrastructure, the Bank financed key power, port and telecom projects in Kenya, Tanzania and Zimbabwe. In agribusiness the Bank financed inputs such as fertilizer, supporting companies from Zambia and Kenya to export fertilizer to neighboring countries, such as Malawi, Tanzania, Zimbabwe and Rwanda. The importation of petroleum in several Member States was also supported in several Member States in furtherance of the security of supply of strategic commodities.

Corporate Social Responsibility

In line with the FYCP, Corporate Social Responsibility (CSR) has been a key developing initiative for the last two years having been launched in 2014 and been implemented successfully at the PTA Bank's headquarters Burundi and its regional offices Nairobi and Harare respectively. At its 116th meeting in March 2014, the Board of Directors approved an amount of USD 105

427.40 for support to CSR grant finance interventions in 2015.

COMESA LLPI

In 2015, PTA Bank received proposals from the COMESA Leather and Leather Products Institute (LLPI) and the AU Africa against Ebola Solidarity Fund initiatives. The Bank accepted to support the two initiatives with both launches taking place at the COMESA LLPI and AU headquarters. The COMESA LLPI CSR support intervention was rolled-out in Ethiopia, Uganda, Sudan as well as Mauritius. The Bank's support of the COMESA LLPI was targeted at three incubators in Uganda (Uganda Leather Association), Ethiopia (Ethio-International FootwareCluster Cooperative Society) and Sudan (Sudan Science and Technology University).

PTA Bank's support to COMESA/LLPI capacity building interventions was opportune and oriented to stimulate and strengthen the leather sector which has been highlighted as a priority agro-based commodity in the COMESA Region. The interventions were geared to enhance SME leather footwear manufacturing in COMESA by enhancing access to equipment and tools which is a serious constraint for SME performance. SMEs will use the equipment and tools, which will be located in a central place and made available with a nominal charge. The service charge money will form a common pool of funds, which will be used for the maintenance and replacement of the equipment and tools.

This initiative is ongoing and will strengthen the service/ incubation centers and footwear SME cluster through the provision of common equipment and tools. Empirical evidence from assessments done by COMESA/LLPI showed that SME performance in COMESA countries was being impaired because of inadequate skilled manpower, isolation, very old and obsolete working equipment and tools, among others.

Over the last two years COMESA/LLPI has improved the challenges relating to isolation by facilitating the creation of clusters and limited skills by training 450 footwear artisans. Through these initiatives, more than 500 SMEs were able to access equipment and tools to enable them enhance their productivity.

The Ebola Solidarity Trust (AAEST)

PTA Bank pledged its support for the fight against Ebola by providing a capacity building grant of USD 50,000 to the Africa against Ebola Solidarity Trust (AAEST). These funds were to be utilized to support the establishment of the African Centers for Disease Control and Prevention (African CDC) to build Africa's capacity to deal with public health emergencies in the future.

AAEST was established as a charitable trust under the laws of Mauritius for the purpose of raising funds to be deployed to train, equip and deploy African health workers in the fight against Ebola, to build long term local health capacity and continental capacity for disease control. In partnership with the African Union, the AAEST's mission is to mobilize resources to support much-needed health workers drawn from within Africa to the Ebola-afflicted countries through the African Union Support to the Ebola Outbreak in West Africa (ASEOWA).

Mauritius CSR

The CSR Mauritius's aim was to provide financial assistance to the Mauritius Institute of Training and Development (MITD), an institution operating under the aegis of the Ministry of Education, in their aim to transform an educational centre dedicated to developing the Technical and Vocational Education and Training (TVET).

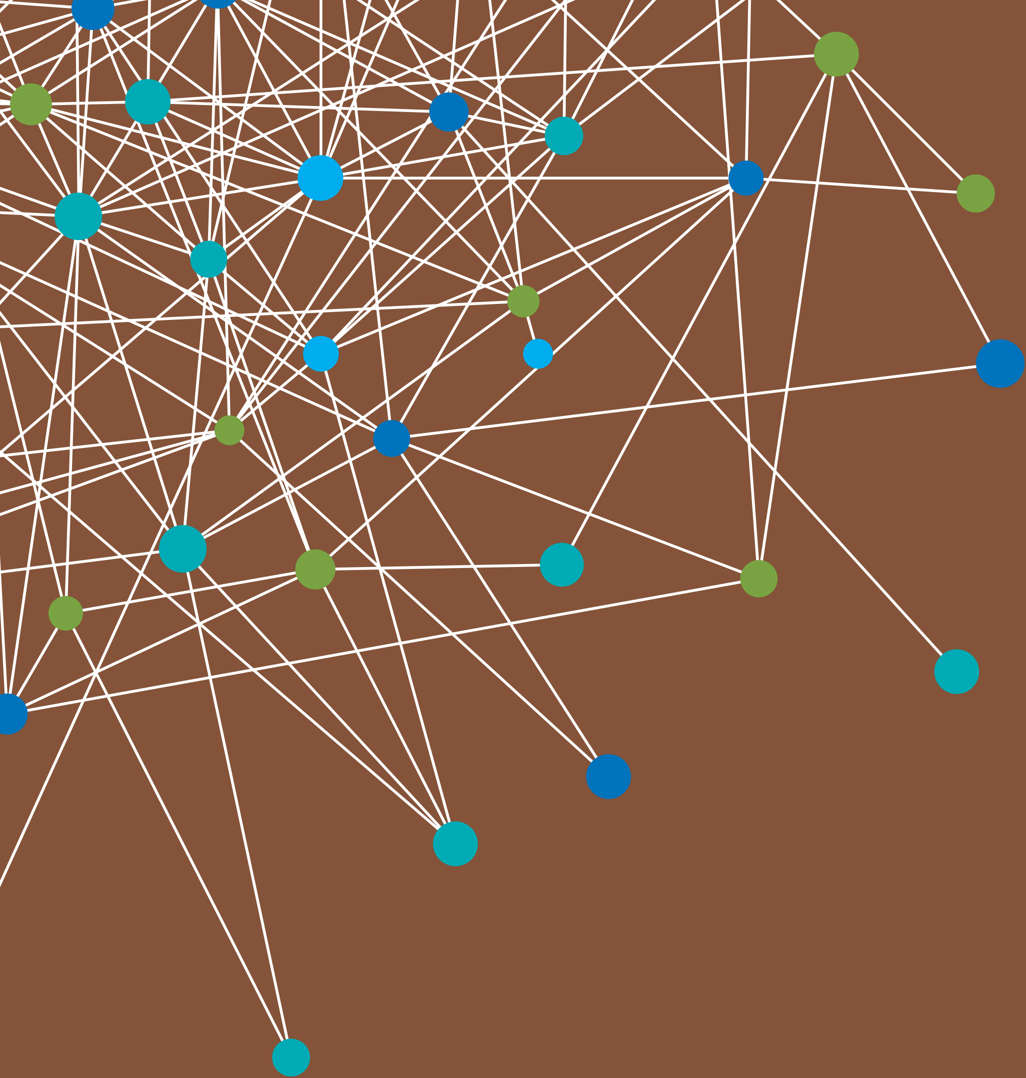
The Government of Mauritius, through the Ministry of Education and Human Resources, Tertiary Education and Scientific Research, took the initiative to invest in Technical and Vocational and Educational Training and Tertiary education to meet the growing gap between labor supply and demand and to develop employment opportunities for youth while diversifying hiring sources beyond the core economic sectors related to textile and sugar industries.

This Corporate Social Responsibility Grant of USD 25,000 supported the Mauritius Institute of Training and Development purchase state-of-the-art equipment to transform the Cote D'Or Training Centre into a model TVET with increased capacity to offer training in the building and allied trades. The transformed vocational training institute will be instrumental in meeting growing demand in skilled/specialist workers in the real estate sector which is benefiting from investments in mega projects such as the Smart Cities initiatives and in Integrated Resort Schemes.

The Bank is committed to developing capacity in the communities in which it operates and welcomed this partnership with the Ministry of Education and Human Resources Tertiary Education and Scientific Research and is proud of the great strides Mauritius has made in the areas of education and trade.

Djibouti CSR

During the Bank's 31st annual general meeting, the Bank hosted a signing ceremony to commemorate a modest donation of USD 25,000 to Pouponnière Daryel, a nursery that provides comprehensive care for infants from birth to 3 (three) years of age. The nursery was established in 1978 by the late Mrs. Aicha Bogoreh who was the President of the Child Protection Centre (CPE) and National Union of Djiboutian Women (UNFD) in response to the increased incidence of abandoned infants in Djibouti. The nursery has operated under the patronage of the current First Lady since 1999. This donation represents part of PTA Bank's portfolio of CSR initiatives and investments within its Member States.



ECONOMIC ENVIRONMENT

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Economic Environment

Global Overview

Globally, 2015 was by any measure, an economically challenging year. Global economic growth remained uneven and generally sluggish registering 3.1% growth rate compared to 3.4% in 2014. On a positive note, the United States, the largest economy grew by 2.6% and continued to recover on the back increasing employment numbers across various sectors. This culminated in the first ever interest rate hike of 25 basis points in almost a decade in December by the Federal Reserve (The Fed). This marked the beginning of the end of the program of Quantitative Easing (QE), which kept interest rates low for many years. This development resulted in the global strengthening of the US Dollar against most currencies and a scale down of foreign portfolio investment flows to emerging and developing countries.

Major Economies

The slowing down of the Chinese economy continued in 2015, with economic growth recorded at the slower rate of 6.8%, down from 7% in 2014. Being the second largest global economy after the US, and a key importer of commodities, the slowdown in China created strong head winds for emerging and developing countries given reduced import demand. This resulted in a sharp decline in commodity prices, most significant since the 2008 financial crisis. Notably, the price of crude oil dropped from USD 54 per barrel as at the end of 2014 to close at an average of USD 35 in 2015. This development further dampened demand for commodities leading to a sharp depreciation of currencies particularly in many emerging and frontier economies.

The Eurozone economy remained weak with 1.5% growth,

leading the European Central Bank (ECB) to undertake quantitative easing measures. Japan slowly emerged from recession with 1% growth. Significant monetary policy adjustments were advanced by the Bank of Japan to sustain the positive economic momentum.

Due to the fall in commodity prices, emerging and developing countries grew by an average of 4%, down from 5% in 2014. Growth in the BRICS countries remained mixed. China and India continued to grow at 6.8% and 7.5% respectively, while Brazil and Russia recorded negative growth rates of 1.3% and 2.7% respectively. South Africa's growth rates also remained very low at 1.5%.

Sub-Sahara Africa

Notwithstanding the slowdown, Sub-Sahara Africa once again outperformed global performance registering, albeit, a reduced growth rate of 3.75% from 5% in 2014. The subdued growth rate reflects mainly the adverse impact of the sharp decline in oil and commodity prices. Generally, the volatile global economic recovery presented a difficult external environment for many Sub-Sahara African countries. Hardest hit were the oil exporting countries of Nigeria, Angola, Cameroun, Algeria, Equatorial Guinea, Gabon, Chad, Congo Brazzaville and others all experienced fiscal deficit challenges. Though many non-oil producing countries benefited from lower oil prices, the adverse price impact in other commodities such as mineral and agricultural exports on balance offset some of the positive impact from lower oil prices.

The South African economy continued with its lackluster performance amidst electricity outages, labour stoppages and low mineral export prices. This equally applies to several middle-income countries, such as Ghana and Zambia facing unfavourable conditions, including weak commodity prices, difficult financing conditions with domestic imbalances and electricity shortages. West African countries of Liberia, Guinea and Sierra Leone had their economies severely impacted by economic and social effects of the Ebola disease outbreak.

In eastern and southern Africa, some economies like Ethiopia, Kenya, Mozambique, Tanzania, and Rwanda continued to perform well on the back of ongoing infrastructure investment and solid private consumption averaging growth rates of 8.5%, 7% and 6% respectively. The Seychelles, Mauritius, Mozambique recorded modest average growth rates of about 5%. On the other hand, a number of economies such as Zambia, Zimbabwe, Sudan, and Malawi had an average low growth rate of 3%.

2016 Outlook

There is general consensus that global growth in 2016 is estimated to be modest at 3.4%. This is on the back of monetary easing in the Euro zone and Japan. In the United States (U.S.), the U.S. Federal Reserve is expected to adopt a measured and cautious approach to adjusting interest rates beginning with the 25 basis point hike in the federal funds rate. Overall, financial conditions within advanced economies remain very accommodative. Prospects of gradual increases in policy interest rates in the U.S as well as bouts of financial volatility amid concerns about emerging market growth prospects have contributed to tighter external financial conditions, declining capital flows, and further currency depreciations in many emerging and developing market economies.

The picture for emerging and developing economies is mixed and in many cases challenging. The slower growth in China is expected to continue. The multiple impacts of the slowdown and rebalancing of the Chinese economy, lower commodity prices, and strains in some large emerging market economies will continue to weigh negatively on growth prospects in the short to medium term period. However, growth is expected to pick up in some key stressed economies, notably Brazil, Russia, and some countries in the Gulf Co-operation Council (GCC). The anticipated positive turnaround assumes no new economic and political shocks. There is also no anticipated significant recovery in price of oil above USD 70 per barrel mark.

Most countries in sub-Saharan Africa will see a gradual pickup in growth, but with lower commodity prices, rates are expected to be lower than those seen over the past decade. This mainly reflects the continued adjustment to lower commodity prices and higher borrowing costs.

FINANCIAL MANAGEMENT


Financial Performan
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Financial Performance and Position

In 2015, the Bank grew its interest income by 33% to USD 209M from USD 157M in 2014. The increase is attributed to growth in both project finance and trade finance loan portfolios. Trade finance contributed 67% of the increase in interest income.

Total borrowing costs increased by 11% from USD 88M in 2014 to USD 98M. Interest expense on both long term and short term borrowings also rose from USD 78M in 2014 to USD 89M, due to the 10% increase in total borrowings. The growth in borrowings is less than the 16% growth in the Bank's assets. The remaining asset growth was funded by increased equity. Other costs related to borrowings decreased by 10% from USD 10M in 2014 to USD 9M mainly because of decreased facility fees occasioned by reduced rollovers and volumes of some facilities which attract drawdown fees during the year.

Consequently, net interest income grew by 59% to USD 110M from USD 69M in 2014. Net fees and commission income was USD 33M from USD 42M in 2014. The 21% decline is attributed to a reduction in international oil prices resulting in reduced volumes of oil transactions funded by the Bank. 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, drawdown, management, syndication and other fees. Operating income rose by 25% to USD 152M in 2015 from the 2014 level of USD 122M.

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

Operating Expenditure

Operating expenditure increased from USD 19M in 2014 to USD 21M in 2015. The increase is due to the recruitment of new staff to support the various strategic business initiatives per the 5th Corporate Plan.

Impairment

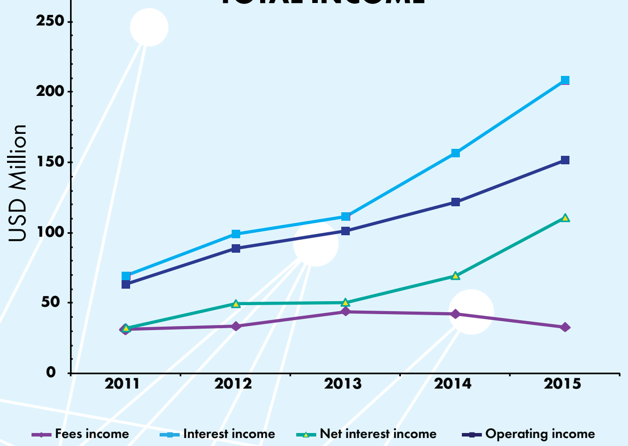
Impairment on project and trade finance loans increased by 32%, from USD 25M in 2014 to USD 33M. Impairment provision is made after a detailed review of the Bank's entire loan portfolio. The provision includes USD 14M (2014: USD 11M) general provisions introduced in 2014 as part of the Bank's revised risk management policies.

Profitability

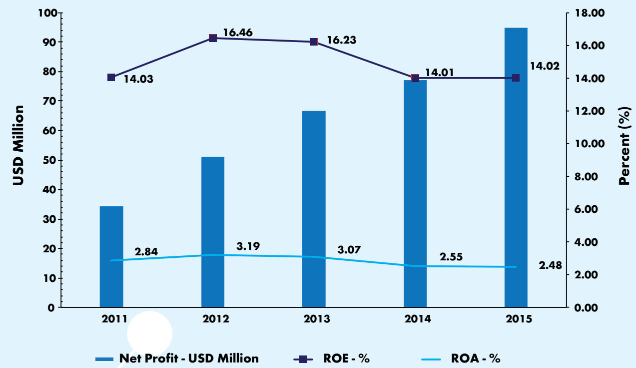
The Bank made a net profit for the year 2015 of USD 95M from USD 77M in 2014. This compares very favourably with the annual budget of USD 88M. The profitability achieved exceeds by 10% the USD 86M level projected for 2017 in the Corporate Plan. The 23% growth in profitability over 2014 is attributable mainly to the increased interest income. The ROE has remained stable at 14.02% compared to 2014 level of 14.01%. ROA has declined modestly to 2.48% from 2.55% in 2014.

The Graph below illustrates the Bank's profitability and profitability ratios over five years to 2015.

TOTAL INCOME



PROFITABILITY



Assets

The Bank grew its assets by 16% over 2014 to USD 4.09B, well above the USD 3.48B level planned for 2017 in the Bank's 5th Corporate Plan. Of the USD 551M asset growth, USD 395M is from loan growth in which USD 307M is attributable to Trade Finance loans, whose net balance is USD 2.21B, 16% up from USD 1.90B in 2014, due to new disbursements net of repayments. Project Finance loans grew by a net amount of USD 89M to USD 699M as a result of disbursements net of repayments made during the year. The Bank's loan assets grew year on year by of 16%.

Cash and cash equivalents grew by 48% from USD 436M to USD 644M due to receipts from major accounts towards year end and increase in collection account deposits from clients. Other receivables decreased by USD 101M largely due to a reduction in finance assets down-sold to counterparties.

The chart below depicts the growth in the Bank's project finance and trade finance loans, cash and total assets over the last five years.

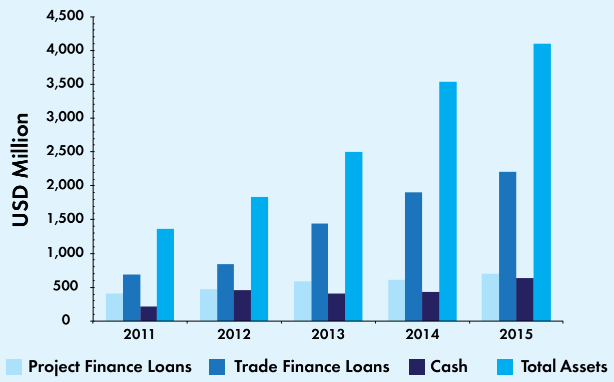
lenders and counterparties during the year. Collection account deposits increased by USD 138M to USD 264M, as a result of increased collection on clients' accounts in 2015. Collection accounts represent cash included in the Bank's cash balances deposited by Trade Finance clients as part of the facility structure.

Capital

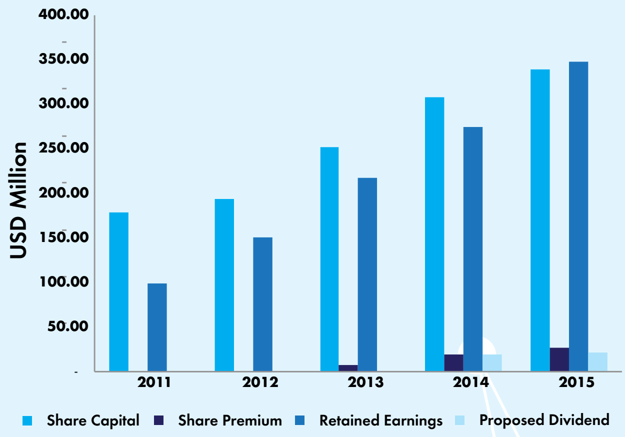
The Bank's shareholders' funds grew by 18% to USD 736M, exceeding the 16% growth in the Bank's net loan assets. This compares favourably with and surpasses by 7% the USD 685M projected for 2016 in the Bank's Corporate Plan. Of the USD 114M increase in total equity, USD 20M was in the form of new capital subscriptions including share premium and USD 18M was 2014 dividends capitalized while USD 95M is from retained earnings for the year. A dividend distribution of USD 22M is proposed from these earnings, while the 2014 dividend of USD 19M has been paid.

The graph below presents the growth in the Bank's shareholder's funds (total equity) during the five years to 2015.

ASSET COMPOSITION



SHAREHOLDERS FUNDS



Liabilities

The Bank's total liabilities grew by 15% to USD 3.36B from USD 2.92B in 2014. Short-term borrowings grew by USD 260M to USD 2.18B to fund the Bank's Trade Finance book while long-term borrowings increased by USD 25M to fund Project Finance loans. Borrowings were received from various

Financial Strength Indicators

The table below depicts the Bank's major ratios for the year to December 2015 compared to 2014 and 2015 budget

		DECEMBER, 2015 ACTUAL	DECEMBER, 2014 ACTUAL	DECEMBER 2015 BUDGET
	PROFITABILITY RATIOS			
1	Return on Capital Employed	14.02%	14.01%	11.11%
	(Net profit / Total Shareholders' Funds)			
2	Return on assets	2.48%	2.55%	2.40%
3	Net profit margin (Net profit / Gross Income)	37.88%	36.71%	33.63%
4	Net Interest Margin	4.40%	3.46%	3.06%
	EFFICIENCY RATIOS			
5	Operating costs to Total Income	21.46%	20.99%	26.47%
6	Administration Costs/Total Income	8.36%	9.57%	12.03%
7	Staff Costs/Total Income	6.11%	6.99%	8.06%
	LEVERAGE RATIOS			
8	Total debt to equity ratio	414.7%	445.2%	360.0%
	(Total Borrowings / Total Shareholders' Funds)			
9	Total capital and reserves to Total Assets	18%	17.5%	21.0%
10	Capital Adequacy Ratio	39.1%	33.7%	35.0%
	OTHER PERFORMANCE INDICATORS			
11	Liquidity Ratio	15.72%	12.30%	11.00%
	(Liquid Assets / Total Assets)			
12	Gross NPL Ratio	2.87%	3.04%	3.53%
13	NPL coverage ratio	110.1%	86.73%	77.4%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PROJECT AND INFRASTRUCTURE FINANCE

Business Development

In line with the Bank's five strategic themes under the current Corporate Plan namely; deepening and broadening current areas of engagement in trade and project finance, targeted extension to markets with low coverage, product innovation and investment in existing and new business areas, mobilization of New Capital and enhancement of institutional capacity, PIF continued to expand its operations in new Member States through targeted business development and product innovation.

Diversification of the loan portfolio remained a key thrust of the Bank in 2015. Through strategic focus on frontier markets, PIF has continued to explore new business with maiden interventions in Djibouti and Mozambique. Quick turnaround of transactions was also a key focus and as a result PIF saw three transactions approved, committed and disbursed within the year.

Transactions Approved

In the year 2015, the Bank approved a total of USD 357M in 18 transactions comprising both debt and equity spread across several Member Countries. In 2014, approvals stood at USD309M which translated to a 16% growth.

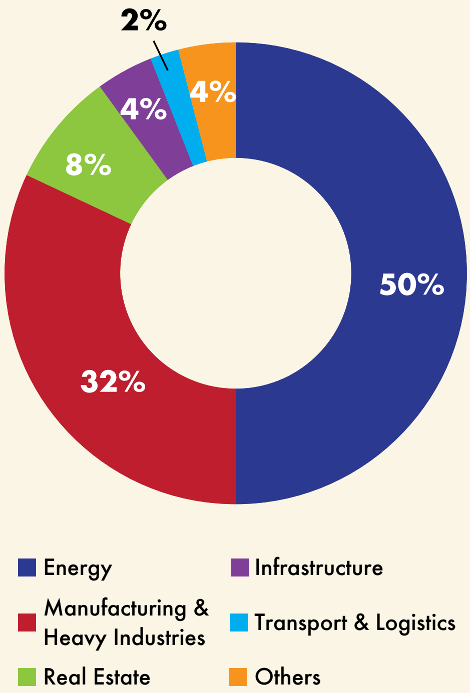
Approvals by Sector

The sector distribution of the approved projects in 2015 is as follows:

- Energy – USD 177M (50%);
- Manufacturing & Heavy Industries – USD 114M (32%);
- Real Estate USD 30M (8%);
- Infrastructure USD 15M (4%);
- Transport and Logistics USD 6M (2%); and
- Others (Banking and Financial Services, Health Services and Other) USD 15M (4%).

The heavy weighting on Energy sector reflects the strategic thrust to support the Energy Sector in Member States.

Chart 1 – Approvals by Sector

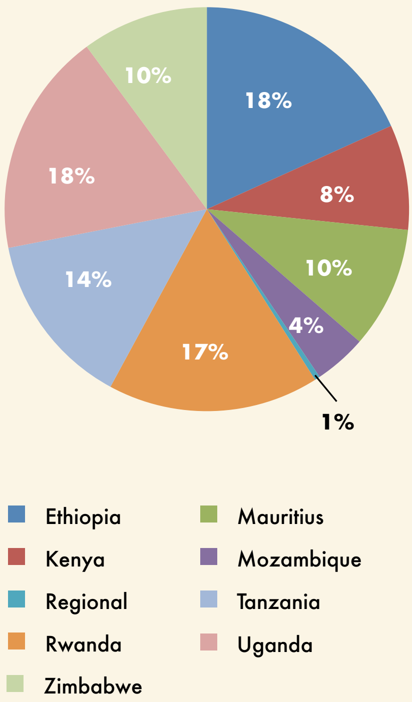


Approvals by Country

The geographical distribution of approved PIF projects for the year was evenly spread across several Member States. The distribution is as follows:

- Ethiopia – USD 65M (18%);
- Uganda – USD 64M (18%);
- Rwanda USD 60M (17%);
- Tanzania – USD 50M (14%);
- Mauritius – USD 35M (10%)
- Zimbabwe USD 36M (10%)
- Kenya – USD 30M (8%);
- Mozambique USD 15M (4%) and
- Regional (equity) – USD 2M (1%).

Chart 2 – Approvals by Country



Project Commitments

Significant milestones in project finance cycle are Commitments (signing of Loan Agreement) and fulfillment of Conditions Precedent (CPs) to disbursement to facilitate draw down of approved loans. In 2015 a total of 14 transactions reached commitment stage with an aggregate amount of USD 225M.

Project Disbursements

In the year under review, disbursements of PIF facilities amounted to USD 202M. Loan Facilities are disbursed either through Letters of Credit (LCs) or cash disbursement.

Profiles of Projects Approved

Some of the projects approved in 2015 are highlighted below.

New Coal Terminal Beira (NCTB) (USD 15M) – Mozambique

This is a maiden intervention of the Bank in Mozambique and the project goes a long way in enhancing geographical diversification of the portfolio. The Investment entails financing New Coal Terminal Beira S.A for the establishment of a new multi user coal terminal with a capacity of 10MMTPA.

Sapmer Morne Blanc Tuna Limited and Morn Seselwa Tuna Limited. (Sapmer Tuna Purse Seiner Vessels 8 & 9) (USD 6M) – Mauritius

The Bank approved two facilities of USD 3M each to Sapmer Morne Blanc Tuna Limited and Morn Seselwa Tuna Limited. The project involves acquisition of two new -40°C deep freeze tuna purse seiners, namely Morn Seselwa and Morne Blanc. The acquisition will expand the Group's super frozen tuna vessels fleet to 9. Each vessel will be acquired by a Special Purpose Vehicle ("SPV") i.e. Morn Seselwa Limited and Morne Blanc Limited. The 2 SPVs are 100% subsidiaries of Sapmer Holding Pvt Ltd.

The project was approved committed and fully disbursed in 2015.

Kampala Cement Company Limited (KCCL) (USD 49.3M) – Uganda

The Bank approved a 7-year loan of up to USD 49M to Kampala Cement Company Limited. The project entails development of a 950,000 Mtpa cement grinding operation in Uganda.

The project was approved, committed and commenced disbursement in 2015.

Mercantile Credit Bank (USD 2M) – Uganda

The Bank approved a Long Term loan of up to USD 2M to Mercantile Credit Bank Limited. The purpose of the loan is for on-lending to small and medium scale businesses.

The project was approved, committed and fully disbursed in 2015.

Afrexim Bank (USD1.2M) – Regional

The Bank participated in the Rights Issue by Afrexim Bank to its existing shareholders. The Bank invested additional USD 1.2M bringing the total number of shares to 333. The funds will be utilized in bolstering Afrexim Bank's capital to meet rising demand in line with rising economic and trade growth in Africa.

ESATAL – A Fund Manager for Eastern and Southern African Trade Fund (USD 21,000) – Regional

The Bank approved an initial subscription into the Eastern and Southern African Trade Advisers Limited a joint venture between PTA Bank and GML Capital LLP.

Hydromax Limited (USD 12.7M) – Uganda

The Bank approved a 10 year loan of up to USD 12.7M for development of a run of the river hydro power plant project. The project seeks to develop, construct and operate a 4.8 MW grid-connected run-of-river hydropower plant on River Waki in Buliisa District, Uganda on a Build Own Operate basis.

The Project is expected to generate 4.8MW per year, to be purchased by Uganda Electricity Transmission Company Limited ("UETCL") under a 20-year Standardized Power Purchase Agreement ("SPPA").

The project was approved, committed in 2015.

Habesha Cement Share Company Ltd (USD 60M) – Ethiopia

A term loan of up to USD 60M was approved by the Bank to Habesha Cement Share Company for setting up a 3,000 tonnes per day ("TPD") dry process based integrated cement plant. The Plant is expected to produce 1.34 metric tonnes per annum ("MTPA") of cement at full capacity utilization. The total Project cost is estimated at USD 153M to be funded on a Debt: Equity ratio of 61:39.

The project was approved and committed in 2015.

Kilwa Energy Limited (USD 50M) – Tanzania

The Bank re-appraised the USD 50M Kilwa Energy Limited project which entails the installation of a natural gas-fired power plant at Njianne area, Kilwa District, Lindi region, Tanzania. The project has two phases; Phase I – a 232.8MW Simple Cycle Power Plant and Phase II a 110MW steam turbine to convert to a 342.8MW Combined Cycle Power Plant.

The project was approved and committed in 2015.

Gatepro Private Limited Company (USD 5M) – Ethiopia

The Bank approved a long term loan facility of USD 5M to Gatepro Private Limited Company to part finance the construction of a new steel fabrication plant in Kality, Addis Ababa, Ethiopia.

The facility was approved and committed in 2015.

TRADE FINANCE

Macroeconomic Context

At the global level, economic headwinds and increasing uncertainties in the operating environment have had mixed effects on the economies of Member States.

There was marked depreciation of most currencies across the region in 2015 occasioned by lower export earnings due to weakening of global commodity prices and strengthening of the United States Dollar. This has posed an economic policy challenge as the local currency depreciations are off setting some of the gains from cheaper energy imports. Also, lower earnings from agricultural commodities exports have worsened terms of trade for most of the agrarian economies in the region.

Furthermore, harvests across the region were lower than expected due to unfavorable weather conditions precipitated by the El Niño phenomenon characterized by either extended dry spells or flood conditions. This has led to a rising food deficit in a number of Member States. This has given rise to food and energy gaps that have to be satisfied through imports.

On a positive note, the slump in global petroleum and petrochemical prices eased pressure on international reserves for majority of Member States. The COMESA region remains a net importer of petroleum and petrochemicals which are critical inputs in transport and distribution as well as agricultural sectors.

Detailed performance including approvals, disbursements, sectorial and geographical growth for the 2015 is reported in the sections below.

Performance Review

In 2015 the Trade Finance activities maintained fairly good performance trends in spite of the economic headwinds and slower growth across the region.

Loan Approvals

During the period under review, approvals totaled around

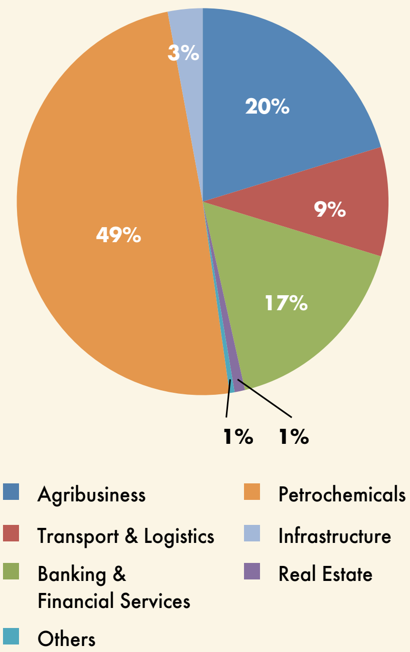
USD 3.3B representing an 11% decrease year on year from USD 3.7B achieved in 2014. The decline reflects the Bank's deliberate strategy of managing asset growth.

Approvals by Sector

Petroleum products are important to economic activities of Member States as they are a key input into mechanized agriculture and manufacturing industries over and above utilisation in the transport as well as the distribution sectors. The high demand for petroleum is also due to inadequate power generation in the region to cater for quasi-commercial industries. Accordingly, Petrochemicals transactions accounted for 49% of sectorial trade finance approvals.

The Bank also continued rolling out its portfolio diversification strategy during the year. This is demonstrated by Agribusiness transactions accounting for 20%, Banking & Financial Services transactions accounting for 17% and Transport & Logistics transactions accounting for 9% of total approvals.

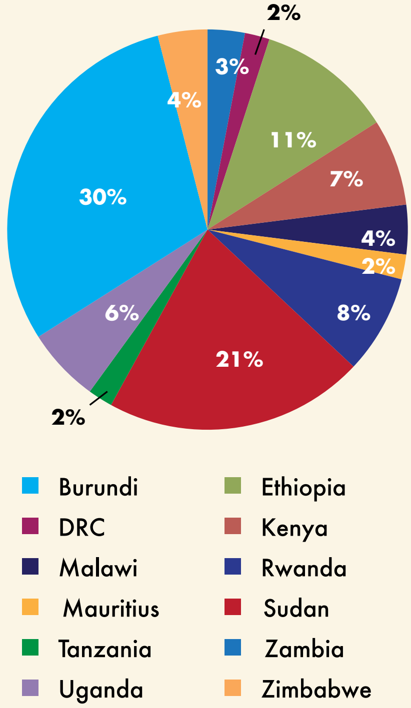
Chart 1 – Approvals by Sector



Approvals by Country

Due to the size of the intervention in the Oil importation and other strategic commodities import facilities, the largest recipients of the Bank's trade finance approvals in terms of volume were Zambia (30%) and Sudan (21%). However, the combined approvals from the two member states as a percentage of total approvals declined to 51% from 58% in 2014. The remaining 49% of approvals were spread across the other Member States as follows: Ethiopia (11%), Rwanda (8%), Kenya (7%), Uganda (6%), Zimbabwe (4%), Malawi (4%), Burundi (3%), Tanzania (2%), Mauritius, and DRC 2% each.

Chart 2 – Approvals by Country



Disbursements

Total disbursements in 2015 stood at USD 2.3B, a decrease of 18% compared to USD 2.8B in 2014. The decrease was mainly due to lower than anticipated values of commodity import Letters of Credit (LCs) as a result of persistently weak global commodity prices.

In spite of the lower volumes, Letters of Credit continued to be Trade Finance's key instrument of disbursement accounting for more than 55% of the total disbursements during the year.

Direct cash disbursements recorded a 29% increase to approximately USD 500M from USD 388M in 2014. The increase was underpinned by rising demand for countercyclical interventions by Member States especially in the second half of the year in a bid to counter the effects of ongoing economic headwinds.

Strategy Execution

2015 marked the third year of implementation of the 2013 - 2017 Corporate Plan. The strategic thrust for trade finance was aimed at moderating downside risks to economic challenges in addition to supporting the growth trajectory of Member States.

1. **Key Trade Finance programs and facilities**

   The table below summarizes a select of programs and facilities implemented in 2015

Client name	Sector	Country	Facility Type
Alliance One East and South Africa Value Chain Program	Agribusiness	Kenya, Malawi, Tanzania, Uganda, Zambia and Zimbabwe	Agriculture supply chain finance combining seasonal and farmer finance facilities
Ethiopia Airlines	Transport and Logistics	Ethiopia	Specialized Asset Finance Facility
Commercial Bank of Ethiopia	Banking and Financial Services	Ethiopia	Forfaiting Facility
Agricultural Bank of Sudan	Agribusiness	Sudan	Strategic Commodities Imports Facility (Fertilizer)
Government of Malawi	Banking and Financial Services	Malawi	Treasury Note Issuance Program
Ministry of Finance Sudan	Petrochemicals	Sudan	Strategic Commodities Imports Facility (Wheat and Fuel)
Ministry of Energy Zambia	Petrochemicals	Zambia	Oil Import Facility
Cargill Kenya Limited	Banking and Financial Services	Kenya	LC Confirmation
RwandAir	Transport and Logistics	Rwanda	Pre-delivery Payment
Central Bank of Congo	Banking and Financial Services	The Democratic Republic of Congo (DRC)	Lines of Credit to enable the Central Bank intervene in various sectors and investments as and when deemed necessary by the Central Bank.

The Bank has diversified its interventions into new and underserved markets like Djibouti, Mauritius, Egypt, Burundi, Uganda, Kenya, Democratic Republic of Congo and recently Mozambique. These interventions in new markets will broaden trade corridors which are vital to regional value chain development.

The Bank continued rolling out its Intra COMESA Trade Reinforcement Program to support regional trade through local currency settlements in an environment of heightening hard currency shortages. The program is largely being implemented through structured Treasury Notes currently at USD 250M. In addition, the Trade Finance Prepayment concept on COMESA Letters of Credit (LCs) has gained traction with commodities worth USD 130M traded across the region during the review period.

Sectorial diversification continued to gain ground on the back of USD 160M Forfaiting transactions executed in the aviation, manufacturing and telecommunication sectors. The Bank further intensified its efforts to address impact of macroeconomic volatilities through countercyclical interventions that cushion vulnerable sectors of the economies in Member States. One of such intervention is the Framework Lending Program comprising of self-liquidating transactions off fiscal resource envelops alleviating the pressure faced due to limited international reserves.

As part of the process of effectively managing risk, the Bank procured credit default swaps as part of portfolio de-risking mechanisms to sustain capacity for supporting Member States.

FUNDS MANAGEMENT

The Bank's Funds Management Initiative (FMI) was established in 2013 under the 5th Corporate Plan (2013 – 17) to support the implementation of the Bank's strategy, in pursuing managed growth and diversification, by spearheading new initiatives. This initiative is in line with Article 9 and 10 of the Charter, which stipulates that the Bank will establish and manage a Trade Financing Fund and Special Purpose Funds designed to promote the objectives of the Bank.

In previous years, the Bank resolved to establish two strategic funds, namely the COMESA Infrastructure Fund (the CIF) and the Eastern and Southern African Trade Fund (ESATF). Through a competitive selection process, the COMESA Infrastructure Fund Interim Advisory Board (the Board) identified Harith General Partners Proprietary Limited (HGP) to be the Bank's preferred partner to operationalize the CIF. PTA Bank also identified GML Capital LLP (GML) through a competitive tender process to be PTA Bank's preferred partner to operationalize the ESATF.

In the year under review, PTA Bank and its preferred partners achieved key milestones in relation to both funds.

PTA Bank and HARITH came together and formed their joint venture fund management company for the CIF, namely Eastern and Southern African Infrastructure Fund Managers Limited (ESAIF). Both the CIF and ESAIF were incorporated in Mauritius and duly licensed by the Financial Services Commission of Mauritius. PTA Bank and HARITH successfully engaged with the Government of Mauritius to conclude an agreement that crystallizes certain benefits for the CIF and ESAIF in Mauritius, in line with the mandate of the CIF from COMESA. PTA Bank and HARITH collaborated to establish the requisite governance structures for ESAIF, including an effective board of directors and an investment committee. ESAIF prepared a prospectus and commenced various marketing initiatives, such as international road shows, establishing an online presence (www.esaifm.com) and making press releases, to sensitize target investors to its unique value proposition. Given the long-term nature of private equity investing, ESAIF engaged a full-time CEO to provide the consistent and continued engagement that target investors require to support their decision-making processes for the commitment of long-term capital.

The work of the CIF and ESAIF continued to receive professional support from the Board appointed service providers, namely ABAX as the Fund Administrator, Bedell Cristin as the Legal Counsel, and PWC and BDO as the auditors of the CIF and ESAIF respectively.

]Throughout this process, the Board provided continued guidance as PTA Bank, HARITH and ESAIF have undertaken, on behalf of the CIF, a formal engagement with COMESA to crystallize the benefits and support to be afforded within the COMESA region, including access to key infrastructure projects, regional integration initiatives and PPP's.

In relation to ESATF, PTA Bank and GML formed their joint venture fund management company for ESATF, namely Eastern and Southern African Trade Advisors Limited (ESATAL). Both the ESATF and ESATAL were incorporated in Mauritius and duly licensed by the Financial Services Commission of Mauritius. PTA Bank and GML successfully engaged with the Government of Mauritius to conclude an agreement that grants the ESATF and ESATAL certain benefits in Mauritius, in keeping with the developmental value of ESATAL for the region. PTA Bank and GML worked together to establish formal governance structures for ESATAL, including an effective board of directors and an investment committee. ESATAL prepared a prospectus and commenced marketing initiatives such engaging with international investors, establishing an online presence (www.esatal.com) and issuing press releases, to sensitize the market. Given the short-term nature of trade finance, ESATAL identified a complete operating team made up of staff from PTA Bank and GML, which is ready to operationalize ESATF as soon as it is launched.

The work of the ESATF and ESATAL continue to receive the professional support of the appointed service providers, namely APEX Fund Services as the Fund Administrator, Afrasia Bank as Custodian and Bankers, BLC Chambers as the Legal Counsel and KPMG as the auditors.

PTA Bank and its joint-venture partners HARITH and GML remain confident that the CIF and ESATF will start commercial operations in 2016, thus heralding a new era in the business of PTA Bank and opening new windows of opportunity to finance the development of the region.

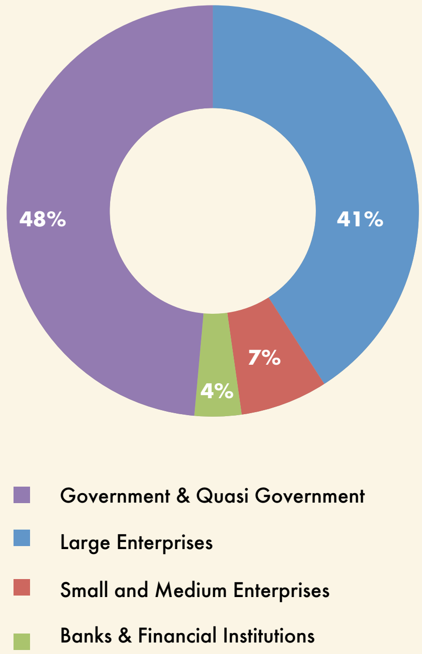
PORTFOLIO MANAGEMENT

Portfolio Overview

Economic growth in the sub-Saharan Africa reached a post-crisis low in 2015, with activity decelerating rapidly both in commodity exporting emerging economies and frontier markets. In the Bank's core market i.e. the sub Saharan Africa, the World Bank estimated that economic activities slowed to 3.4% in 2015 from 4.6% the previous year. The slowdown was largely attributable to declining commodity prices, internal growth constraints and tightening external borrowing conditions.

Notwithstanding the adverse macro-economic developments, the Bank's gross loan portfolio grew by 16% (2014: 24%), closing at USD 3.00B (2014: USD 2.58B) as at 31st December, 2015. Project Loans sub-portfolio grew by 22% (2014: USD 625M; 2015: USD 762M), while the Trade Finance loans portfolio grew by 15% (2014: USD 1.95B; 2015: USD 2.24B). The increase in the project loan book is driven by the need to achieve diversification of earnings by product type as well as by country. The graph below shows the portfolio mix as at 31st December, 2015:

Portfolio Mix, 31 December 2015



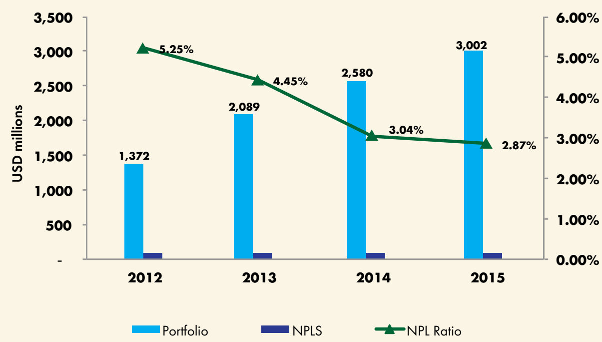
Governments and parastatals comprised 48% of the portfolio mix, down from 53% in the previous year. Large enterprise corporations comprised 41% of the portfolio, up from 23% in 2014, reflecting big ticket syndicated transactions that the Bank participated in during the year. The large exposure in Government and Quasi Government Institutions is in line with the Bank's strategic objective of fostering economic and social development in Member States. The Bank takes into consideration varying economic conditions in Member States and designs appropriate and sustainable interventions to deliver on its mandate. Sector mix remains predominantly comprised of commodities – petrochemical, agribusiness and manufacturing and heavy insustries. These are key sectors driving the economies of most of the Bank's Member States.

Asset Quality

The quality of the portfolio as measured by the NPL ratio remained acceptable and improving. The metrics reflect the Bank's continued emphasis on quality at origination, prudent risk assessment and proactive portfolio management. Additionally, the Bank continued to undertake portfolio stress testing and apply various risk mitigation measures and where necessary, pursue cost-effective exit strategies.

As a result of these efforts, the Bank's non-performing assets ratio further improved in 2015 to 2.87%, (2014: 3.04%). The graph below illustrates the NPL ratio trend for the four year period to 31 December 2015.

Quality of the Loan Book, 31 December 2015



Social and Environmental Governance

In the period under review, the Bank completed a review of its Social and Environmental governance framework with a specific emphasis on the occupational health and safety commitments. The review entailed aligning the SEMS policy to international best practice, designing new environmental and social risk evaluation and monitoring templates and enhancement of the exclusion list. The revised guidelines were approved by the Bank's Board of Directors in October 2015.

The Bank has partnered with KfW to support the financing of renewable energy projects in Sub-Saharan Africa. The Credit Line has a technical assistance facility component to support capacity building within the Bank on renewable energy projects. Specific deliverables include enhancing business and credit risk analysis, monitoring and reporting, and on an ad hoc basis mobilization of experts to conduct specific SEMS assignments.

Focus in 2016

Key to the Bank's sustainability and earnings growth is the health of its portfolio. In 2016, the Bank will continue to enhance portfolio risk monitoring and assessment across all stages of the credit process. The process will entail accurate risk rating and loan classification, automation of key processes to streamline work and enhance efficiency, strengthening of the workout and recovery team and streamlining of portfolio reporting. The Bank will closely monitor the portfolio, proactively identify early signs of deterioration and put in place preventive measures to mitigate any possibilities of asset deterioration. The collateral management framework will also be improved to ensure that adequate collateral value is maintained.

Social and Environmental Risk management remains a key driver for the Bank's current and future project funding and permeates the design and assessment processes of all projects. The Bank will accelerate implementation and operationalization of the Environmental and Social Management System across the Bank. This is in line with the Bank's strategic thrust of revamping the Bank-wide Enterprise Risk Management Framework.

COMPLIANCE AND RISK MANAGEMENT

Overview and Executive Summary

Effective risk management is fundamental to the business activities of the PTA Bank. While the Bank remains committed to increasing shareholder value by developing and growing its business within the Board-determined risk appetite, it is mindful of achieving this objective in line with the interests of all stakeholders. The Bank seeks to achieve an appropriate balance between risk and reward in our business, hence continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

The Bank operates in a risk environment of growing uncertainty. To assist in visualizing, assessing and mitigating the risks that threaten its mission, the Compliance and Risk Management Department (CRMD) is tasked with creating a sustainable process to identify, assess, and manage risks across the enterprise to ensure attainment of key organizational objectives and avoid surprises.

Overall responsibility of 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 defence model are embedded in the Bank's operating model. The first line of defense, line management is practically responsible for risk management. Business unit management is responsible for identification and reporting 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 providing risk oversight and independent reporting of risks 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 auditor 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. It comprises twelve (12) key risk categories that are managed, measured and reported on by all functions across the Bank. The Bank classifies the twelve (12) risk categories into two broad types of risks. The first type of risk include '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

In the 2014 annual report, the Bank set out specific risk focus areas for 2015. The Bank continues to make good progress on these initiatives. The global economy continues to be volatile and under stress, and the continued commitment to sound risk management has proved to be effective as reflected in the Bank's financial performance and strong capital position among others.

Capital adequacy ratio increased to 39.1% (2014: 33.7%) against a set threshold of 30%, well positioned to support growth and cover potential losses. The Bank has a very well-performing loan portfolio due to its stringent credit approval process and focus on high quality deals. There was significant performance in containing bad debts through better risk management procedures which allowed the Bank to close the year with lower levels of Non-performing Accounts (NPAs). NPA level was maintained within the threshold of 5% at 2.87% (2014: 3.04%), an indication of continued prudent risk management practices. Provisioning for non-performing loans was maintained above the threshold of 70% at 106%. Our risk management approach also included minimizing undue concentrations of exposure, limiting potential losses from stress events and ensuring the continued adequacy of all our financial resources.

Further, the Bank managed compliance risk through proactive measures premised on internationally-accepted principles of risk management. The Compliance function supported business in complying with current and emerging compliance related developments, including money laundering and terrorist financing control, identifying and managing market abuse and mitigation of reputational risk.

The Bank engaged a reputable consultancy firm to undertake the review and assessment of the Bank's Risk Management Maturity Stage as part of strengthening its Risk Management, with the objective of drawing a baseline of the current Risk Maturity Level against best practice standards. Other projects undertaken during the year included the review of the Credit Policy, review of the Enterprise Risk Management (ERM) Policy Framework, the Environmental & Social policy & commencement of implementation of the Anti-Money Laundering (AML)/ Combating the Financing of Terrorism (CFT) program and implementation of the Business Continuity Plan (BCP).

The Bank further strengthened its risk management capacity through the recruitment of the Head of Compliance, with a wealth of banking experience and legal background to effectively manage the compliance function and roll-out the new ML/CFT framework.

Focus for 2016

The Bank recognizes that maintaining and continually enhancing our risk management capabilities will be critical in the year 2016 to ensure that the Bank's financial and strategic objectives are achieved within approved levels of risk appetite. Moving forward, the Bank will build on the work contained and will finalize the mitigation steps in various stages of implementation as follows:

- Implementation of the refined Bank's ERM Framework in a manner consistent with expectations of the Board and to incorporate best practices and international standards;
- Continued implementation of the refined AML/CFT and BCP programs;
- Improvement of the control environment, the Bank intends to procure a number of systems to enhance efficiency and effectiveness. These include the Credit Risk Assessment System (CRAS) to be designed to achieve maximum integration of the credit risk management process in the normal business processes; Operational Risk Management

System (ORM) to provide for risk assessment tools, controls for risks that commonly occur in the Bank and monitoring & reporting procedures; Treasury Management System (TMS); and the AML/CFT sanctions screening solution;
- Further strengthening of risk management capacity to cultivate new competencies needed to address emerging risks. Strengthen centers of excellence through recruitment of the Head of Enterprise Risk Management and specialized Credit Analysts;
- Conduct and facilitate enterprise risk assessments, focusing on the likelihood and impact of institutional risks, and present results of risk assessments to leadership and provide recommendations for further risk mitigation efforts; and
- Improve controls, processes and procedures as well as training to maximize risk management and identify areas where additional risk may be assumed. This is to be achieved in part through a review of the Bank's current policies, and introduction of new policies.

LEGAL

In furtherance of the Bank's 5th Corporate Plan, the Legal Services Department has continued to grow and deliver on its mandate by standing as the strategic partner of the operation departments and corporate offices in a number of the Bank's operations and initiatives during the year 2015. Below are some of the highlights.

New Lending Instruments and Training

In 2015, the Bank, in collaboration with African Development Bank engaged an international consultant, Clifford Chance LLP, to successfully conclude a project (the Project) for the review and harmonisation of its lending instruments. The primary objective of the Project was to benchmark the lending instruments of the Bank's Trade Finance and Project & Infrastructure Finance operations with international best practices and standards. In this regard, the new lending instruments were drafted based upon the model documents developed by the Loan Market Association. The further motivation for new lending instruments included (i) the need to meet the peculiar operating market environment of the Bank and (ii) to facilitate the Bank's mandate as arrangers and operations in the secondary loan market in the nature of distribution and down-selling of commitments, both funded and risk sub-participations, in the light of the Bank's fast expanding portfolio.

Prior to the launch of the new lending instruments, the Bank in collaboration with Clifford Chance LLP conducted training for its operations staff in February 2015.

General Operations

During the year under review, the Legal Services Department partnered with the Bank's operations departments, namely the Trade Finance, Project & Infrastructure Finance, Portfolio Management, Treasury and Syndication in assisting the structuring and implementing transactions of varying proportions in terms of both the general lending operations and resource mobilisation. For instance, the joint team efforts culminated in the successful review and documentation of (a) USD1.4B and EUR150M Treasury transactions, and (b) in excess of a USD 1.0B of Project & Infrastructure Finance and Trade Finance transactions. The Department also successfully supported the Bank in its participations as mandated lead arranger in syndicated loan transactions.

Charter Amendment

In line with its corporate strategy and business initiatives, a leading international specialist on multilateral treaties was engaged to spearhead refinements to the Bank's existing Charter. The refinements drew on best practice to enable expansion and institutional strengthening in several areas. The Board of Governors, at its meeting held in 5 November 2015 in Djibouti, adopted amendments to the Bank Charter.

HUMAN RESOURCE AND ADMINISTRATION

2015 marked the third year of the Bank's current five year corporate plan in which various human capital development initiatives were set in full gear to attract and retain a talented and motivated work force. Accordingly, 17 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.

The Bank's balanced scorecard (BSC) methodology has been well positioned to align the performance of the Bank's human resources to its corporate goals and objectives. Through the BSC implementation, a culture of delivery, accountability and measurement of performance has been enhanced together with the Bank's recognition and reward practice.

To further enhance the skill levels of staff members, various training programs were undertaken during the year. The training programs covered a variety of areas including trade finance, syndicated lending, project finance, risk management, SAP Modules financial modeling and business writing skills.

2015 marked the introduction of the Bank's on-demand learning platform in partnership with the LR Management Group. This program will provide the right resources to supplement the Bank's continuous learning and personal development program, an environment that provides over 300 virtually courses 24 hours a day and 7 days a week.

A 360 Degree Feedback program, being one of the Bank's corporate initiatives under its current five year corporate plan, started in the 4th quarter of 2015 and rolled out the following year. The Bank partnered with Envisia Learning, a reputable UK based service provider to leverage the impact of multi-rater feedback to facilitate successful behavioral change at workplace through feedback, coaching and training and development.

During the year under review, the Bank also commissioned a consultant firm to review its compensation structure, both guaranteed and variable pay, with the objective of advancing its employee value proposition by strengthening and modernizing its practice of recognition and reward. This also includes the establishment of a long term incentive and retention scheme that aligns employee's interest with the Bank's performance objectives.

An employee engagement survey was also conducted to measure the level of employee motivation, involvement and commitment at PTA Bank. The study findings provided insight on the levels of employee engagement and recommended a framework to guide on future strategies of employee engagement at the Bank.

During the year, improved administrative practices and cost cutting measures were applied consistently. Planned procurement of goods and services and other logistical and administrative support services including transport, protocol and insurance services were carried out in accordance with the Bank's policies with emphasis placed on efficiency and value for money.

The renovation project of the Bank's Headquarters building in Bujumbura has been finalized in the third quarter of 2015. The second phase renovation work of the Harare regional office was also started.

In 2015, following the Board of Directors' approval to procure preliminary designs work for the development of the Nairobi Office building, an Architectural consulting firm has been selected. The consulting firm, based on the design brief prepared by the Bank, has developed and provided a concept design work for the Bank's Management and the Board of Directors' (BoD) review and approval. The design work that meets the Bank's technical requirements has been reviewed and finally approved by the BoD with a proposed changes on the façade, the approval and utilization of about 40% of the estimated budget of USD 14 million in 2016 to cover the total work expected to be completed in 2016 and the appointment of a project manager for the management and supervision of this important construction project.

The Bank's year-end staff complement for 2015 was 117 out of which 78 employees were professionals constituting 67% of the total workforce. The ratio of female employees has also improved to 45% of the workforce. The on-going Young Professionals Programme (YPP) has created a growing pool of new talent and is promoting diversity in the Bank's workforce. In 2015, three additional young professionals were recruited as part of the Bank's human capital development initiatives.

INFORMATION TECHNOLOGY

In December 2014, the Bank identified enhanced automation as an area it would place major focus on in order to better achieve one of its strategic objectives of "enhancing operational efficiency and effectiveness". In this regard, an IT Oversight Committee with representation from across the Bank was constituted to ensure the realization of this key objective.

The Bank has undertaken business process mapping (and documentation) across the Bank as a precursor to undertaking any new automation initiatives. It has also engaged a consulting firm to undertake a comprehensive IT Review and Diagnostic Study scheduled for completion in the first quarter of 2016. The study will define a modern IT Strategy, IT Architecture, implementation plan and roadmap to be used in addressing the Bank's automation needs over the short, medium and long term.

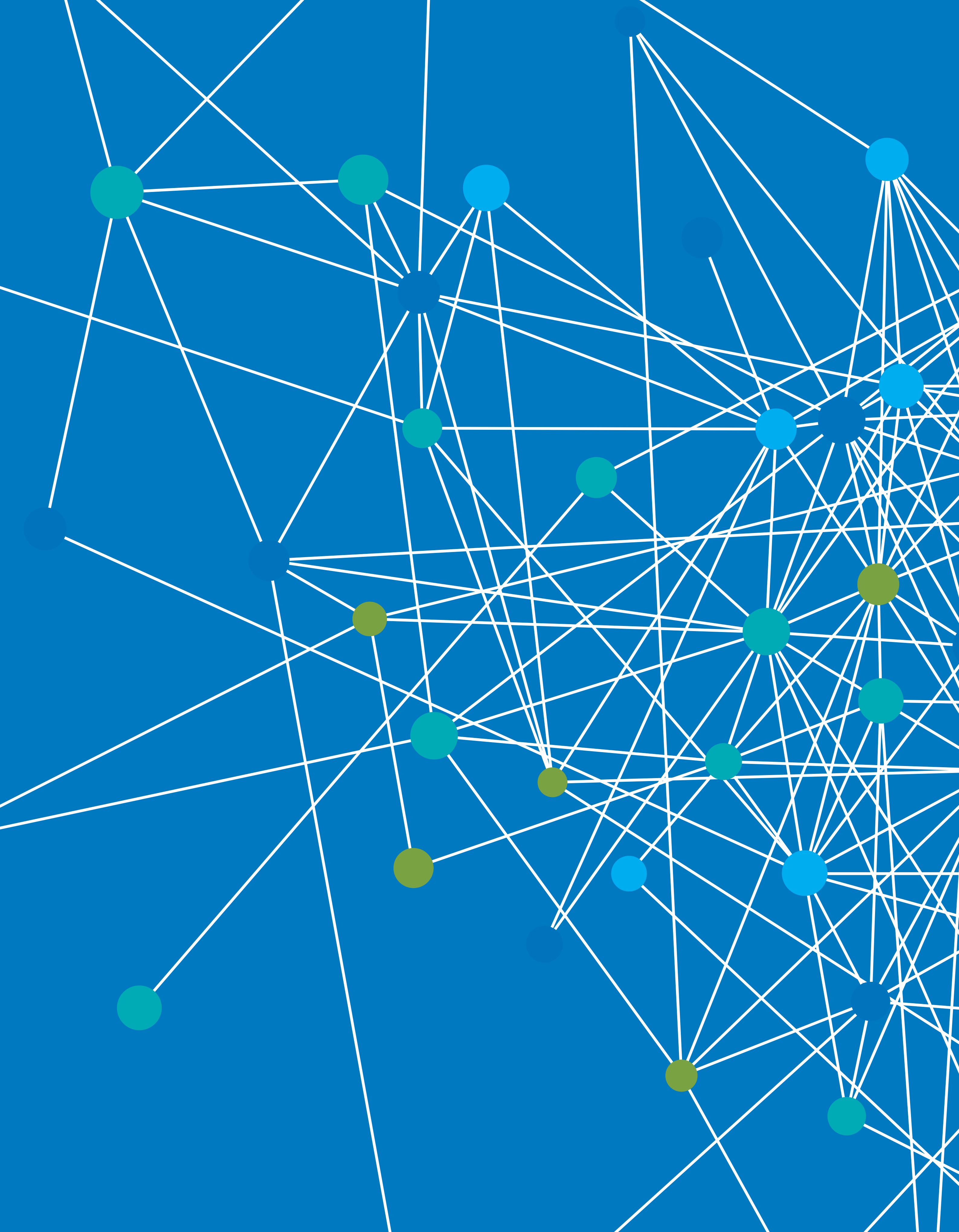
In an effort to enhance communication infrastructure, the Bank rolled out Video-Conferencing facilities across all its four office locations in February 2015, thereby enabling improved interaction and collaboration between staff at various locations, and with external parties.

With the Bank having completed the development of an organization-wide Business Continuity Plan, the IT function undertook enhancements to the IT Disaster Recovery Plan to ensure that it conformed to the requirements of the Bank-wide plan. This included enhancements to the virtualized server and storage environment, and deployment of a "warm" disaster-recovery site.

The Bank has also implemented a paper-less system for use in document management at board and other statutory meetings, thereby enhancing efficiency.

In the fourth quarter, the Bank began the implementation of Corporate Financial Modeling tools running on a Business Intelligence platform, scheduled for completion in the first quarter of 2016. The tools shall provide modeling capabilities to enable the Bank to better project its growth forecasts and improve pricing functionality for use at individual transaction levels. The acquired Business Intelligence platform will be deployed to enhance report generation across different functions of the Bank.

During the year, IT personnel undertook training in various areas of SAP in order to improve in-house capacity to support and maintain the system. As has been the case, enhancements to various SAP reports continued to be undertaken but all implementation of major new functionality was deferred till completion of the on-going IT Review and Diagnostic Study.



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Corporate Information

BOARD OF GOVERNORS

H.E. Ilyas Moussa Dawaleh
Minister for Economy, Finance and Planning, in charge of Privatization Republic of Djibouti
Chairman of the Board of Governors

Hon. Phillip Mpango
Minister for Finance and Economic Affairs
United Republic of Tanzania

Hon. Alexander B. Chikwanda
Minister for Finance and National Planning
Republic of Zambia

Hon. Anerood Jugnauth
Prime Minister, Minister for Defence, Home Affairs, Minister for Finance and Economic Development, Minister for Rodrigues and National Development Unit
Republic of Mauritius

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

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

Hon. Tabu Abdallah Manirakiza
Minister for Finance
Republic of Burundi

H.E. Mohamed Ali Soilihi
Vice President in charge of Finance, Economy, Budget, Investment, Foreign Trade and Privatization
Federal Islamic Republic of Comoros

H.E. Hany Kadry Dimian
Ministry for Finance
Arab Republic of Egypt

Hon. Berhane Abrehe
Minister for Finance
State of Eritrea

Hon. Adan Mohamed, EGH
Cabinet Secretary Ministry of Industry, Investment and Trade
Republic of Kenya

Hon. Goodall Gondwe
Minister for Finance, Economic Planning and Development
Republic of Malawi

Hon. Patrick Chinamasa
Minister for Finance and Economic Development
Republic of Zimbabwe

Hon. Claver Gatete
Minister for Finance and Economic Planning
Republic of Rwanda

Hon. Badr El-Din Mahmoud Abbas
Minister for Finance and National Economy
Republic of Sudan

Hon. Abdulaziz Mohammed
Minister for Finance and Economic Development
Federal Democratic Republic of Ethiopia

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

Hon. Mohamed Aden Ibrahim
Minister for Finance
Federal Republic of Somalia

Hon. Adriano Afonso Maleiane
Minister for Economy and Finance
Mozambique

H.E. Dr. Zhou Xiaochuan
Governor, People's Bank of China
People's Republic of China

Mr. Charles O Boamah
Vice President - Finance
African Development Bank (AfDB)

Mr. Andrei S. Brishtelev
Chairman of the Board,
Paritetbank

Mr Veenay Rambarassah
Senior Analyst,
National Pension Fund-Mauritius

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

Hon. Claver Gatete
Minister for Finance and Economic Planning
Republic of Rwanda

Mr. Tomas Rodrigues Matola
President, Banco Nacional de Investimento

Ms. Lekha Nair
Chief Executive Officer,
Seychelles Pension Fund

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

Mr. Rajni Varia
ZEP-RE (PTA Reinsurance Company)
Managing Director

Mr. Richard Byarugaba
Chief Executive Officer, National Social Security Fund – Uganda

Mr. John A. K Esther
Chief Executive Officer, SACOS Group Limited

PREVIOUS BOARD OF GOVERNORS

Hon. Seetanah Lutchmeenaraidoo
Mauritius

Hon. Phylis Kipkingor Kandie
Kenya

Dr. Ufitikirezi Daniel
Rwanda Social Security Board

Hon. Hussein Abdi Halane
Somalia

Corporate Information

BOARD OF DIRECTORS

Ms. Kampeta Sayinzoga
Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Chairperson

Mr. Admassu Tadesse
President and Chief Executive

Mr. Liu Mingzhi
Director for Non-African state members

Dr. Anne Frannie Leautier
Independent Director
Vice-Chairperson

Mr. Solomon Asamoah
Director for African Institutions (AI)

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

Mr. Rupert Horace Simeon
Director For Seychelles, Ethiopia, Burundi and Malawi

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, DR Congo and Comoros

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

Mr. Tarek Fayed
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Report of the Directors

For the year ended 31 December 2015

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 2015.

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 57.

3. DIVIDEND

The Board has recommended a dividend of USD 301.35 (2014: USD 329.50) 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 52.

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 53.

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 LLP, have expressed their willingness to continue in office in accordance with Article 26 (2) (e) of the Charter of the Bank.

By Order of the Board

Chairman
Nairobi
19th April 2016

Statement Of Directors' Responsibilities On The Financial Statements

For the year ended 31 December 2015

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
19th April 2016

Director
19th April 2016

Report of the Independent Auditors

For the year ended 31 December 2015

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 profit or loss and other comprehensive income, the statement of financial position as at 31 December 2015, 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 61 to 154.

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.

AUDITOR'S 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 auditor's judgment, 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 control relevant to the entity'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 entity'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 2015 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
21st April 2016

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 USD	2014 USD
INCOME			
Interest income	4	208,668,727	156,739,455
Interest expense	5	(89,499,439)	(78,101,408)
Other costs related to borrowing	6	(8,691,468)	(9,891,843)
Interest and similar expense		(98,190,907)	(87,993,251)
Net interest income		110,477,820	68,746,204
Fee and commission income	7	32,517,630	41,999,967
Net trading income		142,995,450	110,746,171
Other income	8	8,886,823	10,975,925
OPERATING INCOME		151,882,273	121,722,096
EXPENDITURE			
Operating expenses	9	(20,895,869)	(19,228,565)
Impairment on other financial assets	11	(241,287)	-
Impairment allowance on project and trade finance loans	17	(32,767,866)	(24,792,314)
Fair value (loss) on equity investments at fair value through profit or loss	18	(223,800)	(1,280,792)
Net foreign exchange (losses)/gains		(3,033,765)	557,313
TOTAL EXPENDITURE		(57,162,587)	(44,744,358)
PROFIT FOR THE YEAR		94,719,686	76,977,738
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		94,719,686	76,977,738
EARNINGS PER SHARE:			
Basic	12	1,271	1,254
Diluted	12	1,183	1,144

Statement of Financial Position

As At 31 December 2015

	Note	2015 USD	2014 USD
ASSETS			
Cash and balances held with other banks	13	643,514,540	435,996,933
Derivative financial instruments	14	60,993,075	34,189,322
Trade finance loans	15	2,208,112,386	1,901,553,050
Project loans	16	698,662,513	610,158,235
Equity investments – at fair value through profit or loss	18	288,500	12,654,291
Equity investments –at cost	18	20,162,420	6,675,075
Investment in joint venture	19	334,492	-
Investment in Government securities	20	241,763,172	216,000,000
Other receivables	21	187,745,880	289,119,653
Deferred expenditure	22	11,190,156	16,627,274
Property and equipment	23	21,435,474	20,465,968
Intangible assets	24	357,514	407,437
TOTAL ASSETS		4,094,560,122	3,543,847,238
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	25	264,474,038	126,774,345
Short term borrowings	26	2,179,240,539	1,919,329,465
Long term borrowings	27	874,104,553	849,402,489
Other payables	28	34,800,406	21,000,595
Provision for service and leave pay	29	5,672,051	5,417,994
TOTAL LIABILITIES		3,358,291,587	2,921,924,888
EQUITY			
Share capital	30	339,741,093	307,962,561
Share premium	30	26,870,808	19,778,406
Retained earnings		347,871,106	274,936,948
Proposed dividend	30	21,785,528	19,244,435
TOTAL EQUITY		736,268,535	621,922,350
TOTAL LIABILITIES AND EQUITY		4,094,560,122	3,543,847,238

The financial statements were approved by the board of directors on 8th April 2016 and were signed on its behalf by:

President

Director

Statement of Changes in Equity

For the year ended 31 December 2015

	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Total equity USD
At 1 January 2014	252,440,548	7,334,878	217,203,645	-	476,979,071
Capital subscriptions (Note 30)	55,522,013	-	-	-	55,522,013
Share Premium (note 30)	-	12,443,528	-	-	12,443,528
Proposed dividend (note 30)	-	-	(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
At 1 January 2015	307,962,561	19,778,406	274,936,948	19,244,435	621,922,350
Capital subscriptions (Note 30)	31,778,532	-	-	-	31,778,532
Share Premium (Note 30)	-	7,092,402	-	-	7,092,402
Proposed dividend (note 30)	-	-	(21,785,528)	21,785,528	-
Dividend paid (note 30)	-	-	-	(19,244,435)	(19,244,435)
Total comprehensive income for the year	-	-	94,719,686	-	94,719,686
At 31 December 2015	339,741,093	26,870,808	347,871,106	21,785,528	736,268,535

Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 USD	2014 USD
OPERATING ACTIVITIES			
Net cash generated from operations	31(a)	220,205,402	181,169,011
INVESTING ACTIVITIES			
Purchase of property and equipment	23	(1,750,498)	(626,791)
Purchase of intangible assets	24	(87,015)	(218,533)
Acquisition of equity investments	18	(1,345,354)	(988,839)
Disposal of equity investments	18	-	132,301
Acquisition of Interest in Joint Venture	19	(334,492)	-
Net purchase of Government securities	20	(25,763,172)	(216,000,000)
Net cash used in investing activities		(29,280,531)	(217,701,862)
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	30	31,778,532	55,522,013
Proceeds from share premium	30	7,092,402	12,443,528
Payment of dividends	30	(19,244,435)	-
Net cash generated from financing activities		19,626,499	67,965,541
INCREASE IN CASH AND CASH EQUIVALENTS		210,551,370	31,432,690
Foreign exchange (loss)/gain on cash and cash equivalents		(3,033,765)	557,313
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		435,996,933	404,006,930
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	31(c)	643,514,538	435,996,933
FACILITIES AVAILABLE FOR LENDING	31(d)	1,348,706,084	1,153,353,486

Notes to the Financial Statements

For the year ended 31 December 2015

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Statement of compliance

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

Presentation of financial statements

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

(b) Revenue recognition

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

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

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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. Such cost includes the cost of replacing part of property and equipment if the recognition criteria are met. All other repairs and maintenance costs are expensed as incurred.

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

Computer equipment	3-5 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Furniture and fittings	5-10 years
Buildings	50 years
Leasehold Land	99 years

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

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

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

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

(g) Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Deferred expenditure

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

(i) Tax

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

(j) Share capital

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

(k) Financial instruments

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

Financial assets

Initial recognition and measurement

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

Financial assets at fair value through profit or loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:
The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Loans, advances and receivables

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

Held-to-maturity investments

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

Hedge accounting

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

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

Fair value hedges

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

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

Cash flow hedges

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Hedge accounting (Continued)

Cash flow hedges (Continued)

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

Available-for-sale financial assets

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

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

Subsequent measurement

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

- Financial assets at fair value through profit or loss
- Loans, advances and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in profit or loss.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Held-to-maturity investments

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

Available-for-sale financial (AFS) investments

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

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

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Bank has transferred substantially all the risks and rewards of the asset, or
- the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Financial liabilities

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

Initial measurement of financial liabilities

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

Subsequent measurement

Subsequent measurement of financial liabilities at fair value through profit or loss is at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.
After initial recognition, interest bearing loans and borrowings and payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Derecognition

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

Offsetting

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

Impairment of financial assets

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

Impairment of financial assets (Continued)

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments (Continued)

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

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

The Bank's management determines the policies and procedures for both recurring and non-recurring fair value measurement.

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

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The fair value of financial instruments is described in more detail in Note 32.

(l) Employee entitlements

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

A provision is made for the estimated liability of service pay as a result of services rendered by employees up to the year end. Employees are entitled to a full month pay for every year of service completed. An actuarial valuation is carried out every three years to determine the service pay liability. The last valuation was carried out in December 2015.

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

(m) Retirement benefit costs

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

(n) Contingent liabilities

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, it is probable that an outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(r) Government grants

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

(s) Collection accounts deposits

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Investment in Joint Venture

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

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

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

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

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

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

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

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

Fair value of financial instruments

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Impairment losses on loans and advances

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

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

Property and equipment

In applying the Bank's accounting policy, management makes judgment in determining the useful life for property and equipment. The depreciation rates used are set out in the accounting policy (e) above. See Note 23 for the carrying amounts of property and equipment and depreciation charge for the year.

3. NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS

The accounting policies adopted are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2014, except for new standards, amendments and interpretations effective 1 January 2015. The nature and impact of each new standard/ amendment are described below:

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

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2010-2012 cycle (issued in December 2013)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2010 – 2012 annual improvements cycle. With the exception of the amendment relating to IFRS 2 *Share-based Payment*, the changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 2 Share-based Payment

Definitions of vesting conditions

- The amendment defines 'performance condition' and 'service condition' to clarify various issues, including the following:
  - 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.
  - The amendment is applicable for share-based payments for which the grant date is on or after 1 July 2014 and must be applied prospectively.

This amendment did not impact the Bank since it does not offer share based payments to its staff.

IFRS 3 Business Combinations

Accounting for contingent consideration in a business combination

- The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination must 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).
- The amendment must be applied prospectively.

This amendment did not impact the Bank since it has not entered into a business combination in the past.

IFRS 8 Operating Segments

Aggregation of operating segments

- The amendment clarifies that an entity must disclose the judgments made by management in applying the aggregation criteria in IFRS 8.12, 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 amendment must be applied retrospectively

Reconciliation of the total of the reportable segments' assets to the entity's assets

- The amendment clarifies that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- The amendment must be applied retrospectively

The Bank has not applied the aggregation criteria in IFRS 8.12. The Bank has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in these financial statements.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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

Revaluation method – proportionate restatement of accumulated depreciation/amortisation

- The amendments to IAS 16 and IAS 38 clarify that the revaluation can be performed, as follows:
- Adjust the gross carrying amount of the asset to market value

Or

- Determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value.
- The amendments also clarify that accumulated depreciation/amortisation is the difference between the gross and carrying amounts of the asset.
- The amendments must be applied retrospectively.

IAS 24 Related Party Disclosures

Key management personnel

- The amendment 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.
- The amendment must be applied retrospectively.

This amendment did not have any impact on the Bank's financial statements since its property and equipment are carried at cost.

2011-2013 cycle (issued in December 2013)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2011-2013 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 July 2014. Earlier application is permitted and must be disclosed.

IFRS 3 Business Combinations

Scope exceptions for joint ventures

- The amendment clarifies that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- The scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- The amendment must be applied prospectively.

The Bank is not a joint arrangement, and thus this amendment is not relevant.

IFRS 13 Fair Value

Measurement

Scope of paragraph 52 (portfolio exception)

- The amendment 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).
- The amendment must be applied prospectively.

The Bank does not apply the portfolio exception in IFRS 13.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IAS 40 Investment Property

Interrelationship between IFRS 3 and IAS 40 (ancillary services)

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

This amendment did not impact the Bank as it does not have investment property.

Standards issued but not yet effective

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

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In August 2015, the IASB issued Exposure Draft ED/2015/7 **Effective Date of Amendments to IFRS 10 and IAS 28** proposing to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method.

Key requirements

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

Transition
The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact
The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgmental and entities need to consider the definition carefully in such transactions. The Bank is currently assessing the impact of these amendments and plans to adopt them on the required effective date

IFRS 9 Financial Instruments

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs, if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by instrument basis to present changes in the fair value of non trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 **Financial Instruments: Recognition and Measurement** classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables under IAS 17 **Leases**. In determining the appropriate period to measure ELCs, entities are generally required to assess based on either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, a simplified approach may be applied whereby the lifetime expected credit losses are always recognised.

Hedge accounting

Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

Transition

Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

Impact

The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The Bank is currently assessing the impact that this standard will have on the financial position and performance.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 **Joint Arrangements**. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The Bank is currently assessing the impact of IFRS 11 and plans to adopt the new amendments on the required effective date.

IFRS 15 Revenue from Contracts with Customers

Effective for annual periods beginning on or after 1 January 2018.

Key requirements

IFRS 15 replaces all existing revenue requirements in IFRS **(IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services)** and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal versus-agent considerations, options for additional goods or services and breakage.

Transition

Entities can choose to apply the standard using either a full retrospective approach, with some limited relief provided, or a modified retrospective approach. Early application is permitted and must be disclosed.

Impact

The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 1 **Presentation of Financial Statements** clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

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

Transition

Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates.

Impact

The amendments affect presentation only and have no impact on the Bank's financial position or performance

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments clarify the principle in IAS 16 **Property, Plant and Equipment** and IAS 38 **Intangible Assets** 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, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

Transition

The amendments are effective prospectively. Early application is permitted and must be disclosed.

Impact

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.

IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 27 **Separate Financial Statements** allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39)

Or

- Using the equity method

The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 **First-time Adoption of International Financial Reporting Standards.** The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

Transition

The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

Impact

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

2012-2014 cycle (issued in September 2014)

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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 amendment.

Applicability of the offsetting disclosures to condensed interim financial statements

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

IFRS 16 Leases

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

Key features

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

4. INTEREST INCOME

	2015 USD	2014 USD
On loans and facilities:		
Project finance loans	48,352,083	46,000,222
Trade finance loans	143,015,388	108,073,658
	191,367,471	154,073,880
On placements:		
Deposits/Held-to-maturity investments	17,301,256	2,665,575
	208,668,727	156,739,455

5. INTEREST EXPENSE

Interest payable on funds borrowed from:		
Banks and financial institutions	48,691,578	45,828,574
Regional and International Bond Markets	23,002,316	21,576,948
Other Institutions	17,805,545	10,695,886
	89,499,439	78,101,408

6. OTHER COSTS RELATED TO BORROWING

Amortisation of deferred expenditure	6,459,222	6,177,606
Facility and management fees	1,263,528	1,992,140
Other costs	779,561	717,350
Bank commissions and charges	130,275	635,602
Drawdown fees	58,882	94,149
Hedging derivatives cost	-	274,996
	8,691,468	9,891,843

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

7. FEE AND COMMISSION INCOME

	2015 USD	2014 USD
Upfront fees in trade finance	18,597,472	26,550,964
Letter of credit fees in trade finance	15,848,177	17,068,007
Other fees in trade finance	4,990,726	147,540
Letter of credit fees in project finance	1,819,926	821,487
Management fees in trade finance	1,428,673	1,302,625
Commitment fees in project finance	1,184,617	585,922
Facility fees in project finance	1,137,101	1,970,808
Appraisal fees in project finance	893,258	1,176,297
Drawdown fees in trade finance	756,568	2,152,093
Other Project fees	463,569	287,797
Management fees in project finance	298,323	146,420
Document handling fees in trade finance	221,591	228,044
Restructuring fees in project finance	132,543	524,831
Drawdown fees in project finance	93,485	202,563
Syndication fees in project finance	-	1,782,529
*Insurance cover costs	(6,697,732)	(8,037,245)
**Risk down-selling costs	(8,650,667)	(4,910,715)
	32,517,630	41,999,967

*This is premium on insurance cover taken on loans made to the Ministry of Finance, Zambia, Malawi Leaf, Alliance One Tobacco Malawi, Hashi Energy, Burundi Backbone and Rwandair. As at 31 December 2015, the insurance cover was USD 763.76 million (2014: USD 580 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 2015, the Bank had secured from various counterparties risk management capacity amounting to USD 600 million (31 December 2014: USD 600 million).

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

8. OTHER INCOME

	2015 USD	2014 USD
Impaired assets recovered *	6,659,073	9,043,199
Interest on capital arrears**	1,341,440	1,261,075
Other income	558,383	392,911
Rental income	168,623	227,460
Grant income ***	133,150	28,482
Interest on staff loans	26,154	22,798
	8,886,823	10,975,925

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

9. OPERATING EXPENSES

	2015 USD	2014 USD
Staff costs (Note 10)	15,285,166	14,021,779
Consultants and advisors	1,227,827	1,170,396
Official missions	1,121,287	1,051,925
Depreciation of property and equipment	765,659	578,203
Other operating expenses	736,600	732,328
Board of Directors meetings	672,690	630,982
Rent	341,452	293,560
Business promotion	318,417	374,992
Board of Governors meeting	241,833	212,124
Amortisation of intangible assets	136,938	115,691
Audit fees	48,000	46,585
	20,895,869	19,228,565

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

10. STAFF COSTS

	2015 USD	2014 USD
Salaries and wages	9,660,031	7,731,619
Other costs	2,213,642	1,936,959
Staff Provident fund contributions –defined contribution plan	1,561,070	1,434,794
Staff reward and recognition scheme	935,172	2,017,549
Service and leave pay expenses	915,251	900,858
	15,285,166	14,021,779

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS

	2015 USD	2014 USD
Other receivables (Note 21)	241,287	-

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

12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year of USD 94,719,686 (2014: USD 76,977,738) 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 74,512 comprising Class A - 60,788 and Class B - 13,724 (2014: 61,385 comprising Class A -55,657 and Class B -5,729).

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 80,076 (2014:67,286).

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

13. CASH AND BALANCES HELD WITH OTHER BANKS

	2015 USD	2014 USD
Current accounts – Note 13 (i)	116,195,904	21,934,346
Call and term deposits with banks – Note 13 (ii)	527,318,636	414,062,587
	643,514,540	435,996,933

	2015 USD	2014 USD
(i) Current accounts:		
Amounts maintained in United States Dollars (USD)	107,728,956	8,078,463
Amounts maintained in other currencies:		
Ugandan Shilling	7,147,788	13,376
Tanzania Shillings	2,254,406	724,300
Ethiopian Birr	777,926	792,144
British Pounds	36,221	1,227
Mauritian Rupee	21,687	3,556
Burundi Francs	5,674	6,530
Malawi Kwacha	686	581
South African Rand	675	8,960
Japanese Yen	118	118
Kenyan Shilling	(7,283)	26,335
Euro	(1,770,950)	12,278,756
	8,466,948	13,855,883
	116,195,904	21,934,346

The average effective interest rate on current accounts was 0.50% (December 2014: 0.49%) per annum.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

	2015 USD	2014 USD
(ii) Call and term deposits with banks:		
United States Dollars (USD)	257,754,729	285,218,600
Amounts maintained in other currencies:		
Sudanese pounds	268,412,841	127,861,520
Kenya Shillings	586,797	-
Ugandan shillings	564,268	981,169
Malawi Kwacha	-	1,298
	269,563,906	128,843,987
	527,318,635	414,062,587

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

	2015 USD	2014 USD
Uganda Shillings	14.38%	11.61%
Kenya Shillings	11.69%	9.56%
Malawi Kwacha	-	6.50%
United States Dollars	0.83%	1.43%
Euro	-	-

The deposits in Sudanese pounds do not earn interest.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest in return for paying or receiving, a fixed rate of interest. The payment flows are usually netted off against each other, with the difference being paid by one party to the other. 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 (Cont)

For the year ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

	2015 USD	2014 USD
a) Currency Hedges		
(i) Cross Currency Swap:		
Net opening balance as at 1 January	268,819	(1,004,408)
Payments under swap arrangement	2,419,505	2,947,408
Exchange gain	51,447	867,268
Fair value gain	485,577	442,584
Receipts under swap agreement	(2,898,284)	(2,984,033)
Balance as at 31 December	327,064	268,819
(ii) Foreign exchange forward contracts		
Balance as at 1 January	32,887,780	(916,856)
Contracts entered into during the year-Net	684,066,442	34,772,845
Net amounts settled	(657,163,270)	(968,209)
Balance as at 31 December	59,790,952	32,887,780
Total Currency Hedges	60,118,016	33,156,599
b) Interest Rate Swap:		
(i) Fair value movements		
Balance as at 1 January	149,579	299,164
Amortisation of interest rate swap	(149,579)	(149,585)
Balance as at 31 December	-	149,579
(ii) Cash flows		
Balance as at 1 January	883,144	1,495,677
Amounts due from counterparties	4,278,935	3,210,969
Amount received from counterparties	(4,287,020)	(3,823,502)
Balance as at 31 December	875,059	883,144
Total Interest Rate Swaps	875,059	1,032,723
Total derivative assets (a) and (b)	60,993,075	34,189,322

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 USD 300 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

	2015 USD	2014 USD
Principal loans	2,136,398,251	1,878,596,369
Interest receivable	103,002,713	76,202,028
Gross loans	2,239,400,964	1,954,798,397
Impairment on trade finance loans (Note 17)	(31,288,578)	(53,245,347)
Net loans	2,208,112,386	1,901,553,050

The weighted average effective interest rate was 5.87% (December 2014: 5.58%) per annum

Maturing:		
Within one year	2,071,216,760	1,870,644,287
One to three years	168,184,204	84,154,110
	2,239,400,964	1,954,798,397

The gross non performing trade finance loans were USD 12,720,386 (December 2014: USD 53,261,481). The specific impairment allowance related to these loans amounted to USD 12,720,386 (December 2014: USD 45,011,485) hence the carrying amounts of the loans amount was NIL (December 2014: USD 8,249,996). General provisions for trade finance loans amounted to USD 18,568,192 (December 2014 - USD 8,233,859).

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

16. PROJECT LOANS

	2015 USD	2014 USD
Approved loans less cancellations	2,073,271,552	2,003,949,552
Less: Unsigned loans*	(223,659,112)	(323,727,211)
Loans signed	1,849,612,440	1,680,222,341
Less: Undisbursed - Letters of credit opened	(7,044,474)	(64,489,727)
- Letters of credit not yet opened	(332,304,459)	(334,139,978)
Loans disbursed	1,510,263,507	1,281,592,636
Interest capitalised**	42,972,790	42,547,425
Loans repaid	(807,960,121)	(711,108,627)
Principal loan balances	745,276,176	613,031,434
Interest receivable	17,072,331	11,822,197
Gross loans	762,348,507	624,853,631
Impairment on project loans (Note 17)	(63,685,994)	(14,695,396)
Net loans	698,662,513	610,158,235

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

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

The average effective interest rate was 7.78% (December 2014: 7.78%) per annum.

Maturing:	2015 USD	2014 USD
Within one year	175,829,983	139,011,328
One year to three years	252,973,469	197,935,701
Three to five years	180,736,498	147,262,380
Over five years	152,808,557	140,644,222
	762,348,507	624,853,631

The aggregate non performing project loans were USD 73,508,830 (December 2014: USD 25,075,966). The specific impairment allowance related to these loans amounted to USD 57,793,646 (December 2014: USD 12,117,533) hence the carrying value of the loans amounted to USD 15,715,184 (December 2014: USD 12,958,433) at the end of the period. General provisions for project loans amounted to USD 5,892,348 (December 2014 – USD 2,577,862).

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

17. IMPAIRMENT ALLOWANCE ON PROJECT AND TRADE FINANCE LOANS

The movement in the allowance is as follows:

	Project finance loans USD	Trade finance loans USD	Total Allowance USD
At 1 January 2014	22,617,326	38,270,425	60,887,751
Amounts written-off	(13,392,863)	(4,346,459)	(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	14,695,396	53,245,347	67,940,743
At 1 January 2015	14,695,396	53,245,347	67,940,743
Amounts written –off	(5,734,037)	-	(5,734,037)
Charge for the year	54,724,635	(21,956,769)	32,767,866
- Specific provisions	51,410,150	(32,291,102)	19,119,048
- General provisions	3,314,485	10,334,333	13,648,818
At 31 December 2015	63,685,994	31,288,578	94,974,572

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

18. EQUITY INVESTMENTS

i) Equity participation

31 December 2015	Share-holding	Beginning cost	Additions at cost	Total ending cost	Investment carrying amount 2015	Investment carrying amount 2014	Fair value loss for the year
		USD	USD	USD	USD	USD	USD
At fair value through profit or loss							
Aureos East Africa Fund	5.00	355,695	-	355,695	288,500	512,300	(223,800)
At cost							
African Export Import Bank	0.33	1,182,080	1,182,080	2,364,160	2,364,160	1,182,080	-
Africa Trade Insurance Agency	0.10	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Gulf African Bank	5.33	1,978,734	-	1,978,734	1,978,734	1,978,734	-
Pan African Housing Fund	2.38	130,608	163,274	293,882	293,882	130,608	-
Tanruss	4.06	1,755,000	-	1,755,000	1,755,000	1,755,000	-
Tononoka	5.00	628,653	-	628,653	628,653	628,653	-
ZEP-RE (PTA Reinsurance Company)	11.6	9,336,468	-	9,336,468	12,141,991	12,141,991	-
		16,011,543	1,345,354	17,356,897	20,162,420	18,817,066	-
TOTAL		16,367,238	1,345,354	17,712,592	20,450,920	19,329,366	(223,800)

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 2015, only the investment in Aureos East Africa was carried at fair value. All other investments were carried at cost as there were no readily available prices since the shares are not traded in an active market, and their fair values could not otherwise be reliably measured. As at 31 December 2014, investment in ZEP-RE (PTA Reinsurance Company) was carried at fair value. The fair value was determined using the latest share transaction price for October 2013. The shares were sold as a one-off issue and there have been no transactions subsequently. Therefore, the investment is carried at carrying amount as at 31 December 2014 in these financial statements, which becomes its new cost since a reliable measure of fair value is no longer available, in accordance with IAS 39.

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

18. EQUITY INVESTMENTS (Continued)

Equity participation (Continued)

31 December 2014	Share-holding	Beginning cost	(Disposals)/ additions at cost	Total ending cost	Investment carrying amount 2014	Investment carrying amount 2013	Fair value gain/(loss) / adjustment for the year*
		USD	USD	USD	USD	USD	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	96,899	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	41,769	-
		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)

*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 PTA Reinsurance 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. 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.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

18. EQUITY INVESTMENTS (Continued)

	2015 USD	2014 USD
ii) Instalments paid:		
Total subscribed capital*	19,636,645	18,454,565
Less: Instalments not due – Note 18 (iii)	(1,924,053)	(2,087,327)
Instalments paid as at end of year – Note 18 (I) and (iii)	17,712,592	16,367,238

*Total subscribed capital includes paid up capital and unpaid subscriptions

iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:

	2015 USD	2014 USD
African Export-Import Bank*	1,200,000	1,200,000
Aureos East Africa Fund*	17,935	17,935
Pan African Housing Fund*	706,118	869,392
*Unpaid subscriptions are payable on call.	1,924,053	2,087,327

iv) Movement in the instalments paid:

	2015 USD	2014 USD
At beginning of year	16,367,238	15,510,700
Net additions at cost – Note 18 (i)	1,345,354	856,538
At end of year	17,712,592	16,367,238

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

19. INVESTMENT IN JOINT VENTURES

The Bank has a 50% interest in Eastern and Southern African Trade Advisers Limited (ESATAL) and 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint ventures were incorporated in 2015 and their principal place of business is Ebene, Mauritius. ESATAL and ESAIF are vehicles that will raise and manage the Trade Finance Fund and the Infrastructure Fund, respectively. The Bank's voting rights in the joint ventures is equal to its ownership interest. The Bank's interest in the joint ventures is accounted for using the equity method in the financial statements. No quoted market price exists for the investments.

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

	2015 USD	2014 USD
Current assets - cash and cash equivalents	668,984	-
Non-current assets	-	-
TOTAL ASSETS	668,984	-
Liabilities	-	-
Equity	668,984	-
Bank's carrying amount of the investment	334,492	-

ESATAL and ESAIF started operations towards the end of the year. The joint ventures had no contingent liabilities or capital commitments as at 31 December 2015. ESATAL and ESAIF cannot distribute their profits without the consent from the venture partners.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

20. INVESTMENTS IN GOVERNMENT SECURITIES

	2015 USD	2014 USD
Treasury Notes:		
Maturing within 360 days after year end (at face value)	216,000,000	-
Additions during year	34,000,000	216,000,000
Matured bonds	(8,280,471)	-
Accrued income	43,643	-
Less: Unearned discount	-	-
	241,763,172	216,000,000

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

All the treasury notes will mature within twelve months after the reporting date.

21. OTHER RECEIVABLES

	2015 USD	2014 USD
Down-sold assets*	163,936,500	279,578,800
Prepayments and other receivables**	22,783,616	8,169,564
Appraisal fees***	373,281	805,000
Staff loans and advances****	652,483	566,289
	187,745,880	289,119,653
Appraisal fees receivable***		
As at 1 January	805,000	1,318,263
Accrued income	164,599	240,007
Receipts	(355,031)	(753,270)
Amounts written off (Note 11)	(241,287)	-
At 31 December	373,281	805,000

Analysis of other receivables by maturity:

	2015 USD	2014 USD
Amounts due within one year	187,525,747	288,968,165
Amounts due after one year	220,133	151,488
	187,745,880	289,119,653

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

21. OTHER RECEIVABLES (Continued)

*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 4.43% (December 2014: 4.35%) per annum. These staff loans and advances have various repayment terms ranging from 3 to 36 months.

22. DEFERRED EXPENDITURE

	2015 USD	2014 USD
COST		
At beginning of year	28,062,019	27,766,430
Additions	1,022,104	3,650,788
Disposals	(7,969,937)	(3,355,199)
At end of year	21,114,186	28,062,019
AMORTISATION		
At beginning of year	11,434,745	8,612,338
Disposals	(7,969,937)	(3,355,199)
Charge for the year	6,459,222	6,177,606
At end of year	9,924,030	11,434,745
NET CARRYING AMOUNT		
At end of year	11,190,156	16,627,274

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

23 PROPERTY AND EQUIPMENT

At 31 December 2015:	Freehold land USD	Leasehold land USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST							
At 1 January 2015	2,594,265	-	21,304,943	455,422	1,264,458	1,407,798	27,026,886
Additions	-	-	1,269,698	74,409	36,208	370,183	1,750,498
Reclassification*	(2,453,865)	2,453,865	-	-	-	-	-
Disposals	-	-	-	(71,087)	(3,970)	(29,103)	(104,160)
At 31 December 2015	140,400	2,453,865	22,574,641	458,744	1,296,696	1,748,878	28,673,224
DEPRECIATION							
At 1 January 2015	-	-	4,551,512	292,628	629,483	1,087,295	6,560,918
Charge for the year	-	2,066	444,503	62,896	77,311	178,883	765,659
Disposals	-	-	-	(71,087)	(3,970)	(13,770)	(88,827)
At 31 December 2015	-	2,066	4,996,015	284,437	702,824	1,252,408	7,237,750
NET CARRYING AMOUNT							
At 31 December 2015	140,400	2,451,799	17,578,626	174,307	593,872	496,470	21,435,474

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

23 PROPERTY AND EQUIPMENT (Continued)

At 31 December 2014:	Freehold land USD	Building USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
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

*Reclassification between Freehold and Leasehold Land in 2015

The Bank holds a freehold title to a property in Nairobi, Kenya, located on LR 1 /184 Lenana Road.

The current Constitution of Kenya, enacted on 27 August 2010, introduced significant changes in the landholding by non-citizens. The Constitution no longer allows foreigners and foreign bodies to own freehold land and leasehold land in excess of 99 years. Freehold land and leasehold land of more than 99 years owned by foreigners and foreign bodies automatically becomes 99 year leases upon enactment of the required legislation under Article - 65(4) of the constitution. These changes in the landholding took effect on 2 May 2012 upon the enactment of the Land Registration Act No. 3 of 2012.

As per the definition of Articles 65(3) of the constitution, the Bank is a non-citizen and hence the status of its freehold land changes to 99 year lease. Under the revised International Accounting standards No. 17 (IAS 17), a 99 year lease qualifies for a finance lease classification if the lessor transfers significantly risks and rewards incidental to the ownership of the land to the Bank.

Accordingly, the new 99 year lease qualifies as a finance lease. Although the Bank's title documents to the land still show the land as freehold, the Bank has opted to account for its land as leasehold in compliance with the Kenyan legislation.

The reclassification in 2014 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 buildings.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

24. INTANGIBLE ASSETS

	2015 USD	2014 USD
COST		
At beginning of year	1,734,532	1,515,999
Additions	87,015	218,533
At end of year	1,821,547	1,734,532
AMORTISATION		
At beginning of year	1,327,095	1,211,403
Charge for the year	136,938	115,692
At end of year	1,464,033	1,327,095
NET CARRYING AMOUNT		
At end of year	357,514	407,437

Intangible assets relate to cost of acquired computer software.

25. COLLECTION ACCOUNT DEPOSITS

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

26. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2015 USD	2014 USD
Reserve Bank of Malawi	284,831,667	216,000,000
Bank of the Republic of Burundi	35,000,000	40,000,000
Banque International pour l'Afrique au Congo	16,000,000	10,000,000
Banque Commerciale du Congo	5,000,000	10,000,000
African Trade Insurance Agency	700,000	1,200,000
	341,531,667	277,200,000

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

26. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT TERM BORROWINGS

	Date of renewal/ advance	Maturity date	Currency	2015 USD	2014 USD
Syndicated Loan	Jul-15	Sep-16	USD	320,500,000	320,500,000
Standard Chartered Bank London	Dec-15	Dec-16	USD	238,895,424	106,217,201
Cargill Kenya Limited	Dec-15	Jun-16	USD	116,474,878	-
Commerzbank	Dec-15	May-16	USD	114,461,779	72,338,464
Sumitomo Mitsui Banking Corporation	Dec-15	Jun-16	USD	105,529,688	120,439,978
Mashreq Bank	Dec-15	Jun-16	EUR	80,418,660	267,589,338
FBN Bank	Oct-15	Apr-16	EUR	76,823,073	50,676,028
ABC Bank Inc. Mauritius	Dec-15	Jan-16	EUR	66,809,310	35,909,933
Bank of Tokyo Mitsubishi	Dec-15	Dec-16	USD	66,666,667	-
African Export Import Bank	Dec-15	Aug-16	EUR	63,519,717	91,113,968
Citibank New York	Dec-15	Mar-16	USD	61,836,147	2,432,559
Firstrand Bank Ltd	Nov-15	May-16	USD	58,703,120	88,759,198
Deutsche Bank AG	Dec-15	Mar-16	USD	52,055,233	-
ING Bank	Sep-15	Mar-16	USD	50,573,247	30,512,729
African Development Bank	Dec-15	Mar-16	USD	50,229,000	-
Africa Finance Corporation	Dec-15	Apr-16	USD	50,000,000	50,000,000
Bank One Ltd	Oct-15	Jan-16	USD	50,000,000	50,000,000
Afrasia Bank Ltd- Mauritius	Dec-15	Jan-16	USD	50,000,000	40,000,000
Mizuho Bank London	Oct-15	Oct-16	USD	39,450,000	-
Standard Corporate and Merchant Bank	Dec-15	Mar-16	USD	32,689,819	31,962,618
Standard Chartered Bank Kenya	Dec-15	Jun-16	USD	30,000,000	-
State Bank of Mauritius	Nov-15	Feb-16	USD	25,924,010	2,900,268
KFW	Dec-15	Dec-16	USD	20,000,000	-
Societe Generale	Dec-15	Mar-16	USD	2,852,325	-
Banque de Commerce et de Placement	Nov-15	Feb-16	USD	1,290,869	927,277
Ghana Internatiional Bank	Jun-15	Sep-15	USD	-	20,000,000
BHF Bank	May-15	Aug-15	USD	-	11,240,088
Fimbank	Nov-14	May-15	EUR	-	56,453,926
British Arab Commercial Bank PLC	Aug-14	Feb-15	EUR	-	50,724,868
Commercial Bank of Africa	Oct-14	Jan-15	USD	-	29,522,767
Banque Cantonale Vaudoise	Sep-14	Mar-15	EUR	-	29,173,440
BMCE Bank International PLC	Aug-14	Apr-15	EUR	-	27,264,511
Standard Chartered Bank Tanzania	Dec-14	Apr-15	TZS	-	18,634,645
KBC Bank	Oct-14	Feb-15	USD	-	13,513,387
Banque BIA	Jul-14	Jan-15	EUR	-	10,174,237
Sub total for other short term borrowings				1,825,702,966	1,628,891,428
INTEREST PAYABLE				12,005,926	13,238,037
Certificate of Deposits (Note 26a)				341,531,667	277,200,000
TOTAL SHORT TERM BORROWINGS				2,179,240,539	1,919,329,465

The effective interest rate during the year was 2.72% (2014: 3.41%) per annum. The short term borrowings are unsecured.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

27. LONG TERM BORROWINGS

Lender	Date of renewal/ disbursement	Maturity date	Currency	Amount in Currency	Amounts as at 31 December 2015 Balance outstanding USD	Amount due within one year USD	Amount due after one Year USD	Amounts as at 31 December 2014 Balance outstanding USD	Amount due within one year USD	Amount due after one year USD
African Development Bank	Dec-04	Aug-23	USD	80,158,580	80,158,580	14,408,580	65,750,000	63,156,500	8,156,500	55,000,000
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	101,511,616	101,511,616	16,656,221	84,855,395	111,449,715	9,938,095	101,511,620
KBC Bank	Various	Jul-19	USD	13,466,736	13,466,736	4,588,899	8,877,837	16,643,546	3,891,014	12,752,532
Exim Bank of India Loan	Various	Various	USD	1,941,460	1,941,460	1,914,109	27,351	4,958,575	2,970,901	1,987,674
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	-	98,746,000	-	98,746,000
FMO	Mar-10	Jan-18	USD	18,000,000	18,000,000	8,000,000	10,000,000	26,000,000	8,000,000	18,000,000
Ceskoslovenska Obchodni Banka AS	Jul-07	May-17	USD	1,230,061	1,230,061	821,265	408,796	2,052,658	821,265	1,231,393
BHF Bank	Various	Sep-15	USD	-	-	-	-	588,912	588,912	-
Development Bank of Southern Africa	Mar-07	Jun-23	USD	62,654,381	62,654,381	19,216,881	43,437,500	67,187,500	11,875,000	55,312,500
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	-
Private Export Funding Corporation	Aug-11	Oct-21	USD	34,953,395	34,953,395	5,949,514	29,003,881	40,902,909	5,949,514	34,953,395
KfW	Dec-13	Dec-18	USD	60,131,792	60,131,792	131,792	60,000,000	30,000,000	-	30,000,000
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	14,736,872,720	6,827,308	1,143,527	5,683,781	-	-	-
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	14,737,029,400	6,827,450	1,143,527	5,683,923	-	-	-
Uganda local currency fixed rate bond	Oct-09	Oct-16	UGX	160,117,615	47,477	47,477	-	86,036	30,956	55,080
Uganda local currency floating rate bond	Oct-09	Oct-16	UGX	1,372,908,893	406,506	406,506	-	1,024,706	525,081	499,625
Sub total for long term borrowings					866,902,762	223,174,298	643,728,464	843,147,057	53,097,238	790,049,819
Interest payable					7,201,791	7,201,791	-	6,255,432	6,255,432	.-
Total long term borrowings					874,104,553	230,376,089	643,728,464	849,402,489	59,352,670	790,049,819

The effective interest rate during the year was 4.56% (2014: 4.52%). The borrowings are either at variable or fixed rate.
The Bank repays these borrowings in either quarterly or semi-annual instalments. The Bank has not given any security for the borrowings. It has not defaulted on any of them.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

28. OTHER PAYABLES

	2015 USD	2014 USD
Other creditors**	17,621,729	5,417,786
Provident fund*	7,556,916	6,060,132
Accrued expenses	5,354,032	3,831,692
Accrued fees-Trade Finance	2,865,143	5,374,235
Dividends payable	1,273,522	-
Accrued fees-Project Finance	75,329	263,015
Rental deposit	51,622	51,622
Unspent African Development Bank Grant***	2,113	2,113
	34,800,406	21,000,595

*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.

Analysis of other payables by maturity:	2015 USD	2014 USD
Amounts due within one year	30,302,231	17,062,895
Amounts due after one year	4,498,175	3,937,700
	34,800,406	21,000,595

29. PROVISION FOR SERVICE AND LEAVE PAY

	2015 USD	2014 USD
(I) PROVISION FOR SERVICE PAY		
At beginning of year	4,224,058	3,845,311
Increase in provision	670,417	645,858
Payment of service pay	(469,923)	(267,111)
At end of period	4,424,552	4,224,058
(II) PROVISION FOR LEAVE PAY		
At beginning of year	1,193,936	1,008,078
Increase in provision	165,596	255,000
Payment of leave pay	(112,033)	(69,142)
At end of year	1,247,499	1,193,936
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	5,672,051	5,417,994

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

30. SHARE CAPITAL

	As at 31 December 2015			As at 31 December 2014		
	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'	(533,331,765)	-	(533,331,765)	(604,687,481)	-	(604,687,481)
- Class 'B'	-	(930,316,795)	(930,316,795)	-	(938,880,425)	(938,880,425)
Subscribed capital:						
64,705 Class 'A' (2014: 61,557) ordinary shares of USD 22,667 each	1,466,668,235	-	1,466,668,235	1,395,312,519	-	1,395,312,519
15,371 Class 'B' (2014: 13,482) ordinary shares of USD 4,533.420375 each	-	69,683,205	69,683,205	-	61,119,575	61,119,575
Less: Callable capital	(1,173,334,587)	-	(1,173,334,587)	(1,116,250,015)	-	(1,116,250,015)
Payable capital	293,333,648	69,683,205	363,016,853	279,062,504	61,119,575	340,182,079
Less: Amounts not yet due	(13,170,890)	-	(13,170,890)	(25,453,397)	-	(25,453,397)
Capital due	280,162,758	69,683,205	349,845,963	253,609,107	61,119,575	314,728,682
Less: subscriptions in arrears	(10,104,870)	-	(10,104,870)	(6,766,121)	-	(6,766,121)
Paid up capital	270,057,888	69,683,205	339,741,093	246,842,986	61,119,575	307,962,561

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

30. SHARE CAPITAL (Continued)

Share Premium:	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2015:				
At1 January 2015	13,482	61,119,575	80,897,981	19,778,406
Additions during the year	1,889	8,563,631	15,656,033	7,092,402
At 31 December 2015	15,371	69,683,206	96,554,014	26,870,808
As at 31 December 2014:				
As at 1 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
As at 31 December 2014:	13,482	61,119,575	80,897,981	19,778,406

Class A and B shares

As at 31 December 2015, there were 64,705 Class 'A' ordinary shares (2014: 61,557) and 15,371 Class 'B' ordinary shares (2014: 13,482). 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

Class 'B' shares are issued at a premium of USD 3,754.58 (2014: USD 1,466.58) that is determined after a valuation of the Bank's shares. The share premium is used to finance the operations of the Bank.

Dividends on ordinary shares declared and paid:	2015 USD	2014 USD
Final dividend for 2014: USD 329.50 per share (2013: Nil per share)	19,244,435	-
Proposed dividends on ordinary shares		
Dividend for 2015: USD 301.35 per share (2014: USD 329.50 per share)	21,785,528	19,244,435

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

30. SHARE CAPITAL (Continued)

	As at 31 December 2015			As at 31 December 2014		
	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	246,842,986	61,119,575	307,962,561	229,773,446	22,667,102	252,440,548
African Development Bank	988,281	-	988,281	-	-	-
National Social Security Fund Uganda	-	5,471,838	5,471,838	-	-	-
Mauritian Eagle Insurance Company	-	299,206	299,206	-	1,224,024	1,224,024
Seychelles Pension Fund	-	1,645,632	1,645,632	-	3,019,258	3,019,258
Rwanda Social Security Board	-	22,667	22,667	-	9,266,311	9,266,311
Banco Nationale De Investment	-	4,533	4,533	-	3,780,873	3,780,873
Africa Reinsurance Corporation	-	1,092,554	1,092,554	-	2,266,710	2,266,710
ZEP-RE (PTA Reinsurance Company)	-	-	-	-	3,780,873	3,780,873
Belarus	1,027,268	-	1,027,268	1,000,068	-	1,000,068
Burundi	398,939	-	398,939	207,336	-	207,336
China- People's Republic	1,119,750	27,201	1,146,951	-	15,114,424	15,114,424
Comoros	8,896	-	8,896	-	-	-
Congo DRC	575,558	-	575,558	6,069,838	-	6,069,838
Djibouti	99,735	-	99,735	-	-	-
Egypt	1,758,959	-	1,758,959	-	-	-
Eritrea	39,539	-	39,539	-	-	-
Ethiopia	1,758,959	-	1,758,959	-	-	-
Kenya	1,758,959	-	1,758,959	-	-	-
Malawi	430,673	-	430,673	-	-	-
Mauritius	3,005,644	-	3,005,644	-	-	-
Rwanda	1,298,819	-	1,298,819	-	-	-
Seychelles	86,135	-	86,135	-	-	-
Somalia	52,390	-	52,390	-	-	-
Sudan	1,618,423	-	1,618,423	-	-	-
Tanzania	1,482,421	-	1,482,421	4,555,647	-	4,555,647
Uganda	826,540	-	826,540	4,403,580	-	4,403,580
Zambia	3,056,587	-	3,056,587	833,071	-	833,071
Zimbabwe	1,822,426	-	1,822,426	-	-	-

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

30. SHARE CAPITAL (Continued)

	As at 31 December 2015			As at 31 December 2014		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
	23,214,901	8,563,631	31,778,532	17,069,540	38,452,473	55,522,013
At the end of the year	270,057,887	69,683,206	339,741,093	246,842,986	61,119,575	307,962,561

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

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the year to cash generated from operations:

		2015 USD	2014 USD
Profit for the year		94,719,686	76,977,738
Adjustments:			
Depreciation on property and equipment		765,659	578,203
Gain in foreign exchange		3,033,765	(557,313)
Loss on disposal of property and equipment		15,333	20
Fair value loss on revaluation of equity investments		223,800	1,280,792
Amortisation of intangible assets		136,938	115,692
Profit before changes in operating assets and liabilities		98,895,181	78,395,132
(Decrease)/increase in other receivables		101,373,775	(281,813,618)
Increase in hedging derivative asset		(26,803,754)	(34,189,322)
(Decrease) in hedging derivative liability		-	(126,423)
(Increase) in trade finance loans		(306,559,336)	(458,214,995)
(Increase) in project loans		(88,504,278)	(25,849,111)
Decrease in deferred expenditure		5,437,118	2,526,818
Increase /(decrease) in collection accounts deposits		137,699,693	(75,766,346)
Increase in other payables		13,799,809	3,363,988
Increase in provision for service and leave pay		254,057	564,605
Increase in borrowings	31 (b)	284,613,137	972,278,283
		220,205,402	181,169,011

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

(b) Analysis of changes in borrowings:

		2015 USD	2014 USD
Short term borrowings:			
At beginning of year		1,919,329,465	972,855,019
Loans received		3,124,916,104	3,247,694,788
Repayments		(2,865,005,030)	(2,301,220,342)
At end of year		2,179,240,539	1,919,329,465
Long term borrowings:			
At beginning of year		849,402,489	823,598,652
Loans received		120,288,898	127,554,555
Repayments		(95,586,834)	(101,750,718)
At end of year		874,104,553	849,402,489
Total borrowings:			
At beginning of year		2,768,731,954	1,796,453,671
Loans received		3,245,205,002	3,375,249,343
Repayments		(2,960,591,864)	(2,402,971,060)
At end of year		3,053,345,092	2,768,731,954
Increase in total borrowings	31 (a)	284,613,137	972,278,283

(c) Analysis of cash and cash equivalents

	2015 USD	2014 USD
Cash and balances with other banks - Note 13	643,514,540	435,996,933

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 (Cont)

For the year ended 31 December 2015

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

(d) Facilities available for lending

As at 31 December 2015 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilized USD	Facilities unutilised USD
Standard Chartered Bank	405,000,000	374,302,464	30,697,536
Short Term Placements	341,531,667	341,531,667	
Mauritius Commercial Bank	160,000,000	-	160,000,000
AFREXIM	125,000,000	63,519,716	61,480,284
Commerz Bank	117,535,215	117,535,215	-
Bank of Tokyo Mitsubishi	100,000,000	100,000,000	-
Firstrand Bank	100,000,000	58,703,120	41,296,880
ING Bank	98,361,900	50,667,170	47,694,730
Mashreqbank	95,181,693	95,181,692	1
Societe Generale	95,000,000	58,177,808	36,822,192
Standard Bank South Africa	90,000,000	59,995,447	30,004,553
Commercial Bank of Africa	80,000,000	-	80,000,000
FBN Bank London	80,000,000	76,623,072	3,376,928
BNP Paribas Group	75,000,000	-	75,000,000
Sumitomo Mitsui Banking Corporation	73,000,000	72,590,698	409,302
HSBC Bank	72,000,000	-	72,000,000
Citibank Nairobi	65,284,297	65,284,297	-
Deutsche Bank	60,000,000	58,137,543	1,862,457
British Arab Commercial Bank	54,645,500	-	54,645,500
African Finance Corporation	50,000,000	50,000,000	-
Kenya Commercial Bank	50,000,000	-	50,000,000
State Bank of Mauritius	50,000,000	27,138,204	22,861,796
UBA,New York	50,000,000	-	50,000,000
NIC Bank	40,000,000	-	40,000,000
Mizuho Bank London	40,000,000	39,450,000	550,000
BADEA	40,000,000	-	40,000,000
BCV	32,787,300	-	32,787,300
Natixis	30,000,000	-	30,000,000
CFC Stanbic Bank	30,000,000	186,967	29,813,033
FimBank	29,962,569	29,962,569	-
KBC Bank	27,322,750	19,999,999	7,322,751
BMCE Bank	27,322,750	9,999,999	17,322,751

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

(d) Facilities available for lending (Continued)

SHORT-TERM FACILITIES (Continued) LENDER	Facilities available USD	Facilities utilized USD	Facilities unutilised USD
BHF Bank	21,858,200	3,226,110	18,632,090
Byblos Bank	21,858,200	-	21,858,200
Banque BIA, France	21,858,200	9,999,999	11,858,201
KFW	20,000,000	20,000,000	-
Ghana International Bank	20,000,000	-	20,000,000
Banque de Commerce de placement	16,393,650	6,178,425	10,215,225
DZ Bank	15,000,000	-	15,000,000
Investec	15,000,000	-	15,000,000
Barclays/Absa Bank	15,000,000	-	15,000,000
Nedbank	10,000,000	-	10,000,000
Habib Bank London	10,000,000	9,999,999	1
Intesa Sanpaolo	10,000,000	9,999,999	1
Bank of China	8,000,000	7,999,999	1
Bank of China	5,000,000	4,999,999	1
United Bank Limited	5,000,000	-	5,000,000
	2,999,903,891	1,841,392,177	1,158,511,714

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

(d) Facilities available for lending (Continued)

LONG TERM FACILITIES	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
LENDER			
Eurobond	398,746,000	398,746,000	-
African Development Bank	150,000,000	150,000,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
China Development Bank	122,900,000	122,900,000	-
European Investment Bank	97,245,000	-	97,245,000
Development Bank of Southern Africa	95,000,000	95,000,000	-
Private Export Funding Corporation	60,000,000	60,000,000	-
KfW	60,000,000	60,000,000	-
KBC Bank	51,403,510	36,854,140	14,549,370
Opec Fund for International Development	50,000,000	50,000,000	-
FMO	50,000,000	50,000,000	-
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
Industrial Development Corporation	30,000,000	-	30,000,000
BHF Bank	18,000,000	7,300,000	10,700,000
Tanzania Local Currency Bond	16,506,555	16,506,555	-
Japan Bank for International Corporation	12,700,000	-	12,700,000
Ceskoslovenska Obchodni Banka AS	6,575,954	6,575,954	-
Uganda Shillings Local Currency Bond	3,674,312	3,674,312	-
Overseas Private Investment Corporation	1,400,000	1,400,000	-
Exim Bank USA	No limit	-	No limit
	1,354,151,331	1,163,956,961	190,194,370
TOTAL FACILITIES			
At 31 DECEMBER 2015	4,354,055,222	3,005,349,138	1,348,706,084

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

(d) Facilities available for lending

As at 31 December 2014 the following facilities were available to the Bank for lending:

SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilized USD	Facilities unutilized USD
Short Term Placements	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	908,159,114

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

(d) Facilities available for lending as at 31 December 2014 (Continued)

LONG TERM FACILITIES LENDER	Facilities Available USD	Facilities utilised USD	Facilities unutilized USD
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 (Cont)

For the year ended 31 December 2015

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

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

Derivative financial instruments

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

Equity Investments – at fair value through profit or loss

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

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

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

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

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

At 31 December 2015:	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
ASSETS				
Derivative financial instruments	-	60,993,075	-	60,993,075
Equity investments – at fair value through profit or loss	-	-	288,500	288,500
	-	60,993,075	288,500	61,281,575
LIABILITIES	-	-	-	-

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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	-	-	-	-

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 2015, equity holding in ZEP-RE (PTA Reinsurance Company) was transferred out of Level 2 of the fair value hierarchy and re-designated from equity investment at fair value through profit or loss to equity investment at cost. This is because the investment no longer meets the requirements to be measured at fair value since there are no recent transactions from which fair value can be readily determined.

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 was deemed to be a more accurate measure of the fair value as it represented an observable transaction involving the trade in the shares of ZEP-RE (PTA Reinsurance Company).

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.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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

	As at 31 December 2015			As at 31 December 2014		
	Realised	Unrealised	Total gains/ (losses)	Realised	Unrealised	Total gains/ (losses)
	USD	USD	USD	USD	USD	USD
ASSETS						
Net Derivative financial instruments:	-	(149,579)	(149,579)	-	(149,585)	(149,585)
- Interest rate swap						
- Currency swap	-	485,577	485,577	-	442,584	442,584
Equity investments – at fair value through profit or loss	-	(223,800)	(223,800)	-	(1,280,792)	(1,280,792)
	-	112,198	112,198	-	(987,793)	(987,793)
LIABILITIES	-	-	-	-	-	-

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	2015 USD	2014 USD
Equity investments – at fair value through profit or loss	International Private Equity Valuation Guidelines	Multiple variables	n/a	288,500	512,300

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 2015:

Description	Input	Sensitivity used	Effect on fair value USD
Equity investments – at fair value through profit or loss	Multiple variables	5%	14,425

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

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 (Cont)

For the year ended 31 December 2015

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Level 3 reconciliation

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

	2015 USD	2014 USD
Balance as at 31 January	512,300	19,753,620
Financial assets recognized at FV-Level 2	-	(12,141,991)
Financial assets recognized at cost in current year	-	(6,675,075)
	512,300	936,554
Total FV gains and losses in profit or loss	(223,800)	(1,155,255)
Additions	-	863,302
Retirements	-	(132,301)
Balance as at 31 December	288,500	512,300

33. SEGMENT REPORTING

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

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

33. SEGMENT REPORTING (Continued)

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

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2015:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	159,416,207	48,352,083	900,437	208,668,727
Interest expense and other borrowing costs	(70,477,044)	(26,334,208)	(1,379,655)	(98,190,907)
Net interest income	88,939,163	22,017,875	(479,218)	110,477,820
Fee and commission income	26,494,807	6,022,823	-	32,517,630
Other income	-	-	886,310	886,310
Other assets written off	-	(241,287)	-	(241,287)
Interest on capital arrears	-	-	1,341,440	1,341,440
Other assets recovered	1,779,735	4,879,338	-	6,659,073
Operating expenses	(17,186,386)	(2,806,886)	-	(19,993,272)
Depreciation and amortisation	(831,962)	(70,635)	-	(902,597)
Impairment on loans	21,956,769	(54,724,635)	-	(32,767,866)
Foreign exchange loss	(3,033,765)	-	-	(3,033,765)
Fair value gain on equity investments	-	(223,800)	-	(223,800)
Profit for the year	118,118,361	(25,147,207)	1,748,532	94,719,686
Year Ended 31 December 2014:				
Gross interest income	108,073,658	46,000,222	2,665,575	156,739,455
Interest expense and other borrowing costs	(61,198,376)	(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	(15,939,995)	(2,489,675)	(105,000)	(18,534,670)
Depreciation and amortisation	(657,379)	(36,516)	-	(693,895)
Impairment on loans	(19,321,381)	(5,470,933)	-	(24,792,314)
Foreign exchange gain	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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	264,474,038	-	379,040,502	643,514,540
Investment on Government securities tmaturity	-	-	241,763,172	241,763,172
Derivative financial instruments	-	-	60,993,075	60,993,075
Trade finance loans	2,208,112,386	-	-	2,208,112,386
Project loans	-	698,662,513	-	698,662,513
Equity investments at fair value through profit or loss	-	288,500	-	288,500
Equity investments at cost	-	20,162,420	-	20,162,420
Investment in joint ventures	-	334,492	-	334,492
Other receivables	-	-	187,745,880	187,745,880
Deferred expenditure	-	-	11,190,156	11,190,156
Property and equipment	-	-	21,435,474	21,435,474
Intangible assets	-	-	357,514	357,514
Total assets	2,472,586,424	719,447,925	902,525,773	4,094,560,122
Liabilities:				
Collection account deposits	264,474,038	-	-	264,474,038
Short term borrowings	2,179,240,539	-	-	2,179,240,539
Long term borrowings	-	874,104,553	-	874,104,553
Other payables	-	-	34,800,406	34,800,406
Provision for service and leave pay	-	-	5,672,051	5,672,051
Total liabilities	2,179,240,539	874,104,553	40,472,457	3,358,291,587
Equity	-	-	736,268,535	736,268,535
	2,179,240,539	874,104,553	776,740,992	4,094,560,122

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

33. 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	-	-	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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

34. CONTINGENT LIABILITIES AND COMMITMENTS

	2015 USD	2014 USD
(a) Capital commitments		
Approved but not contracted	9,471,715	2,665,894

(b) Loans committed but not disbursed

	2015 USD	2014 USD
Project finance loans	219,343,426	271,798,340
Trade finance loans	511,347,097	377,243,504
	730,690,523	649,041,844

(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.

	2015 USD	2014 USD
Letters of credit - Project finance loans	7,044,474	64,489,727
- Trade finance loans	341,874,767	405,146,928
Guarantees	2,041,765	20,377,524
	350,961,006	490,014,179

(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 168,623 (2014 - USD 227,460). At reporting date, the Bank had contracted with tenants for the following future lease receivables:

	2015 USD	2014 USD
Within one year	-	128,408
In the second and third year inclusive	-	-
	-	128,408

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months notice to vacate the premises. The leases had not been renewed by 31 December 2015.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

34. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(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:

	2015 USD	2014 USD
Within one year	274,727	262,647
In the second to fifth year inclusive	726,613	990,553
Over five years	-	-
	1,001,340	1,253,200

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.

(e) Pending litigation

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

As at 31 December 2015, there were legal proceedings involving the Bank amounting to USD 19,340,000 (2014 - USD 18,200,000) 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.

35. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- eighteen COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders – one non-African State and nine institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of thirteen (13) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

35. RELATED PARTY TRANSACTIONS (Continued)

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

(b) Loans to member states	2015 USD	2014 USD
Outstanding loans at 1 January	1,156,104,821	803,299,392
Loans disbursed during the year	1,322,929,001	2,220,727,959
Loans repaid during the year	(1,272,493,914)	(1,867,922,530)
Outstanding loan balances at 31 December	1,206,539,908	1,156,104,821

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2014: Nil). The loans are granted for an average period of one year.

(c) Borrowings from members	2015 USD	2014 USD
Outstanding borrowings at 1 January	279,156,500	46,145,657
Borrowings received during the year	95,584,634	241,739,266
Borrowings repaid during the year	(9,750,888)	(8,728,423)
Outstanding balances at 31 December	364,990,246	279,156,500

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

(d) Income and expenses	2015 USD	2014 USD
Interest income from loans to Member States earned during the year	77,509,593	65,956,299
Interest expense on borrowings from Member States incurred during the year	(9,616,953)	(1,152,774)
Fees and commission earned from Member States during the year	24,623,254	17,324,372

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

35. RELATED PARTY TRANSACTIONS (Continued)

(e) Other related parties

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

	2015 USD	2014 USD
Salaries and other short-term benefits	1,908,812	1,873,716
Post employment benefits: Defined contribution: Provident Fund	460,483	469,607
Board of Directors and Board of Governors allowances	48,300	181,800
	2,417,595	2,525,123

36. CURRENCY

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

	2015	2014
British Pound	0.6744	0.6426
Euro	0.9150	0.8227
Sudanese Pound	6.0482	5.6692
Zambian Kwacha	11.2475	6.3420
South Africa Rand	15.5632	11.5561
Ethiopian Birr	20.9470	20.0150
Mauritian Rupee	35.8772	31.6780
Kenya Shilling	102.2500	90.6000
Japanese Yen	120.4216	119.6700
Malawi Kwacha	658,3900	445.0000
Burundi Franc	1531.0000	1537.0000
Tanzania Shilling	2158.4975	1738.6100
Uganda Shilling	3377.3175	2764.2060

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

37. EVENTS AFTER THE REPORTING DATE

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

38. FINANCIAL RISK MANAGEMENT

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

(a) INTRODUCTION

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

Risk management structure

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

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

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

Risk measurement and reporting systems

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK

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

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 2015, all country exposures were within this limit.

Notes 41 and 42 of the Financial Statements contain the country exposure analysis as at 31 December 2015 and 31 December 2014.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 34(c).

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

	2015 USD	%	2014 USD	%
Credit Exposures				
On - statement of financial position Items				
Cash and Balances held with other banks	643,514,540	16	435,996,933	12
Investment in Government securities	241,763,172	6	216,000,000	6
Other receivables	164,962,264	4	280,950,089	8
Loans and advances	3,001,749,471	74	2,579,652,028	74
-Project loans	762,348,507		624,853,631	
-Trade finance loans	2,239,400,964		1,954,798,397	
Sub Total	4,051,989,447	100	3,512,599,050	100
Off - statement of financial position Items				
Letters of Credit	348,919,241	32	469,636,655	41
Loan Commitments not disbursed	730,690,523	68	649,041,844	57
Guarantees and Performance Bonds	2,041,765	-	20,377,524	2
Sub Total	1,081,651,529	100	1,139,056,023	100
Total Credit Exposure	5,133,640,979		4,651,655,073	

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 2015 (2014 - 80%) of the total maximum credit exposure.

Other than cash and bank balances amounting to USD 643,514,540 (2014 -USD 435,996,933) 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 2015, the fair value of collateral held for impaired loans and advances was USD 412,077,829 (2014 - USD 155,728,529) and provided sufficient cover over the gross exposure of USD 86,229,211 (2014-USD 78,337,447) and over the net exposure of USD 15,715,179 (2014-USD 21,208,427) after deducting the impairment allowances.

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances

For year ended 31 December 2015:

Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired	2,648,287,767	(24,460,540)	2,623,827,227	90
Past due but not impaired	267,232,493	-	267,232,493	9
Impaired	86,229,211	(70,514,032)	15,715,179	1
Total	3,001,749,471	(94,974,572)	2,906,774,899	100

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	202,468,231	-	202,468,231	8
Impaired	78,337,447	(57,129,021)	21,208,426	1
Total	2,579,652,027	(67,940,742)	2,511,711,285	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 (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Ageing of arrears for past due loans and advances not impaired

	2015 USD	2014 USD
Below 30 Days	152,678,075	132,376,019
31 to 90 Days	114,554,418	70,092,213
Total arrears	267,232,493	202,468,232

Ageing of arrears for impaired loans and advances

	2015 USD	2014 USD
Below 30 Days	2,950,787	2,776,708
31-90 Days	357,132	927,249
91-180 Days	16,066,427	27,025,050
181-360 Days	22,573,153	9,043,049
Over 360 Days	65,242,360	88,981,122
Total arrears	107,189,859	128,753,178
(Restructured loans)/Amounts not in arrears	(20,960,648)	(50,415,731)
Total	86,229,211	78,337,447

Loans and advances that are neither past due nor impaired

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

Past due but not impaired

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Impaired loans and advances

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

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements. In 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 2015 and 31 December 2014, the Bank's collateral exceeded the outstanding gross portfolio.

Collateral held for loan portfolio		2015 USD	2014 USD
(i)	Total portfolio:		
	Mortgages on properties	635,948,361	701,496,217
	Fixed charge on plant and equipment	767,196,751	316,495,621
	Cash security deposits	865,519,340	889,584,657
	Floating all asset debentures	355,481,787	252,868,715
	Sovereign undertakings	767,636,989	662,766,017
	Insurance and Guarantees	1,728,576,031	768,543,694
	Total security cover	5,120,359,259	3,591,754,921
	Gross portfolio	(3,001,749,471)	(2,579,652,028)
	Net cover	2,118,609,788	1,012,102,893

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio (Continued)

		2015 USD	2014 USD
(ii)	Past due but not impaired:		
	Mortgages on properties	33,109,149	264,133,360
	Fixed charge on plant and equipment	25,015,488	61,265,841
	Other floating all asset debentures	40,000,000	103,000,000
	Sovereign undertakings	65,015,488	202,322,881
	Insurance and Guarantees	69,000,000	30,000,000
		232,140,125	660,722,082
	Portfolio	(267,232,493)	(202,468,232)
	Net cover	(35,092,368)	458,253,850
(iii)	Impaired loans:		
	Mortgages on properties	75,253,541	64,591,539
	Fixed charge on plant and equipment	51,162,144	13,818,000
	Cash security deposits	850,000	-
	Sovereign undertakings	52,012,144	77,318,990
	Insurance and Guarantees	232,800,000	-
		412,077,829	155,728,529
	Portfolio	(86,229,211)	(78,337,447)
	Net cover	325,848,618	77,391,082

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of risk

As at 31 December 2015

	Gross Exposure On-statement Of financial Position		Off-statement Of financial Position		Cash collateral/ In transit	Insurance	Net Exposure	
	USD	%	USD	%	USD	USD	USD	%
Mining and Quarrying	46,498,420	2	18,790,350	2	-	-	65,288,770	3
Agribusiness	663,051,429	22	120,779,699	11	(327,300,786)	(132,117,612)	324,412,730	13
Banking and Financial Services	286,546,860	10	147,598,509	14	(438,027)	-	433,707,342	17
Education	7,514,509	-	(376)	-	-	-	7,514,133	-
Hospitality	57,455,162	2	2,066,252	-	-	-	59,521,414	2
Manufacturing and Heavy Industries	176,173,483	6	139,073,310	13	-	-	315,246,793	12
Other	40,716,129	1	222,997,422	21	-	-	263,713,551	10
Health Services	26,536,759	1	2,926,385	-	-	-	29,463,144	1
Energy	98,375,384	3	39,456,165	4	-	(32,380,584)	105,450,965	4
Petrochemicals	1,295,165,817	43	331,657,882	31	(462,807,121)	(550,000,000)	614,016,578	24
Real Estate	68,617,018	2	13,394,864	1	-	-	82,011,882	3
Telecommunications	34,118,045	1	2,222,152	-	-	(6,209,104)	30,131,093	1
Infrastructure	73,237,444	2	-	-	-	-	73,237,444	3
Transport and Logistics	127,743,012	4	40,688,915	4	-	(43,057,683)	125,374,244	5
	3,001,749,471	100	1,081,651,529	100	(790,545,934)	(763,764,983)	2,529,090,083	100

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

The Bank, as part of its prudent management of credit risk arising from high sectoral concentration, limits the net exposure to Petrochemicals and Agribusiness sectors to 35% of the Bank's total loan book, and 25% for all other sectors. As at 31 December 2015, all loan and advances sectoral concentrations were within the stipulated limit

38. FINANCIAL RISK MANAGEMENT (Continued)

(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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans	2015 USD	2014 USD
Project finance loans	-	30,559,636
Trade finance loans	390,000,000	180,824,733
	390,000,000	211,384,369

(c) LIQUIDITY RISK

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

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

The prudential minimum level of liquidity is updated quarterly.

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

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2015	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	642,927,743	586,797	-	-	-	-	643,514,540
Investment in Government securities	-	-	-	241,763,172		-	241,763,172
Other receivables	164,034,873	69,951	103,526	160,500	593,414	-	164,962,264
Derivative financial instruments	-	-	-	-	60,993,075	-	60,993,075
Trade finance loans	730,794,285	322,340,355	514,465,968	503,616,152	136,895,626	-	2,208,112,386
Project loans	56,543,325	26,529,027	29,113,515	63,644,116	370,023,973	152,808,557	698,662,513
Equity investments							
• At fair value through profit or loss	-	-	-	-	288,500	-	288,500
• At cost	-	-	-	-	20,162,420	-	20,162,420
Total financial assets	1,594,300,226	349,526,130	543,683,009	809,183,940	588,957,008	152,808,557	4,038,458,870
FINANCIAL LIABILITIES							
Short term borrowings	399,799,620	582,716,614	382,205,556	794,303,637	20,215,112	-	2,179,240,539
Long term borrowings	116,879,510	18,604,203	61,152,236	33,740,140	569,370,850	74,357,614	874,104,553
Collection Account	264,150,398	323,640	-	-	-	-	264,474,038
Other payables	29,467,497	142,934	213,891	424,174	3,043,917	1,454,258	34,746,671
Total liabilities	810,297,025	601,787,391	443,571,683	828,467,951	592,629,879	75,811,872	3,352,565,801
Net liquidity gap	784,003,201	(252,261,261)	100,111,326	(19,284,011)	(3,672,871)	76,996,685	685,893,069
Cumulative gap	784,003,201	531,741,940	631,853,266	612,569,255	608,896,384	685,893,069	685,893,069

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 (Cont)

For the year ended 31 December 2015

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	2 to 3 months	4 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
	USD	USD	USD	USD	USD	USD	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	956,489	-	280,950,089
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	646,582,021	140,644,222	3,498,176,995
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	(404,230,045)	76,968,769	581,723,836
Cumulative gap	605,310,763	675,628,134	567,703,722	908,985,112	504,755,067	581,723,836	581,723,836

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

I. Liquidity and funding management

The Bank's liquidity and funding policies require:

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

II. Contingency Plans

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

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

(d) MARKET RISK

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

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

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

I. Interest rate risk

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

I. Interest rate risk continued (Continued)

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

At 31 December 2015:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	374,514,901	586,797	-	-	-	268,412,842	643,514,540
Investment in Government securities	-	-	-	-	241,763,172	-	241,763,172
Other receivables	-	-	-	-	591,496	164,370,768	164,962,264
Derivative financial instruments	-	875,058	-	-	-	60,118,017	60,993,075
Trade finance loans	56,488,100	36,515,807	419,916,304	43,656,454	1,638,815,324	12,720,397	2,208,112,386
Project finance loans	299,710,837	115,900,333	85,099,357	1,742,319	194,228,314	1,981,353	698,662,513
Equity Investments							
• At fair value through profit or loss	-	-	-	-	-	288,500	288,500
• At cost	-	-	-	-	-	20,162,420	20,162,420
Total financial assets	730,713,838	153,877,995	505,015,661	45,398,773	2,075,398,306	528,054,297	4,038,458,870
FINANCIAL LIABILITIES							
Short term borrowings	963,323,643	705,088,836	117,971,970	20,215,113	372,640,977	-	2,179,240,539
Long term borrowings	126,238,363	710,058,858	6,827,448	-	30,979,884	-	874,104,553
Collection Accounts	-	-	-	-	-	264,474,038	264,474,038
Other payables	-	-	-	-	5,351,532	29,395,139	34,746,671
Total financial liabilities	1,089,562,006	1,415,147,694	124,799,418	20,215,113	408,972,393	293,869,177	3,352,565,801
Net interest rate exposure	(358,848,168)	(1,261,269,699)	380,216,243	25,183,660	1,666,425,913	234,185,120	685,893,069
Cumulative interest rate exposure	(358,848,168)	(1,620,117,867)	(1,239,901,624)	(1,214,717,964)	451,707,949	685,893,069	685,893,069

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

38. FINANCIAL RISK MANAGEMENT (Continued)

I. Interest rate risk (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	307,220,783	914,630	-	-	-	127,861,520	435,996,933
Investment in Government securities	-	-	-	-	216,000,000	-	216,000,000
Other receivables	-	-	-	-	491,057	280,459,032	280,950,089
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	-	-	-	-	-	12,654291	12,654,291
• At cost	-	-	-	-	-	6,675,075	6,675,075
Total financial assets	1,044,120,334	592,922,837	150,685,981	19,144,927	1,220,367,103	470,935,813	3,498,176,995
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	16,022,868	20,946,860
Total financial liabilities	888,412,552	1,440,068,342	79,305,060	-	365,869,992	142,797,213	2,916,453,159
Net interest rate exposure	155,707,782	(847,145,505)	71,380,921	19,144,927	854,497,111	328,138,600	581,723,836
Cumulative interest rate exposure	155,707,782	(691,437,723)	(620,056,802)	(600,911,875)	253,585,236	581,723,836	581,723,836

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

I. Interest rate risk (Continued)

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

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

- Interest-bearing assets and liabilities outstanding as at 31 December 2015 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 2015 of USD 94,719,686 (2014: USD 76,977,738) would increase or decrease by USD 12,190,930 (2014 - USD 7,185,990) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2015 would increase to USD 106,910,616 (2014: USD 84,163,728) or decrease to USD 82,528,756 (2014: USD 69,796,748).

The potential change is 12.9% (2014 – 9.3%) of the year's profit.

II. Currency risk

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

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

II. Currency Risk (Continued)

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

The Bank's currency position as at 31 December 2015 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	TZSH	OTHER	TOTAL
FINANCIAL ASSETS									
Cash and balances with other banks	365,483,686	36,221	(1,770,950)	579,514	268,412,841	7,712,056	2,254,406	806,766	643,514,540
Investment in Government securities	241,763,172	-	-	-	-	-	-	-	241,763,172
Other receivables	164,962,264	-	-	-	-	-	-	-	164,962,264
Derivative financial instruments	782,483,595	-	(721,490,520)	-	-	-	-	-	60,993,075
Trade finance loans	1,216,723,046	-	991,389,340	-	-	-	-	-	2,208,112,386
Project finance loans	668,812,801	-	15,356,809	-	-	345,442	14,147,461	-	698,662,513
Equity Investments									
• At fair value through profit or loss	288,500	-	-	-	-	-	-	-	288,500
• At cost	20,162,420	-	-	-	-	-	-	-	20,162,420
Total financial assets	3,460,679,484	36,221	283,484,679	579,514	268,412,841	8,057,498	16,401,867	806,766	4,038,458,870
FINANCIAL LIABILITIES									
Short term borrowings	1,913,453,965	-	265,786,574	-	-	-	-	-	2,179,240,539
Long term borrowings	859,995,812	-	-	-	-	453,918	13,654,823	-	874,104,553
Collection account	1,021,342	-	-	-	263,452,696	-	-	-	264,474,038
Other payables	34,632,448	-	-	100,618	-	-	-	13,605	34,746,671
Total financial liabilities	2,809,103,567	-	265,786,574	100,618	263,452,696	453,918	13,654,823	13,605	3,352,565,801
NET POSITION	651,575,917	36,221	17,698,105	478,896	4,960,145	7,603,580	2,747,044	793,161	685,893,069

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

II . Currency Risk (Continued)

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

The Bank's currency position as at 31 December 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	280,950,089	-	-	-	-	-	-	-	280,950,089
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	2,740,115,203	1,227	607,039,092	26,335	127,861,520	2,498,981	19,821,449	813,188	3,498,176,995
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	20,910,163	-	-	34,065	-	-	-	2,632	20,946,860
Total financial liabilities	2,159,019,757	-	615,080,251	34,065	122,569,768	1,110,742	18,634,645	3,931	2,916,453,159
NET POSITION	581,095,446	1,227	(8,041,159)	(7,730)	5,291,752	1,388,239	1,186,804	809,257	581,723,836

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

II. Currency 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 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
2015	5,317	1,928,671	8,393	127	-	(31,358)
2014	(144)	(1,104,303)	2,981	68	-	(12,690)

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 (Cont)

For the year ended 31 December 2015

39. CAPITAL MANAGEMENT (Continued)

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

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

RISK WEIGHTED ASSETS	2015 USD	2014 USD
On-Statement of financial position assets	1,812,316,602	1,739,613,887
Off- Statement of financial position assets	70,804,731	104,116,093
Total risk weighted assets	1,883,121,333	1,843,729,980
CAPITAL		
Paid up capital	339,741,093	307,962,561
Retained earnings and reserves	396,527,442	313,959,788
Total capital	736,268,535	621,922,348
CAPITAL ADEQUACY RATIO	39.1%	33.7%

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

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

40. FINANCIAL INSTRUMENTS CATEGORIES

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

As at 31 December 2015:	Loans and receivables	At fair value through profit or loss	Available for sale	Hedging instruments	Loans and borrowings	Total carrying amount
	USD	USD	USD	USD	USD	USD
Financial assets						
Cash and balances held with banks	643,514,540	-	-	-	-	643,514,540
Investment in Government securities	241,763,172	-	-	-	-	241,763,172
Other receivables	164,962,264	-	-	-	-	164,962,264
Trade finance loans	2,208,112,386	-	-	-	-	2,208,112,386
Project finance loans	698,662,513	-	-	-	-	698,662,513
Equity investments at fair value through profit or loss	-	288,500	-	-	-	288,500
Equity investments at cost	-	-	20,162,420	-	-	20,162,420
Derivative financial instruments	-	-	-	60,993,075	-	60,993,075
Total financial assets	3,957,014,875	288,500	20,162,420	60,993,075	-	4,038,458,870
Financial liabilities						
Collection account deposits	-	-	-	-	264,474,038	264,474,038
Derivative financial instruments	-	-	-	-	-	-
Short term borrowings	-	-	-	-	2,179,240,539	2,179,240,539
Long term borrowings	-	-	-	-	874,104,553	874,104,553
Other payables	-	-	-	-	34,746,671	34,746,671
Total financial liabilities	-	-	-	-	3,352,565,801	3,352,565,801

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

40. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2014:	Loans and receivables	At fair value through profit or loss	Available for sale	Hedging instruments	Loans and borrowings	Total carrying amount
	USD	USD	USD	USD	USD	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
Other receivables	280,950,089	-	-	-	-	280,950,089
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	3,443,658,307	12,654,291	6,675,075	34,189,322	-	3,498,176,995
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 (Cont)

For the year ended 31 December 2015

41. TRADE FINANCE LOAN PORTFOLIO

	As at 31 December 2015			As at 31 December 2014		
Country	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD	Balance outstanding USD	Amounts due within six months USD	Amounts due after six months USD
Congo DRC	5,047,017	5,047,017	-	-	-	-
Djibouti	2,035,492	24,932	2,010,560	-	-	-
Egypt	228,684	228,684	-	-	-	-
Ethiopia	88,048,439	27,037,953	61,010,486	61,666,968	12,371,335	49,295,633
Kenya	50,396,656	48,569,753	1,826,903	74,403,775	63,403,775	11,000,000
Malawi	207,401,942	54,991,993	152,409,949	204,126,016	128,596,516	75,529,500
Mauritius	13,487,722	13,487,722	-	3,234	3,234	-
Rwanda	43,170,625	559,540	42,611,085	-	-	-
Seychelles	12,384,716	9,384,716	3,000,000	42,262,613	23,120,558	19,142,055
Sudan	787,272,222	561,535,286	225,736,936	700,034,021	165,269,559	534,764,462
Tanzania	176,556,612	94,698,852	81,857,760	129,389,290	70,657,456	58,791,834
Uganda	6,716,731	1,447,928	5,268,803	3,717,490	1,765,659	1,951,831
Zambia	703,259,687	689,417,597	13,842,090	530,845,445	530,845,445	-
Zimbabwe	143,394,419	61,168,635	82,225,784	208,349,545	138,061,688	70,287,857
Gross Loans	2,239,400,964	1,567,600,608	671,800,356	1,954,798,397	1,134,095,225	820,703,172
Less: Impairment on trade finance loans (Note 17)	(31,288,578)	-	(31,288,578)	(53,245,347)	-	(53,245,347)
NET LOANS	2,208,112,386	1,567,600,608	640,511,778	1,901,553,050	1,134,095,225	767,457,825

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

42. PROJECT LOAN PORTFOLIO

Country	Amounts Approved USD	Amounts Signed USD	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	As at 31 December 2015 Balance Outstanding USD	As at 31 December 2015 Due within One year USD	As at 31 December 2015 Due after One year USD	As at 31 December 2014 Balance Outstanding USD	As at 31 December 2014 Within One year USD	As at 31 December 2014 Due after One year USD
Burundi	40,115,973	35,998,515	26,139,793	-	(13,108,902)	352,206	13,383,097	2,477,088	10,906,009	13,091,057	1,951,688	11,139,369
Congo DRC	84,200,000	84,200,000	27,205,368	-	-	1,080,024	28,285,392	1,080,024	27,205,368	164,892	164,892	-
Eritrea	403,652	403,652	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	149,964,439	126,464,439	50,672,668	522,176	(31,047,300)	180,469	20,328,013	4,551,870	15,776,143	16,549,619	4,833,726	11,715,893
Kenya	376,752,129	328,552,129	297,300,171	1,532,900	(233,146,173)	1,067,903	66,754,801	15,682,642	51,072,159	52,966,021	13,630,249	39,335,772
Malawi	61,713,723	61,713,723	60,793,336	2,920	(39,769,499)	525,416	21,552,173	6,832,520	14,719,653	23,501,009	5,011,360	18,489,649
Mauritius	65,725,000	22,000,000	22,000,000	-	(8,911,112)	42	13,088,930	888,376	12,200,554	7,619,733	549,679	7,070,054
Rwanda	166,822,670	162,123,954	144,565,020	2,941,028	(48,951,167)	1,568,461	100,123,342	16,328,564	83,794,778	100,874,199	10,861,244	90,012,955
Seychelles	47,500,000	41,500,000	41,364,275	-	(30,477,474)	73,750	10,960,551	3,965,472	6,995,079	8,211,108	2,580,862	5,650,246
Sudan	78,381,910	78,381,910	45,106,624	5,473,714	(25,392,905)	4,201,497	29,388,930	8,903,439	20,485,491	28,492,513	3,798,699	24,693,814
Tanzania	311,822,792	245,322,793	191,504,320	682,910	(97,478,721)	1,818,836	96,527,345	25,453,144	71,074,201	103,034,122	19,680,798	83,353,324
Uganda	217,376,291	215,245,639	206,604,865	4,851,976	(104,296,802)	1,181,931	108,341,970	27,336,981	81,004,989	76,697,485	22,033,929	54,663,556
Zambia	140,902,661	136,820,934	131,311,189	26,255,510	(108,117,633)	1,310,597	50,759,663	10,923,068	39,836,595	56,719,555	8,793,598	47,925,957
Zimbabwe	331,590,312	310,884,752	265,292,226	709,656	(66,858,781)	3,711,199	202,854,300	51,406,795	151,447,505	136,932,318	30,425,208	106,507,110
Gross loans	2,073,271,552	1,849,612,440	1,510,263,507	42,972,790	(807,960,121)	17,072,331	762,348,507	175,829,983	586,518,524	624,853,631	124,315,932	500,557,699
Less: Impairment on project loans (note 17)							(63,685,994)	-	(63,685,994)	(14,695,396)	-	(14,695,396)
NET LOANS							698,662,513	175,829,983	522,832,530	610,158,235	124,315,932	485,862,303

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2015:

CLASS 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2015 USD	Instalments paid as at 31.12.2015 USD
Belarus	1,109	1.71	25,137,703	20,110,162	5,027,541	2,027,336	2,027,336
Burundi	1,318	2.04	29,875,106	23,900,085	5,975,021	5,975,021	5,975,021
China	3,647	5.64	82,666,549	66,133,239	16,533,310	16,533,309	16,533,309
Comoros	54	0.08	1,224,018	979,214	244,804	244,804	131,296
Djibouti	334	0.52	7,570,778	6,056,622	1,514,156	1,514,156	1,514,156
Congo DRC	5,340	8.25	121,041,780	96,833,424	24,208,356	19,366,684	10,548,230
Egypt	5,728	8.85	129,836,576	103,869,261	25,967,315	25,967,315	25,967,315
Eritrea	240	0.37	5,440,080	4,352,064	1,088,016	1,088,016	583,539
Ethiopia	5,728	8.85	129,836,576	103,869,261	25,967,315	25,967,315	25,967,315
Kenya	5,728	8.85	129,836,576	103,869,261	25,967,315	25,967,315	25,967,315
Malawi	1,415	2.19	32,073,805	25,659,044	6,414,761	6,414,761	6,414,761
Mauritius	2,779	4.29	62,991,593	50,393,274	12,598,319	10,104,948	10,104,948
Rwanda	1,731	2.68	39,236,577	31,389,262	7,847,315	6,956,502	6,956,502
Seychelles	289	0.45	6,550,763	5,240,610	1,310,153	1,310,153	1,310,153
Somalia	318	0.49	7,208,106	5,766,485	1,441,621	1,441,621	773,190
Sudan	5,277	8.16	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	5,541	8.56	125,597,847	100,478,278	25,119,569	25,119,570	25,119,570
Uganda	3,600	5.56	81,601,200	65,280,960	16,320,240	16,320,240	16,320,240
Zambia	5,369	8.30	121,699,123	97,359,298	24,339,825	22,394,996	22,394,996
Zimbabwe	5,942	9.18	134,687,314	107,749,851	26,937,463	26,937,463	26,937,463
African Development Bank	3,218	4.97	72,942,406	58,353,925	14,588,481	14,588,481	14,588,481
	64,705	100	1,466,668,235	1,173,334,587	293,333,648	280,162,758	270,057,888

Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

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

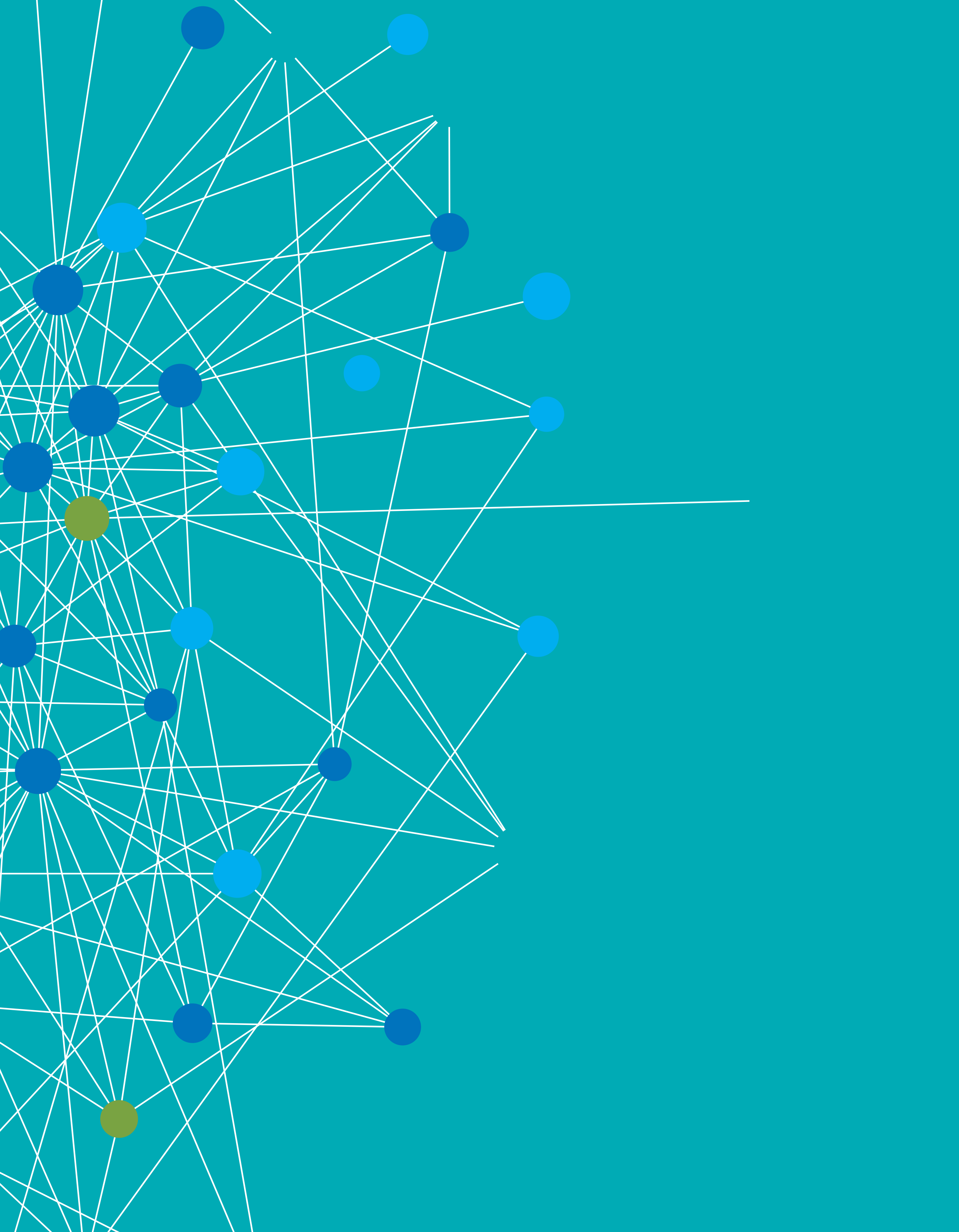
Notes to the Financial Statements (Cont)

For the year ended 31 December 2015

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

CLASS 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31December 2015:							
Africa Reinsurance Corporation	741	4.82	3,359,265	3,359,265	3,359,265	1,638,144	4,997,410
African Development Bank	3,333	21.68	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	835	5.43	3,785,406	3,785,406	3,785,406	1,226,882	5,012,288
Mauritian Eagle Insurance Company Limited	270	1.76	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,733	11.27	7,856,418	7,856,418	7,856,418	2,692,570	10,548,988
National Social Security Fund Uganda	1,207	7.85	5,471,838	5,471,838	5,471,838	4,531,778	10,003,616
People's Republic of China	3,340	21.73	15,141,624	15,141,624	15,141,624	4,912,104	20,053,728
Rwanda Social Security Board	2,049	13.33	9,288,978	9,288,978	9,288,978	3,016,462	13,305,440
Seychelles Pension Fund	1,029	6.69	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
ZEP-RE(PTA Reinsurance company)	834	5.43	3,780,873	3,780,873	3,780,873	1,223,128	5,004,000
	15,371	100	69,683,206	69,683,206	69,683,206	26,870,808	95,554,014
As at 31December 2014:							
Africa Reinsurance Corporation	500	3.71	2,266,710	2,266,710	2,266,710	733,290	3,000,000
African Development Bank	3,333	24.72	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	834	6.19	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
Mauritian Eagle Insurance Company Limited	270	2.00	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,667	12.36	7,557,212	7,557,212	7,557,212	2,444,768	10,001,980
People's Republic of China	3,334	24.73	15,114,424	15,114,424	15,114,424	4,889,576	20,004,000
Rwanda Social Security Board	2,044	15.16	9,266,311	9,266,311	9,266,311	2,997,690	12,264,001
Seychelles Pension Fund	666	4.94	3,019,258	3,019,258	3,019,258	980,742	4,000,000
ZEP-RE(PTA Re insurance company)	834	6.19	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	13,482	100	61,119,575	61,119,575	61,119,575	19,778,406	80,897,981

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.



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