EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK
(PTA BANK)

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2015

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONTENTS PAGES

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Mr. Rajni Varia	ZEP-RE (PTA Reinsurance Company) Managing Director
Mr. Richard Byarugaba	National Social Security Fund – Uganda Chief Executive Officer
Mr. John A. K Esther	SACOS Group Limited Chief Executive Officer

DIRECTORS

Ms. Kampeta Sayinzoga	Director for Zimbabwe, Mauritius, Rwanda and Eritrea Chairman
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Mr. Rupert Simeon	Director for Seychelles, Ethiopia, Burundi and Malawi
Ms. Mariam Hamadou	Director for Egypt, Tanzania and Djibouti
Mr. Gerome Manankisi Kamwanga	Director for Uganda, Sudan, DR Congo and Comoros
Prof. Oliver Saasa	Director for Kenya, Zambia and Somalia
Mr. Liu Mingzhi	Director for Non-African state members
Mr. Solomon Asamoah	Director for African Financial Institutions (AFI)
Mr. Admassu Tadesse	President and Chief Executive
Mr. Willard Manungo	Alternate Director for Zimbabwe, Mauritius, Rwanda and Eritrea
Mr. Sulleman Kamolleh	Alternate Director for Kenya, Zambia and Somalia
Mr. Lawrence Kiiza	Alternate Director for Uganda, Sudan and Comoros
Mr. Tarek Fayed	Alternate Director for Egypt, Tanzania and Djibouti
AUDITORS	Ernst & Young LLP Kenya Re Towers, Upperhill Off Ragati Road P. O. Box 44286 – 00100 Nairobi, Kenya
LAWYERS	Various
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EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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Charter pursuant to Chapter 9 of the Treaty for the establishment of the Preferential Trade Area (PTA), as subsequently repealed and replaced by the Treaty for the Common Market for the Eastern and Southern African States (COMESA).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 7.

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 1 - 2.

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 3.

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

19 April 2016

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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	Director
19 April 2016	19 April 2016

EY
Building a better working world

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Eastern and Southern African Trade and Development Bank (PTA Bank), which comprise the statement of 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 7 to 92.

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.

Ernst & Young

Nairobi, Kenya

21 April 2016

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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	1,191	1,144

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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 ......19 April...... 2016
and were signed on its behalf by:

....
President

....
Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (PTA BANK)
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

1. CORPORATE INFORMATION

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

Statement of compliance

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

Presentation of financial statements

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

(b) Revenue recognition

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Borrowing 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.

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:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) 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.

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.

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:

(a) Financial assets at fair value through profit or loss
(b) Loans, advances and receivables
(c) Held-to-maturity investments
(d) 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.

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:
  a) the Bank has transferred substantially all the risks and rewards of the asset, or
  b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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:

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Investment in Joint Venture (Continued)

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.

i) Fair value of financial instruments

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

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

ii) Impairment losses on loans and advances

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

iii) 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.

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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.

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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.

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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.

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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

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.

3 NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS (Continued)

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

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.

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.

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.

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

7. FEE AND COMMISSION INCOME

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).

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

10. STAFF COSTS

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 79,510 (2014:67,286).

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.

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	2014
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.

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.

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

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

	2015 USD	2014 USD
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).

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.

16. PROJECT LOANS (Continued)

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).

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

18. EQUITY INVESTMENTS

i) Equity participation

31 December 2015

	Share-holding	Beginning cost USD	Additions at cost USD	Total ending cost USD	Investment carrying amount 2015 USD	Investment carrying amount 2014 USD	Fair value loss for the year 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.

18. EQUITY INVESTMENTS(Continued)

(i) 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.

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	2014
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	2014
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

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.

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:		
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

*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.

23 (a). 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

23(b). 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.

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.

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.

27.LONG TERM BORROWINGS

					Amounts as at 31 December 2015			Amounts as at 31 December 2014		
Lender	Date of renewal/ disbursement	Maturity date	Currency	Amount in Currency	Balance outstanding USD	Amount due within one year USD	Amount due after one Year USD	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.

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.

	2015 USD	2015 USD
Analysis of other payables by maturity:		
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

(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.

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

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.

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	-	-	-
	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		99,895,181	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

(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.

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
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

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

(d) Facilities available for lending (continued)

	Facilities available	Facilities utilised	Facilities unutilised
LONG TERM FACILITIES	USD	USD	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

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

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

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 USD	Level 2 USD	Level 3 USD	Total 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				
Derivative financial instruments	-	-	-	-
	-	-	-	-

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				
Net Derivative financial instruments	-	-	-	-
	-	-	-	-

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.

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.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	As at 31 December 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:						
- Interest rate swap	-	(149,579)	(149,579)	-	(149,585)	(149,585)
- 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						
Derivative financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-

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

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.

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

33. SEGMENT REPORTING (Continued)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015:	Trade finance USD	Project 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	-	-	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
	2,443,714,577	874,104,553	776,740,992	4,094,560,122

As at 31 December 2014:	Trade finance USD	Project 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	-	-	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

34. CONTINGENT LIABILITIES AND COMMITMENTS

	2015 USD	2014 USD
(a) Capital commitments		
Approved but not contracted	9,471,715	2,665,894
Approved and contracted	-	-
(b) Loans committed but not disbursed		
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.

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.

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.

35. RELATED PARTY TRANSACTIONS (Continued)

(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

(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

37. EVENTS AFTER THE REPORTING DATE

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

38. FINANCIAL RISK MANAGEMENT

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

(a) INTRODUCTION

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

Risk management structure

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

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

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

Risk measurement and reporting systems

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

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

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

(b) CREDIT RISK

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

38. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Risk Management Policies and Processes

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

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

Client-Specific Risk

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

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

Country risk

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

The Bank limits its exposure to any single Member country to 30% of its total loan portfolio. As at 31 December 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).

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.

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.

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	2014
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

38. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loans and advances that are neither past due nor impaired

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

Past due but not impaired

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

Impaired loans and advances

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

Collateral Held

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

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

For both periods ended 31 December 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

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 USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure 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

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.

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.

38. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2014	Up to 1 month USD	2 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	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

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.

38. FINANCIAL RISK MANAGEMENT

I. Interest rate risk continued (Continued)

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

At 31 December 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)

d) MARKET RISK (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

38. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

II. Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

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

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

- Interest-bearing assets and liabilities outstanding as at 31 December 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.

III. Currency risk

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

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

38. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

III .Currency Risk (Continued)

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

The Bank's currency position as at 31 December 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

38. FINANCIAL RISK MANAGEMENT (Continued)

MARKET RISK (Continued)

III. Currency Risk (Continued)

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

The Bank's currency position as at 31 December 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

38. FINANCIAL RISK MANAGEMENT (Continued)

III. Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, 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.

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.

	2015 USD	2014 USD
RISK WEIGHTED ASSETS		
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.

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 USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Loans and borrowings USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	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

40. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2014:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Loans and borrowings USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	435,996,933	-	-	-	-	435,996,933
Investment in Government securities held to maturity	216,000,000	-	-	-	-	216,000,000
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

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

42. PROJECT LOAN PORTFOLIO

							As at 31 December 2015			As at 31 December 2014		
Country	Amounts Approved USD	Amounts Signed USD	Amounts Disbursed USD	Interest Capita-Lized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Within One year USD	Due after One year USD
Burundi	40,115,973	35,998,515	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

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

43. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2014:

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

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.