EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

U.S.$ 3,500,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme (the "**Programme**") described in this preliminary base prospectus (the "**Base Prospectus**"), the Eastern and Southern African Trade and Development Bank (the "**Issuer**", "**TDB**" or the "**Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**" on the terms and conditions set out herein, as completed by the relevant Final Terms). The aggregate nominal amount of Notes outstanding under the Programme will not at any time exceed U.S.$ 3,500,000,000 (or the equivalent in other currencies), subject to increase as described herein. This Base Prospectus is a base prospectus under Article 8 of the Regulation (EU) 2017/2019 as amended or superseded, (the "**Prospectus Regulation**").

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and to any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer be to all Dealers agreeing to subscribe such Notes.

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank of Ireland**"), as competent authority under the Prospectus Regulation. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended (each such regulated market being a "**MiFID Regulated Market**") and/or which are to be offered to the public in any member state of the European Economic Area (each a "**Member State**").

References in this Base Prospectus to Notes being "*listed*" (and all related references) shall mean that such Notes have been admitted to trading on the regulated market of the Euronext Dublin and have been admitted to the Official List or, as the case may be, another MiFID Regulated Market as may be specified in the applicable Final Terms. The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd or other regulated stock exchange.

For each issue of Notes under the Programme, the information required to complete this Base Prospectus for the relevant issue will be set out in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (as defined herein) (the "**Drawdown Prospectus**") as described under "*Form of Final Terms*" which, with respect to Notes to be listed on Euronext Dublin, will be filed with the Central Bank of Ireland. Copies of such Final Terms and Drawdown Prospectus will also be published on Euronext Dublin's website at https://live.euronext.com/.

Each Series (as defined in "*Overview of the Programme - Method of Issue*") of Notes to be issued in global bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**").

Each series of Notes to be issued in global registered form will be represented on issue by a global certificate (each a "**Global Certificate**") registered in the name of a nominee for one or more clearing systems. If the Notes are stated in the applicable Final Terms to be issued in new global note ("**NGN**") or new safekeeping structure ("**NSS**") form, the Global Notes in NGN form or Global Certificates in NSS form (as the case may be) will be delivered on or prior to the issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Global Notes which are not issued in NGN form ("**Classic Global Notes**" or "**CGNs**") and Global Certificates which are not issued in NSS form will be deposited on the issue date of the relevant Series with a common depositary on behalf of Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"). Unless they are so registered, the Notes may be offered only in transactions that are exempt from registration under the U.S. Securities Act. Accordingly, the Notes are being offered outside the United States in accordance with Regulation S under the U.S. Securities Act ("**Regulation S**"). See "*Subscription and Sale*". The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Overview of Provisions Relating to the Notes while in Global Form*".

The Issuer has been rated "BB+" by Fitch Ratings Limited ("**Fitch**") and "Baa3" by Moody's Investors Service Ltd ("**Moody's**"). The Issuer has also received an international long-term rating of BBB from Global Credit Rating Company (Pty) Ltd ("**GCR**"). Each of Fitch and Moody's is established in the United Kingdom ("**UK**") and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**"). The list of rating agencies registered under the UK CRA Regulation can be found at: https://register.fca.org.uk/s/. GCR is not established in the UK or in the European Union and is not certified under the UK CRA Regulation or Regulation (EU) No 1060/2009 (the "**EU CRA Regulation**"). Neither Fitch nor Moody's has applied for registration under the EU CRA Regulation. The ratings issued by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively, in accordance with the EU CRA Regulation. Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation and as such are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**"), which can be found at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk. Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme may be rated or unrated. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued or endorsed by a credit rating agency established in the European Union or in the UK and registered under the EU CRA Regulation or the UK CRA Regulation (as applicable) will be disclosed in the Final Terms. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Tranches of Notes to be issued under the Programme may be rated by Standard and Poor's Rating Services ("**S&P**"). Where a Tranche of Notes is to be rated such rating will not necessarily be the same as the ratings assigned to the Issuer. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

This Base Prospectus is valid for a period of twelve months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Base Prospectus. The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Base Prospectus is no longer valid.

Any websites referred to herein do not form part of the Base Prospectus and have not been scrutinised or approved by the Central Bank of Ireland.

Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Base Prospectus.

Arrangers and Dealers

Citigroup	**Commerzbank**	**J.P. Morgan**
MUFG	**SMBC Nikko**	**Standard Chartered Bank**

The date of this Base Prospectus is 23 June 2021

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such other information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or the Arrangers (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Legal investment considerations may restrict certain investments. The investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of professional advice where appropriate, whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Neither the issue of this Base Prospectus nor the issue, subscription, offering and sale of the Notes constitutes a waiver by the Issuer or by any of its members, directors, officers or employees of any of the rights, immunities, privileges or exemptions conferred upon any of them by the Charter of the Eastern and Southern African Trade and Development Bank (the "**Charter**"). The Issuer is, however, amenable to suit in respect of its obligations under the Notes in accordance with the Terms and Conditions of the Notes.

MiFID II product governance / target market – The Final Terms in respect of any Notes will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes include a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II or (ii) a customer within the meaning of Directive 2016/927 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial

Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of current domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT OF SINGAPORE: Unless otherwise stated in the Final Terms in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Benchmark Regulation

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/1011 (the "**Benchmark Regulation**"). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (R*egister of administrators and benchmarks*) of the Benchmark Regulation. Transitional provisions in the Benchmark Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Final Terms. The registration status of any administrator under the Benchmark Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the Final Terms to reflect any change in the registration status of the administrator.

THE NOTES ARE NOT AN OBLIGATION OF ANY GOVERNMENT

This Base Prospectus comprises a prospectus for the purposes of the Prospectus Regulation as implemented in Ireland.

This Base Prospectus is to be read in conjunction with all documents (or parts thereof) which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated by reference in, and form part of, this Base Prospectus.

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and include Notes in bearer form that are subject to U.S. tax law requirements. Notes may not be offered, sold or delivered within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers, the Arrangers or the Trustee make any representation, express or implied, nor do they accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by an Arranger the Trustee or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each

Arranger, the Trustee and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement.

The Arrangers and the Dealers and the Trustee have not separately verified the information contained in this Base Prospectus.

Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers that any recipient of this Base Prospectus or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers or the Trustee undertake to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or, the Arrangers or the Trustee.

In connection with the issue of any Tranche (as defined in "*Overview of the Programme - Method of Issue*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

In this Base Prospectus, unless otherwise specified or the context otherwise requires, references to "**euro**" and "**€**" are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended, references to "**U.S. dollars**", "**U.S.$**", "**USD**" **and** "**United States dollars**" are to the lawful currency of the United States of America, its territories, possessions, and references to "**£**" or "**Sterling**" are to the lawful currency of the United Kingdom and references to "**CNY**" and "**Renminbi**" refer to the lawful currency of the People's Republic of China (the "**PRC**") which, for the purposes of this Base Prospectus, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administration Region of the PRC and Taiwan.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Alternative Performance Measures

The selected financial data set forth in this Base Prospectus, in addition to the conventional financial performance measures established by IFRS, contains certain alternative performance measures (such as net interest margin, cost/income ratio, non-performing loans ratio etc.) ("**APMs**") that are presented for purposes of a better understanding of the trend of operations and the financial condition and provides a more meaningful depiction for investors of the underlying fundamentals of the Group's business. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method.

Such measures should, however, not be considered as a substitute for those required by IFRS.

SUPPLEMENTS TO THE BASE PROSPECTUS

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall file such amendment, supplement or replacement Base Prospectus with Euronext Dublin and shall supply to each Dealer, the Trustee and Euronext Dublin such number of copies of such supplement hereto as such Dealer, the Trustee and Euronext Dublin may reasonably request.

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RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should carefully consider, among other things, the risks set forth below and other information contained in this Base Prospectus prior to making any investment decision with respect to the Notes. The risks highlighted below could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects, which in turn, could have a material adverse effect on its ability to make payments under the Notes.

In addition, the value of the Notes could decline due to any of these risks, and prospective investors may lose some or all of their investment. Prospective investors should note that the risks described below are not only the risks that the Issuer faces but are the risks that the Issuer considers to be material. There may be additional risks that the Issuer currently considers immaterial or of which it is currently unaware, and any such risks could have effects similar to the risks set forth below.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER OR IN CONNECTION WITH NOTES ISSUED UNDER THE PROGRAMME

Risks Relating to Issuer

Unavailability of Bonds and Syndicated Loans Markets

The Issuer has traditionally funded its loan portfolio through lines of credit extended by international development financial institutions, export credit agencies and other international financial institutions as well as through local currency bond issues. The Issuer plans to diversify its funding sources through syndicated loan financing and the issuance of international bonds. Any future disruptions or instability of these markets could constrain the Issuer's ability to mobilise funding resources and attain its growth targets thereby adversely affecting the Issuer's operational and financial performance.

The effects of the COVID-19 pandemic on the Issuer's business could have a material adverse effect on the Issuer's financial position, asset quality and capitalisation and, when fully realised, may materially affect the Issuer's loans and advances and profitability

In addition to affecting the Issuer's shareholders, customers and counterparties, the COVID-19 pandemic has impacted the Issuer's business operations and processes. For example, the Issuer has put in place a social distancing and strict hygiene regimes as well as bans on travel and visitors to the Issuer's branches, and instituted working from home arrangements across all its offices. Such measures may result in increased costs for the Issuer, as well as heightened operational risks as the Issuer and its counterparties continue to adapt to the COVID-19 environment.

The impact of COVID-19 has resulted in widespread reductions in commercial activities, significant volatility in asset prices, interest and foreign exchange rates, as well as physical disruption to global supply chains and working practices. The sudden and profound economic and social impact of the COVID-19 pandemic prompted a revision of the global economic outlook.

The COVID-19 pandemic will likely result in a significant increase in the budget deficits and level of indebtedness for many of the Issuer's customers and Issuer Member States. This increased indebtedness could, in turn, adversely impact the ability of the Issuer Member States and customers of the Issuer to service their debt, including debt owed to the Issuer under its COVID-19 crisis response facilities and programmes. This could have a subsequent negative impact on the asset quality of the Issuer's loans and advances and lead to an increase in its non-performing loans. The Issuer has continuously engaged its customers to monitor, evaluate and take the necessary initiatives to alleviate the potential impact of COVID-19 pandemic on the Issuer's loan book. Although all due repayments have so far been met, in light of financial difficulties among its customers and the Issuer Member States, the Issuer may need to negotiate modifications to originally agreed terms and conditions on loan facilities or agree other actions or mitigation measures. Such actions may in turn have a material adverse effect on the Issuer's asset quality.

Delays or Failure to Implement Business Initiatives

Under the Issuer's five-year corporate strategic plan covering the period 2018 to 2022 (the "**Corporate Plan 2018-2022**"), the Issuer will continue promoting trade and development in the region. The three strategic business areas are (a) Project and Infrastructure Finance, (b) Trade Finance Services and (c) Special Funds & Agency Operations. These strategic business areas are integral to the successful implementation of the objectives of the Issuer.

Building on its successes and lessons in implementing the Issuer's previous five-year corporate strategic plan covering the period 2013 to 2017 (the "**Corporate Plan 2013-2017**"), the Issuer aims to play a larger role in promoting trade and development in the region. Diversification and managed growth will continue to be a key thrust during the Corporate Plan 2018-2022. Different initiatives are underway focusing on product innovation, efficiency and diversification to improve its coverage and delivery model.

While a number of initiatives are still underway, their implementation may not be concluded within the set timeframes and others may not be implemented at all. Any delays experienced in implementing these business initiatives could divert the attention of the Issuer's management, result in additional expense, distract the Issuer from pursuing other initiatives or, ultimately, prevent the Issuer from realising the anticipated benefits of the initiatives, which could adversely affect the Issuer's business, results of operations and financial condition.

Relationships with States Facing International Sanctions

The Issuer is a supranational institution which finances trade, projects and infrastructure within its Issuer Member States in the Eastern and Southern African region. Due to its shareholding structure and developmental mandate, the Issuer has business and/or shareholding relationships with countries that are or were previously subject to international sanctions. Such countries include the Republic of Sudan, the Republic of South Sudan and Somalia in particular.

The Republic of Sudan, (an Issuer Member State owning 4.38% per cent. of the Issuer's total shareholding) was subject to sanctions imposed by the United States State Department. On 6 October 2017, the President of the United States of America and the Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") announced the general lifting of sanctions on Sudan, although EU sanctions remain in place. In August 2020, OFAC released a statement that U.S. Persons are no longer prohibited from engaging in transactions with respect to Sudan or the Government of Sudan that were previously prohibited by the Sudan sanctions. More recently, in December 2020, the U.S. government, removed Sudan from the list of State Sponsors of Terrorism ("**SST**"). The remaining trade restrictions related to transactions involving Sudan were subsequently lifted, and further opened up Sudan to the international financial markets to transact freely in the U.S. dollar, in U.S. products and with U.S. Persons. There can however be no assurance that EU sanctions on Sudan will be lifted or that U.S. sanctions will not be re-imposed. Should the Republic of Sudan be the subject of U.S. sanctions once again, this may lead to a deterioration in the country's economic environment, which may in turn materially adversely affect the Issuer's operations in that country and/or their shareholding relationship.

The Republic of South Sudan, also an Issuer Member State, owns 1.94 per cent. of the Issuer's total shareholding. In March 2018, the United States, through the Department of Commerce, imposed targeted sanctions on selected government entities in South Sudan and private companies doing business in South Sudan. The Department of Commerce's so-called Entity List does not freeze assets but requires that US and foreign companies doing business with those entities on the list to first obtain a licence. The Issuer had no exposure in the Republic of South Sudan as at 31 December 2020. Another Issuer Member State which faces a variety of international sanctions is Somalia, although the Issuer currently does not have exposure to Somalia. Should the Republic of South Sudan or Somalia be the subject of further sanctions by the international and/or regional community, this may also lead to a deterioration in the relevant country's economic environment, which may in turn materially adversely affect the Issuer's operations in that country. Any such sanction could have a material adverse effect on the Issuer's business, results of operations and financial condition.

The Issuer's Operating Region Includes Jurisdictions with Heightened Risks Relating to Fraud, Bribery, Money Laundering and Corruption

The Issuer's operating region includes jurisdictions that have from time to time experienced high levels of fraud, bribery, money laundering and corruption. For example, certain jurisdictions have been allocated low scores on Transparency International's "Corruption Perceptions Index". Doing business in developing countries brings with it inherent risks associated with enforcement of the Issuer's legal and contractual rights and third party obligations, fraud, bribery, money laundering and corruption. The Issuer has policies and procedures in place and codes of conduct and other safeguards designed to prevent the occurrence of fraud, bribery, money laundering and corruption. These include policies and procedures designed to assist the Issuer in identifying potential investments that are associated with Politically Exposed Persons (PEPs) which are then subjected to heightened scrutiny and additional due diligence. However, it may not be possible for the Issuer to detect or prevent every instance of fraud, bribery, money laundering or corruption in every jurisdiction in which it does business or where its employees or agents are located. The Issuer may therefore be subject to penalties and to reputational damage, any of which could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Credit Quality of Shareholders May Adversely Affect the Issuer

Certain of the Issuer's shareholders, namely Zambia and Mozambique, have in recent years defaulted on their debt, while others such as Ethiopia may currently be in the process of seeking debt relief. This may affect the recoverability of any loans made by the Issuer to borrowers related to or whose credit quality is tied to these shareholders. Furthermore, while the Issuer has USD 1.62 billion in callable capital as at 31 December 2020, the Issuer's ability to raise such capital in the event of a call being made may be affected by the aforementioned debt defaults of its shareholders or their credit position more generally. This poses the risk that in the event of financial distress, the Issuer may not be able to raise the full extent of its available callable capital, which may in turn have an adverse effect on the business and financial condition of the Issuer and its ability to repay the Notes.

Changes in the Credit Quality of Borrowers/Counterparties and Systemic Risk Effects

The Issuer's business is subject to the risks associated with its borrowers' credit quality and the recoverability of loans and amounts due from counterparties. To mitigate losses upon default, the Issuer requires its loans to be secured using various forms of collateral types by at least 1.3 times for projects and infrastructure loans and at between 1.10-1.25 times for trade finance loans, depending on the liquidity of the underlying collateral. The changes in the credit quality of the Issuer's borrowers and counterparties or arising from systemic risk in the financial system could reduce the value of the Issuer's assets and necessitate increased impairment provisions. In addition, changes in economic conditions, the health of the economy in the various Issuer Member States, or disruption caused by political elections in the Issuer Member States or globally and other contagion occurrences like the impact of the current global COVID-19 pandemic may result in the deterioration of the value of the collateral held and increase the risk of loss in the event of a default by the Issuer's borrowers.

Unforeseen Changes in Portfolio Growth

Increased demand for projects, infrastructure and trade financing has led to the Issuer's loan portfolio recording significant growth rates over the last five years. There can be no assurance, however, that future growth rates will be in line with historical growth rates. Deterioration in the performance of the Issuer Member States' economies could affect the demand for projects, infrastructure and trade financing which could affect the Issuer's business and results of operations.

Market, Currency and Price Change Risks

The Issuer is exposed to various market risks including interest rates, exchange rates and commodity prices whose volatility could adversely impact on the value of its assets, liabilities, revenues or expenses. Despite the Issuer managing market risks through hedging and the matching of assets and liabilities with similar market risk characteristics at the time of originating transactions, there can be no assurance that changes in interest rates and currency exchange rates will not have a significant adverse effect on the Issuer's financial condition and operational results.

The Issuer is also exposed to commodity price risks, especially oil, metals and agricultural goods prices, whose fluctuations could have adverse effects on its borrowers and Issuer Member States which, in turn, could have a direct impact on the Issuer's financial condition and operational results.

Liquidity Risk

Liquidity risk is a primary concern for any financial institution, particularly those involved in long-term funding of projects and investments. The Issuer manages its liquidity risk through regular monitoring of maturity mismatches between its assets and liabilities and preparation of cash flow forecasts. In addition, the Issuer ensures that its unutilised lines of credit which include standby banking facilities are adequate to fund its lending operations for at least the next twelve months. This notwithstanding, there can be no guarantee that maturity mismatches will not occur which could have material adverse effects on the business, financial condition and operational results of the Issuer.

Currency Availability and Restrictions

Most of the Issuer's loans are denominated, disbursed and repaid in United States dollars. Notwithstanding the fact that a significant proportion of these loans are in support of export transactions, the Issuer faces the risk that some of its clients may not access dollars on a timely basis due to foreign currency shortages and/or controls in Issuer Member States. The Issuer also faces the risk that local currency depreciation could increase the cost, in local currency terms, of its loans which ultimately could impact on the viability of the underlying project and the ability of the Issuer's borrowers to service its loans.

Ability to Call Capital

As at 31 December 2020, the Issuer had USD 1.62 billion in callable capital. This amount represents the maximum obligation of the Issuer's Member States in the event of a call being made in response to financial distress. With the exception of the People's Republic of China (A1 rating, Moody's) the African Development Bank (Aaa rating, Moody's) and Mauritius (Baa2 rating, Moody's), the balance of the callable capital is to be provided by regional Issuer Member States which have below investment grade or no credit ratings. Additionally, to mitigate this, it is noted that 51% of the USD 1.62 billion is credit enhanced to investment grade status through callable capital insurance issued by Lloyd's of London Syndicate. In determining its borrowing limit, the Issuer limits its reliance on callable capital to half of the total callable capital. This notwithstanding, there is a risk that the Issuer could experience delays in realising capital calls from its Issuer Member States which could adversely impact the Issuer's financial position and business prospects.

Operational Risks

As a financial institution, the Issuer is exposed to various operational risks including system disruptions or failures, fraud, errors and irregularities by employees and third parties and authorisation and documentation flaws. There can be no assurance that operational risks will not occur and the occurrence of such operational risks could have a material effect on the Issuer's business, prospects, financial condition and operational results.

Bank Immunity

Section 3 of Article 43 of the Issuer's Charter provides that 'the principal as well as regional offices of the Bank shall be inviolable. The property and assets of the Bank shall be immune from search, requisition, confiscation, expropriation, and any other form of interference whether by legislative, executive, judicial or administrative action'. Furthermore, Section 4 of the same Article provides that 'the archives of the Bank and in general all documents belonging to it or held by it, shall be inviolable'. Up to the date of this Base Prospectus there has been an absence of government interference. However, there can be no guarantee that there will be no interference by Issuer Member States or that violation through unlawful or arbitrary actions by some Issuer Member States will not occur, which could lead to disruption in the Issuer's operations and adversely affect its financial position and business prospects.

Absence of Regulation

Article 16 of the Issuer's Charter provides that its operations shall be guided by sound banking principles. Furthermore, Section 7 of Article 43 provides that the Issuer may hold assets of any kind and shall be free to transfer its assets from one country to another and to convert any currency held by it into any other currency without being restricted by controls, regulations, restrictions or moratoria of any kind.

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

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Issuer'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).

Investors should note that there can be no assurance, in the absence of an independent regulatory or supervision authority, that the Issuer will maintain its current capital management policy and/or adhere to its requirements. Failure to adhere to the current policy or changes to the policy could lead to negative market perceptions of the Issuer which ultimately could adversely impact on the Issuer's financial condition.

Portfolio Concentration

In line with the experiences of other African supra-national development financial institutions, the Issuer's credit portfolio has traditionally exhibited a high degree of geographic and sectoral concentration.

Country limits: Country limits: Nine countries account for 85% of the Issuer's net country exposure as at 31 December 2020, (2019: 85%) and efforts are continuing to further diversify the country exposures. The Issuer's credit policies stipulate that credit exposure to any one Issuer Member State shall not exceed 30 per cent of the total value of outstanding loans. As at 31 December 2020, Ethiopia, Tanzania and Uganda had the highest net exposures at 13 % each. Ethiopia's exposure was down from 17% as at 31 December 2019, while exposure to Tanzania decreased from 14%, as at 31 December 2019. Exposure to Uganda was up from 8% as at 31 December 2019. Other significant net exposures by geography include Zambia (11 per cent), Kenya (9%), Rwanda (9%) and Sudan (8%). There can be no assurance that either the economic performance of, or political stability in, the countries to which the Issuer is currently exposed or may in the future be exposed can or will be sustained. Investors should note that a worsening of current financial market conditions in these countries or instability in regional economies could lead to decreased investor and consumer confidence, market volatility and economic disruption and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of the Issuer.

Sector exposures: As at 31 December 2020, the Issuer's largest gross exposure (excluding cash collateral and insurance) was at 29% to the Oil and Gas (28%, 31 December 2019), 24% towards infrastructure (23%, 31 December 2019) and 19% to the agri-business sector (23%, 31 December 2019) of the total portfolio. However, after the employment of risk mitigation measures such as cash collateral and credit insurance cover, the sector concentrations account for 10% (Oil and Gas), 22% (Infrastructure) and 18% (Agribusiness) (8%, 16% and 22% in 2019) for the Oil and Gas, Infrastructure, and agri-business sectors respectively and well within the set thresholds of 35% for the agri-business and Infrastructure sectors. Exposures to other sectors were contained within set limits of 25 per cent. If there is volatility within these sectors, this may have a materially adverse effect on the business, results of operations and financial condition of the Issuer. In relation to the oil and gas sector, exploitation and extraction of minerals can cause significant adverse environmental and social impacts including permanent ones. If not properly managed, this may negatively impact the quality of the Issuer's loan portfolio. In the agribusiness sector, reduction in commodity demand and commodity price volatility may also negatively impact the quality of the Issuer's loan portfolio. With respect to the infrastructure sector, country and sovereign risk may affect project implementation and delayed project implementation may adversely impact the quality of the Issuer's loan portfolio.

Risks Relating to the Eastern and Southern African Region

Economic Risks

Emerging/Frontier Market Risks

The Issuer Member States are predominantly countries from the Eastern and Southern African region considered either as emerging or frontier markets by international investors. Frontier markets are a subset of emerging markets that are characterised by fragile economies in nascent stages of transformation. These economies present international investors with additional risks due to the lack of safeguards and infrastructure that investors traditionally find in more developed economies.

Similar to developing markets, emerging markets and, in particular, African emerging markets are susceptible to economic instability and, in certain cases, significant political and legal risks. Investors should also note that emerging markets, such as those in Africa, are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

From time to time, the economies of countries in Eastern and Southern Africa have experienced volatility characterised by high interest rates, exchange controls, exchange rate volatility, high inflation as a result of event risks e.g. adverse weather, wage and price controls and sudden changes in investment and fiscal policies.

Any of these factors, as well as the volatility in the markets for securities, may adversely affect the value and liquidity of the Notes.

Accordingly, investors should exercise due care in evaluating the risks involved in investing in the Notes and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved and that possess an understanding of the business environment. Prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

The economic conditions in African countries in which the Issuer operates may have been, and will continue to be adversely affected by the global economic slowdown caused by the COVID-19 pandemic, which may negatively impact the Issuer's business, financial condition and results of operations

The ongoing COVID-19 pandemic is having an indeterminable adverse impact on the world economy, including the African countries in which the Issuer operates. In March 2020, the World Health Organization (the "**WHO**") declared the COVID-19 outbreak a pandemic. Public health authorities and governments at local, national and international levels have announced various measures to respond to this pandemic. To date, the COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. The COVID-19 pandemic resulted in this first contraction in Africa's economy in more than two and a half decades, interrupted intra-regional supply chains, and caused Africa's merchandise trade to contract by approximately 17%. According to the AfDB African Economic Outlook 2021, Africa's GDP growth rate for 2021 is projected to recover by 3.4%, after an estimated decline of 2.1% in 2020 (as compared to 3.3% growth in 2019) as a result of the impact of the COVID-19 pandemic. Many African countries in which the Issuer operates have imposed varying levels of "lockdowns" and states of emergency, as well as border closures and travel restrictions, temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities. This has contributed to a significant reduction in economic activities, a sharp decrease in commodity prices and significant contraction in trade and financial flows, in particular in the private sector, and will continue to put a significant strain on public finances across the African countries in which the Issuer operates and in particular the Issuer Member States. The most affected sectors included oil and gas, aviation, transport and tourism, education, entertainment, electronics, consumer and luxury goods. The duration, impact and severity of the outbreak on financial markets may continue to be significant.

Certain of the Issuer's customers may face financial difficulties as a result of the above, and may be unable to meet their repayment obligations to the Issuer, when due or at all. The Issuer may need to negotiate modifications to originally agreed terms and conditions on loan facilities or agree other actions or mitigation measures.

The duration, impact and severity of the COVID-19 pandemic is unknown, and the response of the individual Issuer Member States is beyond the Issuer's control. While the impact of the COVID-19 pandemic on the regional economy, or the resulting impact on the Issuer's business, financial condition or results of operations cannot yet be assessed, this may be materially adverse.

Stability of Eastern and Southern African Economies

African economies have historically experienced significant volatility characterised by slow or negative growth, significant inflation, low foreign currency reserves, high external debts, currency depreciation, political uncertainty, declining investments and government and private sector debt defaults and have also had incidents of wars, riots and outbreaks of contagious disease, including the systemic impact of a global pandemic like COVID-19. African economies are also highly susceptible to global economic changes including commodity and oil price changes, U.S. dollar interest and exchange rate movements and the demand for commodities by developed and emerging market economies. The Issuer's lending activities are confined to its Issuer Member States, a region which comprises a number of weak and vulnerable economies. Consequently, any adverse changes affecting these economies could have a significant impact on the Issuer's credit portfolio, including increased loan impairment provisions, restructurings and loan losses which, in turn, could affect the Issuer's growth, asset quality, prospects, profitability and financial condition.

Reliability and Credibility of Official Data

The Issuer has relied on official statistics and other data published by central banks, governments and non-governmental agencies in eastern and southern Africa which may be substantially incomplete or less researched and, consequently, less reliable than those published by comparable bodies in other developed jurisdictions, on a relative basis. Indeed, official data in most of these economies mainly reflects the state of the formal economy and may not adequately gauge the potential of the informal economy.

Accordingly, the Issuer cannot assure prospective investors that the sources from which it has drawn some of the information set out herein are reliable or complete. Some or all of the state entities in the Eastern and Southern Africa region may have official data collection methods that are different from those used by comparable bodies in other jurisdictions. Investors should be aware that discussions of matters relating to the Issuer's operations herein may therefore be subject to uncertainty due to concerns about the completeness or the reliability of available official and public information.

Political Risks

A number of the Issuer Member States have unresolved political differences internally, with neighbouring countries and/or internationally which presents political risks. It is conceivable that in future such political risks could have an adverse effect on the stability and economies of Issuer Member States which the Issuer is exposed to through lending activities. In turn, such impact could have an adverse effect on the Issuer's results of operations and financial condition.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks Related to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features and the related risks.

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Variable rate Notes

Notes with variable interest rates can be volatile investments. If they are structured to include caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features. Should the Issuer decide to issue Notes with variable interest rates, investors should note that the Issuer's ability to vary the rate of interest will affect the secondary market and the market value of the Notes since the Issuer may be expected to vary the rate when it is likely to produce a lower overall cost of borrowing.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes. It is difficult to anticipate market volatility in interest rates, but investors should note that any such volatility may have an adverse effect on the market value of the Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest bearing securities with comparable maturities. It is difficult to anticipate future market volatility in interest rates, but any such volatility may have an adverse effect on the market value of the Notes. Therefore, holders of Notes issued at a substantial discount or premium could be exposed to greater losses on their investment than holders of conventional interest-bearing Notes.

Risks Related to Renminbi Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible and the liquidity of the Notes denominated in Renminbi may be adversely affected.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the People's Republic of China ("**PRC**") is limited. While the People's Bank of China ("**PBOC**") has established Renminbi clearing and settlement mechanisms through settlement agreements on the clearing of Renminbi business (the "**Renminbi Clearing Banks**"), and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of its Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Renminbi currency risk.

Except in limited circumstances, all payments of Renminbi under Notes denominated in Renminbi to an investor will be made solely by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi in accordance with the prevailing rules and regulations and in accordance with the Terms and Conditions of the Renminbi Notes. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC). Renminbi is not freely convertible at present, and despite a movement towards liberalisation of cross-border Renminbi remittances, notably in PRC current account activity, there is no assurance that the PRC government will continue such movement in the future or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC.

Holders of Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such Holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in the jurisdiction of the relevant Renminbi Clearing Bank.

In addition, there can be no assurance that access to Renminbi for the purposes of making payments under such Notes or generally may remain or will not become restricted. If it becomes impossible to convert Renminbi from/to another freely convertible currency, or transfer Renminbi between accounts in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, or the general Renminbi exchange market outside the PRC becomes illiquid, any payment of Renminbi under the Notes may be delayed or the Issuer may make such payments in another currency selected by the Issuer using an exchange rate determined by the Calculation Agent, or the Issuer may redeem the Notes by making payment in another currency.

Renminbi exchange rate risk

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. Recently, the PBOC implemented changes to the way it calculates the Renminbi's daily mid-point against the U.S. dollar to take into account market-maker quotes before announcing such daily mid-point. This change, and others that may be implemented, may increase the volatility in the value of the Renminbi against foreign currencies. The Issuer will make all Renminbi payments under Notes denominated in Renminbi in Renminbi (subject to the second paragraph under the heading "*Renminbi currency risk*" above). As a result, the value of such payments in Renminbi (in U.S. dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investor's investment in U.S. dollars or other applicable foreign currency terms will decline.

In the event that access to Renminbi becomes restricted to the extent that, by reason of Renminbi Inconvertibility, Renminbi Non-transferability or Renminbi Illiquidity (as defined in the Conditions of Notes), the Issuer is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Conditions of the Notes allow the Issuer to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in the Conditions of the Notes. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. Dollar or other foreign currencies, the value of a holder's investment in U.S. Dollar or other foreign currency terms will decline.

An investment in Renminbi Notes is subject to interest rate risk.

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

Gains on the transfer of Renminbi-denominated Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident enterprise from the transfer of Renminbi Notes but its implementation rules have reduced the EIT rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the PRC-sourced gains derived by such non-PRC resident individual holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and thus become subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, holders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if enterprise or individual resident holders which are non-PRC residents are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Notes may be materially and adversely affected.

Risks Related to Notes Generally

Set out below is a brief description of certain risks relating to the Notes generally.

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. If a decision were adopted by a majority of Noteholders and such modifications were to impair or limit the rights of the Noteholders, this might have an impact on the market value of the Notes and Noteholders might lose part of their investment.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default, potential Event of Default or Conditional Put Event shall not be treated as such. Accordingly, matters affecting the interests of some Noteholders may be outside the control of such Noteholders.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus nor whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Integral multiples of less than €100,000

In relation to any issue of Notes which have a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Risks Related to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

There may be no active trading market for the Notes

Notes issued under the Programme will be new securities, which may not be widely distributed and may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

The secondary market generally

Notes issued under the Programme will (unless they are to be consolidated into a single Series with any Notes previously issued) be new securities which may not be widely distributed and for which there is currently no active trading market. Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Base Prospectus), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of the Issuer. The Issuer cannot predict if any of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency.

These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls.

An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (1) the Investor's Currency equivalent yield on the Notes; (2) the Investor's Currency equivalent value of the principal payable on the Notes; and (3) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

Risks relating to Notes which are linked to "benchmarks"

The London Interbank Offered Rate ("**LIBOR**") and the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. The Benchmark Regulation was published in the Official Journal of the European Union on 29 June 2016 and has applied from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that have applied since 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR and EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete. The sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The UK FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, the FCA announced that all 35 LIBOR settings currently published by ICE Benchmark Administration will either cease to be provided or will no longer be representative immediately after (as applicable to the particular LIBOR benchmark) 31 December 2021, 29 December 2022 or 30 June 2023. The Bank of England and the FCA had previously announced, on 29 November 2017, that from January 2018, its Working Group on Sterling Risk-Free Rates had been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**€STR**") as the new risk free rate. €STR was first published by the ECB on 2 October 2019. Meanwhile, EURIBOR underwent a methodological reform in 2019 to make it compliant with the regulatory requirements outlined in the EU Benchmark Regulation. It is now determined using a hybrid methodology rather than a purely quote-based method. Following a testing phase and public consultations, the hybrid methodology became applicable at the end of 2019, and the European Money Markets Institute has received authorisation from the competent authority, meaning that the benchmark can continue to be used for new and legacy contracts after 3 January 2022. Nevertheless, the long-term sustainability of EURIBOR depends on factors such as the continued willingness of the panel of contributing banks to support it, the support of the regulator and the administrator and/or whether or not there is sufficient activity in its underlying market.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities based on the same benchmark.

The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

OVERVIEW OF THE BANK

The Bank was established by charter on 6 November 1985 (the "**Charter**"), pursuant to chapter 9 of the treaty establishing the Preferential Trade Area (the "**PTA**") for Eastern and Southern African States. TDB is a multilateral treaty organisation. The PTA has since been transformed into the Common Market for Eastern and Southern African States ("**COMESA**"), which is a Regional Economic Community ("**REC**"), whose membership includes 19 countries in Northern, Eastern and Southern Africa. On 10 June 2015, COMESA, along with the East African Community ("**EAC**") and the Southern African Development Community ("**SADC**") (which are two other RECs) launched the Tripartite Free Trade Area ("**TFTA**") as a precursor to the African Union's ("**AU**") continent-wide free trade area, the African Continental Free Trade Area ("**AfCFTA**") to be established under the African Continental Free Trade Agreement ("**AfCFTA Agreement**") legal framework. Negotiations for the establishment of the AfCFTA started on 15 June 2015. During the official opening ceremony of the 10th Extraordinary Summit of the AU Assembly of Heads of State and Government held on 21 March 2018, in Kigali, Republic of Rwanda, 44 AU member states signed the AfCFTA Agreement. On 23 April 2019, Republic of The Gambia ratified the AfCFTA Agreement, resulting in the minimum threshold being reached to enable the AfCFTA Agreement to come into force. The aim of the AfCFTA is to create a single market across all 55 member states of the AU followed by free movement and a single currency union. In terms of numbers of participating countries, the AfCFTA will be the world's largest free trade area since the formation of the World Trade Organization. As at 20 April 2021, 36 African countries have ratified the AfCFTA Agreement.

The Bank's vision is to become a leading development finance institution of the TFTA region and an important player within the wider context of the AfCFTA advancing the economic development, integration and prosperity of its Issuer Member States. The Bank's mission is to be at the forefront of extending development capital and services to advance regional growth and integration through customer focused and innovative financing instruments. The Bank is similar in structure to other supranational trade and development banks, such as the African Development Bank, the African Export-Import Bank and the East African Development Bank.

As at the date of this Base Prospectus, the Bank has the following shareholders: Burundi, Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Sudan, eSwatini, Tanzania, Uganda, Zambia and Zimbabwe. It also has the People's Republic of China (represented by the People's Bank of China**)** and the Republic of Belarus (represented by the JSC Development Bank of Belarus) as non-regional member countries. The Bank also counts the African Development Bank, the Arab Bank for Economic Development in Africa, the National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance Corporation, PTA Reinsurance Company, Banco Nacional de Investimento, National Social Security Fund Uganda, OPEC Fund, Investment Fund for Developing Countries (Denmark), African Economic Research Consortium, Caisse Nationale de Sécurité Sociale (Djibouti), SACOS Group Limited TDB Staff Provident Fund and TDB Directors and Select Stakeholders Provident Fund as institutional shareholders. Under its Corporate Plan 2018-2022, the Bank's aim is to further expand its membership base.

The Bank offers a broad range of products and services, across both the private and public sectors, including long term and short-term debt, advisory, syndication services, equity and quasi-equity as well as guarantees. The Bank's investments range from, amongst others, agriculture, trade, industry, infrastructure, energy and tourism, and are made on a commercial basis and sustainability principles. As part of the Corporate Plan 2018-2022, the Bank has revitalised its commitment to asset management by creating a dedicated function in respect thereof. The purpose of this business line is to diversify the Bank's income streams (generating more fee income) and facilitate reaching new markets and clients for broader development impact. The Mauritian-domiciled Eastern and Southern African Trade Fund ("**ESATF**") was launched in August 2019. Eastern and Southern African Trade Advisers Limited ("**ESATAL**"), which is the fund management company in respect of ESATF, is domiciled in Mauritius and is structured as a joint venture between the Bank (approximately 50 per cent. + 1 share) and GML Capital (approximately 50 per cent. - 1 share).

As of 31 December 2020, the Bank's assets totalled USD 7.25 billion. This represents growth at an approximate compound annual growth rate of 13 per cent. since 2014, and indicates the Bank's commitment to development and growth within its stated objectives.

Since its establishment in 1985, the Bank's principal office has been located in Bujumbura (Burundi). In recognition of the existing domicilium of the Bank's special purpose funds in Mauritius, the Bank's Board of

Governors, on the recommendation of the Board of Directors, approved an upgrade of the Bank's office in Mauritius into a second principal office of the Bank, alongside the Republic of Burundi in 2017. The aim was to leverage on Mauritius' well regarded domicillium for funds and financial institutions in the COMESA region and the Bank's Mauritius principal office would serve as a centre for funds management, fundraising and regional operations as well as coordination, common corporate support and business continuity. Additionally, this has enhanced the risk profile of the Bank which is now also formally domiciled in an investment grade Member State.

In addition to its two principal offices, the Bank also has a regional and operation hub in Nairobi (Kenya), regional offices in Harare (Zimbabwe) and Addis Ababa (Ethiopia), and a country office in Kinshasa (Democratic Republic of the Congo), in line with its decentralisation and partnership strategy to better service the vast region it operates in, and enhance its portfolio management.

Since its establishment, the Bank has operated under its legal name "Eastern and Southern African Trade & Development Bank" as well as two trading names in English and in French: 'PTA Bank' and 'Banque de la ZEP' respectively. At its 32nd Annual Meeting in May 2016, the Bank's Board of Governors approved the rebranding of the Bank. Consequently, the Bank trades under one trade name as the Trade and Development Bank, with a new logo and a new tagline. The Bank's legal name, "Eastern and Southern African Trade & Development Bank", remains unchanged.

During its Corporate Plan 2013-2017, the Bank attained investment grade status for the first time by a global rating agency complementing its investment grade rating of GCR.

The Bank together with its subsidiaries ("**TDB Group**") continues to embrace sustainability in all its business practices and processes to deliver "triple bottom line" results and high impact to the economies within its operating region, and operational efficiency as a key principle evolving group structure with a focus on resource optimisation.

The principal operations of TDB are lending and non-lending operations such as project advisory. To execute the Bank's lending and non-lending operations, the Bank's operations are organised into several operational departments, namely: (a) Lending Operations (which contains the product specialist business units covering project and sovereign infrastructure finance, corporate finance, and trade finance; (b) five (5) regional offices and Coverage Departments; (c) Portfolio Management, including work outs; and (d) non-lending operations, mainly advisory and syndications.

Trade and Development Fund ("**TDF**") is a special purpose TDB Group vehicle established to receive highly concessional funds and grants from donors and development partners, separate from TDB, which operates on a triple bottom line basis (economic, social and environmental), with a financial dividend set up. TDF is similar to the World Bank's IDA and the AfDB's ADF. The TDB Academy is a training and capacity building platform, also operating on non-commercial principles, and set up within TDF to support the objectives of TDB Group, both internal and external.

ESATF is also a special purpose vehicle, with the purpose of crowding in greater volumes of trade finance funding from private and institutional investors, separate from the balance-sheet of TDB. It is managed by ESATAL, set up jointly as a Joint-Venture Company with GML capital, a boutique fund manager based in London, UK.

TDB Captive Insurance Company ("**TCI**") is a special purpose vehicle established to handle various risk insurance cover for TDB Group entities, mainly TDB at this stage.

TDB Group undertakes asset and capital management and is responsible for providing strategic direction as well as governance and functional support (treasury, finance, risk, legal and corporate services) to the various strategic business units and subsidiaries of TDB Group, which comprises first and foremost, TDB, as well as the TDF, the TDB Academy, ESATF, and TCI, among others under consideration (e.g. CIF). TDB Group and TDB have the same Board of Governors and the same Board of Directors. TDF, ESATF and TCI have their own boards of directors, while the TDB Academy shares the same Board of Directors with TDF, but it also has its own advisory board, TDB Academy Advisory Board. Other special purpose funds/SPVs are at various stages of consideration including COMESA Infrastructure Fund ("**CIF**").

OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	Eastern and Southern African Trade and Development Bank
Description:	Euro Medium Term Note Programme
Size:	Up to USD 3,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Arrangers and Dealers:	Citigroup Global Markets Limited Commerzbank Aktiengesellschaft MUFG Securities EMEA plc J.P. Morgan Securities plc SMBC Nikko Capital Markets Limited Standard Chartered Bank (each an "**Arranger**" and a "**Dealer**"). The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches (as defined below) or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Trustee:	Citicorp Trustee Company Limited
Issuing and Paying Agent:...........	Citibank N.A., London Branch
Agents:	The Issuing and Paying Agent, the other Paying Agents, the Transfer Agent and the Registrar.
Registrar:......................................	Citigroup Global Markets Europe AG
Method of Issue:...........................	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable and fungible with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the "**Final Terms**").
Issue Price:....................................	The Issue price will be specified in the relevant Final Terms. Notes may be issued at their nominal amount or at a discount or premium to their nominal amount.
Form of Notes:.............................	The Notes may be issued in bearer form only ("**Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40

days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "- *Selling Restrictions*" below); otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**". Global Certificates representing Registered Notes in NSS form are referred to as "**NSS Global Certificates**".

Clearing Systems:........................ Clearstream, Luxembourg, Euroclear, and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer.

Initial Delivery of Notes:............. On or before the issue date for each Tranche, in the case of a NSS Global Certificate or if the relevant Global Note is a NGN, the Global Note or NSS Global Certificate (as the case may be) will be delivered to a Common Safekeeper for Euroclear and Clearstream, Luxembourg. On or before the issue date for each Tranche, in the case of a Global Certificate which is not issued in NSS form or if the relevant Global Note is a CGN, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may (or, in the case of Notes listed on Euronext Dublin, shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Global Certificates relating to Notes that are not listed on Euronext Dublin may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies: .... Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as agreed between the Issuer and the relevant Dealers.

Payment in respect of Notes denominated in Renminbi may be made in U.S. Dollars if Renminbi Currency Events are specified in the applicable Final Terms and a Renminbi Currency Event occurs. See "*Terms and Conditions of the Notes – Condition 8(j)*".

Maturities: .... Subject to compliance with all relevant laws, regulations and directives, any maturity between one month and 30 years.

Specified Denomination:............. Definitive Notes will be in such denominations as may be specified in the relevant Final Terms **provided that** the minimum denomination of the Notes shall be equal to or greater than (i) EUR100,000 (or its equivalent in another currency) or (ii) such other minimum denomination greater than EUR100,000 as may be allowed or required from time to time by the relevant central bank or equivalent regulatory authority in the relevant jurisdiction, and any laws or regulations applicable to the Issuer or the relevant currency, as the case may be. Notes (including Notes denominated in Sterling) which have a maturity of less than one year will, if the proceeds of the Issue are accepted in the United Kingdom, have a minimum denomination of £100,000 (or its equivalent in other currencies).

Fixed Rate Notes: .... Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.

Floating Rate Notes:.................... Floating Rate Notes will bear interest (payable in arrear) determined separately for each Series as follows:

(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or any successor provisions published by the International Swaps and Derivatives Association Inc.; or

(ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin.

Interest Periods will be specified in the relevant Final Terms.

"**EURIBOR**" is the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation.

"LIBID" is the London inter-bank bid rate. It is the bid rate that banks are willing to pay for eurocurrency deposits in the London interbank market. The LIBID rate is derived by subtracting 0.125 per cent. from the LIBOR rate that has the same maturity.

"**LIBOR**" is the London inter-bank offered rate for a currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate.

"**LIMEAN**" is the London inter-bank mean rate. It is the mid-market interest rate in the London interbank market, calculated by averaging the LIBID and LIBOR rates.

Zero Coupon Notes:.................... Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates:... The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

Redemption: .... The Terms and Conditions specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Optional Redemption: .... The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and, if so, the terms applicable to such redemption.

If a Conditional Put Event occurs, the holder of any Note will have the option to require the Issuer to redeem that Note (see "*Terms and Conditions - 11 Events of Default and Put Events*").

Status of Notes:............................ The Notes will constitute unsecured and unsubordinated obligations of the Issuer, all as described in "*Terms and Conditions of the Notes - 3 Status*".

Financial Covenants and Information Undertakings: ...... See "*Terms and Conditions of the Notes - 5. Financial Covenants*".

Negative Pledge:.......................... See "*Terms and Conditions of the Notes - 4. Negative Pledge*".

Cross Default:.............................. See "*Terms and Conditions of the Notes - 11. Events of Default and Put Events*".

Ratings:.. The Issuer has been rated:

BB+ (outlook stable) by Fitch;

Baa3 (outlook negative) by Moody's; and

BBB- (outlook stable) international long-term rating by GCR.

Each of Fitch and Moody's is established in the United Kingdom ("**UK**") and registered under Regulation (EU) No 1060/2009 on credit rating agencies as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**"). The list of rating agencies registered under the UK CRA Regulation can be found at: https://register.fca.org.uk/s/. GCR is not established in the UK or in the European Union and is not certified under the UK CRA Regulation or Regulation (EU) No 1060/2009 (the "**EU CRA Regulation**"). Neither Fitch nor Moody's has applied for registration under the EU CRA Regulation. The ratings issued by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively, in accordance with the EU CRA Regulation. Each of Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is established in the European Union and registered under the EU CRA Regulation and as such are included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**"), which can be found at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk. Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme may be rated or unrated

Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption:...................... Except as provided in "- *Optional Redemption*" above, Notes will not be redeemable at the option of the Issuer prior to maturity. See "*Terms and Conditions of the Notes - 7. Redemption, Purchase and Options*".

Tax Status:................................... Each Series of Notes and the interest thereon will not be exempt from taxation generally but, pursuant to the Charter of the Eastern and Southern African Trade and Development Bank, are not subject to any tax by an

	Issuer Member State (as defined herein). All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes, subject to certain exemptions, all as more fully described in "*Terms and Conditions of the Notes - 9. Taxation*" below.
Governing Law:............................	The laws of England and Wales.
Listing and Admission to Trading:	Application has been made to Euronext Dublin and/or a Stock Exchange in any other relevant jurisdiction for Notes issued under the Programme to be admitted to the Official List and for such Notes to be admitted to trading on Euronext Dublin's regulated market. The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Unlisted Notes and/or Notes not admitted to trading on any market may also be issued. The relevant Final Terms or the relevant Drawdown Prospectus (as the case may be) will state on which stock exchanges and/or markets the relevant Notes are to be listed and/or admitted to trading.
Redenomination, Renominalisation and/or Consolidation:............................	Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union may be subject to redenomination, renominalisation and/or consolidation with other Notes then denominated in euro. The provisions applicable to any such redenomination, renominalisation and/or consolidation will be as specified in the relevant Final Terms.
Selling Restrictions:	There are restrictions on the sale of Notes and the distribution of the Base Prospectus, the relevant final terms and any other offering materials (see "*Subscription and Sale*").
Regulation S:	The Issuer is Category 2 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

DOCUMENTS INCORPORATED BY REFERENCE

The Terms and Conditions of the Notes on pages 28 to 56 of the Base Prospectus dated 28 February 2017 relating to the Programme (the "**2017 Conditions**"), which are available at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_b024b26b-6758-42c3-9c25-eaf2ddec5f63.PDF shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

The Terms and Conditions of the Notes on pages 25 - 52 of the Base Prospectus dated 14 May 2019 relating to the Programme (the "**2019 Conditions**"), which are available at https://ise-prodnr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_ebdd201c-6f65-4cbf-9e6e-8b0a7b86902f.PDF shall be deemed to be incorporated in, and to form part of, this Base Prospectus.

For so long as the Programme remains in effect or any Notes shall be outstanding, copies of the document above may be inspected during usual business hours and upon reasonable notice on any weekday (public holidays excepted), for inspection at the registered offices of each of the Paying Agents and the Trustee.

Any information contained in the document listed above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

Any documents which themselves are incorporated by reference in the information incorporated by reference in this Base Prospectus will not form part of this Base Prospectus.

All documents incorporated by reference have been filed with the Central Bank of Ireland and Euronext Dublin.

CAPITALISATION

The Bank's authorised capital is USD 6,000,000,234, out of which USD 1,000,000,039 accounts for Class C share capital. No Class C shares have been issued.

The following table sets forth the capitalisation and indebtedness of the Issuer as at the dates indicated.

	2020	2019	2018
		U.S.$'000	
Borrowings:			
Short Term Borrowings	2,407,477	2,465,248	2,383,254
Long Term Borrowings	3,051,524	2,591,529	1,782,030
Total Debt	5,459,001	5,056,777	4,165,284
Equity:			
Authorised capital			
176,468 ordinary Class A shares (2019 and 2018: 88,234) of U.S.$22,667 each	4,000,156	2,000,000	2,000,000
220,584 ordinary Class B shares of U.S.$ 4,533.42 each	1,000,000	1,000,000	1,000,000
Total Authorised Capital	5,000,156	3,000,000	3,000,000
Subscribed capital			
89,329 ordinary Class A shares (2019: 85,686; 2018: 80,891) of U.S.$22,667 each	2,024,820	1,942,245	1,833,556
31,014 ordinary Class B shares (2019: 28,110; 2018: 23,099) of U.S.$ 4,533.42 each	140,600	127,434	104,717
Total Subscribed Capital	2,165,420	2,069,679	1,938,273
Callable capital	1,619,856	1,553,796	1,466,845
Paid up capital	534,934	499,107	461,743
Share premium	147,000	101,868	60,501
Proposed dividends	37,691	36,313	31,685
Retained earnings	801,280	721,970	607,076
Reserves	36,137	30,557	31021
Total Equity	**1,557,042**	**1,389,815**	**1,192,026**

SELECTED FINANCIAL INFORMATION

The Bank prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**").

The following selected financial information for the financial years ended, 31 December 2018, 31 December 2019 and 31 December 2020 has been derived from the Bank's audited financial statements. All of the following financial information should be read in conjunction with the Bank's audited financial statements and notes thereto and with "*Management discussion and analysis of financial condition and results of operations*" in this Base Prospectus.

Statements of Comprehensive Income

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Interest Income			
On Trade Finance loans and facilities	189,196	209,703	204,323
On Project Finance loans and facilities	170,243	162,720	125,422
On Placements	75,845	33,303	31,843
Total Interest Income	**435,284**	**405,726**	**361,588**
Less: Short-term Interest Expense	-58,342	-91,976	-86,005
Less: Long-term Interest Expense	-135,805	-129,598	-112,464
Less: Other Costs Related to Borrowing	-11,581	-5,063	-6,724
Interest and Similar Expense	**-205,728**	**-226,637**	**-205,193**
Net Interest Income	**229,556**	**179,089**	**156,395**
Fee and Commission Income			
Trade Finance	35,117	36,968	31,206
Project Finance	16,650	35,422	12,986
Fee and Commission Income	**51,767**	**72,390**	**44,192**
Gains on financial assets designated at fair value through profit or loss	14,200	16,006	23,975
Net Trading Income	**295,523**	**267,485**	**224,562**
Risk mitigation	-36,086	-35,980	-34,541
Other Income	6,198	6,010	7,483
Income From Operations	**265,635**	**237,515**	**197,504**
Operating Expenditure			
Staff Costs	-35,055	-28,220	-26,960
Board of Governors	-151	-519	-308
Board of Directors	-175	-809	-814
Consultants and Advisers	-1,851	-3,799	-5,952
Official Missions	-408	-2,423	-2,029
Business Promotion	-2,660	-1,593	-1,334
Depreciation & amortisation	-2,300	-1,956	-1,321
Audit fees	-56	-56	-54
Other Operating Expenses	-1,759	-1,664	-1,936
Total Operating Expenditure	**-44,415**	**-41,039**	**-40,708**
Operating profit before provisions	**221,220**	**196,476**	**156,796**
Impairment Allowance on Project and Trade Finance Loans	-60,599	-41,485	-23,157
Impairment of Equity Instruments at Cost	-	-	-
Impairment on Other Financial Assets	-363	-4	-3,226

Net Foreign Exchange (Losses)/Gains	-3,211	-3,682	-1,088
Profit for the year / Period	**157,047**	**151,305**	**129,325**
Other Comprehensive Income	5580	-465	450
Total Comprehensive Income for the Year / Period	**162,627**	**150,840**	**129,775**

Source: *December 2020, 2019 and 2018 - Audited Financial Statements*

Statements of Financial Position

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
ASSETS			
Cash and Bank Balances held with other banks	1,539,158	1,382,110	1,145,918
Investments in Government Securities	120,928	44,898	-
Investment in Trade Fund	52327	49,997	-
Derivative Financial Instruments	-	40,049	54,043
Other Receivables	136,818	120,416	117,136
Trade Finance Loans	3,181,497	2,935,646	2,813,398
Less Provisions	-96,862	-70,479	-79,953
Project Finance Loans	2,292,264	2,146,996	1,459,918
Less Provisions	-67,487	-40,658	-30,359
Equity Investments	53,987	51,136	51,522
Investment in Joint Venture	317	317	387
Investment in Subsidiary	70	70	-
Property and equipment	29,332	24,683	23,710
Right-of-use assets	3,348	3,912	-
Intangible assets	1,999	1,998	1,854
Total Assets	**7,247,696**	**6,691,091**	**5,557,574**
LIABILITIES AND EQUITY			
Liabilities			
Short Term Borrowings	2,407,477	2,465,248	2,383,253
Long Term Borrowings	3,051,524	2,591,528	1,782,030
Collection Account Deposits	93,275	95,823	119,577
Derivative Financial Instruments	41,330	-	-
Lease liability	1,087	1520	-
Provision for Service and Leave Pay	9,958	8,552	7,829
Other Payables	86,003	138,605	72,859
Total Liabilities	**5,690,654**	**5,301,276**	**4,365,548**
Equity			
Share Capital	534,934	499,107	461,743
Share Premium	147,000	101,868	60,501
Proposed dividends	37,691	36,313	31,685
Fair Value Reserve	16,294	10,714	11,178
Management Reserve	19,843	19,843	19,843
Retained Earnings	801,280	721,970	607,076
Total Equity	**1,557,042**	**1,389,815**	**1,192,026**

Total Liabilities and Equity	**7,247,696**	**6,691,091**	**5,557,574**

Source: *December 2020, 2019 and 2018 - Audited Financial Statements*

Cash Flow Statements

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Inflows			
Profit for the year	157,047	151,305	129,325
Adjustments:			
Depreciation on property and equipment	958	973	899
Depreciation of right-of-use assets	583	390	-
Amortisation of intangible assets	759	593	422
Fair value loss on revaluation of equity investments	-	-	-
(Gain)/Loss in foreign exchange	-2,175	-5178	-16,301
Increase in provision for service & leave pay	1,043	89	982
Provision for impairment	60,599	41,486	23,157
Impairment of off-balance sheet items	-2,011	-6,779	-
Interest received	-243,085	-276,164	-271,215
Interest paid	181,021	212,690	182,200
Management Reserve	-	-	19,843
Profit/Loss on disposal of property and equipment	110	-	3
Interest on lease liability	141	83	-
Profit before changes in operating assets and liabilities	**154,990**	**119,488**	**69,315**
Decrease / (Increase) in other receivables	-16,402	-3,280	-10,659
(Increase) in trade finance loans	-251,227	-156,131	-182,556
(Increase) in project loans	-145,268	-687,077	-194,370
Increase in hedging derivative instruments-net	40,049	13,994	-54,043
Increase / (Decrease) in Derivative Liabilities	41,330	-	-4,798
Decrease / (Increase) in Deferred expenditure	-	-	-
Increase /(decrease) in collection accounts deposits	-2,548	-23,754	-8,220
(Decrease) / increase in other payables	-68,853	54,270	-14,023
Provision for service and leave pay paid	363	634	288
Interest received	243,085	276,164	271,215
Interest paid	-181,021	-212,690	-182,200
Increase / (Decrease) increase in long term borrowings	-57,770	81,994	73,740
(Decrease) / increase in short term borrowings	459,995	809,499	68,692
Increase in interest on government securities	-	-	-
Net cash generated from operations	**216,723**	**273,111**	**-167,619**
Investing Activities			
Purchase of property and equipment	-5,716	-4,324	-4,979
Proceeds on disposal of property and equipment	-	-	-
Purchase of intangible assets	-760	-737	-938

Purchase / Disposal of equity investments	-48	-79	-85
Proceeds from maturity of government securities	-	-	-
Investment in joint venture	-	-	-17
Purchase of Government Securities	-76,031	-44,898	-
Proceeds from redemption of Government Securities	-	-	57,275
Investment in Trade Fund	-	-49,997	-
Redemption of Trade Fund	447	-	-
Net Cash Used in Investing Activities	**-82,108**	**-100,035**	**51,256**
Financing Activities			
Receipt of capital subscriptions	23,638	37,365	30,517
Proceeds from Share Premium	25,866	41,367	7,532
Payment of Dividends	-28,652	-20,209	-25,049
Payment of lease liabilities	-594	-585	-
Net cash from Financing Activities	**20,258**	**57,938**	**13,000**
Increase / (Decrease) in Cash and Cash Equivalents	**154,873**	**231,014**	**-103,363**
Foreign Exchange (loss)/gain	2,175	5,178	16,301
Cash and Cash Equivalents as at 1 January	1,382,110	1,145,918	1,232,980
Cash and Cash Equivalents as at 31 December	**1,539,158**	**1,382,110**	**1,145,918**

Source: *December 2020, 2019 and 2018- Audited Financial Statements*

Selected Financial Ratios

	Year ended 31 December		
	2020	**2019**	**2018**
Cost/Income Ratio	21.29%	17.05%	15.45%
Return on Shareholders' Equity	10.28%	11.47%	11.57%
Return on Average Assets	2.27%	2.57%	2.45%
NPLs as a % of Loan Portfolio	2.88%	2.33%	2.35%
Impairment Allowance as a % of Gross Loans	3.00%	2.19%	2.55%

Source: *December 2020, 2019 and 2018 - Audited Financial Statements*

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions) shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by an amended and restated Trust Deed (as amended or supplemented, the "**Trust Deed**") dated 23 June 2021 between the Issuer and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). The Trust Deed may be amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Registered Notes, Certificates, Coupons and Talons referred to below. An amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 23 June 2021 has been entered into in relation to the Notes between the Issuer, the Trustee, Citibank N.A., London Branch as initial issuing and paying agent and the other agents named therein. The issuing and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". Copies of the Trust Deed and the Agency Agreement are available for inspection in physical form during usual business hours, and upon reasonable notice at the specified offices of the Paying Agents and Transfer Agents.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions of the Agency Agreement which are applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a member state of the European Economic Area in circumstances which require the publication of a Prospectus under Regulation (EU) 2017/2019 (as amended or superseded, the "**Prospectus Regulation**") the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

All Registered Notes shall have the same Specified Denomination

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder.

If indicated in the relevant Final Terms, any Global Notes issued from time to time may be intended to be held in a manner which will allow Eurosystem eligibility. This simply means that such Notes are intended to be issued in Eurosystem-eligible NGN form or Eurosystem eligible NSS Global Certificate form, respectively (as the case may be), in each case deposited with a Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

In these Conditions:

(i) "**Common Depository**" means a depository common to the ICSDs;

(ii) "**Common Safekeeper**" means a common safekeeper for the ICSDs;

(iii) "**Eurosystem**" means the European System of Central Banks as the term is used by the Governing Council of the European Central Bank;

(iv) "**Eurosystem-eligible NGN**" means an NGN which is intended to be held in a manner which would allow Eurosystem eligibility, as indicated in the relevant Final Terms;

(v) "**Eurosystem-eligible NSS Global Certificate**" means an NSS Global Certificate which is intended to be held in a manner which would allow Eurosystem eligibility, as indicated in the relevant Final Terms;

(vi) "**ICSD**" means any or each of Euroclear and Clearstream, Luxembourg;

(vii) "**New Global Note**" or "**NGN**" means a temporary Global Bearer Note or a permanent Global Bearer Note in either case where the relevant Final Terms indicates that such Note is intended to be issued in new global note form; and

(viii) "**NSS Global Certificate**" means a Global Certificate where the relevant Final Terms indicates that such Note is intended to be issued under the safekeeping structure implemented on 1 July 2010 by the ICSDs.

Save as provided in Condition 2(c) (*Exercise of Options or Partial Redemption in respect of Registered Notes*), each Registered Note shall represent the entire holding of Notes by the same holder.

Title to the Bearer Notes and the Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Conditions 2(b) (*Transfer of Registered Notes*) or (c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 7(e) (*Redemption at the Option of the Noteholders*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d) (*Delivery of New Certificates*), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfers Free of Charge**

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d) (*Accrual of Interest*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(b) (*Registered Notes*)).

3. **STATUS**

The Notes and Coupons relating to them constitute (subject to Condition 4 (*Negative Pledge*)) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge)*, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. **NEGATIVE PLEDGE**

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), except for a Permitted Lien (as defined below), the Issuer will not create, or have outstanding, any mortgage, charge, lien, pledge, encumbrance or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) (a "**Lien**") to secure any of its indebtedness.

In this Condition:

"**Permitted Lien**" means:

(a) Liens existing on 23 June 2021;

(b) any netting or set-off arrangement entered into by the Issuer in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(c) any Lien over:

(i) any On-Loan Security which is created by the Issuer as security for any On-Loan Financing pursuant to which the relevant On-Loan was made available; or

(ii) any On-Loan which is created as security for the On-Loan Financing pursuant to which that On-Loan was made available where, "**On-Loan**" means, in respect of any On-Loan Financing, a loan or other form of financing made available to any person by the Issuer using the proceeds of that On-Loan Financing; "**On-Loan Financing**" means any financing made available to the Issuer for the purpose of the Issuer making any funds available to another person; and "**On-Loan Security**" means, in respect of any On-Loan, any Lien or guarantee created in favour of and/or for the benefit of the Issuer as security for that On-Loan;

(d) any Lien arising by operation of law or court or government body in the ordinary course of trading;

(e) any Lien securing any financial obligation of the Issuer incurred in connection with a Permitted Securitisation;

(f) any Lien over or affecting any asset acquired by the Issuer after the issue of the Notes, **provided that**

(i) if such Lien was not created in contemplation of the acquisition of that asset, the principal amount secured has not been increased in contemplation of or since the acquisition of that asset;

(ii) if such Lien is created in order to facilitate the acquisition of the asset, no such Lien shall extend to any other assets of the Issuer; or

(iii) if such Lien is created in order to facilitate the construction of a building or buildings to be owned by the Issuer, such Lien shall extend only to such building or buildings and the land on which such building or buildings is/are to be built; and

(g) Liens in respect of indebtedness up to a maximum of USD 30,000,000.

"**Permitted Securitisation**" means any transaction or series of transactions where indebtedness is incurred by the Issuer in connection with a securitisation of assets or factoring of receivables where the recourse of the provider(s) of that indebtedness is principally limited to those assets and or receivables, **provided that**, the aggregate outstanding principal amount of such financial obligation does not at the time of incurrence exceed 15 per cent. of the consolidated total assets of the Issuer (as determined by reference to the latest available audited financial statements of the Issuer), save that where the outstanding principal amount of indebtedness under any existing Permitted Securitisation is to be fully or partially repaid or refinanced with the proceeds of a transaction or series of transactions which itself or themselves will constitute a Permitted Securitisation then the existing outstanding principal amount of indebtedness to be repaid will not be taken into account for the purpose of the foregoing determination.

5. FINANCIAL COVENANTS

5.1 Capital Adequacy and Tangible Net Worth

The Issuer shall ensure that:

(a) it maintains a minimum capital adequacy ratio of 12 per cent. of capital against risk weighted assets calculated in accordance with the provisions of the Basel Paper; and

(b) its Tangible Net Worth shall not be less than USD 200,000,000.

In this Condition 5 (*Financial Covenants*):

"**Basel Paper**" means the paper entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version" dated June 2006 and prepared by the Basel Committee on Banking Supervision;

"**IFRS**" means the International Financial Reporting Standards promulgated by the International Accounting Standards Board from time to time and consistently applied;

"**Tangible Net Worth**" means, in respect of the Issuer, at any time the aggregate of:

(a) the amount paid up or credited as paid up on the common stock of the Issuer;

(b) to the extent the Issuer's general reserves ("**General Reserves**") and/or share premium ("**Share Premium**") are included in audited financial statements produced by the issuer, the Issuer's General Reserves and Share Premium; and

(c) the Issuer's Retained Earnings, in each case as calculated in accordance with IFRS.

5.2 Information Undertakings

At any time that it is required to comply with the Financial Covenants set out under Condition 5.1 (*Capital Adequacy and Tangible Net Worth*) above, the Issuer shall supply to the Trustee:

(a) as soon as the same become available, but in any event within 135 days after the end of each of its financial years, its audited financial statements for that financial year; and

(b) as soon as they are available, but in any event within 90 days after the end of each half of each of its financial years, after the approval of its half year financial statements by the Issuer's Board of Directors, its financial statements for the relevant financial half year in the form such financial statements were so approved.

5.3 **No Event of Default Certificate**

(a) The Issuer has undertaken in the Trust Deed to deliver to the Trustee in relation to each set of financial statements delivered pursuant to paragraph (a) of Condition 5.2 (*Information Undertakings*) upon request by the Trustee a certificate of the Issuer as to there not having occurred an Event of Default, a Potential Event of Default or a Conditional Put Event and that the covenants in Condition 4 (*Negative Pledge*) have been complied with since the date of the last such certificate (the "**No Event of Default Certificate**"), or, if such an event had occurred, as to the details of such event, in the form set out in the Trust Deed. The Trustee will be entitled to rely without liability on any No Event of Default Certificate and shall not be obliged to monitor compliance by the Issuer with the covenants set forth in this Condition 4 (*Negative Pledge*) and shall not be required to review any financial statements or certificates provided pursuant to Condition 5.3 (*No Event of Default Certificate*) or to monitor the timing of their delivery and need not enquire further as regards the circumstances existing on the date of such No Event of Default Certificate.

(b) The Issuer is not in compliance with Condition 5.1 (*Capital Adequacy and Tangible Net Worth*) then it shall as soon as practicable inform the Trustee that it is no longer in compliance.

(c) Each such No Event of Default Certificate shall be signed by two authorised signatories of the Issuer.

6. **INTEREST AND OTHER CALCULATIONS**

(a) **Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(h) (*Determination or Calculation by Trustee*).

(b) **Interest on Floating Rate Notes**

(i) ***Interest Payment Dates***

Each Floating Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 6(h) (*Determination or Calculation by Trustee*). Such Interest Payment Date(s) may either be shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention***

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes***

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon

(y) the Designated Maturity is a period specified hereon and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

For the purposes of these Conditions:

"**EURIBOR**" means the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation;

"LIBID" means the London inter-bank bid rate. It is the bid rate that banks are willing to pay for eurocurrency deposits in the London interbank market. The LIBID rate is derived by subtracting 0.125 per cent. from the LIBOR rate that has the same maturity;

"**LIBOR**" means the London inter-bank offered rate for a currency and period displayed on the appropriate page (being currently Reuters screen page LIBOR01 or LIBOR02) on the information service which publishes that rate; and

"**LIMEAN**" means the London inter-bank mean rate. It is the mid-market interest rate in the London interbank market, calculated by averaging the LIBID and LIBOR rates.

(B) *Screen Rate Determination for Floating Rate Notes*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, LIBID and LIMEAN or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, LIBID and LIMEAN or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(l) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, LIBID or LIMEAN the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered: (i) if the Reference Rate is LIBOR, LIBID OR LIMEAN at approximately 11.00 a.m. (London time); or (ii), if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN the London inter-bank market; or (ii), if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be;

or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the

Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN at approximately 11.00 a.m. (London time); or (ii), if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in: (i) if the Reference Rate is LIBOR, LIBID or LIMEAN the London inter-bank market; or (ii), if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be;

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 7(b)(i) (*Early Redemption-Zero Coupon Notes*)).

(d) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 6(*Interest and Other Calculations*) to the Relevant Date (as defined in Condition 9 (*Taxation*)).

(e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with this Condition 6 by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be. Unless specified hereon, the Minimum Rate of Interest shall be zero.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.

(f) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts**

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 6(b) (ii) (*Interest on Floating Rate Notes-Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 11 (*Events of Default and Put Events*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(h) **Determination or Calculation by Trustee**

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee may, subject to its being indemnified and/or secured to its satisfaction, do so (or shall appoint an agent on its behalf to do so) (but without any liability accruing to the Trustee as a result) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement for Renminbi payments in Hong Kong; and/or

in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual - ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case $\mathbf{D_2}$ will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[(360 \times Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + [(D_2 - D_1)]}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30

(vii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Euro-zone**" means the region comprised of EU Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, LIBID or LIMEAN the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

7. **REDEMPTION, PURCHASE AND OPTIONS**

(a) **Final Redemption**

Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its nominal amount).

(b) **Early Redemption**

(i) ***Zero Coupon Notes***

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the "**Amortised Face Amount**" of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 (*Events of Default and Put Events*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 6(c) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c) (*Redemption for Tax Reasons*) or upon it becoming due and payable as provided in Condition 11 (*Events of Default and Put Events*), shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Tax Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is a Fixed Rate Note or a Zero Coupon Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 7(b) (*Early Redemption*) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Issuer Member State (as defined in Condition 9 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(c) (*Redemption for Tax Reasons*), the Issuer shall deliver to the Trustee (a) a certificate signed by two authorised signatories of the Issuer stating that the obligation referred to in (i) above cannot be avoided by the Issuer taking reasonable measures available to it and (b) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above, in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

The Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all the Note, but not some only, at any time during the period commencing on (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date at their principle amount, together with interest accrued to the date fixed for redemption.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes to be redeemed, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements and the rules and procedures of Euroclear and/or Clearstream, Luxembourg, where applicable (to be reflected in the records of Euroclear and Clearstream Luxembourg as either a pool factor or reduction in nominal amount or otherwise, in each case at their discretion) or any other Alternative Clearing System (as defined in the Trust Deed) as the case may be.

(e) **Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchases**

The Issuer may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) **Cancellation**

All Notes purchased by or on behalf of the Issuer may be held by or on behalf of the Issuer or surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

8. **PAYMENTS AND TALONS**

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below (and subject to Condition 8(i)), be made against presentation and surrender of the relevant Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 8(f)(iv) (*Unmatured Coupons and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 8(f)(ii) (*Unmatured Coupons and unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes**

Payments of principal in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment only, endorsement of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

Subject to Condition 8(i), interest on Registered Notes shall be paid to the person shown on the Register at the close of the business day prior to the due date for payment thereof (the "**Record Date**"). Subject as provided below, payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Laws**

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 thereof, any regulations or agreements otherwise thereunder, official interpretations thereof ("**FATCA**"), or any law implementing an intergovernmental approach to FATCA but without prejudice to the provisions of Condition 9 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**

The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Issuing and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time with the approval of the Trustee (such approval not to be unreasonably withheld or delayed) to vary or terminate the appointment of the Issuing and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, **provided that** at the time of such variation or termination, no downgrading of any voting assigned to the Notes shall result and **provided further that** the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) a Paying Agent having a specified office in at least one major European city, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed in each case, as approved by the Trustee.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 10 (*Prescription*)).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 10 (*Prescription*)).

(h) **Non-Business Days**

If any date for payment in respect of any Notes or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) **Renminbi Account**

All payments in respect of the Notes in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong or such other financial centre(s) as may be specified in the applicable Final Terms as Renminbi Settlement Centre(s) in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong or any relevant Renminbi Settlement Centre).

(j) **Renminbi Currency Event**

If Renminbi Currency Events are specified in the applicable Final Terms and a Renminbi Currency Event occurs and is continuing on a date for payment of any amount due in respect of any Note or Coupon, the Issuer's obligation to make payment in Renminbi under the terms of the Notes may be satisfied by payment of such amount in U.S. dollars converted using the Spot Rate for the Rate Calculation Date.

Upon the occurrence of a Renminbi Currency Event that is continuing, the Issuer shall give irrevocable notice to the Noteholders in accordance with Condition 15 (*Replacement of Notes, Certificates, Coupons and Talons*) not less than five nor more than 30 days before the relevant due date for payment or, if this is not practicable due to the time at which the relevant Renminbi Currency Event occurs, as soon as practicable following such occurrence, stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition and unless stated otherwise in the applicable Final Terms (and subject in the case of any determination of the Calculation Agent, to the provisions of Condition 6(j) (*Calculation Agent*)):

"**Governmental Authority**" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**Rate Calculation Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and New York City;

"**Rate Calculation Date**" means the day which is two Rate Calculation Business Days before the due date of the relevant payment under the Notes;

"**Renminbi Currency Events**" means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer cannot obtain sufficient Renminbi in order to make a payment, if any amount, in whole or in part, under the Notes, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong;

"**Renminbi Inconvertibility**" means the occurrence of any event that makes it impossible for the Issuer to convert in the general Renminbi exchange market in Hong Kong any amount, in whole or in part, due in respect of the Notes into Renminbi on any payment date, other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation);

"**Renminbi Non-Transferability**" means the occurrence of any event that makes it impossible for the Issuer to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Issuer due to an event beyond its control, to comply with such law, rule or regulation); and

"**Spot Rate**" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Rate Calculation Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Rate Calculation Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the rate taking into consideration all available information which the Calculation Agent deems relevant, including, among other things, pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the CNY/U.S. dollar exchange rate in the PRC domestic foreign exchange market. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

9. **TAXATION**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within or on behalf of any Issuer Member State or any authority therein or thereof having power to tax, unless such withholding or deduction is required by a law to which the Issuer is or becomes subject. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

(a) **Other connection**

to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Issuer Member State other than the mere holding of the Note or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**

presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

Notwithstanding any other provision of this Condition 9, none of the Issuer, any Paying Agent or any other person shall be required to pay any additional amounts in respect of any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code, otherwise required pursuant to FATCA or required pursuant to any law implementing an intergovernmental approach to FATCA.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 7 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 6 (*Interest and Other Calculations*) or any amendment or supplement to it, (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Trust Deed and (iv) "**Issuer Member State**" means any Member State of the Eastern and Southern African Trade and Development Bank as determined in accordance with its Charter.

10. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11. EVENTS OF DEFAULT AND PUT EVENTS

11.1 Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the Trustee at its discretion may, and if so requested by holders of at least twenty five per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject, in each case, to its being indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(a) **Non-Payment of Principal**

default is made in the payment on the due date of principal in respect of any of the Notes; or

(b) **Non-Payment of Interest**

default is made in the payment on the due date of interest in respect of any of the Notes, **provided that** such default will not be an Event of Default if the failure to pay is caused by administrative or technical error and such default is remedied within three Business Days in London and Nairobi; or

(c) **Breach of Financial Covenants or Negative Pledge**

the Issuer does not perform or comply with any one or more of its obligations under Conditions 4 (*Negative Pledge*) or 5 (*Financial Covenants*); or

(d) **Breach of Other Obligations**

the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Trust Deed which default is certified by the Trustee as being materially prejudicial to the interests of the Noteholders and is incapable of remedy (including, but not limited to, as a result of the discontinuation of its corporate structure) or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(e) **Cross-Default**

(A) any other present or future indebtedness of the Issuer, for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described), (**provided that** any such default under any of the Issuer's financing arrangements, other than in respect of the Programme or the Notes issued hereunder, which is analogous to the events described in Condition 11.2 (*Put Events*) below must be declared due and payable in order for such default to constitute an Event of Default in accordance with this paragraph), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer fails to pay when due (but after the expiration of any applicable grace period) any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (e) have occurred equals or exceeds 10 per cent. of the net worth of the Issuer (as reasonably determined by the Trustee); or

(f) **Enforcement Proceedings**

any expropriation, distress, attachment, sequestration or execution (or any analogous procedure) or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer (other than as described in Condition 11.2(b) (*Government Intervention*)); or

(g) **Insolvency**

the Issuer is unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or the value of the assets of the Issuer is less than its liabilities (taking into account contingent and prospective liabilities); or

(h) **Winding-up**

any order is made or any resolution passed for the suspension or termination of the Issuer, or the Issuer otherwise ceases to exist; or

(i) **Cessation of Business**

the Issuer ceases, or threatens to cease, to carry on all or substantially all of its business or operations; or

(j) **Illegality**

it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes, the Agency Agreement or the Trust Deed.

The Issuer has undertaken in the Trust Deed that within 14 days after any request by the Trustee, it will send to the Trustee a certificate signed by two authorised signatories of the Issuer to the effect that as at a date not more than five days prior to the date of the certificate no Event of Default has occurred

11.2 **Put Events**

If any of the following events ("**Conditional Put Events**") occurs, the holder of any such Note will have the option (a "**Conditional Put Option**") (unless prior to the giving of the relevant Conditional Put Event Notice (as defined below) the Issuer has given notice of redemption under Condition 7(c) above) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Conditional Put Option Date (as defined below) at its principal amount together with interest accrued to (but excluding) the Conditional Put Option Date.

A "**Conditional Put Event**" will be deemed to occur if:

(a) ***Breach or Amendment of the Charter***

Any of Articles 5, 6, 7, 26, 27 or 29 of the Charter of the Eastern and Southern African Trade and Development Bank (the "**Charter**") is (i) amended other than in accordance with the terms of Article 44 of the Charter or (ii) breached by the Issuer in a manner or to an extent materially adversely affecting the Issuer's capacity to perform its obligations in respect of the Notes; or

(b) ***Government Intervention***

(i) All or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any Issuer Member State (as defined in Condition 9 (*Taxation*)) or (ii) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, and (in each case) such action has a materially adverse effect on the Issuer's capacity to perform its obligations in respect of the Notes. For the purpose of this Condition 11.2, "**substantial**" means at least fifty per cent. of the undertaking, assets and revenues of the Issuer.

Promptly upon the Issuer becoming aware that a Conditional Put Event has occurred the Issuer shall, and the Trustee may if it has actual knowledge, and if so requested by the holders of at least twenty five per cent. in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall, (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Conditional Put Event Notice**") to the Noteholders in accordance with Condition 17 (*Notices*) specifying the nature of the Conditional Put Event and the procedure for exercising the Conditional Put Option.

To exercise the Conditional Put Option, the holder of a Bearer Note must deliver such Note to the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the "**Conditional Put Option Period**") of 30 days after a Conditional Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "**Conditional Put Option Notice**"). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is seven days after the expiration of the Conditional Put Option Period (the "**Conditional Put Option Date**"), failing which the Paying Agent will require payment from or on behalf of the Noteholder of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed to the Noteholder against presentation and surrender of the relevant missing Coupon (or any replacement therefore issued pursuant to Condition 15 (*Replacement of Notes, Certificates, Coupons and Talons*)) at any time after such payment, but before the expiry of the period of five years from the date on which such Coupon would have become due, but not thereafter. The Paying Agent to which such Note and Conditional Put Option Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Conditional Put Option Notice to which payment is to be made, on the Conditional Put Option Date by transfer to that bank account and, in every other case, on or after the Conditional Put Option Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Conditional Put Option Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition 11.2 shall be treated as if they were Notes.

To exercise the Conditional Put Option, the holder of a Registered Note must deposit the Certificate evidencing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly signed and completed Conditional Put Option Notice obtainable from the Registrar or any Transfer Agent within the Conditional Put Option Period. No Certificate so deposited and option so exercised may be withdrawn without the prior consent of the Issuer. Payment in respect of any Certificate so deposited will be made, if the holder duly specified a bank account in the Conditional Put Option Notice to which payment is to be made, on the Conditional Put Option Date by transfer to that bank account and, in every other case, by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register.

The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Conditional Put Option Date unless previously redeemed (or purchased) and cancelled.

If 75 per cent. or more in principal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 11.2, the Issuer may, on giving not less than 30 nor more than 60 days' notice to the Noteholders (such notice being given within 30 days after the Conditional Put Option Date), redeem or purchase (or procure the purchase of), at its option, all but not some only of the remaining outstanding Notes at their principal amount, together with interest accrued to (but excluding) the date fixed for such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Conditional Put Event or any event which could lead to the occurrence of or could constitute a Conditional Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Conditional Put Event or other such event has occurred.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

(a) Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders (including meetings held by way of video or audio conference call) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to cure any ambiguity, inconsistency or defective provision, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders or Couponholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) Entitlement of the Trustee

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

13. ENFORCEMENT

At any time after the Notes become due and payable, only the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings or any other steps or actions in relation to the Trust Deed or the Notes unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least one-fifth in nominal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is not obliged or required to take any action under the Trust Deed which may involve it in incurring any personal liability or expense unless indemnified, secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

The Trust Deed contains provisions for the Trustee to retire ***provided that*** *the Trustee has given at least three months written notice to the Issuer. The Trust Deed also contains provisions whereby the Noteholders may by Extraordinary Resolution remove the Trustee. Any such retirement or removal shall not be effective until a successor Trustee has been appointed. Noteholders shall be notified in accordance with Condition 17 (Notices) of any such retirement, removal and/or replacement of the Trustee.*

15. REPLACEMENT OF NOTES, CERTIFICATES, COUPONS AND TALONS

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

16. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes). References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

17. **NOTICES**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing, and if any such Notes are listed on the Irish Stock Exchange plc trading as Euronext Dublin (the "**Euronext Dublin**"), notices will be published either on the website of the Euronext Dublin (https://live.euronext.com/) or in a daily newspaper with general circulation in the Republic of Ireland (which is expected to be *the Irish Times*). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*) and so long as the Notes are listed on the Euronext Dublin, published either on the website of the Euronext Dublin (https://live.euronext.com/) or in a daily newspaper with general circulation in the Republic of Ireland (which is expected to be *the Irish Times*). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

19. **GOVERNING LAW AND JURISDICTION**

(a) **Governing Law**

The Trust Deed, the Notes, the Coupons, the Talons and the arbitration agreement at Clause 19(b) (*Arbitration*), including any non-contractual obligations arising out of or in connection with them, shall be governed by, and shall be construed in accordance with, English law.

(b) **Arbitration**

Subject to Clause 19(c) (*Trustee's option to refer Dispute to court*) below, and 19(d) (*Jurisdiction of the English Courts*) the Issuer agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Trust Deed and the Notes, the Coupons or the Talons (including a claim, dispute or difference regarding its existence, termination or validity or any non-contractual obligations arising out of or in connection with the Trust Deed (a "**Dispute**"), shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "**Rules**") as in force at the date of the Trust Deed and as modified by this Clause, which Rules shall be deemed incorporated into this Clause. The number of arbitrators shall be three, one of whom shall be nominated by the claimant(s), one by the respondent(s) and the third of whom, who shall act as Chairman, shall be nominated by the two party-nominated arbitrators, **provided that** if the third arbitrator has not been nominated within 30 days of the nomination of the second party-nominated arbitrator, such third arbitrator shall be appointed by the LCIA Court. The parties may nominate and the LCIA Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. Where more than one Dispute arises out of or in connection with Trust Deed, the Notes, the Coupons or the Talons, and such Disputes, in the reasonable opinion of the first arbitral tribunal to be appointed in respect of any of the Disputes (the "**First Tribunal**"), are so closely connected that it is fair and expedient for them to be resolved in the same proceedings, the First Tribunal may, upon application by any party, order that the proceedings to resolve one Dispute shall be consolidated with those to resolve any other Dispute. If the First Tribunal so orders, the parties to each Dispute which is a subject of such order shall be treated as having consented to that Dispute being finally decided by the First Tribunal, unless the LCIA Court decides that the First Tribunal would not be suitable. The seat of arbitration shall be London, England and the language of arbitration shall be English.

(c) **Trustee's option to refer Dispute to court**

The Trustee may, by notice in writing to the Issuer, require that a Dispute be heard by a court of law **provided that** such written notice is received by the Issuer before an arbitrator has been appointed in connection with such Dispute. A notice validly issued by the Trustee under this Condition 19(c) shall also be binding on all Noteholders and Couponholders. If the Trustee gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19(d) (*Justification of the English Courts*) below.

(d) **Jurisdiction of the English Courts**

In the event that the Trustee validly issues a notice pursuant to Condition 19(c) (*Trustee's option to refer Dispute to court*) the following provisions shall apply:

(i) the courts of England shall have jurisdiction to settle any such Dispute;

(ii) the Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any such Dispute, and agrees not to claim that courts of England are not a convenient or appropriate forum; and

(iii) the submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Trustee, in accordance with this Condition 19, to take proceedings in any other court of competent jurisdiction, nor shall the taking of any proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

(e) **Immunity**

To the extent that the Issuer may in any jurisdiction claim for itself or its assets, property or revenues (irrespective of their use or intended use) immunity from jurisdiction, suit, enforcement, execution, attachment (whether in aid of execution, after the making of a final judgment of a court of competent jurisdiction or final award) or other legal process including in relation to the enforcement of any arbitration award and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets, property or revenues, the Issuer has agreed not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction and the Charter.

The Issuer has waived any immunity from jurisdiction to which it might otherwise be entitled in any suit or proceedings arising out of or relating to the Trust Deed, and (*provided that* a certificate has been obtained in accordance with the Charter) the Notes, the Coupons and the Talons.

(f) **Service of Process**

The Issuer has in the Trust Deed irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any proceedings in England.

OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

20. **Initial Issue of Notes**

If the Global Notes or Global Certificates are stated in the applicable Final Terms to be issued in NGN or NSS form (as applicable), the Global Notes or NSS Global Certificates (as the case may be) will be deposited on or prior to the original issue date of the Tranche with a common safekeeper for Euroclear and Clearstream Luxembourg (the "**Common Safekeeper**"). Depositing the Global Notes or NSS Global Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Certificates which are not issued in NSS form may be delivered on or prior to the original issue date of the Tranche to a Common Depositary. If the Global Note is a CGN or the Global Certificate is not issued in NSS form, upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any common nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the issue outstanding amount from time to time of the Notes shall be the amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the issue outstanding amount of Notes represented by the Global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time. In the case of a NSS Global Certificate, the register maintained by the Registrar shall be conclusive evidence of the issue outstanding amount of Notes represented by the NSS Global Certificate.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

21. **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other permitted clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

22. **Exchange**

22.1 ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(a) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview* *of the Programme - Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(b) otherwise, in whole or in part, on or after the date which is 40 days after the completion of the distribution of all Notes of the relevant Tranche (as determined and certified by the relevant Dealer (the "**Distribution Compliance Period**")) upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

22.2 ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

(a) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(b) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Issuing and Paying Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

22.3 ***Global Certificates***

If the Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(ii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

22.4 ***Partial Exchange of Permanent Global Notes***

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

22.5 ***Delivery of Notes***

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes or, if the Global Note is a NGN, the Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

22.6 ***Exchange Date***

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due, 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

23. **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is an overview of certain of those provisions:

23.1 ***Payments***

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement.

All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 8(e)(vii) will apply to the Definitive Notes only. In the case of payments in respect of Notes represented by a Global Certificate not issued in NSS form the Issuer shall procure that details of each such payment shall be entered in the records of the Registrar and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the Registrar and represented by the Global Certificate will be reduced accordingly.

If the Global Note is a NGN, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note will be reduced accordingly. In the case of a NSS Global Certificate, the Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the Registrar and in the case of payments of principal, the nominal amount of the Notes recorded in the records of the Registrar and represented by the NSS Global Certificate will be reduced accordingly. Payments under the NGN or NSS Global Certificate will be made to its holder.

Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system or Registrar (as the case may be) shall not affect such discharge.

23.2 ***Prescription***

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note or a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 10).

23.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate).

23.4 **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

23.5 **Purchase**

Notes represented by a permanent Global Note or Global Certificate may only be purchased by the Issuer if they are purchased together with the rights to receive all future payments of interest (if any) thereon.

23.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except (in the case of Notes represented by a permanent Global Note) that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

23.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Issuing and Paying Agent, or to a Paying Agent acting on behalf of the Issuing and Paying Agent, for notation. Where the Global Note is a NGN, the Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

Any option of the Noteholders provided for in the Conditions may be exercised by the holder of the Global Certificate giving notice to the Registrar or Transfer Agent within the time limits relating to the deposit of Notes with a Registrar or Transfer Agent set out in the Conditions substantially in the form of the notice available from the Registrar or any Transfer Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised.

23.8 **NGN/NSS nominal amount**

Where the Global Note is an NGN or in the case of a NSS Global Certificate, the Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems or Registrar and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note or NSS Global Certificate (as the case may be) shall be adjusted accordingly.

23.9 **Trustee's Powers**

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of any nominee or common safekeeper for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interests as if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

23.10 **Notices**

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, except that so long as the Notes are listed on Euronext Dublin and the rules of that exchange so require, notices shall also be published either on the official website of Euronext Dublin (https://live.euronext.com/) or in a leading newspaper having general circulation in the Republic of Ireland (which is expected to be *the Irish Times*).

USE OF PROCEEDS

The net proceeds from each issue of Notes shall be incorporated into the ordinary capital resources of the Issuer and used in its ordinary operations in accordance with its Charter.

The proceeds from the issue will not be used, directly or indirectly, to finance projects or transactions involving countries, entities or individuals facing international sanctions.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Bank's audited financial statements for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 (see "Selected Financial Information" above).

Critical Accounting Policies

The Bank's financial statements are prepared on the historical cost basis except for certain financial assets that have been measured at fair value, and are presented in United States dollars in accordance with the Bank's Charter. The reporting currency is the United States Dollar and most of the Bank's activities are conducted in this currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and also requires the Bank's management to exercise its judgement in the process of applying the Bank's accounting policies. The preparation of financial statements involves management estimates and assumptions that may affect the reported amounts of assets and liabilities within the financial year. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Income from loans and investments is recognised in profit or loss when it accrues, by reference to the principal outstanding and the interest rate applicable. Fees and commissions are recognised at the time of effecting the transaction. Borrowing costs are expensed in the period in which they are incurred. Assets and liabilities in foreign currencies are translated to United States Dollars at the relevant rates of exchange on the reporting date. Property and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation and any accumulated impairment loss. Intangible assets comprise the cost of acquired computer software programmes.

At each reporting date, the Bank reviews the carrying amounts of its financial, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. Expenditure incurred in relation to borrowings from which the Bank will derive benefits over a period beyond the period in which the facility is secured, if material, is capitalised and amortised over the life of the facility.

Statement of Comprehensive Income

Interest Income has grown progressively over the past years, specifically to USD 361.6 million, USD 405.7 million and USD 435.3 million for the years ended 2018, 2019 and 2020 respectively. The significant increase in interest income is partly the result of the more than doubling of investment income as well as utilisation of USD 1.93 billion raised under the Bank's syndicated loans between 2018 and 2020, the USD 750 million from the Eurobond market in 2019, and other borrowings raised to fund the Bank's operations. The enhanced resource capacity enabled the Bank to finance a significantly higher volume of transactions under trade and project finance.

Arising from an expanded loan portfolio, project finance interest income grew by 5 per cent. from USD 162.7 million in 2019 to USD 170.2 million in 2020. Trade finance interest income decreased from USD 209.7 million in 2019 to USD 189.2 million in 2020, due to the contraction in the average 3-months LIBOR rates by 167 basis points, causing a significant reduction in the Bank's lending rate.

For the years 2018, 2019 and 2020, interest expense was USD 198.5 million, USD 226.6 million and USD 205.7 million respectively. The 2019 Eurobond issue and the syndicated loans contributed to a significant increase in the interest expense recorded in 2019, while the reduction in the LIBOR rate in 2020 contributed towards the reduction in cost of funding. In addition to these borrowings, the Bank drew on its short term and long-term facilities to fund portfolio growth. Long-term borrowings amounted to USD 1.8 billion in 2018, USD 2.6 billion in 2019 and USD 3.1 billion in 2020 while short-term borrowings amounted to USD 2.4 billion in 2018, USD 2.5 billion in 2019 and USD 2.4 billion in 2020.

Net Interest Income for the years ended 31 December 2018, 2019 and 2020 was USD 156.4 million, USD 179.1 million and USD 229.6 million respectively, with the annual increases mainly reflecting the growth in investment income, portfolio growth during the period and diversification into what the Bank assesses to be hitherto under-served markets by the Bank. Gains on financial assets designated at fair value through profit or loss were USD 24.00 million, USD 16.00 million and USD 14.2 million for the years ended 31 December 2018, 2019 and 2020 respectively as a result of fair valuation of Investments as per provision of IFRS 9.

Fees and Commission Income, for the years ended 31 December 2018, 2019 and 2020 was USD 44.2 million, USD 72.4 million and USD 51.8 million respectively. The decrease in fee income in 2020 is attributed to challenges and delays in completing transactions due to the impact of the COVID-19 pandemic on the Bank's operations. Risk mitigation costs (Risk Down-Selling and Insurance) for the year ended 31 December 2020 amounted to USD 36.1 million compared to USD 36.0 million in December 2019 and USD 35.5 million in December 2018. The Risk Down-selling costs represent fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Bank's secondary loan trading and asset distribution activities to manage obligor, sector and geographic prudential limits. Down-selling further provides the Bank with room to book new assets and generate incremental fee income. Insurance assists the Bank in receiving capital relief, as well as serving as a risk mitigant against credit and currency convertibility and externalisation risks. Since December 2016, the Bank has been insuring part of its callable capital, providing it with credit enhancement and effectively improving the average rating of its key shareholders. These risk mitigation measures are considered part of the Bank's overall credit positive initiatives contributing to the Bank's investment grade credit rating attainment.

Income from operations for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 was USD 173.5 million, USD 237.5 million and USD 265.6 million respectively. Net trading income rose by 10 per cent. from USD 267.5 million in 2019 to USD 295.5 million in 2020.

Operating Expenses for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 were USD 40.7 million, USD 41.0 million and USD 44.4 million respectively. Recruitment of new staff to drive the implementation of various strategic business initiatives, performance linked pay incentives and the opening of new regional offices accounts for the increased operating expenses in the period 2018-2020. The annual increases were well below the business volume growth recorded during the period. The Cost to Income ratio including impairment was 15.5 per cent., 17.1 per cent. and 21.3 per cent. for years ended 31 December 2018, 2019 and 2020 respectively and Cost Income ratio without impairment was 9.9 per cent., 8.5 per cent. and 9.0 per cent. for years ended 31 December 2018, 2019 and 2020 respectively.

Total Comprehensive Income for the years ended 31 December 2018, 31 December 2019 and 31 December 2020 was USD 129.8 million, USD 150.8 million and USD 162.6 million respectively.

Statement of Financial Position

Total assets as at 31 December 2020 amounted to USD 7.2 billion compared to USD 6.7 billion as at 31 December 2019 representing, an 8 per cent. increase. This growth was due to receipt of funds from lenders to fund disbursements as well as maintain a healthy liquidity buffer. In addition, there was new lending towards trade finance and project finance activities. At 31 December 2020, net trade finance loans amounted to USD 3.1 billion and net project finance loans amounted to USD 2.2 billion. As at 31 December 2020, Cash and bank balances were USD 1.15 billion compared to balances at 31 December 2019 and 31 December 2018 of USD 1.4 billion and USD 1.1 billion respectively.

Total liabilities as at 31 December 2020 were USD 5.7 billion compared to USD 5.3 billion as at 31 December 2019. Increases in funding required for the growing portfolio accounted for this increase in liabilities. As at 31 December 2020, short-term borrowings amounted to USD 2.4 billion compared to USD 2.5 billion at 31 December 2019. Long-term borrowings were USD 3.1 billion at 31 December 2020 compared with USD 2.6 billion at 31 December 2019.

Asset Quality and Non-performing Loans

The Bank's level of non-performing loans ("**NPLs**") increased to 2.88 per cent. at 31 December 2020 from 2.33 per cent. at 31 December 2019. The nominal amount of NPLs increased by 32 per cent. to USD 157.6 million from USD 118.5 million. The growth reflects the increase in credit risk posed by the COVID-19 pandemic on the Bank's portfolio.

Loan Recoveries

During the period, in respect of NPLs, the Bank recorded the following loan recoveries. For details on the percentage recovery for NPLs, refer to "*Collateral Enforcement*" below.

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Impaired Assets Recovered	5,357	5,359	4,357

Off Balance Sheet Transactions

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

The following table sets out the Bank's composition of off-balance sheet items for the years ended 31 December 2018, 2019 and 2020.

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Letters of credit - Project loans	2,284	2,287	280
Letters of credit - Trade loans	277,457	346,981	161,393
Guarantees	39,259	69187	17,000
Total	**319,000**	**418,455**	**178,673**

DESCRIPTION OF THE BANK

Introduction

The Bank was established by charter on 6 November 1985 (the "**Charter**"), pursuant to Chapter 9 of the Treaty establishing the Preferential Trade Area (the "**PTA**") for Eastern and Southern African States. The PTA has since been transformed into the Common Market for Eastern and Southern Africa ("**COMESA**"), which is a regional economic integration bloc, whose membership currently includes 19 countries in Northern, Eastern and Southern Africa. With the formation of the Tripartite Free Trade Area ("**TFTA**") and the recent decision of African Union member states to create the African Continental Free Trade Area ("**AfCFTA**"), the Bank has positioned itself as a leading development finance institution of the TFTA and a key player within the future AfCFTA. The Bank is similar in structure to other supranational trade and development banks, such as the African Development Bank, the African Export-Import Bank and the East African Development Bank.

The Bank's vision is to become a world-class financial institution advancing the economic development, integration and prosperity of the Eastern and Southern African Region and its mission is to be at the forefront of extending development capital and services to advance regional growth and integration through customer focused and innovative financing instruments.

Since its establishment, the Bank has operated under its legal name "Eastern and Southern African Trade & Development Bank" as well as two trading names in English and in French: 'PTA Bank' and 'Banque de la ZEP' respectively. In May 2016, the Bank's Board of Governors (the "**BOG**") approved the rebranding of the Bank. It now trades under one trade name as the Trade and Development Bank, with a new logo and a new tagline. The Bank's legal name, "Eastern and Southern African Trade & Development Bank", remains unchanged.

The Bank's principal offices are located at Africa FI Place, Lot no. 13, Wall Street, Cybercity, Ebene 72201, P.O. Box 43, Mauritius and Chaussee Prince Louis, Rwagasore, P.O. Box 1750 Bujumbura, Burundi. Its telephone contacts at those addresses are +257-22224625/ +257-22220313 (Burundi) and +230 460 1500/ 07 (Mauritius), respectively. The Bank also has a regional and operations hub in Nairobi (Kenya), regional offices in Harare (Zimbabwe), and Addis Ababa (Ethiopia) and a country office in Kinshasa (DR Congo). Its telephone contact at the Nairobi regional office is +254-732192000, while its telephone contact for the Harare regional office is +263-4788330-3/788336-9 and its telephone contact at the Addis Ababa office is +251 11 518 1730/31.

Brief History of the Bank

After establishment in 1985, the Bank went through formative years between 1986 and 1989 during which the principal activities undertaken were capital mobilisation, staff recruitment and establishment of various operational and policy instruments. Lending operations commenced on a limited scale in 1990 and continued until 1994 when political instability in Burundi forced the Bank to relocate its operations to Nairobi, Kenya.

In its first decade of lending, the Bank recorded mixed performance in terms of financial outcomes and portfolio quality. Consequently, the BOG instituted a change of leadership in 2000 and commissioned a restructuring study by Maxwell Stamp Plc of United Kingdom whose recommendations were successfully implemented between 2001 and 2003.

Besides the leadership changes, other key elements of the Bank's restructuring were the strengthening of corporate governance, institution of checks and balances in the credit processes and the adoption of a new organisational structure. The restructuring resulted in a reconfiguration of the board of directors to allow for an independent chairman to chair board meetings (previously the President also chaired board meetings) and also to allow for the outsourcing of the internal audit function.

Until 2011, Dr. Michael Gondwe served as President and Chief Executive of the Bank for two terms of five years each. In April 2012, TDB underwent a leadership succession process which resulted in Mr. Admassu Tadesse, taking over President and Chief Executive of the Bank from Dr. Michael Gondwe who retired from TDB employment after 30 years of service to TDB in various roles, notably and culminating as President and CEO of TDB, which he served for two maximum terms of five years each and reaching the retirement age of TDB (62 years of age). Soon after the appointment of Mr. Tadesse, the next new five-year corporate plan was approved by the Board of Governors in December 2012, ushering several new strategic initiatives and reforms, which set the stage for the repositioning of TDB into a larger, more mature and diversified development finance group covering the Tripartite Region, a regional economic community, which brings together member countries of the Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), and East African Community (EAC), as well the Inter-Governmental Authority on Development (IGAD).

As part of the new strategic initiatives, the Bank approved the establishment of Eastern & Southern Africa Trade Fund ("**ESATF**") and its fund manager, Eastern and Southern African Trade Advisors Limited ("**ESATAL**") in 2014 pursuant to Article 9 of the Issuer's Charter. These were incorporated in Mauritius in 2015. In recognition of the existing domicilium of the Bank's special purpose funds in Mauritius, the BOG, on the recommendation of the Board of Directors, approved an upgrade of the Bank's office in Mauritius into a second principal office of the Bank, alongside the Republic of Burundi in 2017.

In order to bring its financial services closer to its clients in its Issuer Member States, the Bank adopted a coverage model in 2019. The coverage model assumes full ownership of clients to deliver client-centric and innovative financial solutions. This hybrid coverage-product driven operating model, is an enhancement of the existing structure, aiming to further advance the Bank's diversification thrust, sub-regional presence for new business and improved portfolio management. It is also recognised as a drive for diversification and business development and enable the Bank to increase its deal pipeline and improve Issuer Member States' access to the Bank.

Diversification

In order to address the development challenges of its Issuer Member States meaningfully and to react appropriately to market dynamics, the Bank plans to diversify its products and also expand its scope of sectoral and geographic intervention. This drive will also seek to diversify the Bank's earnings profile from interest income to a healthy balance by growing non-interest income. The Bank aims to accomplish this by:

(a) successfully running its operations through its joint venture, the ESATF which launched in August 2019 with an initial investment of USD 50 million;

(b) growing its alternative investment offering through either proprietary or third-party funds; and

(c) growing syndication/co-investments offering and launching advisory services.

Regional Outreach

With a view to effectively addressing its customer needs amidst rapidly growing regional and local economies, the Bank has set up regional offices and plans to establish further satellite offices. These offices will serve a relationship and origination function by identifying areas of opportunity in line with the Bank's developmental mandate, manage more closely the Bank's portfolio of investments to improve further the quality of its assets, and continuously engage with its stakeholders. To increase the Bank's footprint in the region, the Addis Ababa country office was set up in 2017, and the Bank is currently in the process of setting up a Kinshasa country office.

Recent Developments

1. ***Strategic developments since September 2018***

   As part of the Bank's diversification, Syndication and Deal Structuring functions continue to expand their capacity to generate fee income in volumes of transactions, strengthening the Bank's ability to further grow its business. Continued efforts to expand capabilities in Asset Management and Advisory services are also ongoing.

2. ***Credit ratings and drivers***

   The Bank's current credit ratings by independent credit rating agencies are summarised below:

   - Fitch Ratings at BB+/Stable Outlook.
   - Moody's at Baa3/Negative Outlook
   - GCR's at BBB-/Stable Outlook.

These credit ratings are reviewed annually and are not a recommendation to purchase, hold or sell any securities.

The key rating drivers identified by the agencies which provide the Bank's credit ratings are summarised as follows:

- Capital adequacy remains solid, despite the significant challenges posed by the coronavirus pandemic.
- Reasonably solid liquidity position supported by ample cash buffers and new facilities from bilateral or other multilateral DFIs to support liquidity and funding profile.
- Resilient asset quality despite uptick in the credit metrics due to the impact of the pandemic.
- Credit risk mitigation of the portfolio as well as callable capital.
- Resilient solvency position.

3. ***Financial Position***

Below is a table of selected financial information of the Bank for the years ended 2018, 2019 and 2020.

	2020	**2019**	**2018**
		(USD million)	
Total Assets	7,247,696	6,691,091	5,557,574
Net Trade Finance & Project Finance Loans	5,309,412	4,971,505	4,163,004
Total Borrowings	5,459,001	5,056,776	4,165,283
Total Equity	1,557,042	1,389,815	1,192,026
Profit for the Year/Period	157,047	151,305	129,325

4. ***Business Trends***

There has been a renewed focus by the Bank on sovereign lending, syndications and forfaiting.

The COVID-19 pandemic has had severe economic and public health impacts on all economies of the Bank's Members States. To reverse this trend, the Bank is focusing efforts on supporting the private sector, which is expected to lead the economic recovery of the region. To this end, the Bank is focusing on key sectors such as Financial Institutions (FIs) through lines of credit for on-lending to small and medium scale businesses to address the effects of the pandemic. Other targeted sectors are energy – power generation focusing on bankable IPPs, off grid solar and mini grids supported by creditworthy corporate PPAs – as well as construction, logistics and transport, manufacturing and healthcare.

5. ***Capacity and Coverage***

The Bank's institutional capacity building encompasses three main activities:

(i) training and skills enhancement;

(ii) system and procedural improvements; and

(iii) organisational strengthening.

The Bank has made significant acquisition of resources in the last 18 months including human capital, financial resources, networks, systems and strengthened its corporate governance and internal controls. Adequate risk management policies and systems were developed and implemented including an enterprise risk management framework

To fulfil the Bank's vision to become a world class African financial institution, the Bank launched the Trade & Development Bank Academy (the "**TDB Academy**") in July 2018 as the educational arm of the Bank. In 2020, TDB Academy launched its strategic plan which focuses on training and capacity building, talent management, knowledge sharing as well as research and strategic studies. To date, the TDB Academy has delivered several training programmes and brown bag sessions to TDB employees and external participants. In 2019, the TDB Academy jointly organised the Horn of Africa Forum whilst in 2020, the TDB Academy organised the first virtual East African Banking Forum, an annual regional conference co-hosted by European Investment Bank, with both conferences scheduled to become annual flagship events for TDB in subsequent years.

6. ***Planned new premises***

The Bank has commenced construction of its own office premises in Nairobi. The development of this commercial investment property was envisioned to meet the business growth and increase in the Bank's office requirements. Over the past five years, the Bank's growing office space requirements necessitated the renting of three additional office spaces and one archive in different locations in Nairobi. The development of the Nairobi office building project is expected to be finalised by the end of 2021, and the demand for office space will be resolved.

The development of the Nairobi office building is also intended as an investment by the Bank, and is intended to be marketed as a potential financial hub for other regional development financial institutions and other centres of excellences based in Nairobi.

In 2017, the Bank's regional office in Mauritius was upgraded to become the Bank's second principal office. In accordance with the approval of the Bank's board of directors (the "**Board of Directors**" or the "**Board**"), the Bank joined Africa Re, a strategic partner, to jointly purchase a property located in Ebene, Mauritius, with the Bank owning 40 per cent. of the building and Africa Re owning 60 per cent. This is similar to the joint office arrangement with ZEP Re in Addis Ababa and the prospective joint office arrangement in Kinshasa with ATI and ZEP Re. The new office premises in Mauritius were occupied in July 2020 and serve as a centre for funds management, fundraising and regional operation as well as coordination, common corporate support and business continuity.

7. ***Corporate Plan 2018-2022***

Building on its successes and lessons, the Bank had the following five strategic objectives in the Corporate Plan 2018-2022:

(i) to ensure managed growth and balanced and sustainable development impact;
(ii) to mobilise equity and debt financial resources, at the lowest possible costs, with optimal flexibility as well as diversity;
(iii) to develop further the Bank's human and institutional capital, and achieve high levels of operational excellence;
(iv) to build focussed partnerships and collaboration for resource mobilisation, expanded impact and risk sharing; and
(v) to be a risk intelligent organisation with high levels of asset quality and to achieve a higher investment grade rating.

While the COVID-19 pandemic has greatly affected operations of financial institutions worldwide, the Bank will continue to mobilise resources to support the financing of sustainable growth and transformation during the remaining period of the Corporate Plan 2018-2022.

During the first half of the Corporate Plan 2018-2022, among other achievements the Bank successfully implemented a coverage model which consisted of establishing geographic coverage teams separate from the specialist teams powering the Bank's core lines of business, Project and Infrastructure Finance and Trade Finance. The deployment of this coverage model has played an important role in driving the Bank's portfolio diversification.

Despite the challenges caused by the COVID-19 pandemic, the Bank remains committed to continuing on a growth path to deliver profitability and sustainability while pursuing its vision to be "A world class African development financial institution advancing the economic development, integration and prosperity of the region."

Going forward, Management plans to continue to leverage sovereign relationships, deepen partnerships with local banks and the private sector, run an efficient risk management complex and leverage the group structure while maintaining a focus on service quality. In line with its Charter, the Bank will continue to grow its trade and development financing for a range of priority sectors, notably Financial Institutions (FIs), agribusiness, infrastructure, industry, and energy with greater focus on renewable energy.

8. ***Expanded Membership***

In order for TDB to expand its market, increase its resource base and strengthen regional economic integration, the Bank will continue to encourage the membership of Angola, Botswana, Ghana, Namibia, Senegal and Tunisia. The Bank is in advanced discussions with Angola, Ghana and Senegal. The Bank will also continue to pursue membership of a number of countries outside of Africa such as Japan, India, South Korea as well as OECD states based on the strength of existing trade relations and/or political affiliations with Eastern and Southern African States.

9. ***Subscription of Class B shares***

In 2019, the two new institutional shareholders joined the membership of the Bank namely, the African Economic Research Consortium (AERC) by subscribing to 175 Class B shares for a total subscription amount of USD 2,006,025 and the Investment Fund for Developing Countries (Denmark) by subscribing to 1,745 Class B shares for a total subscription amount of USD 20,002,935. In November 2020, IFU doubled its stake in the Bank by subscribing to 1,638 Class B shares for a total subscription commitment amounting to USD 20,004,894.

The Caisse Nationale de Sécurité Sociale (CNSS) – Djibouti subscribed to 410 Class B shares for a total subscription commitment amount of USD 5,007,330.

10. ***Sudan regional business prospects post lifting of general US sanctions in October 2017 and removal from the List of State Sponsors of Terrorism (SST) in December 2020.***

Following the lifting of US sanctions on Sudan in October 2017 and the removal of Sudan from the SST List in December 2020, the Bank can engage in transactions such as USD funds transfer, or loans involving US banks to/from the Government of Sudan and its owned or controlled entities and settle Sudan related transactions using its USD accounts.

The shareholding of the Government of Sudan in the Bank and its operations in Sudan, will also no longer expose investors in or financial service providers of the Bank to OFAC risk under the now terminated OFAC sanctions against Sudan, thus unlocking facility syndication and providing distribution opportunities. However, EU sanctions on Sudan continue to apply.

Membership and Share Capital

Following amendments made to the Bank's Charter in January 2016, membership of the Bank has been redefined to comprise:

(a) Issuer Member States (or their Designated Institutions);

(b) other African and non-African states (or their Designated Institutions); and

(c) any African or non-African public or private institutions or corporate bodies.

"**Designated Institution**" means the central bank, sovereign wealth fund or any other state-owned agency of a member.

The terms and conditions governing the eligibility of membership are determined by the BOG, which shall approve the membership of any state (other than the Issuer Member States), body corporate, enterprise or other institution. The BOG determines the eligibility of each potential membership based on the provisions of the Charter, namely pursuant to Articles 3 and 5. These provisions outline the composition of the membership of the Bank, allocation of shares and the division of authorised capital stock.

The current Issuer Member States are: Burundi, the Union of the Comoros, the Democratic Republic of Congo, Djibouti, Egypt, Eritrea, Ethiopia, eSwatini, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Sudan, Tanzania, Uganda, Zambia and Zimbabwe. The People's Republic of China (represented by the People's Bank of China) and the Republic of Belarus (represented by the JSC Development Bank of Belarus) are non-regional member countries. The African Development Bank, the Arab Bank for Economic Development, the National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance, PTA Reinsurance, Banco Nacional de Investimento, National Social Security Fund of Uganda, OPEC Fund, Investment Fund for Developing Countries (Denmark), African Economic Research Consortium, Caisse Nationale de Sécurité Sociale (Djibouti), TDB Staff Provident Fund, TDB Directors and Select Stakeholders Provident Fund and SACOS Group Limited are institutional shareholders. The paid-up capital and shareholding levels are as indicated in the table under "*Capital subscriptions*" below.

Although the mandate and objective of the Bank at its inception was to operate in the context of, and as a financial arm of, COMESA, in 2012, the Bank expanded both its membership capital base as well as repositioned itself to serve as a specialised trade and development finance institution of the Grand Free Trade Area spanning COMESA, the East African Community ("**EAC**") and the Southern African Development Community ("**SADC**") which offers a larger outreach to the Bank in terms of membership while also sustaining the integration agenda with the development and financing of cross border infrastructure projects and facilitation of trade activities among members of the TFTA.

In June 2018, the Government of the Republic of Madagascar formally acceded to the membership of the Bank becoming its 22nd Issuer Member State.

The Bank does not finance projects, infrastructure or trade finance activity involving either Issuer Member States or enterprises located in Issuer Member States which are subject to sanctions imposed by the BOG on account of failing to fulfil capital subscription obligations for an extended period of time. Issuer Member States currently under sanctions imposed by the Bank, as determined by the BOG, are Eritrea and Somalia. On 28 August 2017, the Union of the Comoros was restored to good standing following receipt of its long-standing capital subscription arears and accumulated penalty interest in full.

Authorised share capital

At the 36th Annual Meeting held in 2020, the BOG doubled the Bank's authorised capital from USD 3,000,000,000 to USD 6,000,000,234 in support of the Bank's membership expansion strategy. This increase was achieved through increasing the Class A shares equivalent to USD 4,000,000,156, Class B shares equivalent to USD 1,000,000,039 and Class C shares equivalent to USD 1,000,000,039. This increase was preceded by the creation of Class C shares by the BOG at its 35th Annual Meeting held in August 2019 in Livingstone, Zambia, which now forms part of the capital stock of the Bank.

Subscribed capital

As at 31 December 2020, the Bank had USD 2.2 billion in subscribed capital: all subscribed Class B shares and 20 per cent. of the subscribed Class A shares was payable, leaving USD 1.62 billion as callable capital. Of the payable capital of USD 545.6 million, USD 534.9 million had been paid in as at 31 December 2020. The balance of the payable capital is expected to be paid between 2020 and 2021.

Capital subscriptions

The following table summarises the subscriptions to the capital stock of the Bank as at 31 December 2020

	Shares subscribed[1]	Percentage of total[2]	Value USD[3]	Callable capital USD '000[4]	Payable capital USD '000[5]	Instalments due as at 31.12.2020 USD '000[6]	Instalments paid as at 31.12.2020 USD '000[7]	Percentage of paid up capital[8]
Class A shares								
Belarus	1,267	1.05	28,719	22,975	5,744	5,744	5,744	1.07
Burundi	1,756	1.46	39,803	31,843	7,961	7,961	7,961	1.49
China	4,891	4.06	110,864	88,691	22,173	22,173	22,173	4.14
Comoros	185	0.15	4,193	3,355	839	839	839	0.16
Djibouti	407	0.34	9,225	7,380	1,845	1,845	1,845	0.34
Congo DRC	5,943	4.94	134,710	107,768	26,942	26,942	26,942	5.04
Egypt	7,629	6.34	172,927	138,341	34,585	34,585	34,585	6.47
Eritrea	240	0.20	5,440	4,352	1,088	1,088	907	0.17
Eswatini	454	0.38	10,291	8,233	2,058	2,058	1,657	0.31

Ethiopia	8,734	7.26	197,974	158,379	39,595	36,595	36,595	6.84
Kenya	7,422	6.17	168,234	134,588	33,647	33,647	33,647	6.29
Madagascar	1,883	1.56	42,682	34,146	8,536	8,536	8,536	1.60
Malawi	3,577	2.97	81,080	64,864	16,216	16,216	16,216	3.03
Mauritius	2,314	1.92	52,451	41,961	10,490	10,490	10,490	1.96
Mozambique	447	0.37	10,132	8,106	2,026	1,225	1,225	0.23
Rwanda	2,333	1.94	52,882	42,306	10,576	10,576	10,576	1.98
Seychelles	4,338	3.60	98,329	78,664	19,666	13,665	13,665	2.55
Somalia	385	0.32	8,727	6,981	1,745	1,745	1,745	0.33
South Sudan	318	0.26	7,208	5,766	1,442	1,442	1,201	0.22
Sudan	5,277	4.38	119,614	95,691	23,923	23,923	23,923	4.47
Tanzania	7,157	5.95	162,228	129,782	32,446	32,446	32,446	6.07
Uganda	5,560	4.62	126,029	100,823	25,206	25,206	25,201	4.71
Zambia	6,154	5.11	139,493	111,594	27,899	27,899	27,899	5.22
Zimbabwe	6,337	5.27	143,641	114,913	28,728	28,728	28,728	5.37
African Development Bank	4,321	3.59	97,944	78,355	19,589	19,589	19,589	3.66
TOTAL CLASS A	**89,329**		**2,024,820**	**1,619,856**	**404,964**	**395,162**	**394,334**	
Class B shares								
African Development Bank	5,844	4.86	26,493	-	26,493	26,493	26,493	4.95
African Economic Research Consortium	175	0.15	793	-	793	793	793	0.15
Africa Reinsurance Corporation	805	0.67	3,649	-	3,649	3,649	3,649	0.68
Arab Bank for Economic Development in Africa	1,017	0.85	4,610	-	4,610	4,610	4,610	0.86
Banco Nacional de Investmento	917	0.76	4,157	-	4,157	4,157	4,157	0.78
Caisse Nationale de Sécurité Sociale (CNSS) Djibouti	410	0.34	1,859	-	1,859	1,859	1,859	0.35
Investment Fund for Developing Countries	3,383	2.81	15,337	-	15,337	15,337	15,337	2.87
Mauritian Eagle Insurance Company Limited	278	0.23	1,260	-	1,260	1,260	1,260	0.24
National Pension Fund–Mauritius	1,941	1.61	8,799	-	8,799	8,799	8,799	1.64
National Social Security Fund Uganda	3,231	2.68	14,647	-	14,647	14,647	14,647	2.74
OPEC Fund for International Development	2,122	1.76	9,620	-	9,620	9,620	9,620	1.80
People's Republic of China	3,674	3.05	16,656	-	16,656	16,656	16,656	3.11
Rwanda Social Security Board	3,602	2.99	16,329	-	16,329	16,329	16,329	3.05
Sacos Group Limited	130	0.11	589	-	589	589	589	0.11
Seychelles Pension Fund	1,062	0.88	4,814	-	4,814	4,814	4,814	0.90
TDB Directors and Select Stakeholders Provident Fund	93	0.08	422	-	422	422	422	0.08
TDB Staff Provident Fund	1,496	1.24	6,782	-	6,782	6,782	6,782	1.27
ZEP-RE (PTA Reinsurance Company)	834	0.69	3,781	-	3,781	3,781	3,781	0.71
TOTAL CLASS B	**31,014**		**140,600**	**-**	**140,600**	**140,600**	**140,600**	
TOTAL CAPITAL	**120,343**	**100**	**2,165,420**	**1,619,856**	**545,564**	**535,761**	**534,934**	

[1] *This refers to the number of the shares subscribed by the relevant person.*
[2] *This represents the number of shares as a percentage of the total number of Class A and Class B shares subscribed.*
[3] *This is the product of the shares subscribed and value of the shares as at 31 December 2020.*
[4] *This represents the maximum obligation of the shareholder in the event of a call being made in response to financial distress.*
[5] *This is a sum of 'paid up capital' and 'unpaid but payable capital' i.e. capital that has either already been paid up by the shareholder or has been called and is due the shareholder.*
[6] *This refers to capital amounts due from the relevant shareholder on 31 December 2020 (prior to any payments on such date)*
[7] *This refers to capital amounts paid by the relevant shareholders on 31 December 2020.*
[8] *This refers to the paid up capital of the shareholder as a percentage of the total paid up capital of the Bank*

The most significant membership expansion initiative under the Corporate Plan 2013-2017 was the introduction of a new shareholding category in the form of Class B shares to enhance the Bank's core capital base. The Class B share instrument was an opportunity for the Bank to engage the interest of institutional shareholders by delivering attractive returns on their investments and introducing a dedicated Board seat through governance reforms. Since its introduction in 2013, the Bank has successfully raised over USD 190 million through Class B shareholders, surpassing its projected target in the Corporate Plan 2013-2017 of USD 100 million.

Under the Corporate Plan 2018-2022, the recruitment of Class B shareholders is an ongoing exercise aimed at attracting African and non-African institutional investors.

The issuance of Class B shares is governed by the Charter, shareholder subscription agreements and applicable policies and resolutions adopted by the BOG and the Board of Directors from time to time. In accordance with the provisions of the Charter, Class B Shares are issued at par plus any appropriate premium, as may be required annually by the Board of Directors, based on a valuation methodology recommended by an independent accounting firm of high repute and adopted by the Board of Directors from time to time. Both Class A and Class B shares have equal voting rights and offer 1 vote per share.

To date, the Bank has eighteen Class B institutional investors namely, Investment Fund for Developing Countries (Denmark), Caisse Nationale de Sécurité Sociale (Djibouti), African Economic Research Consortium, Rwanda Social Security Board, Seychelles Pension Fund, Africa Reinsurance Corporation, Banco Nacional de Investimento, PTA Reinsurance Company, National Pension Fund of Mauritius, Mauritian Eagle Insurance Company Ltd, National Social Security Fund of Uganda, OPEC Fund, TDB Staff Provident Fund; TDB Directors and Select Stakeholders Provident Fund, SACOS Group Limited, the Arab Bank for Economic Development, the African Development Bank and the People's Republic of China (represented by the People's Bank of China).

There is typically a standard lock-in period of 5 years for Class B shares, but since its introduction in 2013, no Class B shareholder has withdrawn from the membership of the Bank.

In accordance with Article 5 of the Charter, Class C shares are issued on terms and conditions determined by the Board of Directors. Class C shares do not hold voting rights. The Class C shares category is targeted at non-traditional pools of impact and other types of investors. To date, no Class C shares have been issued.

No single shareholder has dominant voting rights. None of the largest shareholders hold more than 10 per cent. of the voting rights.

The Charter

The Charter which is binding on all Issuer Member States sets out the objectives, membership, capital structure and organisation of the Bank, as well as identifying the type of transactions the Bank may engage in. It also sets out the immunities, exemptions and privileges of the Bank. The Charter also contains provisions with respect to the allocation of capital subscriptions.

As set out in Article 4 of the Charter, the objectives of the Bank, among other things, are to:

(a) provide financial and technical assistance to promote the economic and social development of Issuer Member States taking into account the prevailing varying economic and other relevant conditions within the Issuer Member States;

(b) promote the development of trade among Issuer Member States conducted in accordance with the provisions of the COMESA Treaty by financing, where appropriate, activities related to such trade;

(c) further the aims of Issuer Member States by financing, wherever possible, projects designed to make the economies of the Issuer Member States increasingly complementary to each other;

(d) supplement the activities of national development agencies of the Issuer Member States by joint financing operations and by the use of such agencies as channels for financing specific projects;

(e) co-operate, within the terms of the Charter, with other institutions and organisations, public or private, national or international, which are interested in the economic and social development of the Issuer Member States; and

(f) undertake such other activities and provide such other services as may advance the Bank's objectives which includes the provision of finance to, and the making of investments in, any African or non-African public or private institution or corporate, whether or not the same is a member, where the Board of Directors is of the view that to do so may advance the objectives of the Bank.

These strategic objectives are achieved through the provision of project and infrastructure finance and trade finance, which are funded by the Bank's ordinary resources. Special operations are financed through funds from bilateral and multilateral donor institutions as well as from the Bank's own funds. Ordinary resources and special operations are further explained under "*Ordinary and Special Operations*" below.

Article 36 of the Charter provides that a member of the Bank which is an Issuer Member State may not withdraw from the Bank. In addition, subject to the provisions of the Charter and any regulation made as a supplement thereto, any member of the Bank other than an Issuer Member State wishing to withdraw from the Bank shall give to the Group Managing Director one year's written notice of its intention to withdraw and at the end of such year shall, if such notice is not withdrawn, cease to be a member of the Bank.

The Charter may be amended by a resolution of the BOG approved by a two-thirds majority of the total voting power of the BOG including at least two-thirds majority of the votes of shareholders which are Issuer Member States or African institutions.

Voting

The voting power of each Issuer Member State is equal to the number of shares of the capital stock of the Bank held by that Issuer Member State. However, for the Issuer Member States who are in arrears on their paid-in shares, their voting powers will be reduced in the proportion that unpaid up amounts bears to the paid up amount.

Voting in the BOG

(a) each governor is entitled to cast the number of votes of the Issuer Member State or member which appointed him and which he represents; and

(b) (except as otherwise expressly provided in the Charter) all matters before the BOG shall be decided by a majority of the votes present at the meeting.

Voting in the Board of Directors

(a) each director of the Bank (each a "**Director**") shall be entitled to cast the number of votes of those members of the Bank whom he or she represents, which votes need not be cast as a unit;

(b) notwithstanding paragraph 3(a) of Article 29 of the Charter, the business of the Board of Directors will initially be decided on a show of hands at which point the Group Managing Director and each independent director shall have one vote each as shall all the other Directors. The voting provided for in paragraph 3(a) of Article 29 of the Charter shall only apply if prior to or following such vote by a show of hands one of the other Directors so request it at the same meeting at which the vote is being taken; and

(c) (except as otherwise expressly provided in the Charter) all matters before the Board of Directors shall be decided by a majority of the total votes of the Issuer Member States of the Bank.

Borrowing, investment and other powers of the Bank

As per Article 21 of the Charter:

1. The Bank is empowered to borrow funds in the manner the Board of Directors may deem appropriate, as guided by sound banking principles, to achieve the objectives of the Bank, *inter alia*:

   (i) whenever concessional loans are available, the Bank shall give preference to concessional funds;

   (ii) the Bank may borrow funds from any source for the purpose of financing development and trade;

   (iii) the Bank may obtain lines of credit and special funds for specific project and programmes; and

   (iv) the Bank may accept deposits from other institutions on conditions to be determined by the Board of Directors.

2. Subject to the approval of its Board of Directors, the Bank shall be empowered to invest and in so doing it is guided by the following:

   (i) the Bank may invest surplus funds as the Board of Directors may determine;

   (ii) the Bank's policy on investment shall be intended to ensure maximum returns on its investments as well as sufficient liquidity for its operations;

   (iii) the Bank may invest funds not immediately needed in its operations in such obligations as it may determine and invest funds held by the Bank for pension or similar purposes in marketable securities, but the Bank shall ensure that any funds which it may decide to invest in the territories of the Issuer Member States shall be invested, as nearly as possible in equal proportions in each Issuer Member State;

(iv) the Bank may guarantee securities in which it has invested in order to facilitate their sale; and

(v) the Bank may enter into joint ventures with other regional and international institutions.

3. The Bank charges for any technical advice and assistance it provides.

4. The Bank studies and promotes investment opportunities within the Tripartite Free Trade Area which covers several regional economic blocs, including COMESA, SADC, the East African Community and the Indian Ocean Island Commission.

Use of Resources

The resources and facilities of the Bank shall be used only within the Issuer Member States or such other locations that the Board of Directors considers will serve to implement the objectives of the Bank as set out in the Charter. When approving the use of the resources and facilities of the Bank in locations other than that of an Issuer Member State, the Board of Directors shall take account of the need, wherever practical to do so, to preserve the immunities and privileges of the Bank.

Ordinary Operations

The operations of the Bank consist of ordinary operations and special operations. Ordinary operations are those financed from the Bank's ordinary capital resources, being:

(a) the authorised capital stock of the Bank subscribed to pursuant to the Charter;

(b) funds raised by borrowing of the Bank by virtue of powers conferred to it;

(c) calls on callable shares in the capital stock of the Bank; and

(d) funds received through the ordinary operations of the Bank.

The ordinary operations shall include, as a general policy, providing loans and guarantees to public and private institutions through the Lending Operations department. Ordinary operations account for almost 100 per cent. of the Bank's income. When loans are made to autonomous private institutions, the Bank may seek guarantees from the governments concerned.

Special operations and Special Funds

Special operations are those operations other than ordinary operations of the Bank. Special operations are financed from resources other than ordinary resources ("**Special Funds**"). The ordinary capital resources and the Special Funds of the Bank shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from each other.

As part of the diversification efforts of the Corporate Plan 2018-2022, the Bank has decided to strengthen its revenue generation by consolidating the Special Funds activities within the Asset Management function. The primary objective of this function will be to develop new sources of fee income by managing third party resources through a variety of vehicles including funds (e.g. ESATF) and trust accounts, for broader development impact. The sources of these funds include development agencies, impact investors and family offices.

The Asset Management function was initially called Special Funds and Agency Operations in order to distinguish itself from the monies raised by Treasury for day-to-day use by the Lending Operations department.

To date, there are no third-party funds under management of the Bank. ESATF was successfully launched in August 2019.

Operational Limitations

To protect its capital stock, the Bank's Charter sets out the following operating limits:

(a) The total amount outstanding of loans, equity investments and guarantees in the ordinary operations shall not, at any time, exceed the Bank's ordinary capital resources.

(b) The total amount invested in equity capital out of ordinary capital resources shall not exceed 50 per cent. of the aggregate amount of the unimpaired capital actually paid in at any given time, together with the reserves and surplus included in its ordinary capital resources.

(c) In the case of guarantees given by the Bank in the ordinary course of operations, the total amount guaranteed shall not exceed 25 per cent. of the aggregate amount of the actual unimpaired paid up capital, together with the reserves and surplus included in its ordinary capital resources.

Callable Capital

Article 7(4) of the Charter provides that payment of the amount subscribed on callable shares in the capital stock of the Bank shall be subject to call on the recommendations of the Board of Directors to the BOG from time to time but such calls shall only be made as and when the amount thereof shall be required by the Bank:

(a) to repay monies raised by the Bank in the capital markets borrowed or otherwise acquired by the Bank for the purpose of making or participating in loans; and

(b) to pay or repay any loan or loans guaranteed in whole or in part by the Bank in furtherance of its objectives.

The Bank has never made a call on its callable capital. The growth in total amount of callable capital is summarised below:

Year ending	31 December 2020	31 December 2019	31 December 2018
Amount in USD	1.62 billion	1.55 billion	1.47 billion

The Bank has procured credit enhancement for the callable capital of the Bank's non-investment grade shareholders since 2017 in the amount of USD 630 million. This cover was enhanced to USD 750 million in 2019 and USD 802 million in 2020. 80% of the cover is provided by a seven-year rolling insurance policy renewable annually, with the balance five-year policy on similar terms. This policy was placed with a syndicate of highly rated private international credit insurers (Lloyds of London Syndicate), with the objective of strengthening the quality of shareholder support. The policy covers a loss that would result from the failure of a shareholder to pay, on or before the due date, the amount the shareholder has subscribed in callable shares should a call be made, making this a significant credit enhancement initiative.

Based on the 2020 year-end financials, this has raised callable capital from investment grade shareholders to approximately 63 per cent. of total callable capital. Credit rating agencies indicated that they have considered this initiative to be credit positive.

Dividends

Article 22(1) of the Charter provides that the BOG shall determine annually what part of net income of the Bank shall be allocated, after making provisions for reserves, to surplus and what part, if any, shall be distributed among the Shareholders of the Bank. A dividend award is declared by the BOG on the recommendation of the Board of Directors. The Board of Directors has the authority to determine the manner in which dividend distributions are made.

Under the guidance of an independent specialised consultant, the Bank's dividend policy (the "**Dividend Policy**") was formulated to guide management and the Board of Directors on financial, capital adequacy and other prudential considerations when determining dividend pay-outs. The establishment of specific pay-out ratio thresholds and parameters including profitability, capital adequacy, debt to equity ratio and liquidity ensures transparency and provides shareholders with reasonable expectations on the dividend distribution. Moreover, the policy makes clear that in circumstances where all the established parameters are not met, the BOG shall not declare a dividend pay-out.

The recommendation by the Board of Directors to the BOG on the dividend declaration is guided by Articles 22 (2) and 7(B) of the Charter as follows:

(a) any distributions are declared and paid according to the amounts paid up on the shares on which the dividend is paid;

(b) distributions are made in such manner and in such currency as the Board of Directors shall determine. This may include a distribution of further shares treated as fully paid up or the ability of a shareholder to opt for dividend entitlement to be met by way of an issue of fully paid up shares;

(c) the Board of Directors, in making the foregoing determinations, may draw a distinction between Class A, Class B and Class C shares;

(d) if a shareholder has failed to meet a payment obligation in respect of a share then any distribution entitlement shall first be set off against that unpaid obligation;

(e) subject to any exemption to be provided by the Board of Directors, the Bank has a first and paramount lien on all shares standing registered in the name of any person for all moneys presently payable by that person to the Bank; and

(f) the Bank's lien on a share extends to all dividends payable thereon and the Bank may apply the whole or part of any dividends declared in *pro rata* reduction of the amounts of any monies then due and outstanding from that Shareholder.

The Corporate Plan 2018-2022 reiterates that (i) cash dividends to Class A Shareholders are to be deferred until the Bank's authorised capital level is attained and in the event of a dividend declaration and distribution, additional shares are to be issued to Class A shareholders; and (ii) Class B shareholders, mainly institutional shareholders, are entitled to a cash dividend in the event of a dividend declaration and distribution but can also elect to convert the dividends into additional Class B shares.

The underlying principle behind the Bank's Dividend Policy is to allow flexibility and ensure sustainability and predictability of dividend payments. The establishment of a range in pay-out ratios also ensures that the recommended ratio is thought through and the shareholders have reasonable expectations on the amounts of dividends likely to be recommended by the Board.

	Year ended 31 December		
	2020	**2019**	**2018**
Dividend Amount US$'000	37,691	36,313	31,684
Dividend Pay-out Ratio	24.00%	24.00%	24.50%
Dividend Per Share-US$	327.03	342.01	315.93

Source: ***Audited financial statements***

Legal Status, Capacity, Immunities and Privileges

The Bank possesses full legal personality and, in particular, full capacity to enter into contracts, acquire and dispose of movable and immovable property, and to institute legal proceedings.

Furthermore, the Bank possesses *de facto* preferred creditor status as a matter of conduct, rather than *de jure*, as a matter of law, similar to other international finance institutions. Coupled with privileges and immunities as embedded in Article 43 of the Charter, the Bank like other multilateral development banks ("**MDBs**") is also able to leverage on its privileged relationships with its sovereign members to, *inter alia*, negotiate (i) priority of payment over other creditors in cases where a general moratorium is imposed by a sovereign or (ii) preferential access to hard currency in the event of a foreign exchange crisis.

Under the Charter, the Bank enjoys various immunities and privileges including immunity from every form of legal process except in cases arising out of the exercise of its borrowing powers, when it may be sued only in a court of competent jurisdiction in the territory of an Issuer Member State in which the Bank has its principal office, or in the territory of an Issuer Member State or non-Issuer Member State where it has appointed an agent for the purpose of accepting service or notice of process or has issued or guaranteed securities. Such immunities and privileges also extend to the funds of the Bank as long as they are more than 50 per cent. owned by the Bank. However, the Bank will waive its immunity in respect of the Programme and Notes issued thereunder.

In 2017, the High Court of Kenya reaffirmed the Bank's immunities and privileges in the appellate case of CEO (PTA Bank) and Another vs Republic (High Court Appeal No. 165 of 2016 [2017] eKLR). The High Court's ruling overturned an earlier decision by the Magistrates Court issuing to the Kenyan police a warrant requiring the CEO and Head of Legal of the Bank to produce certain documents to the Kenyan police. In its ruling, the High Court confirmed the inviolability of premises occupied as offices by, and of official archives of, the Bank, hence re-confirming and fully recognising the immunities and privileges granted to the Bank, its staff, and its archives under international law and also under Kenyan law.

Specifically, Article 43(1) of the Charter provides that:

(a) any Issuer Member State that accedes to the membership or benefits from Bank funding shall first accede to the Agreement on Privileges and Immunities adopted by the Issuer Member States in December 1984 and shall take immediate steps to ratify and implement the same under that Issuer Member State's domestic law.

(b) non-COMESA African states when joining the Bank shall in the Deed of Accession to the membership of the Bank undertake to (i) vest the Bank with the same immunities, privileges and exemptions provided for in the Charter and (ii) recognise the Bank's Charter in their domestic law.

Article 43(7) of the Charter provides that:

"The Bank (a) may hold assets of any kind and operate accounts in any currency; and (b) shall be free to transfer its assets from one country to another and to convert any currency held by it into any other currency without being restricted by controls, regulations, restrictions or moratoria of any kind."

The property and assets of the Bank shall, wherever located and by whoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

These immunities are granted in the interests of the Bank. However, the Group Managing Director may waive them to such extent and upon such conditions as he may determine in cases where such waiver would, in his opinion, further the interests of the Bank.

Regulatory Supervision & Internal Audit

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

The Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. (as at 31 December 2020 the capital adequacy ratio of the Bank was 35.8 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**").

In order to reinforce its self-regulatory processes, the Bank has an internal audit coordinator who works closely with the outsourced internal auditors of the Bank – KPMG, Nairobi. The mandate and scope of KPMG's reviews is determined by the Board through its Audit and Risk Committee. KPMG's reviews are conducted on a quarterly basis or as often as the Board may require.

The Bank's Compliance and Risk Management Department ("**CRMD**") which reports directly to the Board further reinforces the Bank's self-regulatory processes. A detailed description of the role and functions of CRMD is provided in the section headed "*Departments of the Bank* ".

External Auditors

The Bank's current external auditors, Deloitte & Touche of Kenya, member of Institute of Certified Public Accountants of Kenya ("**ICPAK**"), whose registered address is at Deloitte Place Waiyaki Way, Muthangari, P.O Box 40092-00100 Nairobi ("**Deloitte**"**),** have audited and rendered an unqualified audit opinion on the accounts of the Bank for the year ended 31 December 2020. Deloitte were appointed the Bank's external auditors by the BOG in July 2018, following mandatory rotation by the previous auditors, Ernst & Young Kenya.

Ernst & Young of Kenya Re Towers, member of ICPAK, whose registered address is at Upper hill, off Ragati Road, P.O. Box 44286-00100 Nairobi ("**Ernst & Young**") audited and rendered an unqualified audit opinion on the accounts of the Bank for the years ended 31 December 2015 through to 31 December 2017.

BUSINESS OF THE BANK

In accordance with Article 13 of the Bank's Charter, the Bank may provide finances or facilitate financing in any one of the following ways to any agency, entity or enterprise operating in the territories of the Issuer Member States:

(a) by making or participating in loans with its unimpaired paid-in capital, reserves and undistributed surplus or with the unimpaired Special Funds;

(b) by making or participating in loans with funds raised by the Bank in the capital markets or borrowed or otherwise acquired by the Bank for inclusion in its ordinary capital resources;

(c) by the investment of funds referred to in paragraphs (a) and (b) above in the equity capital of an institution or enterprise;

(d) by accepting third party funds and managing them for a fee in order to make development impact across its member states;

(e) by guaranteeing, in whole or in part, loans made by others for economic development or for the promotion of trade within the TFTA;

(f) by purchasing, selling, dealing in or trading securities, notes, bills of exchange, bankers' acceptances or any other negotiable instruments, species and currencies and loans or analogous instruments as any principal, broker or agent;

(g) by making or receiving payments in any currency and for that purpose to maintain accounts in their respective financial centres and take membership of associations, organisations or institutions (whether bodies corporate, partnerships or otherwise) for the transmission, netting or settlement of payments;

(h) by issuing or giving guarantees or letters of credit, accepting, endorsing or availing bills of exchange, notes, bankers' acceptances or other negotiable instruments;

(i) by undertaking activities described in paragraphs (f), (g) and (h) above by borrowing or raising funds through issuance of securities, whether listed or unlisted, private placements, loans and the issuance of certificates of deposit; and

(j) by such other finance instruments as may be determined by the Board from time to time.

The Bank may also provide refinancing and accept, endorse, discount and re-discount the trade bills of the Issuer Member States. Further, it may provide export credit insurance and reinsurance of export credit organisations where they exist in Issuer Member States.

Eligible Goods and Transactions – general

The Bank finances transactions in all traded goods and services ("**Eligible Goods**") except armaments, ammunition and other military equipment, psychotropic drugs or narcotics, all items for which international trade is prohibited for environmental reasons or by international conventions, and pornographic and obscene materials. In addition, the Bank takes great care to respect the trade and other related policies or issues of Issuer Member States.

Under its projects and infrastructure finance activities, the Bank provides medium to long term financing to commercial projects that: (i) are incorporated and domiciled in an Issuer Member State (ii) fall within the Bank's identified priority sectors as described below (iii) are commercially viable (iv) are environmentally sustainable and technically feasible and (v) are able to generate sufficient cash flows to repay the Bank's loan.

Through its trade finance activities, the Bank aims to facilitate export and import trade flows from, to and between its Issuer Member States by providing short-term (usually up to one year), structured and self-liquidating financing facilities.

As with most development financial institutions, the Bank does not finance projects, infrastructure or trade finance activity involving:

(a) military arms, weaponry or ammunitions;

(b) production of or trade in activities deemed or legislated as illegal in its Issuer Member States or under international conventions and agreements;

(c) areas which have been notified by host countries or international legislation and deemed to have high biodiversity and/or cultural value, or any other activities that leads to substantial destruction of the environment;

(d) trade in wildlife or wildlife products regulated under the Convention on Trade in Endangered Species of Wild Fauna and Flora; and

(e) production or trade in chemicals, pesticides, herbicides and pharmaceuticals subject to national and international phase outs or bans.

Asset Management

A key strategic business initiative was the establishment of the asset management function. Targeting both investment funds, trusts, and special purpose funds, the purpose of this initiative is to exploit the Bank's understanding of the region and extensive networks and contacts with a wide range of stakeholders – governments, donors and the private sector by offering fund management services and contributing to the attainment of fund-specific development objectives.

The Bank can, through this service line, leverage its ability to act as a credible intermediary and conduit for attracting financing from various financial institutions.

Project and Infrastructure Finance ("PIF")

The Bank supports public and private sector projects that are commercially oriented in any viable economic sector or industry. The main objective for PIF activities is the provision of funding to projects that promote infrastructure development and economic integration of the countries in the region (COMESA, SADC, EAC, IGAD and IOC). Funding of financially viable projects within Issuer Member States is provided in varying forms, including medium and long-term senior loans, mezzanine loans, straight and quasi-equity, Sharia-compliant facilities and guarantees. PIF aims to mobilise resources from various long-term financiers through syndication transactions with commercial and development financial institutions, as well as export credit agencies. The PIF functions involve appraising credit applications, securing the required approvals and committing the underlying loans through appropriate documentation and fulfilment of conditions.

Eligible Sectors under PIF

The Bank provides funding to public and private sector projects in various sectors including the following:

(a) Agri-business and Forestry;

(b) Information & Communication Technology ("**ICT**");

(c) Manufacturing and Heavy Industries;

(d) Mining and Quarrying;

(e) Hospitality, Tourism and Hotels;

(f) Banking and Financial Services;

(g) Transport and Logistics: Roads, Pipes, Rail, Aviation, Ports, Airports and Marine Services;

(h) Oil and Gas;

(i) Energy: Independent Power Producers, Emergency Power, Hydro Power, Bio-Fuels and Clean Energy;

(j) Energy – power generation focusing on bankable IPPs, off grid solar and mini grids supported by creditworthy corporate PPAs;

(k) Real Estate: Commercial, Retail and Residential;

(l) Education: K-12, VCT and Tertiary; and

(m) Health Services: Primary, Secondary and Tertiary Care Facilities.

Priority Sectors

The Bank has identified certain key priority sectors of focus:

(a) *Agri-business*: which includes agro-processing, logistics, agri-related infrastructure (such as silos and warehouses);

(b) Energy – power generation focusing on bankable IPPs, off grid solar and mini grids supported by creditworthy corporate PPAs (with a particular focus is on renewable energy); and

(c) *Infrastructure*: which includes energy, transportation, supportive infrastructure (such as cement and steel) and social infrastructure (including education and health).

Maturities

PIF provides medium to long term funding. The medium-term funding is typically between a period of 3 to 5 years, inclusive of a grace period. The long-term funding can be up to 18 years, inclusive of a grace period.

Lending Instruments

Under its PIF activities, the Bank employs either one or a combination of the following modes of financing:

1. *Direct Project and Corporate Finance*

   This accounts for the largest portion of the Bank's portfolio and involves direct funding to the Bank's clients, with or without the use of third parties. Although such funding is often done through straight debt, the Bank also provides funding through mezzanine and quasi-equity structures. Given its developmental mandate, the Bank's investments often complement funding from other financial institutions:

   (i) *Syndications*: Resource mobilisation is a strategic priority for the Bank. The Bank invests through syndicated facilities, either as the mandated lead arranger or as a participant together with other reputable financial institutions. This enables the Bank to support large scale investments that may exceed its single obligor limits (as described below) as well as to promote the investment by others in its investments.

   (ii) *Parallel Lending with Local or International Financial Institutions*: The Bank collaborates with other financial institutions as a parallel lender to close the financing gap. This can be on common or differing terms, depending on the nature of the investment.

2. *Lines of Credit ("**LOCs**") to Financial Intermediaries*

   The Bank provides lines of credit to financial intermediaries/national development agencies as a means of providing indirect funding to sub-borrowers. The Bank can provide funded and unfunded LOCs. Many of these LOCs are for Small and Medium Sized Enterprises ("**SMEs**") whose borrowing requirements are below the Bank's minimum investment threshold and thus do not qualify for direct funding from the Bank.

3. *Guarantees*

   The Bank provides guarantee facilities to eligible entities in Issuer Member States to enable them to access funding from institutions that are unable to fund the entities directly. Under these transactions, the Bank takes the borrower's credit risk and secures itself against the collateral of the borrowing entity whilst the lending institution takes the Bank's risk.

4. *Lease financing*

Under lease financing, the Bank finances equipment/machinery and enters into a rental agreement with the lessor that obliges the lessee to purchase the leased asset at the end of the agreement. The lease eases the cash flow burden on the lessee as the lessee is only required to pay rentals.

5. *Equity Participation*

In exceptional cases, the Bank takes limited equity stakes in certain strategic enterprises, provided the equity stake does not exceed 15 per cent. Currently, the Bank's strategic equity portfolio consists of African Export Import Bank, ZEP-Re (PTA Reinsurance Company), the African Trade Insurance Agency, Tononoka Steels Limited, Tanruss Investments Limited, Pan African Housing Fund, and Gulf African Bank.

Trade Finance

The Bank facilitates export and import trade flows from, to and between its Issuer Member States by providing tailor-made financing solutions. The Bank's trade finance operations include amongst others:

(a) the financing of either short or medium term in-land or cross border trade using one or more financing instruments;

(b) short to medium term financing tenures reflecting the underlying transaction cycle. In general, short-term tenures shall not exceed 12 months and medium-term tenures shall not exceed 36 months; and

(c) offer structured/self-liquidating transactions that are supporting specific underlying transactions.

Using a variety of financing instruments, the Bank provides trade finance support to the following sectors, among other sectors: manufacturing; agriculture; tourism; mining; infrastructure and petroleum and energy. The financing instruments used include pre- and post-shipment loans, import finance facilities, guarantees, performance and bid bonds, letters of credit, structured trade and commodity finance facilities, securities-backed facilities, bills and invoice discounting, asset based lending and bridging facilities. In addition, a strategic focus area in trade finance is letter of credit confirmation and discounting, through expanded relationships with leading financial institutions in the region. In addition, the Bank is pursuing concessionary and grant funding facilities to blend with the Bank's own commercial financing.

Forfaiting is a part of the Bank's financial market strategy for the region. As part of the roll out, Financial Institutions ("**FIs**") appetite limits are being put in place for select FIs in the region. The appetite limits provide an array of products and services of which forfaiting forms a part. The forfaiting product targets more medium-term financing of up to 36 months largely for capital goods.

Loan Application Process

When providing loans, the business cycle consists of three distinct phases including pre-investment, investment and operation.

The process begins at the identification of investment opportunities. This is achieved through organised road shows in Issuer Member States and participation in workshops. Increasingly, the Bank is relying on its extensive network of co-financiers and syndicate partners for the generation of new business. Applications are made directly to the Bank or through the website portal. The main objective is to identify viable projects within the region that are aligned with the Corporate Plan 2018-2022 and also those that mitigate the impact of the COVID-19 pandemic. The strategy includes stringent project selection and emphasis on productive private sector investments. Long term sustainability and projects that are complementary to the productive sectors in the Issuer Member States are considered crucial in project selection.

Loan Processing

Upon receipt of a loan application, a review is carried out to determine whether the project meets the Bank's eligibility criteria with a key starting point being the borrower risk rating as described below.

Borrower Risk Rating

The preliminary review of a facility application includes conducting a borrower risk rating through any of the Bank's seven rating models to determine probability of default ("**PD**") and loss given default ("**LGD**") as well as eligibility criteria. The rating models' outputs are differentiated ratings as inputs to credit risk appetite setting, approval limits, pricing and as well as provisioning requirements.

The current risk rating models are:

(a) Financial Institutions;

(b) Sovereign;

(c) General Corporates;

(d) Greenfield Industrials;

(e) Greenfield Infrastructure;

(f) Power – Renewable; and

(g) Power - Conventional.

The borrower ratings are on a scale of 1-17 as described below, with 12 being the cut-off for onboarding new business unless exceptionally considered with mitigation:

(a) 1-7: Very Low Risk/Investment Grade;

(b) 8-10: Low Risk;

(c) 11-12: Moderate Risk;

(d) 13-14: High Risk; and

(e) 15-17: Very High Risk/Default.

Once the foregoing high-level review is finalised, the review process is steered by the officer responsible for the particular Issuer Member State or such other officer appointed by the head of the department. If the preliminary review is positive, a project brief is prepared and circulated to the New Deal Forum ("**NDF**") in order to enhance the due diligence process. Any comments received are collated and included in the check list of issues to be addressed during due diligence, where applicable. It is only after this process is fully completed that the due diligence process is undertaken on the project.

Upon return, the transaction team prepares a report summarising the outcome of the due diligence mission and outlining any issues requiring the attention of the management of the Bank. Depending on the report, the relevant director decides whether to proceed with the preparation of the necessary appraisal reports for submission to the approving authorities.

If the decision is to proceed, an Appraisal Report ("**AR**") covering all aspects of the project is prepared including financial projections. In addition to aspects such as the market, promoters' profiles, money laundering and Know Your Customer (see "*Money Laundering and Know Your Customer Checks*" below) information etc., financial analysis, among others is included, leading to a final borrower risk rating. The report is submitted to both an Operations Technical Committee ("**OTC**") to independently review the deal's technical and structure operation parameters, and the Credit and Risk Management Department. The latter reviews the AR and prepares a Risk Review Report ("**RRR**"). With the three reports, namely, the AR, the report prepared by the OTC and the RRR, a submission to the Corporate Credit Committee ("**CCC**") is made for consideration and approval.

The CCC comprises departmental heads and representatives of the operational departments, finance, legal, and compliance and risk management and makes a recommendation to the Board of Directors for projects beyond its risk-based mandates. The INVESCO (the Board sub-committee responsible for new credit and investments) has been established to report on investments and make recommendations to the Board of Directors with respect to credit approvals. The INVESCO does not itself have the ability to make credit approval decisions.

Certificate of Effectiveness

Once a facility is approved, the loan documentation is reviewed by both the legal and compliance departments until issuance of a Certificate of Effectiveness ("**COE**") which signifies that the relevant borrower can commence loan draw-downs.

At this stage, PIF hands over the relationship to the Portfolio Management Department which has the mandate to process disbursements. For trade finance, the relationship is handed over to Trade Finance – Middle Office for disbursement and monitoring.

PIF and Trade Finance Portfolio Overview

The following table presents an overview of the Bank's trade finance and PIF loan portfolios on a gross basis as at 31 December 2018, 2019 and 2020.

	Year ended 31 December					
	2020		**2019**		**2018**	
	No. of loans	*Balance U.S.$'000*	*No. of loans*	*Balance U.S.$'000*	*No. of loans*	*Balance U.S.$'000*
Type of Loans						
Trade Finance	30	3,181,497	39	2,935,646	30	2,813,398
Project Finance	60	2,292,264	67	2,146,996	60	1,459,918
Total Loans	**90**	**5,473,761**	**106**	**5,082,642**	**90**	**4,273,316**

Sector-wise Distribution of Total Loan Portfolio

The following table presents an overview of the Bank's loan portfolios as at 31 December 2018, 2019 and 2020 by sector:

	As At 31 December 2020								
	Gross On-statement of Financial Position*		**Off-statement of Financial Position****		**Cash collateral/ In Transit**	**Insurance**	**Other Mitigants**	**Net Exposure**	
	USD '000	%	*USD '000*	%	*USD '000*	*USD '000*	*USD '000*	*USD '000*	%
Agri- Business	1,039,515	19%	186,828	23%	(56,917)	(495,815)	(75,302)	598,309	18%
Banking and Financial Services	563,884	10%	246,497	30%	(1,194)	(164,584)	(49,785)	594,817	18%
Construction	16,723	-	-	-	-	-	-	16,723	1%
Energy	255,442	5%	57,618	7%	(8)	(6,250)	-	306,802	9%
Health Services	19,696	-	13,065	2%	-	-	-	32,761	1%
Hospitality	41,186	1%	10,750	1%	-	-	-	51,935	2%
ICT	186,756	3%	-	-	(40,304)	-	-	146,452	4%
Infrastructure	1,299,281	24%	161,492	20%	-	(525,000)	(200,000)	735,773	22%
Manufacturing and Heavy Industries	205,770	4%	5,000	1%	-	-	-	210,770	6%
Oil & Gas	1,586,717	29%	8,210	1%	(924,604)	(347,677)	-	322,646	10%
Other	6,858	-	100,000	12%	(16,162)	-	-	90,696	3%
Real Estate	14,281	-	-	-	-	-	-	14,281	0%
Transport	208,122	4%	30,000	4%	-	(72,531)	(774)	164,816	5%
Wholesale Commodities	29,529	1%	-	-	-	-	-	29,529	1%
	5,473,761	**100%**	**819,459**	**100%**	**(1,039,190)**	**(1,611,857)**	**(325,861)**	**3,316,312**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are disbursed and part of exposures.*

** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As At 31 December 2019

	Gross On-statement of Financial Position*		Off-statement of Financial Position**		Cash collateral/ In Transit	Insurance	Other Mitigants	Net Exposure	
	USD '000	*%*	*USD '000*	*%*	*USD '000*	*USD '000*	*USD '000*	*USD '000*	*%*
Agri- Business	1,169,535	23%	159,976	15%	(93,233)	(471,500)	(72,400)	692,378	22%
Banking and Financial Services	252,620	5%	407,788	37%	(3,250)	(149,704)	-	507,455	16%
Construction	15,912	-	-	-	-	-	-	15,912	1%
Education	585	-	-	-	-	-	-	585	0%
Energy	227,642	4%	98,890	9%	(608)	(13,321)	-	312,603	10%
Health Services	19,599	-	15,564	1%	-	-	-	35,163	1%
Hospitality	37,458	1%	14,288	1%	-	-	-	51,746	2%
ICT	189,283	4%	4,679	0%	-	-	-	193,962	6%
Infrastructure	1,163,860	23%	55,591	5%	-	(525,000)	(200,000)	494,451	16%
Manufacturing and Heavy Industries	207,112	4%	19,168	2%	-	-	-	226,280	7%
Oil & Gas	1,435,412	28%	216,822	20%	(747,352)	(496,091)	(151,675)	257,115	8%
Other	19,503	-	100,000	9%	-	-	-	119,503	4%
Real Estate	27,921	1%	-	-	-	-	-	27,921	1%
Transport	281,963	6%	-	-	-	(82,895)	(46,697)	152,371	5%
Wholesale Commodities	34,236	1%	-	-	-	-	-	34,236	1%
	5,082,642	**100%**	**1,092,767**	**100%**	**(844,443)**	**(1,738,510)**	**(470,772)**	**3,121,683**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

As at 31 December 2018

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit	Insurance	Net Exposure	
	USD '000	*%*	*USD '000*	*%*	*USD '000*	*USD '000*	*USD '000*	*%*
Agribusiness.............	1,074,418	25%	199,350	28%	(140,559)	(476,138)	657,071	25%
Banking and Financial Services.	198,918	5%	204,015	29%	-	(61,392)	341,541	13%
Education..................	2,309	-	-	-	-	-	2,309	-
Hospitality	34,547	1%	15,000	2%	-	-	49,547	2%
Manufacturing and Heavy Industries...	223,671	5%	3,763	1%	-	-	227,434	8%
Other.........................	7,642	-	389	-	(205)	-	7,826	-
Health Services.........	11,985	-	15,000	2%	-	-	26,985	1%
Energy	192,795	5%	145,128	21%	-	(19,180)	318,743	12%
Oil & Gas	1,412,474	33%	33,423	5%	(709,659)	(496,091)	240,145	9%
Real Estate................	38,024	1%	-	-	-	-	38,024	1%
Telecommunications .	4,620	-	6,663	1%	-	(4,047)	7,236	-
Infrastructure	589,779	14%	83,300	12%	-	(314,010)	359,069	13%
Transport and Logistics...............	259,222	6%	1,658	-	-	(61,200)	199,680	7%
Wholesale Commodities.........	91,986	2%	-	-	-	(19,000)	72,986	3%
ICT	130,926	3%	-	-	-	-	130,926	5%
	4,273,316	**100%**	**707,689**	**100%**	**-850,423**	**-1,451,060**	**2,679,522**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

Source: ***Audited Financial Statements and Bank's information***

Sector-wise Distribution of the PIF and Trade Finance Portfolio

The following table presents an overview of the Bank's distribution of the PIF and Trade Finance loan portfolios as at 31 December 2018, 2019 and 2020 by sector:

	As at 31 December 2020											
	Gross On Balance Sheet Exposure*		**Off Balance Sheet Exposure****		**Insurance**		**Cash Cover**		**Other Mitigants**		**Net Exposure**	
	PIF	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**
	USD '000											
Agri- Business	80,897	958,618	0	186,828		(495,815)	(570)	(56,347)		(75,302)	80,327	517,982
Banking and Financial Services	42,075	521,809	6,342	240,155	(14,584)	(150,000)		(1,194)		(49,785)	33,833	560,984
Construction	-	16,723	-	-	-	-		-			-	16,723
Education	-	-	-	-	-			-			-	-
Energy	196,447	58,995	57,618	-	(6,250)		(8)	-			247,807	58,995
Health Services	19,696	-	13,065	-	-			-			32,761	-
Hospitality	41,186	-	10,750	-	-			-			51,935	-
ICT	184,741	2,015	-	-	-		(40,304)	-			144,437	2,015
Infrastructure	1,299,281	-	161,492	-	(525,000)			-	(200,000)		735,773	-
Manufacturing and Heavy Industries	205,770	-	5,000	-				-			210,770	-
Mining and Quarrying	-	-	-	-				-			-	-
Oil & Gas	-	1,586,717	-	8,210	-	(347,677)	-	(924,604)			-	322,646
Other	-	6,858	-	100,000	-		-	(16,162)			-	90,697
Real Estate	14,281	-	-	-							14,281	-
Transport	207,890	232	-	30,000	(72,531)					(774)	135,358	29,458
Wholesale Commodities	-	29,529	-	-	-		-	-			-	29,529
	2,292,265	**3,181,496**	**254,267**	**565,193**	**(618,365)**	**(993,492)**	**(40,882)**	**(998,307)**	**(200,000)**	**(125,861)**	**1,687,283**	**1,629,029**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

	As at 31 December 2019											
	Gross On Balance Sheet Exposure*		**Off Balance Sheet Exposure****		**Insurance**		**Cash Cover**		**Other Mitigants**		**Net Exposure**	
	PIF	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**	**PIF**	**TF**
	USD '000											
Agri- Business	77,043	1,092,492	-	159,976	-	(471,500)	(593)	(92,641)	-	(72,400)	76,450	615,928
Banking and Financial Services	54,362	198,259	-	-	(33,405)	(116,299)	-	(3,250)	-		20,957	78,710
Construction	-	15,912	-	407,788	-	-	-	-	-		-	423,701
Education	585	-	-	-	-	-	-	-	-		585	-
Energy	168,647	58,995	-	-	(13,321)	-	(608)	-	-		154,718	58,995
Health Services	19,599	-	98,890	-	-	-		-	-		118,489	-
Hospitality	37,458	-	15,564	-	-	-		-	-		53,022	-
ICT	185,672	3,611	14,288	-	-	-	-	-	-		199,960	3,611
Infrastructure	1,163,860	-	-	4,679	(525,000)	-		-	(200,000)		438,860	4,679
Manufacturing and Heavy Industries	207,112	-	55,591	-	-	-	-	-	-		262,703	-
Mining and Quarrying	-	-	19,168	-	-	-	-	-	-	-	19,168	-
Oil & Gas	-	1,435,412	-	-	-	(496,091)	-	(747,352)	-	(151,675)	-	40,293
Other	-	19,503	-	216,822	-		-	-	-	-	-	236,325
Real Estate	27,921	-	-	100,000	-	-	-	-	-	-	27,921	100,000
Transport	204,737	77,226	0	-	(82,895)	-	-	-	-	- 46,697	121,842	30,529
Wholesale Commodities	-	34,236	-	-	-	-	-	-	-	-	-	34,236
	2,146,996	**2,935,646**	**203,501**	**889,265**	**(654,620)**	**(1,083,890)**	**(1,201)**	**(843,242)**	**(200,000)**	**(270,772)**	**1,494,676**	**1,627,007**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

	As at 31 December 2018									
	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade*	*PIF*	*Trade Finance*
					(USD '000)					
Agribusiness	76,931	997,488	-	199,350	-	(140,559)	-	(476,138)	76,931	580,141
Banking and Financial Services	67,921	130,997	-	204,014	-	-	(39,650)	(21,742)	28,271	313,269
Education....................	2,309	-	-	-	-	-	-	-	2,309	-
Energy.........................	132,875	59,928	145,128	-	-	-	(19,180)	-	258,823	59,928
Health Services...........	11,985	-	15,000	-	-	-	-	-	26,985	-
Hospitality	34,547	-	15,000	-	-	-	-	-	49,547	-
ICT..............................	128,694	2,015	-	-	-	-	-	-	128,694	2,015
Infrastructure	555,768	34,011	83,300	-	-	-	(280,000)	(34,011)	359,068	-
Manufacturing and Heavy Industries	223,880	-	3,764	-	-	-	-	-	227,644	-
Oil and Gas.................	-	1,412,473	17,000	16,423	-	(709,660)	-	(496,091)	17,000	240,145
Other...........................	-	7,642	-	389	-	(205)	-	-	-	7,826
Real Estate..................	38,024	-	-	-	-	-	-	-	38,024	-
Telecommunications....	4,620	-	-	6,663	-	-	(4,047)	-	573	6,663
Transport.....................	182,364	76,858	1,658	-	-	-	(61,200)	-	122,822	76,858
Wholesale and Commodities	-	91,986	-	-	-	-	-	(19,000)	-	72,986
	1,459,918	**2,813,398**	**280,850**	**426,839**	**-**	**(850,424)**	**(404,077)**	**(1,046,982)**	**1,336,691**	**1,359,831**

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** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

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Geographic Distribution of Total Loan Portfolio

The following table shows the geographical distribution of the Bank's on and off-balance sheet portfolio as at 31 December 2016, 2017 and 2018:

	As At 31 December 2020								
	Gross On-statement of Financial Position*		Off-statement of Financial Position**		Cash collateral/ In Transit	Insurance	Other Mitigants	Net Exposure	
	USD '000	%	*USD '000*	%	*USD '000*	*USD '000*	*USD '000*	*USD '000*	%
Burundi	13,602	-	-	-	(570)	-	-	13,032	-
Comoros	15,448	-	13,065	2%	-	-	-	28,512	
Congo DRC	65,921	1%	5,000	1%	-	-	-	70,921	2%
Djibouti	9,679	-	-	-	-	-	-	9,679	-
Egypt	79,664	1%	-	-	-	-	-	79,664	2%
Eswatini	6,422	-	18,587	2%	-	-	-	25,009	1%

	Gross On-statement of Financial Position*		Off-statement of Financial Position**		Cash collateral/ In Transit	Insurance	Other Mitigants	Net Exposure	
	As At 31 December 2020								
	USD '000	%	*USD '000*	%	*USD '000*	*USD '000*	*USD '000*	*USD '000*	%
Ethiopia	383,985	7%	233,530	28%	-	(150,000)	-	417,187	13%
Kenya	678,902	12%	100,000	12%	(16,162)	(350,000)	(100,000)	312,740	9%
Madagascar	10,498	-	7,078	1%	-	-	-	17,576	1%
Malawi	357,102	7%	155,664	19%	(27,546)	(250,500)	(75,302)	159,418	5%
Mauritius	155,806	3%	-	-	(40,304)	-	-	115,502	3%
Mozambique	101,116	2%	41,367	5%	-	-	-	142,483	4%
Rwanda	637,244		3,631		(280,000)	972,531)	(232)	288,112	9%
Seychelles	52,687	1%	750	-	-	-	-	53,437	2%
Sudan	662,188	12%	-	-	(152,894)	(245,315)	-	263,979	8%
Tanzania	601,378	11%	119,121	15%	(8)	(175,000)	-	445,491	13%
Uganda	358,214	7%	63,130	8%	-	-	-	421,345	13%
Zambia	686,122	13%	22,789	3%	(1,524)	(347,677)	-	359,711	11%
Zimbabwe	597,784	11%	35,747	4%	(520,181)	(20,834)	-	92,515	3%
	5,473,761	**100%%**	**819,459**	**100%%**	**(1,039,190)**	**(1,611,857)**	**(325,861)**	**3,316,312**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*

** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

	As At 31 December 2019								
	Gross On-statement of Financial Position*		**Off-statement of Financial Position****		**Cash collateral/ In Transit**	**Insurance**	**Other Mitigants**	**Net Exposure**	
	USD '000	%	*USD '000*	%	*USD '000*	*USD '000*	*USD '000*	*USD '000*	%
Burundi	13,634	-	-	-	(593)	-	-	(13,041)	-
Comoros	12,769	-	15,564	1%	-	-	-	28,333	
Congo DRC	8,940	-	-	-	-	-	-	8,940	-
Djibouti	44,251	1%	-	-	-	-	-	44,251	1%
Egypt	29,529	61%	-	-	-	-	-	29,529	1%
Eswatini	7,030	-	18,000	2%	-	-	-	25,030	1%
Ethiopia	290,171	6%	329,095	30%	-	(100,000)	-	519,265	17%
Kenya	760,887	15%	104,679	10%	-	(350,000)	(100,000)	415,566	13%
Madagascar									
Malawi	488,201	10%	141,976	13%	(59,172)	(248,000)	(72,400)	250,605)	8%
Mauritius	133,819	3%	-	-	-	-	-	133,819	4%
Mozambique	34,360	1%	245,550	22%	-	-	(151,675)	128,234	4%
Rwanda	446,646	9%	2,522	-	(150,000)	982,895)	(46,697)	169,577	5%
Seychelles	55,965	1%	4,288	-	(1)	-	-	60,222	2%
Sudan	658,954	13%	-	-	(180,032)	(223,500)	-	255,422	8%
Tanzania	683,183	13%	22,026	2%	(603)	(175,000)	(100,000)	429,605	14%
Uganda	160,337	3%	81,906	7%	-	-	-	242.243	8%
Zambia	703,970	14%	57,962	5%	(4,042)	(496,091)	-	261,798	8%
Zimbabwe	550,027	11%	69,200	6%	(450,000)	(63,025)	-	106,203	3%
	5,082,642	**100%%**	**1,092,767**	**100%%**	**(844,443)**	**(1,738,510)**	**(470,772)**	**3,121,683**	**100%**

* Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.
** Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.

As at 31 December 2018

	Gross-on Statement of Financial Position*		**Off Statement of Financial Position****		**Cash Collateral/ In transit**	**Insurance**	**Net Exposure**	
	USD '000	%	*USD '000*	%	*USD '000*	*USD '000*	*USD '000*	%
Burundi..................	13,102	-	-	-	-	(4,047)	9,055	-
Congo DRC...........	12,958	-	-	-	-	-	12,958	-
Djibouti..................	48,980	1%	-	-	-	-	48,980	2%
Egypt	29,529	1%	-	-	-	(19,000)	10,529	-
Ethiopia	184,185	4%	108,577	15%	(0)	-	292,761	11%
Kenya	657,626	15%	6,663	1%	-	(280,000)	384,289	14%
Malawi...................	439,317	10%	125,364	18%	(85,304)	(248,000)	231,378	9%
Mauritius	138,938	3%	78,725	11%	-	-	217,663	8%
Mozambique..........	4,737	-	48,134	7%	-	-	52,871	2%
Rwanda..................	460,313	11%	28,467	4%	(150,000)	(61,200)	277,579	10%
Seychelles.............	4,318	-	-	-	(1)	-	4,318	-
Sudan.....................	648,192	15%	-	-	(214,547)	(228,138)	205,507	8%
Tanzania	222,678	5%	48,912	7%	383	-	271,972	10%
Uganda	166,941	4%	118,147	17%	-	(34,011)	251,077	9%
Zambia...................	686,824	16%	60,500	9%	(955)	(496,092)	250,278	9%

	As at 31 December 2018							
	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit	Insurance	Net Exposure	
	USD '000	*%*	*USD '000*	*%*	*USD '000*	*USD '000*	*USD '000*	*%*
Zimbabwe.............	554,678	13%	84,200	12%	(400,000)	(80,571)	158,307	6%
	4,273,316	**100%**	**707,689**	**100%**	**-850,424**	**-1,451,059**	**2,679,522**	**100%**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

Geographic Distribution of the PIF and Trade Finance Portfolio

The following table presents an overview of the Bank's geographical distribution of the PIF and Trade Finance loan portfolios as at 31 December, 2018, 2019 and 2020:

	As at 31 December 2020											
	Gross On Balance Sheet Exposure*		Off Balance Sheet Exposure**		Insurance		Cash Cover		Other Mitigants		Net Exposure	
	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF
	USD '000											
Burundi	13,602	-	-	-	-	-	(570)	-	-		13,032	
Comoros	15,448	-	13,065								28,512	-
Congo DRC	50,290	15,001	5,000	-	-	-	-	-	-	-	55,920	15,001
Djibouti	3,197	6,482	-	-	-	-	-	-	-	-	3,197	6,482
Egypt	-	79,664	-	-	-	-	-	-	-	-	-	79,664
Eretria	-	-	-	-	-	-	-	-	-	-	-	-
Eswatini	-	6,422	-	18,587	-	-	-	-	-	-	-	25,009
Ethiopia	127,515	256,470	10,000	233,530	-	(150,000)	-	-	-	(50,327)	137,515	279,673
Kenya	659,251	19,651	-	100,000	(350,000)	-	-	(16,162)	(100,000)	-	209,251	103,489
Madagascar	1,660	8,838	5,901	1,177	-	-	-	-	-	-	7,561	10,016
Malawi	-	357,102	-	155,664		(250,500)	-	(27,546)	-	(75,302)	-	159,418
Mauritius	134,424	21,381	-	-	-	-	(40,304)	-	-	-	94,120	21,381
Mozambiqu e	76,608	24,508	41,267	100	-	-	-	-	-	-	117,875	24,608
Rwanda	287,576	349,668	1,221	2,411	(72,531)	-	-	(280,000)	-	(232)	216,266	71,847
Seychelles	52,687	-	750	-	-	-	-	-	-	-	53,437	-

	As at 31 December 2020											
	Gross On Balance Sheet Exposure*		Off Balance Sheet Exposure**		Insurance		Cash Cover		Other Mitigants		Net Exposure	
	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF
						USD '000						
Sudan	42,898	619,290	-	-	-	(245,315)	-	(152,894)	-	-	42,898	221,081
Tanzania	462,513	138,865	110,911	8,210	(175,000)	-	(8)	-	(100,000)	-	298,416	147,075
Uganda	317,632	40,583	63,130	-	-	-	-	-	-	-	380,762	40,583
Zambia	11,058	675,064	-	22,789	-	(347,677)	-	(1,524)	-	-	11,058	348,652
Zimbabwe	35,277	562,507	3,022	32,725	(20,834)	-	-	(520,181)	-	-	17,465	75,051
	2,292,265	**3,181,496**	**254,267**	**565,193**	**(618,365)**	**(993,492)**	**(40,882)**	**(998,307)**	**(200,000)**	**(125,861)**	**1,687,284**	**1,629,029**

* *Gross-on Statement of Financial Position means amounts in the balance sheet before provisions. They are Disbursed and part of exposures.*
** *Off Statement of Financial Position refers to letters of credit, guarantees and loans committed but not yet disbursed. They do not form part of exposures.*

	As at 31 December 2019											
	Gross On Balance Sheet Exposure*		Off Balance Sheet Exposure**		Insurance		Cash Cover		Other Mitigants		Net Exposure	
	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF
						USD '000						
Burundi	13,634	-	-	-	--		(593)	-	-	-	13,041	-
Comoros	12,769	-	15,564	-	-	-	-	-	-	-	28,333	-
Congo DRC	43,582	669	-	-	-	-	-	-	-	-	43,582	669
Djibouti	-	3,051	5,888	-	-	-	-	-	-	-	3,051	5,888
Egypt	-	29,529	-	-	-	-	-	-	-	-	-	29,529
Eswatini	-	7,030	-	18,000	-	-	-	-	-	-	-	25,030
Ethiopia	126,568	163,602	12,168	316,927	-	(100,000)	-	-	-	-	138,737	380,529
Kenya	716,892	43,995	-	-	104,678	(350,000)	-	-	-	(100,00)-	266,892	148,673
Malawi	-	488,201	-	141,976	-	(248,000)	-	(59,172)	-	(72,400)	-	250,605
Mauritius	128,823	-	4,996	-	-	-	-	-	-	-	128,823	4,996
Mozambique	31,990	2,370	76,142	169,408	-	-	-	-	-	(151,675)	108,132	20,102
Rwanda	249,949	196,697	2,522	-	(82,895)	-	-	(150,000)	-	(46,697)	169,576	-
Seychelles	55,935	-	4,288	-	-	-	-	(1)	-	60,223		

As at 31 December 2019

	Gross On Balance Sheet Exposure*		Off Balance Sheet Exposure**		Insurance		Cash Cover		Other Mitigants		Net Exposure	
	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF	PIF	TF
						USD '000						
Sudan	39,951	619,003	-	-	-	(233,500)	-	(180,032)	-	-	39,951	215,471
Tanzania	527,346	155,837	10,911	11,114	(175,000)	-	(608)	5	(100,000)	-	262,649	166,956
Uganda	111,419	49,918	64,906	-	-	-	-	-	-	-	176,325	48,918
Zambia	11,702	692,268	17,000	57,962	-	(496,090)	-	(4,042)	-	-	28,702	250,098
Zimbabwe	73,383	476,644	-	69,200	(46,725)	(16,300)	-	(450,000)	-	-	26,658	79,544
	2,146,996	**2,935,646**	**203,501**	**889,265**	**(654,620)**	**(1,083,890)**	**(1,201)**	**(843,242)**	**(200,000)**	**(270,772)**	**1,494,676**	**1,627,007**

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As at 31 December 2018

	Gross-on Statement of Financial Position*		Off Statement of Financial Position**		Cash Collateral/ In transit		Insurance		Net Exposure	
	PIF	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade Finance*	*PIF*	*Trade*	*PIF*	*Trade Finance*
					(USD '000)					
Burundi	13,102	-	-	-	-	-	(4,037)	-	9,065	-
Djibouti	2,904	5,338	-	-	-	-	-	-	2,904	5,338
DR Congo	43,642	10,054	-	-	-	-	-	-	43,642	10,054
Egypt	-	29,529	-	-	-	-	-	(19,000)	-	10,529
Ethiopia	74,128	110,057	18,763	89,814	-	-	-	-	92,891	199,871
Kenya	627,132	30,494	-	6,663	-	-	(280,000)	-	347,132	37,157
Malawi	-	439,317	-	125,364	-	(85,303)	-	(248,000)	-	231,378
Mauritius	128,086	10,852	28,725	50,000	-	-	-	-	156,811	60,852
Mozambique	4,737	-	48,133	-	-	-	-	-	52,870	-
Rwanda	264,003	196,309	28,467	-	-	(150,000)	(61,200)	-	231,270	46,309
Seychelles	4,318	-	-	-	-	(1)	-	-	4,318	(1)
Sudan	37,015	611,177	-	-	-	(214,547)	-	(228,138)	37,015	168,492
Tanzania	43,414	179,264	23,809	25,103	-	382	-	-	67,223	204,749
Uganda	87,995	78,938	117,953	17,195	-	-	-	(34,011)	205,948	62,122
Zambia	16,191	670,633	-	60,500	-	(955)	-	(517,833)	16,191	212,345
Zimbabwe	113,251	441,436	15,000	69,200	-	(400,000)	(58,840)	-	69,411	110,636
	1,459,918	**2,813,398**	**280,850**	**443,839**	**-**	**(850,424)**	**(404,077)**	**(1,046,982)**	**1,336,691**	**1,359,831**

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Total Portfolio by Borrower Type

The following table shows the distribution of the Bank's portfolio on a gross basis by type of borrower as at 31 December 2018, 2019 and 2020:

Balance USD '000	2020		2019		2018	
	Year Ended 31 December					
	USD	**%**	**USD**	**%**	**USD**	**%**
Type of Borrower						
Large Enterprises / Corporations	1,347,906	25%	1,089,927	21%	969,215	23%
Small and Medium Enterprises	190,366	3%	171,030	3%	196,175	5%
Banks & Financial Institutions	459,247	8%	214,239	4%	128,857	3%
Governmental/Parastatals	3,476,242	64%	3,607,445	71%	2,979,069	70%
Total	**5,473,762**	**100%**	**5,082,642**	**100%**	**4,273,316**	**100%**

As at 31 December 2020, nine countries account for 85% of the Bank's net country exposure as at 31 December 2020, (2019: 85%) and efforts are continuing to further diversify the country exposures. All the borrowers have been performing satisfactorily. The exposures are aligned to the key economic drivers of the Issuer Member States and are diversified from a geographical and sectoral perspective.

Somalia and Eritrea

In line with its internal policies, the Bank does not have any exposure in Somalia and Eritrea given their long-standing capital arrears. In addition, in accordance with the provisions of the Charter, the Bank has consistently set off each Issuer Member State's stock dividend entitlements against their capital arrears and accumulated penalty interest.

Collateral Arrangements

The Bank seeks to protect its interests in the event of unpredictable and extreme factors that may negatively affect a borrower's capacity to service its loan by calling for security or credit enhancement to be put in place. This includes mortgage interest on property, registered securities over financed or third-party assets and third-party guarantees.

In PIF, the Bank's minimum-security coverage on project and infrastructure transactions is 1.3 times the loan amount in relation to the market value of assets offered as collateral. The Bank aims to be conservative in estimating the market values of the securities offered and, in all cases, insists on independent valuation by a valuer approved by the Bank.

In trade finance transactions where the commodity is being financed, debtors and other illiquid assets are offered as collateral. The minimum security coverage is 1.25 times. However, in cases where liquid security such as cash, credit risk insurance and treasury bills are offered as collateral, the security coverage threshold is pegged at 1.10 times.

In assessing security, the Bank considers the following assets or a combination thereof as acceptable collateral for lending exposures for:

(a) Cash deposits or liens over cash deposits in a major or freely convertible currency with at least a 10 per cent. margin, for currency risk where the lending currency may differ from the collateral currency.

(b) Legal charges or mortgage bonds over real estate in the form of land and buildings recently valued (not more than one year) by approved property valuers. For the purposes of calculating a security value the Bank will discount market valuations by at least 20 per cent. to account for market fluctuations and forced sale values.

(c) All asset debentures over a company's assets as specified in their audited balance sheets with a margin of at least 20 per cent. to cater for market value fluctuations.

(d) Specific debentures and liens over stocks of the financed commodities. In structured commodity financing, the commodity being financed shall form the security of the facility with a margin of not less than 20 per cent. to cater for price and market volatility.

(e) Liens over treasury bills issued by the governments of the Issuer Member States with a margin of at least 10 per cent. to cover currency risk.

(f) Bank guarantees, inward letters of credit, bankers' acceptances, promissory notes and similar contingent instruments issued in favour of the Bank by first class rated institutions.

(g) Corporate, parent company, personal and shareholders guarantees backed by identifiable assets or instruments pledged in favour of the Bank.

(h) Any other security which may be deemed acceptable by the Credit Committee on a case-by-case basis.

In all instances, the Bank carries out due diligence on the assets offered as security to ensure the Bank's rights on enforceability and liquidation are protected with the necessary attendant insurances and other protections in place for the security to be deemed acceptable.

The Bank's policies require that fully implemented projects should be valued to establish their net worth. Subsequently, the Bank undertakes quarterly securities reviews during its routine supervision missions.

The security coverage ratio is improved by the decline in the Bank's exposure through regular repayments made by performing loans. For performing loan accounts, the Bank's exposure declines gradually as a result of regular repayments thereby improving the security coverage ratio. The Bank regularly revalues assets charged to the Lender as collateral. If deterioration of the securities is evident arrangements will be negotiated with the respective borrowers to make up for the difference.

The following table shows the composition of the Bank's collateral as at 31 December 2018, 2019 and 2020.

	Year ended 31 December					
Collateral Type	**2020**		**2019**		**2018**	
	Value U.S.$'000	*%*	*Value U.S.$'000*	*%*	*Value U.S.$'000*	*%*
Mortgages on properties	406,496	7%	349,615	7%	587,972	10%
Fixed charge on plant & equipment	561,481	10%	420,609	9%	786,376	13%
Cash deposits	982,878	18%	936,483	19%	1,087,467	18%
Sovereign undertakings	68,676	1%	141,549	3%	381,906	6%
Other Floating All Asset Debenture	905,230	16%	601,852	12%	63,678	1%
Insurance and Guarantees	2,564,069	47%	2,494,250	50%	2,979,738	51%
Total	**5,488,830**	**100%**	**4,944,358**	**100%**	**5,887,137**	**100%**

The following table summarises the geographical distribution of the Bank's collateral for the years ended 31 December 2020, 2019 and 2018.

	2020		**2019**		**2018**	
Country	**Value in USD'000**	**%**	**Value in USD'000**	**%**	**Value USD '000**	**%**
Burundi	14,573	0.27%	14,617	0.30%	26,136	0.44%
Comoros	13,387	0.24%				
Djibouti	2,835	0.05%	2,835	0.06%	7,975	0.14%
DR Congo	102,430	1.87%	93,582	1.89%	121,005	2.06%
Egypt	-	0.00%	-	0.00%	29,334	0.50%
Eswatini	-	0.00%				
Ethiopia	424,027	7.73%	235,003	4.75%	128,957	2.19%
Kenya	574,256	10.46%	507,870	10.27%	916,916	15.57%
Madagascar	4,500	0.08%				

Details	Year Ended 31 December 2020		
Non-Performing Loans	**Principal Disbursed**	**Cumulative Recoveries**	**Recovery %**
	USD'000	***USD'000***	
Trade Finance	53,617	29,167	54%
Projects Finance	149,892	131,151	87%
Total	**203,509**	**160,318**	**79%**

Malawi	421,564	7.68%	513,835	10.39%	343,026	5.83%
Mauritius	254,095	4.63%	155,848	3.15%	64,976	1.10%
Mozambique	92,561	1.69%	186,035	3.76%	9,332	0.16%
Rwanda	780,347	14.22%	504,065	10.19%	705,156	11.98%
Seychelles	138,698	2.53%	7,483	0.15%	14,236	0.24%
Sudan	841,165	15.33%	843,520	17.06%	756,768	12.85%
Tanzania	471,979	8.60%	390,021	7.89%	385,086	6.54%
Uganda	226,674	4.13%	229,436	4.64%	330,774	5.62%
Zambia	438,963	8.00%	660,097	13.35%	769,352	13.07%
Zimbabwe	686,776	12.51%	600,110	12.14%	1,278,108	21.71%
Total	**5,488,830**	**100.00%**	**4,944,358**	**100.00%**	**5,887,137**	**100.00%**

Collateral Enforcement

The Bank's collateral enforcement experiences differ from one country to another. In enforcing collateral the Bank uses a combination of direct foreclosures, receivership and legal enforcement mechanisms such as court action.

These experiences largely reflect the efficiency of the legal processes in terms of determining the outcomes of any legal challenges that may be raised by aggrieved borrowers.

The following table summarises the Bank's recovery experience on non-performing loans as at 31 December 2020.

The lower recovery rates on trade finance loans reflect the nature of collateral which mostly comprises stocks, receivables and other current assets.

Strategic Partnerships

In order to diversify its network of business partnerships, the Bank intends to remain an active member of a number of global and regional networks and alliances. These include the Global Network of Export Import Banks and International Development Financial Institutions ("**GNEXID**"), the Association of African Development Financial Institutions ("**AADFI**"), the Alliance of African International Financial Institutions ("**AAIFI**"), the International Development Finance Club ("**IDFC**"), the Corporate Council of Africa ("**CCA**"), the African Economic Research Consortium ("**AERC**") and Alliance of African International Financial Institutions ("**AAIF**"). The Bank has also entered into an export credit funding cooperation agreement with the Development Bank of Belarus.

As part of its drive to diversify and grow its funding base, the Bank will strengthen existing relationships with institutions such as the African Development Bank, the European Financing Partnership, the Export-Import Bank of India, the China Development Bank and USAID.

GNEXID

GNEXID aims to boost bilateral and multilateral agreements of various kinds among export-import banks and development financial institutions based in developing countries. The network was founded in 2006 in Geneva based on the recognition of the importance of South-South trade and investment flows as drivers of economic growth in the developing world. Cooperation by GNEXID's members is expected to reduce the costs of trade between developing nations, spurring investment across borders and making financing more readily available to new and innovative businesses and enabling the growth of niche markets. GNEXID allows members to learn from each other's experiences and share effective practices for entering new markets and establishing risk sharing methods for investments. Currently, the network has a membership of 24 institutions including Exim Bank of India, Afrexim Bank, Andean Development Corporation (Venezuela), Bank Ekspor of Indonesia, Caribbean Development Bank, Export Import Bank of Romania and State Export-Import Bank of Ukraine.

AADFI

Headquartered in Abidjan, Côte d'Ivoire, AADFI is an international organisation created under the auspices of the African Development Bank in 1975 with a membership comprising banking and financial institutions engaged in development finance activities in Africa. The main activities of the AADFI are the provision of information and training in the techniques of banking and finance as well as development policy advice to African bankers and finance officers. AADFI organises various training programmes comprising skills-base workshops and policy seminars aimed at assisting member-institutions to improve and update their technical competence and structures in line with the changing development needs of their countries.

AAIFI

Established in 2009, AAIFI is an alliance of African international financial institutions. Unlike AADFI whose membership comprises national and regional development finance institutions, AAIFI's membership is drawn from commercial banks and development finance institutions operating in multiple African countries. Among the objectives of AAIFI include sharing of information and experiences, risk sharing, pursuit of investment banking opportunities and promotion of reciprocal funds placement arrangements among members.

IDFC

The International Development Finance Club is an association of national and sub-regional Development Banks that support the realisation of national and international development plans through resource mobilisation assistance and technical advisory support. Members of the IDFC collaborate and pool expertise, resources best practices, and networks, amongst other assets, to add value to development projects and to resolve strategic and structural development challenges.

CCA

Corporate Council on Africa (CCA) is a leading U.S. business association focused solely on connecting business interests in Africa. Established in 1993 to promote business and investment between the United States and the nations of Africa, CCA serves as a neutral intermediary connecting its member firms with the essential government and business leaders in Africa. CCA uniquely represents a broad cross section of member companies from small and medium size businesses to multinationals as well as U.S. and African firms.

AERC

Established in 1988, the African Economic Research Consortium is a capacity building institution to inform economic policies in sub-Saharan Africa. AERC has three primary components: research, training and policy outreach. The organisation integrates economic policy research, postgraduate training and policy outreach within a network of researchers, universities and policy makers in Africa and worldwide.

Related Party Transactions

The Bank's principal related parties are its Issuer Member States. The Bank makes loans to some of its Issuer Member States or to entities either controlled or significantly influenced by some of its Issuer Member States. In addition, the Bank secures lines of credit from certain Issuer Member States or institutions either controlled or significantly influenced by members. Loans and borrowings to or from related parties are made at market interest rates and are subject to commercial negotiations on the terms and conditions.

The table below shows the loans and borrowings to/from related parties as at 31 December 2018, 2019, and 2020.

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Loans to Member States	2,529,746	2,397,404	1,802,388
Borrowings from Member States	188,750	207,500	158,746
Interest Income earned	228,237	180,128	180,128
Interest Expense incurred	9,067	9,368	9,368
Fees and commission earned	14,794	20,406	20,406

Material Litigation

To the best of the Bank's knowledge there is no material litigation, prosecution or other civil or criminal legal action against the Bank or any of its Directors, which if found against the Bank may have a significant effect on the Bank and/or its business financial condition and operational results. With respect to the matters disclosed below, no provisions have been made as, in the opinion of the senior management of the Bank, it is unlikely that any significant loss will arise.

RISK MANAGEMENT AND ASSET QUALITY

As a self-regulated supranational institution, the Bank nonetheless strives to comply with all applicable prudential risk management standards and also aims to adopt the best practices in its industry. The Bank recognises that having a robust risk management framework and communicating this clearly to stakeholders can be a source of competitive advantage. Accordingly, there is a sustained focus on the overall risk management at the Bank driven by overarching objectives of achieving sustainable growth and attainment of investment grade rating. The Board has the overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigating various risks.

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

Financial management

The Bank has continued implementing changes to build on its financial management performance.

The Bank is implementing a decision support tool which will be used to run scenarios in order to test the sensitivity of key outputs to different input assumptions and to predict financial results with greater confidence. The model will have a robust "What If" functionality to analyse a number of scenarios given a set of parameters, including capital adequacy, leverage, non-performing loans, impairments, liquidity, margin management. This is in addition to the enhancements to the SAP Enterprise Resource Planning which were implemented to enhance utilisation and return on investment.

Risk Management

The Bank has continued to strengthen its risk management framework to ensure that the risk function performs a key role in independently identifying, assessing, mitigating, controlling, monitoring and reporting significant risks facing the Bank. The Bank continues to base its risk management framework on a well-established governance process, relying both on individual responsibility and collective oversight, and by being supported by a comprehensive reporting and escalation process. The industry standard three lines of defence model is embedded in the Bank's operating model. In the first line of defence, line management is principally responsible for risk management. Business Unit managers are responsible for identification and appropriate reporting of risks to the various governance bodies of the Bank. The Risk Management function represents the second line of defence and is independent of line management. The Risk Management function is essentially accountable for establishing and maintaining the Bank's risk management framework as well as providing risk oversight as well as independently reporting on such matters to Senior Management and the Board. The risk department now includes a Chief Risk Officer, a Director of Credit Risk, a Head of Credit Risk, a Head of Enterprise Risk and a Head of Compliance. The third line of defence consists of internal auditors which provide an independent assessment of the adequacy and effectiveness of the control environment. The internal audit function reports independently to the Board Audit Committee. In this regard, the Bank has implemented a number of measures aimed at strengthening its risk management capacity, which include upgrading the function to a fully-fledged department with dedicated credit risk and internal audit co-ordinating units.

Lending Limits

The Bank has a Credit Risk Appetite Statement aimed at effective portfolio management to mitigate the extent of maximum credit losses that can be absorbed within the core lending activities while optimising returns against capital held.

The credit risk appetite is achieved through a mandate and limits framework to achieve the following objectives:

(a) limit concentration risk;

(b) keep business activities within business mandates;

(c) ensure activities remain of an appropriate scale relative to the underlying risk and reward; and

(d) ensure risk taking is supported by appropriate expertise and capabilities.

The core limits and mandates used by the Bank are identified below.

Country limits

The Bank's credit policies stipulate that credit exposure to any one Issuer Member State shall not exceed 30 per cent. of the total value of outstanding loans (all such credit limits are on a gross basis).

Given the risk capacity set as above, the Bank has further developed risk differentiated country risk appetite limits that consider country risk rating scores adjusted for debt absorption capacity and Bank exposure strategy for each country.

Sector limits

The Bank maintains a well-diversified portfolio across various economic sectors by ensuring that exposure to any one sector does not exceed 25 per cent. of the total loan portfolio outstanding. However, in view of the strategic nature and their significant contribution to GDP in almost all Issuer Member States, exposure within the following three priority sectors have been assigned a higher appetite limit as below:

(a) Oil & Gas at 40 per cent.: to reflect opportunities in downstream segment in the Issuer Member States that are net importers of oil a gas products, as well as upstream and downstream opportunities in Issuer Member States with newly discovered and undeveloped reserves;

(b) Agri-business at 35 per cent.: key GDP driver in the Issuer Member States economies with attendant opportunities in agro-processing and integrated value chain; and

(c) Infrastructure at 35 per cent.: key opportunities with sovereigns for deficit infrastructure development either through direct sovereign funding or public private partnerships.

Single Obligor Limits

To protect the Bank's risk capital and maintain financial stability, the single obligor limit ("**SOL**") is linked to the adequacy of the Bank's risk bearing capacity of its risk capital comprising of paid in capital and reserves. SOL hierarchy also considers the Bank's role as a development finance institution in the Issuer Member States.

The SOL is risk based, considering borrower risk ratings and corresponding facility amounts as a percentage of the Bank's capital and reserves as highlighted in the table below:

Borrower Rating	**Credit Quality**	**Single company**	**Economic groups within single country**	**Diversified economic groups and multi-country**	**Sovereign and sovereign guaranteed**	**Secondary market loan participation**
		Limit	**Limit**	**Limit**	**Limit**	**Limit**
1-7	Very Low Risk	20%	25%	30%	30%	10%
8-10	Low Risk	15%	20%	25%	25%	5%
11-12	Moderate Risk	10%	15%	20%	25%	5%
13-14	High Risk	5%	5%	5%	10%	0%
15-16	Very High Risk	2%	2%	2%	2%	N/A
17	Default	N/A				

Lending Authority

The Bank's lending authorities are risk-based considering borrower risk ratings and corresponding facility amounts as a percentage of the Bank's capital and reserves. The final hold amount is also constrained by the defined single obligor risk-based limits.

The following table defines the Corporate Credit Committee's gross lending mandates as delegated from the Board of Directors. Any amounts above the thresholds are referred to the Board of Directors through INVESCO:

Borrower ratings and description		Products		
		Short and Medium Term (Up to 3 years)		Long term (>3 years)
Borrower Rating	Credit Quality	Structured & Self-Liquidating Facilities	Short term loans	Project and Infrastructure Finance
1 -7..........	Very Low Risk	20% of capital and reserves Maximum USD 100m	Max USD 75m	5% of capital and reserves Maximum USD 50m
8 –10	Low Risk	15% of capital and reserves Maximum USD 75m	Max USD 50m	3% of capital and reserves Maximum USD 30m
11-12	Moderate Risk	10% of capital and reserves Maximum USD 50m	Max USD 30m	2% of capital and reserves Maximum USD 20m
13-14	High Risk	5% of capital and reserves Maximum USD 20m	Max USD 20m	1% of capital and reserves Maximum USD 10m
15-17	Very High Risk/Default	N/A		

Loan Reviews

The Bank's Portfolio Management Department ("**PMD**") undertakes a review of the portfolio and submits a report to the Board on a quarterly basis. At the management level, the Arrears Recovery Committee ("**ARC**") meets on a quarterly basis to review PMD's report on accounts experiencing significant loan repayment difficulties. ARC deliberates, approves and where appropriate provides guidance to PMD's recommendations for appropriate loan workout measures to be implemented for such accounts.

Loans Classification System

The classification of loans is dependent on the performance of the underlying facilities evidenced by the loan repayment ability of the borrowers.

*In line with best practices adopted by commercial banks and central banks in the region, the Bank has adopted a seven-category loan classification system ("**LCC**") as shown below:*

The Bank's Credit Risk Assessment System ("CRAS") rating ("PTAR")

CRAS rating	Internal Loan Classification Categories (LCC)	IFRS 9 Categorisation
Pass/Acceptable	LCC 1	Stage 1
	LCC 2	Stage 1
Special Mention	LCC 3	Stage 2
	LCC 4	Stage 2
Substandard	LCC 5	Stage 3
Bad & Doubtful	LCC 6	Stage 3
Loss	LCC 7	Stage 3

LCC 1& 2: Stage 1

Loans in this category are fully protected by the sound net-worth and paying capacity of the borrower, are performing in accordance with contractual terms, and are expected to continue doing so. Loans under this category are further classified as "Low Risk" or "Satisfactory Risk".

LCC 3 &4: Stage 2

Loans under this category are generally performing well but exhibit potential weaknesses that may, if not corrected, weaken the borrower's capacity to repay. The weaknesses may result in the Bank's position not being adequately protected. Examples of such weaknesses include but are not limited to: inability to properly supervise due to an inadequate loan agreement; deteriorating condition or control of collateral; and/or deteriorating economic conditions or adverse trends in the borrower's financial position which may, if not checked, jeopardise repayment capacity. In terms of the age of arrears, the project loan and/or trade finance loans will have been due for between 31 and 90 days. Loans under this category are further classified as "Fair Risk" or "Watch List" depending on the financial condition of the loan.

LCC 5,6 & 7: Stage 3

Loans in this category are considered un-collectible or of such little value that their continuance as bankable assets is not warranted. However, the classification of a loan as a loss does not necessarily mean that there is no recovery or salvage value. Generally, project and trade finance loans that have been due for more than 365 days shall be classified as a "loss" unless such loan is well secured, legal action has actually commenced, and timely realisation of the collateral or enforcement of the guarantees can be expected.

The following tables sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost and loans and receivables as at 31 December 2020, 31 December 2019 and 31 December 2018:

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Project finance loans:	**USD**	**USD**	**USD**	**USD**
Pass/Acceptable	1,871,236,148	-	-	1,871,236,148
Special mention	-	353,207,345	-	353,207,345
Substandard, Doubtful & Loss	-	-	67,820,124	67,820,124
	1,871,236,148	353,207,345	67,820,124	2,292,263,617
Loss Allowance	(2,697,363)	(31,725,588)	(33,063,944)	(67,486,895)
Carrying Amount	1,868,538,785	321,481,757	34,756,180	2,224,776,722
***Trade finance loans*:**				
Pass/ acceptable	2,899,754,462	-	-	2,899,754,462
Special mention	-	192,006,952	-	192,006,952
Substandard, Doubtful & Loss	-	-	89,735,648	89,735,648
	2,899,754,462	192,006,952	89,735,648	3,181,497,062
Loss Allowance	(18,082,726)	(6,862,240)	(71,917,281)	(96,862,247)
Carrying Amount	2,881,671,736	185,144,712	17,818,367	3,084,634,815

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Project finance loans:	USD	USD	USD	USD
Pass/Acceptable	1,927,357,463	-	-	1,927,357,463
Special mention	-	171,275,360	-	171,275,360
Substandard, Doubtful & Loss	-	-	48,362,733	48,362,733
	1,927,357,463	171,275,360	48,362,733	2,146,995,556
Loss Allowance	(4,611,448)	(8,649,252)	(27,397,273)	(40,657,973)
Carrying Amount	1,922,746,015	162,626,108	20,965,460	2,106,337,583
***Trade finance loans*:**				
Pass/ acceptable	2,711,660,871	-	-	2,711,660,871
Special mention	-	153,870,032	-	153,870,032
Substandard, Doubtful & Loss	-	-	70,115,393	70,115,393

	2,711,660,871	153,870,032	70,115,393	2,935,646,296
Loss Allowance	(1,387,516)	(4,860,111)	(64,231,748)	(70,479,375)
Carrying Amount	2,710,273,355	149,009,921	5,883,645	2,865,166,921

	31 December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Project finance loans:	USD	USD	USD	USD
Pass/Acceptable	1,254,771,124	-	-	1,254,771,124
Special mention	-	180,999,353	-	180,999,353
Substandard, Doubtful & Loss	-	-	24,147,841	24,147,841
	1,254,771,124	180,999,353	24,147,841	1,459,918,318
Loss Allowance	(1,584,648)	(4,627,035)	(24,147,841)	(30,359,524)
Carrying Amount	1,253,186,476	176,372,318	-	1,429,558,794
***Trade finance loans*:**				
Pass/ acceptable	2,527,025,580	-	-	2,527,025,580
Special mention	-	211,163,777	-	211,163,777
Substandard, Doubtful & Loss	-	-	75,208,489	75,208,489
	2,527,025,580	211,163,777	75,208,489	2,813,397,846
Loss Allowance	(2,470,667)	(2,273,805)	(75,208,489)	(79,952,961)
Carrying Amount	2,524,554,913	208,889,972	-	2,733,444,885

Restructured Loans

Restructured loans originate from a distress situation, increased credit risk affecting cashflows generation. Main features of restructure include extension of tenor by 12 months or longer, unchanged interest rate for most of the facilities, moratorium of capital for 12 months or longer.

Impaired Loans

Loans are identified as impaired when arrears on principal or interest are more than 90 days overdue or when there is adverse development (such as significant deterioration in the value of collateral) which creates significant doubt on the collectability of the principal loan and interest. At a minimum, all loans classified as substandard and below are considered impaired.

Provisions for Impairment Losses

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

Assets accounted for at amortised cost and fair value through other comprehensive income are evaluated for impairment as per Accounting policy.

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

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

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

For credit exposures that are credit impaired and in default, similar to stage 2 assets, a loss allowance is required for lifetime ECLs however the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate. When a loan is known to be uncollectible, all the necessary legal procedures have been completed and the final loss has been determined, such a loan is written off against the related provision for impairment. Loans write-offs exceeding USD 1.0 million have to be approved by the Board. Subsequent recoveries of amounts previously written off are included in the income statement.

The following table sets forth information regarding the Bank's impaired loans as at 31 December 2018, 2019 and 2020.

	Year ended 31 December		
	2020	**2019**	**2018**
	U.S.$'000		
Impaired Loans – Projects & Infrastructure	67,820	48,363	24,148
Impaired Loans – trade finance	89,736	70,115	76,467
Total Impaired Loans	**157,556**	**118,478**	**100,615**
Stage 3 Provisions for Impairment	104,976	91,629	99,356
Stage 1 & 2 Provisions for Impairment	59,368	19,509	10,956
Total Provisions	**164,344**	**111,138**	**110,312**
Total Provisions/Total Impaired Loans	104.3%	93.8%	109.6%
Impaired Loans as a per cent. of total loans	2.88%	2.33%	2.35%

Asset quality as depicted by the ratio of impaired loans as a percentage of total loans was2.88 per cent. as at 31 December 2020, 2.33 per cent. as at December 2019 and 35 per cent as at 31 December 2018, while the ratio of total provisions to total impaired loans was 104.3 per cent. in 2020, 93.8 percent in 2019, and 109.6 per cent. in 2018.

The table below shows distribution of non-performing loans by geography as at 31 December 2020

Country	**% of Portfolio**
Burundi	9%
Egypt	19%
Kenya	21%
Rwanda	8%
Sudan	21%
Uganda	15%
Zambia	7%
	100%

The following table sets forth the information regarding the sector distribution of the non-performing loans as at 31 December 2020.

Sector	**% of Portfolio**
Agribusiness	43.3%
Hospitality	13.3%

ICT	7.3%
Real Estate	6.8%
Wholesale & Commodity Traders	18.7%
Construction	10.6%
	100.0%

LIQUIDITY AND INVESTMENT POLICIES

The management of liquidity is a critical treasury function aimed at ensuring that the Bank is in a position to meet its financial obligations as and when they fall due. The Bank currently manages its liquidity on a daily (3-months rolling) and monthly (24-months rolling) basis using criteria of bucketing assets, liabilities and off-balance sheet items in terms of maturity. Asset liability profile is prepared under the most prudent consideration of maturity dates with assets being classified according to the latest possible repayment date and liabilities being classified according to the earliest possible repayment date. Any significant negative gaps in each bucket are monitored and appropriate remedies instituted.

The Bank aims to maintain liquid assets to total assets ratio of at least 10 per cent. Designated liabilities include forward rolling 12 months of long-term debt service obligations, disbursements not funded under any line of credit, committed capital expenditures and 12 months of administration expenses.

Historically, the liquid assets balance has been above the minimum ratio of 10 per cent. because the Bank, for reasons of prudence, holds a liquidity buffer above the 10 per cent. minimum requirement. This is due to timing differences on anticipated facility disbursements. In addition, the buffer helps to cushion the Bank since it has no central bank lender of last resort.

As part of its ALCO reporting package, treasury submits for discussion a 24-months rolling forecast. This forecast captures all the contractual loan receipts and other inflows, as well as maturing debt repayments, and other such outflows. As part of this exercise, pre-ALCO discussions are held with concerned departments to increase the accuracy of the forecast through assumed and or informed adjustments to disbursements, receipts and such other relevant items. With this constrained view, the Bank determines the possible timings of its pre-approved funding initiatives to match business needs. These are thereafter discussed and firmed up as agreed positions and / or with actions to be taken or for monitoring with a view to ensure the Bank is well resourced.

The Bank takes every possible step to avoid a funding contingency situation, using stress testing to predict potential problems. The Bank has developed a contingency plan that was approved by the Board of Directors in April 2018. This plan is a go-to practical live working document that describes the process via which the plan is enforced and includes details of the alternative funding sources that can be accessed in the event of liquidity stress.

The Bank defines a liquidity contingency situation as the state reached when the Bank's day-to-day liquidity management processes (including the use of committed lines) are unable to maintain a sufficient level of liquidity. This situation, if left unchecked, might result in a breach of internal limits, and in extreme conditions may result in an inability to carry on business.

The Bank's liquidity contingency plan is based on the following principles:

(a) predicting potential problems;

(b) mitigating the problem where possible;

(c) maintaining a robust contingency plan; and,

(d) maintaining up to date alternative, tested, funding sources.

Investments of short-term surplus funds are made in various short-term instruments subject to counter-party exposure limits approved by ALCO. Unless otherwise approved, investments in call deposits, certificates of deposits, term deposits, commercial paper and corporate bonds shall be made with banks and institutions with investment grade credit ratings. The investments are made in eligible currencies in which resources have been raised in order to mitigate currency risk. The Bank developed an investment framework that was approved by the Board of Directors in December 2019.

FUNDING AND TREASURY AND HEDGING

Funding

In order to fulfill its developmental mandate, the Bank aims to increase and diversify its funding base by utilising bilateral lines of credit, letters of credit confirmation and refinancing limits, term deposits bond issuances and export credit agency relationships. Loan syndications, the Euro bond market and international financial institutions are expected to provide further diversification in terms of funding.

The following table sets forth a breakdown of the Bank's borrowings as at 31 December 2020, 2019 and 2018.

	2020	2019	2018
		USD '000	
Borrowings			
Short-Term Borrowings			
Certificates of deposits	-	1,680	1,244
Other Short-term borrowings	2,407,477	2,463,568	2,382,010
Total Short-term borrowings	**2,407,477**	**2,465,248**	**2,383,254**
Long-Term Borrowings			
Development Financial Institutions	454,446	479,164	409,543
Export Credit Agencies	393,427	250,113	513
Foreign currency bonds	700,000	917,031	300,000
Local currency bonds	110,269	7,558	10,654
Other long-term borrowings	123,889	54,424	73,505
Total Long-term borrowings	**1,782,031**	**1,708,290**	**794,215**
Total borrowings	**4,165,285**	**4,022,852**	**3,163,537**

Treasury and Hedging

The primary objective of the Bank's treasury operations is to mobilise sufficient resources to fund approved operational and administrative programmes and to effectively manage the Bank's liquidity, interest rate and foreign exchange risks in order to safeguard the Bank's financial integrity, protect its capital and generate adequate investment returns.

The Bank's Treasury department is responsible for the management of market risks within the parameters established by the BIRMC /Assets and Liabilities Committee ("**ALCO**"). This forum, chaired by the Group Managing Director or his designate, is responsible for the review and monitoring of risk management practices across the Bank as well as asset and liability management.

Given the Bank's non-complex activities and relatively short-term balance sheet structure, the Bank has a low interest rate risk profile. The Bank's conservative hedging policies involve mainly matching of assets and liabilities in terms of currency and interest rate attributes. Accordingly, it aims to match (to the extent possible) the currency of its borrowings with the currency of its loans. On interest rates, the Bank's policies require the matching of fixed rate borrowings with fixed rate loans and the matching of floating rate borrowings with floating rate loans. Floating rates are mainly based on LIBOR and re-pricing periods for both loans and borrowings are generally limited to no more than six months.

The Bank uses interest rate swaps, cross currency swaps and currency forward contracts on a selective basis to mitigate interest rate and currency risks that cannot be effectively mitigated through matching approaches.

Short Term Borrowings

Lines of credit are short-term in nature and are uncommitted. These facilities are essentially utilised for refinancing of issued letters of credit for trade finance transactions. Accordingly, the maturities as advised below reflect the maturity of the latest documentary financing issued by the relevant lender. Where the stated maturity date occurred on or before 31 December 2020, the loan has been repaid and the details have been included here solely for comparative purposes. Typically, the refinancing tenors range from 90 - 360 days.

The table below indicates the Bank's short-term borrowings as at 31 December 2020, 2019 and 2018 respectively.

2020	2019	2018

SHORT-TERM BORROWINGS					*USD '000*	
CERTIFICATES OF DEPOSIT						
African Trade Insurance Agency				-	1,680	1,244
				-	**1,680**	**1,244**

OTHER SHORT-TERM BORROWINGS	**Date of Renewal/advance**	**Maturity Date**	**Currency**	**2020**	**2019**	**2018**
				USD '000	*USD '000*	*USD '000*
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-19	Dec-22	USD	468,990	451,472	-
Global Syndication 2020	Dec-20	Dec-22	USD	450,000	-	-
Syndicated Loan - Asia (I)	Jun-19	Jun-22	USD	400,000	400,000	-
Global Syndicated Loan – 2016	May-18	Oct-22	USD	260,000	460,000	460,000
Syndicated Loan - Asia (II)	Dec-20	Dec-22	USD	225,000	-	-
The Bank of Tokyo Mitsubishi UFJ, Ltd	Jun-19	Jun-21	USD	150,000	150,000	-
Samurai Syndication	Dec-18	Dec-21	USD	123,783	146,763	-
CDC Group	Dec-20	Dec-22	USD	100,000	-	-
NORFUND	Dec-20	Jun-21	USD	50,611	-	-
Nedbank	Oct-18	Nov-21	USD	50,000	50,000	60,913
Mizuho Bank London	Oct-20	Jul-21	USD	40,000	-	-
Africa 50 Financement de Projets	Nov-20	Mar-21	USD	31,904	-	-
Standard Chartered Bank London	Jul-20	May-21	USD	21,653	-	-
KfW	Jun-20	Jun-21	USD	20,000	-	-
Citibank	Nov-20	Apr-21	USD	9,247	-	-
African Trade Insurance Agency-Staff Pension	Sep-19	Sep-21	USD	5,551	-	-
Asia Syndicated Loan 2017	Dec-17	Dec-20	USD	-	237,000	237,000
Mizuho Bank London	Nov-18	Nov-19	USD	-	75,000	75,000
African Trade Insurance Agency	Jan-19	Sep-20	USD	-	4,243	-
First Abu Dhabi Bank PJSC	Apr-19	Apr-20	USD	-	50,000	-
Citibank	Sep-19	Apr-20	USD	-	79,511	-
Africa 50 Financement de Projets	Oct-19	Mar-20	USD	-	31,447	-
BHF Bank	Oct-19	Mar-20	USD	-	8,234	-
Mashreq Bank	Dec-19	Dec-20	USD	-	100,000	-
Standard Bank Isle of Man	Dec-19	Nov-20	USD	-	56,015	-
Sumitomo Mitsui Banking Corporation Euro	Dec-19	Dec-20	USD	-	50,000	-
KfW	Dec-19	Dec-20	USD	-	46,500	-
Bank One Ltd	Dec-19	Mar-20	USD	-	22,407	-
Standard Chartered Bank London	Jan-20	Oct-20	USD	-	14,150	-
NORFUND	Jun-20	Dec-20	USD	-	30,000	-
Asia Syndicated Loan – 2016	Dec-17	Jun-19	USD	-	-	340,000
Middle East Syndicated Loan 2017	Dec-17	Dec-19	USD	-	-	329,302
The Bank of Tokyo Mitsubishi UFJ, Ltd	Oct-18	Dec-21	USD	-	-	221,220
Standard Chartered Bank	Dec-17	Dec-20	USD	-	-	193,807
Cargill Kenya Limited	Dec-17	Dec-19	USD	-	-	148,248
Mashreq Bank	Nov-18	Nov-19	EUR	-	-	100,000
Sumitomo Mitsui Banking Corporation Euro	Jul-18	Feb-19	EUR	-	-	58,932
KfW	Dec-18	Mar-19	USD	-	-	40,000
Africa50	Dec-18	Mar-19	USD	-	-	39,762
Citibank New York	Nov-18	Mar-19	USD	-	-	29,953
Bank One Ltd	Oct-18	Jan-19	USD	-	-	22,871
Standard Bank South Africa	Sep-18	Jan-19	USD	-	-	5,142
ABSA Bank	Oct-18	Apr-19	USD	-	-	4,633
African Trade Insurance Agency	Jan-18	Sep-19	USD	-	-	3,677
BHF BANK	Nov-18	Feb-19	USD	-	-	2,140
Commerzbank Frankfurt am Main	Jul-18	Jan-19	USD	-	-	306
Sub Total for Other Short-Term Borrowings				**2,406,739**	**2,462,741**	**2,372,906**
Interest Payable				738	827	9,104
Certificate of Deposits				-	1,680	1,244
TOTAL SHORT-TERM BORROWINGS				**2,407,477**	**2,465,248**	**2,383,254**

Long-Term Borrowings

The following table indicates the Bank's long-term borrowings as at 31 December 2020, 2018 and 2019 respectively. Long-term lines of credit are committed in nature are essentially specific to identified sector(s) and countries by the Bank. These facilities are essentially utilised for financing of projects, not limited to infrastructure, that have a developmental impact and satisfy the Bank's eligibility criteria as well as additional screening required under each line of credit. The maturities reported in the table are as per financing agreement in place between the Bank and the respective funder(s).

Lender	Date of Renewal/ disbursement	Maturity Date	Currency	2020	2019	2018
				USD '000	*USD '000*	*USD '000*
Lender						
USD Eurobond Tranche III	May-19	May-24	USD	750,000	750,000	700,000
USD Eurobond Tranche II	Dec-13	Mar-22	USD	700,000	700,000	-
MIGA Guaranteed Syndicated	Jul-20	Jun-30	EUR	411,238	-	-
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000	250,000	250,000
African Development Bank	Nov-08	Mar-29	USD	188,750	207,500	10,000
KfW	Dec-13	Nov-31	USD	145,714	151,429	107,143
KFW IPEX	Sep-16	Dec-28	USD	96,383	109,747	123,112
Industrial Development Corporation	43160	46054	USD	82,165	87,156	-
Agence Francaise De Development (AFD)	Dec-17	Aug-35	USD	71,875	57,000	57,000
European Investment Bank	Aug-16	Dec-34	USD	70,496	82,239	88,120
Cassa Depositi e Prestiti	Jul-20	Jun-30	EUR	61,483	-	-
OPEC Fund for International Development	Mar-19	Jun-23	USD	60,000	20,000	-
CDC Group	Oct-16	Dec-25	USD	59,470	72,727	81,818
Finnish Export Credit Sumitomo Mitsui Banking Corporation	42917	47453	USD	53,922	-	-
Oesterreichische Entwicklungsbank AG	Jun-20	Jun-30	USD	25,000	-	-
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	16,912	21,157	13,478
Development Bank of the Republic of Belarus	Jun-20	Apr-25	USD	15,678	-	-
Arab Bank for Economic Development in Africa	Feb-18	Jan-27	USD	13,125	15,000	-
Private Export Funding Corporation	Aug-11	Oct-21	USD	5,206	11,155	17,105
Development Bank of Southern Africa	Mar-07	Jun-21	USD	4,688	14,063	23,438
African Development Bank	Nov-19	Nov-26	USD	2,994	2,994	158,746
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	854	29,204	20,306
Oldenburgische Landesbank AG	Various	Feb-20	USD	-	629	-
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	-	983	2,352
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	-	982	2,350
China Development Bank	Dec-08	Mar-20	USD	-	-	20,000
Exim Bank of India Loan	Various	Various	USD	-	-	8
Uganda local currency fixed rate bond	Mar-18	Dec-27	UGX	-	-	100,565
Uganda local currency floating rate bond	Feb-18	Sep-27	UGX	-	-	5,002
KBC Bank	Various	Feb-20	USD	-	-	3,145
Sub-total for long-term borrowings				**3,085,950**	**2,583,965**	**1,783,688**
Interest payable				29,830	28,520	25,025
				3,115,780	**2,612,485**	**1,808,713**
Deferred Expenditure				(64,256)	(20,956)	(26,682)
Total long-term borrowings				**3,051,524**	**2,591,529**	**1,782,031**

Available Lines of Credit

The following table sets forth the information regarding the Bank's available lines of credit as at 31 December 2020, 2019 and 2020:

	2020		**2019**		**2018**	
	Short term	**Long term**	**Short Term**	**Long term**	**Short term**	**Long term**
	USD '000					
Available Lines of Credit						
Facilities Available	3,562,568	4,985,586	3,628,708	3,816,536	4,006,276	2,640,065
Facilities Utilised	2,453,658	3,618,213	2,680,886	3,051,833	2,460,843	2,295,125
Facilities Unutilised	1,108,909	1,367,373	947,821	764,704	1,545,433	344,940

Short-term lines of credit

Increasingly, the Bank is meeting its short-term financing requirements through international syndicated loan market with major banks including ICBC, JP Morgan, Citibank, EmiratesNBD, Mizuho, First Abu Dhabi Bank, Standard Chartered Bank, MUFG Bank, Mashreq Bank Psc, Commerzbank, Sumitomo Banking Corporation Europe leading the syndications.

The Bank has been engaged in a diversification of funding strategy based on its resource mobilisation strategy. This diversification initiative is in terms of tenors, currency, markets, and counterparty. As such, the Bank has successfully issued key transactions as follows:

Global Syndicated Loan

The Bank is a regular borrower in the loan markets, with its debut global syndicated loan in 2014, a second and third in 2016 and 2018 respectively, and the most recent concluded in December 2020 with a tenor of two years in the aggregate amount of USD 450 million. These transactions have a stable pool of participating banks that included Standard Chartered Bank, Citibank, Commerzbank, ICBC, MUFG Bank, Mizuho, JP Morgan, First Abu Dhabi Bank, Sumitomo Corporation, Abu Dhabi Commercial Bank, Emirates NBD and Mashreqbank amongst others.

Asia Focused Syndicated Loan

The Bank made its debut Asia-focused syndicated loan in 2016, borrowing USD 340 million. The majority of participating banks came from China including Exim China, ICBC, Bank of Communications, China Construction Bank and others. This transaction is assessed by the Bank as successful given that it was a debut issuance by an African Development Finance Institution ("**DFI**") in the tenor bracket of 3 years. Subsequently, in its second and most recent Asia focused syndicated loan, more diversity was introduced to the pool of participating banks coming from India and Korea.

Middle East Focused Syndicated Loan

In 2017, the Bank accessed the Middle East conventional loan market and the Islamic finance market through its debut Middle East syndicated loan in the amount of USD 329 million. This transaction was a 2-year facility in USD and EUR, and both in conventional loan format and Sharia compliant format. The arrangers of the facility were Emirates NBD, First Abu Dhabi Bank, Mashreqbank and MUFG Bank. The most recent Middle East focus syndicated loan in the aggregate amount of USD 451 million and a 2-year tenor was concluded in December 2019; the transaction was a dual EUR and USD currency loan in both conventional and Sharia compliant format.

Long-term lines of credit - IFIs/ECAs

To support its PIF and investment activities, the Bank mobilises medium and long-term funding from other development financial institutions, Export Credit Agencies ("**ECAs**") and also from the local and regional capital markets.

The long-term lines of credit include, amongst others, facilities from World Bank, MIGA, European Investment Bank, China Development Bank, Exim Import Bank of China, USAID, JBIC, KFW, Commonwealth Development Corporation, Agence Française de Dévélopment, Oesterreichische Entwichlungsbank AG, Cassa Depositi e Prestiti and African Development Bank. ECAs support financing exports from the countries where these institutions are domiciled including amongst others facilities from KFW Ipex and Finish Export Credit. In effect, the resources provided under these facilities are tied and cannot be used to support all types of Bank-financed projects. The Bank's resource mobilisation strategy aims to diversify the funding base by introducing more untied resources such as those provided under the Eurobond proceeds. Under conventional long-term lines of credit, from international DFIs, use of proceeds is 'tied' to projects that the Bank on-lends to, with explicit covenants and reporting requirements. Untied resources, such as notes issued under the Bank's EMTN programme, allow much more flexible use of proceeds.

Master Risk Participation Agreements ("MRPAs")

With a view to addressing concentration risk arising out of the financing of large transactions; especially in the oil sector, the Bank has put in place a risk down-selling strategy by signing MRPAs with a number of institutions (including Commonwealth Development Corporation, Arab Bank for Economic Development in Africa, Opec Fund for International Development and African Development Bank). In addition to facilitating the selling down of risk to other parties, the MRPAs provide a source of business for the Bank to the extent which the partner institutions have excess credit risk which they would like to offload to other parties.

Loans Maturity Profile

The following table shows the maturity profile of the Bank's loans and advances as at 31 December 2020, 2019 and 2018.

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Maturity of Loans & Advances			
Within One Year	1,454,936	1,998,476	1,324,239
One year to three years	2,128,253	1,954,582	2,014,636
Three to five years	1,398,322	532,793	572,394
Over five years	492,250	596,791	362,046
Total	**5,473,761**	**5,082,642**	**4,273,316**

LIQUIDITY RISK

Liquidity risk is a primary concern for any financial institution, particularly those involved in long-term funding of projects and investments. The Bank is fully aware of this risk and, given its focus on promoting sustained long-term development in Issuer Member States, limits the use of short-term borrowings to its trade finance operations.

The Bank aims to maintain liquid assets to total assets ratio of at least 10 per cent.

It is the Bank's policy to limit its borrowings to five times the paid-up capital and reserves plus fifty per cent. of callable capital.

The Bank's liquid assets are maintained in cash and near cash assets deposited at central banks of sovereign Issuer Member States and international commercial banks of investment grade ratings.

The following table sets out an analysis of the Bank's maturities of its financial assets and liabilities as at 31 December 2020, 2019 and 2018.

	Maturities of assets and liabilities as at 31 December 2020						
	Up to 1 month	2 to 3 months	4 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
				US$ '000			
Cash and balances with other banks	1,056,711	-	-	5,388	477,826	-	1,539,924
Investment in Government securities	-	-	-	-	120,928	-	120,928
Investment in Trade Fund	-	-	-	-	52,327	-	52,327
Other receivables	86,920	422	627	1,185	7,889	2,998	100,041
Trade finance loans	43,075	50,141	309,773	557,082	2,485,086	27,804	3,472,961
Project loans	94,034	77,011	105,166	270,699	1,726,876	546,576	2,820,361
Equity investment at fair value through other comprehensive income	-	-	-	-	53,987	-	53,987
Investment in joint venture	-	-	-	-	317	-	317
Total assets	**1,280,740**	**127,574**	**415,566**	**834,353**	**4,925,236**	**577,378**	**8,160,848**
LIABILITIES							
Short term borrowings	10,846	45,919	232,030	415,394	1,703,287	-	2,407,477
Long term borrowings	38,098	38,330	29,536	315,480	1,942,786	687,295	3,051,524
Derivative financial instruments	-	-	41,330	-	-	-	41,330
Collection Account	93,275	-	-	-	-	-	93,275
Other payables	46,465	-	-	-	39,501	-	85,965
Total liabilities	**188,684**	**84,249**	**302,896**	**730,874**	**3,685,574**	**687,295**	**5,679,571**
Net liquidity gap	**1,092,057**	**43,325**	**112,671**	**103,479**	**1,239,662**	**(109,917)**	**2,481,277**
Cumulative gap	**1,092,057**	**1,135,382**	**1,248,052**	**1,351,532**	**2,591,193**	**2,481,277**	**2,481,277**

* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit*

	Maturities of assets and liabilities as at 31 December 2019						
	Up to 1 month	**2 to 3 months**	**4 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
				US$ '000			
ASSETS							
Cash and balances with other banks	973,598	33,449		5,365	369,991		1,382,404
Investment in Government securities	4,264				40,634		44,898
Investment in Trade Fund	49,997						49,997
Other receivables	71,092	103	136	201	193		71,726
Derivative financial instruments	40,049						40,049
Trade finance loans	313,548	37,401	231,847	544,677	2,020,752		3,148,225
Project loans	116,107	7,966	69,409	202,924	1,666,956	770,120	2,833,482
Equity investment at fair value through other comprehensive income					51,136		51,136
Investment in joint venture					317		317
Total assets	**1,568,656**	**78,920**	**301,393**	**753,166**	**4,149,979**	**770,120**	**7,622,233**
LIABILITIES							
Short term borrowings	52,431	49,340	89,628	840,368	775,360	658,122	2,465,249
Long term borrowings	12,432	19,283	48,561	125,602	2,138,000	247,651	2,591,529
Collection Account	95,823						95,823
Other payables	128,422	260	391	781	4,422	4,406	138,681

Total liabilities	**289,108**	**68,883**	**138,580**		**966,751**	**2,917,782**	**910,179**	**5,291,282**
Net liquidity gap	**1,279,548**	**10,037**	**162,813**	**-**	**213,584**	**1,232,197**	**(140,059)**	**2,330,952**
Cumulative gap	**1,279,548**	**1,289,585**	**1,452,398**		**1,238,813**	**2,471,010**	**2,330,952**	**2,330,952**

Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit

	Maturities of assets and liabilities as at 31 December 2018						
	Up to 1 month	**2 to 3 months**	**4 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
				USD '000			
ASSETS							
Cash and balances with other banks	958,326	-	182,967	4,625	-	-	1,145,918
Other receivables	71,397	117	164	270	302	-	72,250
Derivative financial instruments	54,043	-	-	-	-	-	54,043
Trade finance loans	190,020	88,866	344,140	494,826	2,177,224	41,639	3,336,715
Project loans	55,098	59,791	58,902	169,856	1,359,940	642,160	2,345,747
Equity investment at fair value through other comprehensive income	-	-	-	-	51,522	-	51,522
Investment in joint venture	-	-	-	-	387	-	387
Total assets	**1,328,884**	**148,774**	**586,173**	**669,577**	**3,589,375**	**683,799**	**7,006,582**
LIABILITIES							
Short term borrowings	252,645	109,833	496,795	645,205	893,220	-	2,397,698
Long term borrowings	13,560	53,351	33,690	138,684	1,552,412	357,760	2,149,457
Collection Account	119,577	-	-	-	-	-	119,577
Other payables	64,312	226	333	664	4,751	5,521	75,807
Total liabilities	**450,094**	**163,410**	**530,818**	**784,553**	**2,450,383**	**363,281**	**4,742,539**
Net liquidity gap	**878,790**	**(14,636)**	**55,355**	**(114,976)**	**1,138,992**	**320,518**	**2,264,043**
Cumulative gap	**878,790**	**864,154**	**919,509**	**804,533**	**1,943,525**	**2,264,043**	**2,264,043**

* *Equity Investment includes equity investments and investments from joint ventures*
* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable and rental deposit*

Source: *December 2018, 2019 and 2020 - Audited Financial Statements.*

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.

Currency Risk

The Bank mitigates its foreign currency transaction risk exposure by matching the currencies of its liabilities with those of its assets. The principal currency exposure arises from the translation of its assets and liabilities in foreign currency to its reporting currency, namely the U.S. Dollar. Thus, related exposure mainly arises from a revaluation of shareholders' funds, special and capital funds, as any translation gains or losses are added to, or subtracted from, these items.

The Bank does not actively trade in foreign currencies in order to generate income. However, in order to meet specific funding requirements, the Bank engages in limited scale spot foreign currency transactions.

The Bank's currency position as at 31 December 2020, 2019 and 2018 was as follows:

Currency Risk as at 31 December 2020

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	ZMW	JPY	OTHER	TOTAL
							US$ '000						
Financial Assets													
Assets	5,170,234	10	1,811,728	78	29,370	5,388	18,614	3,198	5,812	131,661	7	839	7,176,937
Financial Liabilities													

Liabilities	3,811,993	-	1,794,919	29	28,827	-	-	3,160	8	1,281	38,781	573	5,679,571
NET POSITION	**1,358,240**	**10**	**16,810**	**48**	**543**	**5,388**	**18,614**	**38**	**5,803**	**130,380**	**(38,774)**	**266**	**1,497,366**

Currency Risk as at 31 December 2019

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	JPY	OTHER	TOTAL
						US$ '000						
Financial Assets												
Assets	6,419,436	17	59,503	1,492	34,098	5,370	18,450	59,263	9,075	34	5,294	6,612,031
Financial Liabilities												
Liabilities	4,897,584	0	259,025	131	33,468	0	0	59,172	2,553	36,763	2,584	5,291,281
NET POSITION	**1,521,852**	**17**	**(199,521)**	**1,360**	**630**	**5,370**	**18,450**	**90**	**6,522**	**(36,729)**	**2,710**	**1,320,750**

Currency Risk as at 31 December 2018

	U.S.$	*GBP*	*EURO*	*KES*	*SDG*	*UGX*	*AED*	*MWK*	*TZS*	*Other*	*Total*
Financial Assets											
Assets.......................................	5,112,728	17	216,070	5	34,092	4,632	18,457	85,632	9,373	6,117	5,487,123
Financial Liabilities											
Liabilities.................................	4,135,656	-	97,779	153	33,462	-	-	85,520	4,116	982	4,357,668
NET POSITION	**977,072**	**17**	**118,291**	**-148**	**630**	**4,632**	**18,457**	**112**	**5,257**	**5,135**	**1,129,455**

Source: *December 2018, 2019 and 2020 - Audited Financial Statements;*
All figures are in USD

For the financial period ending, 2017, 2018 and 2020 all of the currency mismatches are below 10 per cent. of the Bank's net-worth, the threshold beyond which the Bank is required to implement hedging strategies.

Interest Rate Risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The main source of potential interest rate risk to the Bank is the interest rate spread between the rate earned on assets and the cost of funds. Interest rate risk also arises from various factors, including timing differences between the contractual maturity or repricing of floating rate assets and liabilities. The Bank actively manages the related exposure but recognises that, in general, interest income is reduced during periods of low interest rates.

The Bank's interest rate exposure on its financial assets and liabilities, as at 31 December 2020, 2019 and 2018 is set out in the following tables:

	As at 31 December 2020						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Fixed Interest rate	Non-interest bearing	Total
				USD '000			
FINANCIAL ASSETS							
Cash and balances with other banks	1,027,341	-	5,388	-	477,826	29,370	1,539,924
Investment in Government securities	-	-	-	-	120,928	-	120,928
Investment in Trade Fund	-	-	-	-	-	52,327	52,327
Other receivables	-	-	-	-	13,336	86,706	100,041
Trade finance loans	4,577	1,486,980	-	-	1,593,078	-	3,084,635
Project finance loans	16,936	1,849,808	-	-	357,696	337	2,224,777
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	53,987	53,987
Investment in Joint Venture	-	-	-	-	-	317	317
Total financial assets	**1,048,854**	**3,336,787**	**5,388**	**-**	**2,562,863**	**223,045**	**7,176,937**
FINANCIAL LIABILITIES							
Short term borrowings	308,963	2,095,201	248	-	3,064	-	2,407,477
Long term borrowings	295,843	856,539	25,000	-	1,874,142	-	3,051,524
Derivative financial instruments	-	-	-	-	-	41,330	41,330
Collection Account	-	-	-	-	-	93,275	93,275
Other payables	-	-	-	-	-	85,965	85,965
Total financial liabilities	**604,806**	**2,951,740**	**25,248**	**-**	**1,877,207**	**220,570**	**5,679,571**

	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Fixed Interest rate	Non-interest bearing	Total
Net interest rate exposure	**444,048**	**385,047**	**(19,860)**	**-**	**685,657**	**2,475**	**1,497,366**
Cumulative interest rate exposure	**444,048**	**829,095**	**809,234**	**809,234**	**1,494,891**	**1,497,366**	**1,497,366**

	As at 31 December 2019						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	Fixed Interest rate	Non-interest bearing	Total
				USD '000			
FINANCIAL ASSETS							
Cash and balances with other banks	939,500	33,449	5,365		369,991	34,098	1,382,404
Investment in Government securities					44,898		44,898
Investment in Trade Fund						49,997	49,997
Other receivables					690	71,036	71,726
Derivative financial instruments						40,049	40,049
Trade finance loans	3,759	1,191,501			1,669,034	873	2,865,167
Project finance loans	14,328	1,902,020			183,585	6,405	2,106,338
Equity Investments at fair value through other comprehensive income						51,136	51,136
Investment in Joint Venture						317	317
Total financial assets	**957,587**	**3,126,971**	**5,365**	**0**	**2,268,197**	**253,911**	**6,612,031**
FINANCIAL LIABILITIES							
Short term borrowings	510,827	1,460,111	237,247		257,063		2,465,248
Long term borrowings	435,961	601,352	100,239	0	1,453,977		2,591,529
Collection Accounts	0	0	0	0		95,823	95,823
Other payables	0	0	0	0	10,390	128,164	138,681
Total financial liabilities	**946,788**	**2,061,463**	**337,486**	**0**	**1,721,429**	**223,986**	**5,291,281**
Net interest rate exposure	**10,799**	**1,065,508**	**(332,121)**	**0**	**546,768**	**29,924**	**1,320,750**
Cumulative interest rate exposure	**10,799**	**1,076,307**	**744,186**	**744,186**	**1,290,954**	**1,320,878**	**1,320,750**

	As at 31 December 2018						
	Up to 1 month	**1 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Fixed Interest rate**	**Non-interest bearing**	**Total**
				USD '000			
FINANCIAL ASSETS							
Cash and balances with other banks	902,029	182,968	4,625	-	-	56,296	1,145,918
Other receivables	-	-	-	-	915	71,335	72,250
Derivative financial instruments	-	-	-	-	-	54,043	54,043
Trade finance loans	203,086	781,558	478,249	-	1,270,552	-	2,733,445
Project finance loans	72,531	1,247,295	-	-	109,733	-	1,429,559
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,522	51,522
Investment in Joint Venture	-	-	-	-	-	387	387
Total financial assets	**1,177,646**	**2,211,821**	**482,874**	**-**	**1,381,200**	**233,583**	**5,487,124**
FINANCIAL LIABILITIES							
Short term borrowings	436,539	1,628,890	315,291	-	2,534	-	2,383,254
Long term borrowings	280,696	801,334	-	-	700,000	-	1,782,030
Collection Accounts	-	-	-	-	-	119,577	119,577
Other payables	-	-	-	-	8,660	64,147	72,807
Total financial liabilities	717,235	2,430,224	315,291	-	711,194	183,724	4,357,668
Net interest rate exposure	460,411	(218,403)	167,583	-	670,006	49,859	1,129,456
Cumulative interest rate exposure	**460,411**	**242,008**	**409,591**	**409,591**	**1,079,597**	**1,129,456**	**1,129,456**

* *Equity Investment includes equity investments (note 18) and investments from joint ventures (note 19)*

* *Excluded from other receivables is non-financial assets (prepayments) excluded from other payables is grant funds payable & rental deposit*

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

Source: December 2018, 2019 and 2020- Audited Financial Statements;

All figures are in USD

With the exception of collection account deposits which are non-interest bearing, and Eurobond linked assets and liabilities, most of the Bank's financial assets and financial liabilities have floating interest rates and therefore re-price within short time intervals at least at every billing date.

Operational Risk

As with all financial institutions, the Bank is exposed to many types of operational risks, including business disruption and system or transaction processing failure. The Bank mitigates operational risk by maintaining a strong system of internal controls designed to manage that risk at appropriate levels in view of the Bank's financial strength, activities and type of markets in which it operates. The Bank's operational risk is monitored and controlled through business process reviews and compliance reviews by external and internal auditors in the finance, operations and information systems areas. In this context, the Bank has implemented the following initiatives:

(a) Enterprise Risk Management;

(b) Business Continuity Plan;

(c) Environment and Social Risk Analysis – on-going training for all the Bank's officers;

(d) Environmental and Social Governance Management System; and

(e) Anti-money Laundering Policy (update) and Training.

CAPITAL ADEQUACY

Being a supranational financial institution, the Bank is self-regulated. The conduct of operations is guided by the Charter with oversight 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 mitigate against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank has established a capital management policy which aims to maintain a capital adequacy ratio (ratio of total capital to risk-weighted assets) 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**"). There is presently no plan to move towards Basel III convergence, as the Bank feels its areas of operation are not ready for such convergence.

Tier 1 capital includes paid up share capital and revenue reserves. A summary of the Bank's capital adequacy ratio is set forth in the following table.

	Year ended 31 December		
	2020	**2019**	**2018**
		U.S.$'000	
Tier 1 Capital			
Paid up share capital	534,934	499,107	461,743
Revenue Reserves	1,022,109	890,708	730,283
Total Tier 1 capital	**1,557,043**	**1,389,815**	**1,192,026**
Tier 2 capital bonds			
Total Tier 2 capital			
Total Tier 1 and Tier 2 capital	**1,557,043**	**1,389,815**	**1,192,026**
Risk weighted assets			
On-balance sheet	4,278,161	3,747,696	3,336,944
Off-balance sheet	76,256	100,014	32,335
Total risk weighted assets	**4,354,417**	**3,847,710**	**3,369,279**
Basel Ratio (per cent.)	**36**	**36**	**35**

Source*: 31 December 2018, 2019 and 2020 - Audited Financial Statements*

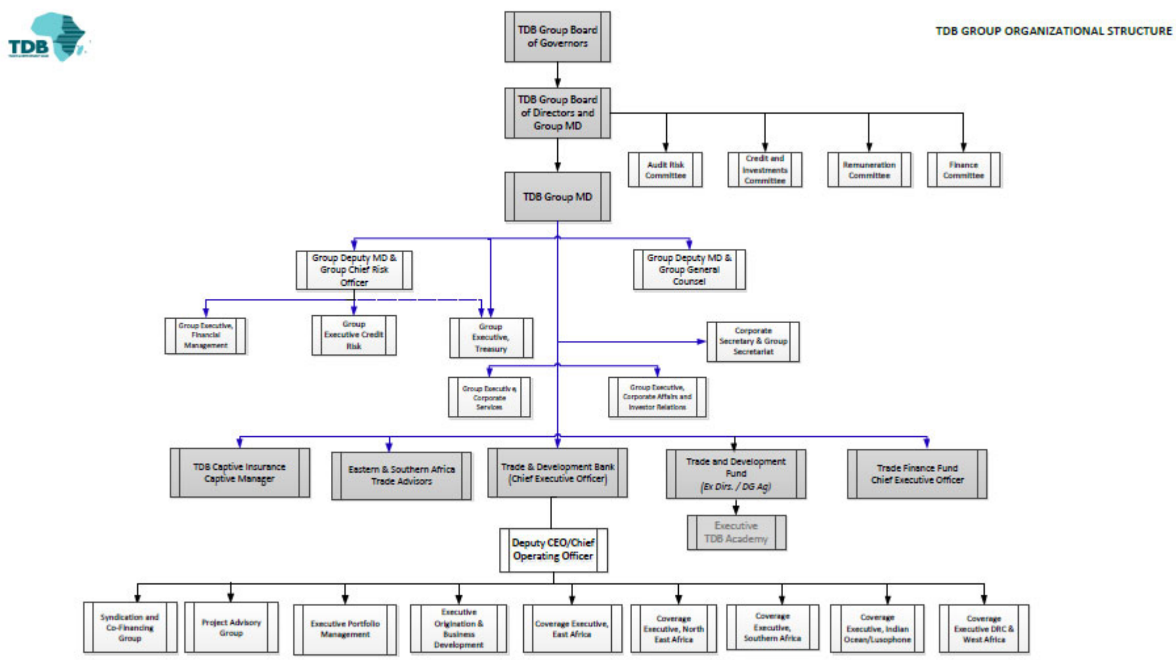
The Bank's tier 1 capital has achieved significant growth over the reporting period mainly due to increased profitability and capital subscriptions under the Bank's General Capital Increase programme. These factors have enabled the Bank's capital adequacy ratio to remain well above the 30 per cent. threshold.

MANAGEMENT AND GOVERNANCE

ORGANISATION STRUCTURE

The principal operating activities of the Bank are business development, portfolio management, finance and administration. To ensure effective oversight of these activities, the Bank's operations are organised into several independent but closely aligned departments, namely: Lending Operations (Projects and Infrastructure and Trade Finance); Portfolio Management; Finance; Human Resources and Administration; Legal Services and, Compliance and Risk Management; Treasury; Asset Management, Syndications & Agency Operations and Corporate Affairs and Investor Relations, as depicted in the following organisation chart.

ORGANISATIONAL STRUCTURE (FUNCTIONAL)



BOG

The BOG is the supreme governing body of the Bank in whom all powers of the Bank are vested. Each shareholder of the Bank appoints one Governor and one alternate, with the alternate only voting in the absence of his Governor. The Governor or the alternate exercises voting powers on behalf of the shareholder for which he is a nominee.

The BOG generally comprises Ministers of Finance or Ministers of Economic Planning from Issuer Member States, as well as appointees by members of the Bank other than the Issuer Member States.

The BOG, which has delegated executive powers to the Board of Directors, ordinarily meets once a year.
The outgoing chairman of the BOG is Dr Bwalya Ng'andu, Minister of Finance of the Republic of Zambia.

Although it has delegated executive powers to the Board of Directors, certain specific powers, such as the increase or decrease of the Bank's authorised capital, appointment of the Group Managing Director, amendment of the Charter and approval of the Bank's audited accounts, are retained by the BOG.

The title and position of the current members of the BOG are listed below.

Hon. Dr. Bwalya Ng'andu Chairman of the BOG (outgoing)	Minister of Finance, Republic of Zambia

Hon. Ahmed Shide	Minister of Finance and Economic Cooperation, Federal Democratic Republic of Ethiopia
Hon. Renganaden Padayachy………..	Minister of Finance and Economic Development, Republic of Mauritius
Hon. Naadir Hassan...............................	Minister of Finance, Trade and the Economic Planning, Republic of Seychelles
Hon. Matia Kasaija	Minister of Finance, Planning and Economic Development Republic of Uganda
Hon. Dr. Domitien Ndihokubwayo.........	Minister of Finance, Budget and Privatisations, Republic of Burundi
Hon. Said Ali Said Chayhane	Minister of Finance and Budget, Union of Comoros
Hon. Ilyas Moussa Dawaleh	Minister of Economy, Finance and Planning, Republic of Djibouti
Hon. Nevine Gamea………………..	Minister of Trade and Industry, Republic of Egypt
Hon. Berhane Habtemariam	Minister of Finance, State of Eritrea
Hon. Amb. Ukur Yatani Kanacho	Cabinet Secretary, Industry, Trade and Cooperatives, Republic of Kenya
Hon. Felix Mlusu	Minister of Finance, Economic Planning and Development Republic of Malawi
Hon. Prof. Mthuli Ncube	Minister of Finance and Economic Development, Republic of Zimbabwe
Hon. Uzziel Ndagijimana	Minister of Finance and Economic Planning, Republic of Rwanda
Hon. Dr. Heba Ahmed Ali……………..	Minister of Finance and Economic Planning, Republic of Sudan
Hon. Mwigulu Nchemba........................	Minister of Finance and Planning, United Republic of Tanzania
Hon. Sele Yalaghuli...............................	Minister of Finance and Budget, Democratic Republic of Congo
Hon. Abdirahman Duale Beyle..............	Minister of Finance, Federal Republic of Somalia
Hon. Adriano Afonso Maleiane.............	Minister of Economy and Finance, Republic of Mozambique
Hon. Hon. Athian Diing Athian.............	Minister of Finance and Planning, Republic of South Sudan
Hon. Neal Rijkenberg	Minister of Finance, Kingdom of eSwatini
Hon. Richard Randriamandranto	Minister of Finance, Republic of Madagascar
Ms. Bajabulile Swazi Tshabalala...........	Vice President, Finance and Acting Senior Vice President, African Development Bank (AfDB)
H.E. Mr. Yi Gang	Governor, People's Bank of China, People's Republic of China
Mr. Alexander Egorov	Chairman of the Management Board, JSC Development Bank of Belarus
Mrs. Jenita Avinasha Devi Hauzaree......	Senior Analyst, National Pension Fund of Mauritius
Mr. Derek Wong Wan Po	Managing Director, Mauritian Eagle Insurance Company Ltd
Ms. Lekha Nair	Chief Executive Officer, Seychelles Pension Fund
Mr. Corneille Karekezi	Group Managing Director, African-Re Insurance Corporation
Ms. Hope Murera...................................	Managing Director, ZEP-Re (PTA Reinsurance Company)
Mr. Richard Tusabe	Director General, Rwanda Social Security Board
Mr. Richard Byarugaba...........................	Chief Executive Officer, National Social Security Fund Uganda
Mr. Tomas Rodrigues Matola	President, Banco Nacional de Investimento
Ms. Jennifer Morel.................................	Chief Executive Officer, SACOS Group Limited
Mr. Tareq Alnassar, ...	Assistant Director General in Charge of Private Sector and Trade Finance Operations, OPEC Fund
Dr. Sidi Ould Tah	Director General, Arab Bank for Economic Development in Africa (BADEA)
Mr. Morten Elkjaer……………………	Vice President, Finance, Investment Fund for Developing Countries (Denmark)
Prof. Njuguna Ndung'u………………..	Executive Director, African Economic Research Consortium

Board of Directors

The Board of Directors (the "**Board**") has responsibility for the general conduct of the ordinary operations of the Bank and, in this regard, exercises all the powers delegated to it by the BOG to discharge its responsibility.

The Board consists of not more than ten non-executive Directors (in addition to the Group Managing Director) appointed by the BOG as follows:

(a) five Directors and their alternates for the Issuer Member States following their nomination by five constituencies formed by countries in groups agreed by the BOG;

(b) one Director nominated by non-African states;

(c) one Director nominated by African institutions;

(d) one Director nominated by all other shareholders; and

(e) two independent Directors selected by the Remuneration and Nomination Committee of the Board of Directors and confirmed by the Chairman of the BOG.

The Group Managing Director is a member of the Board of Directors but is not entitled to appoint an alternate.

The Board meets once every three months and, in addition to these scheduled meetings, as often as the business of the Bank may require. The meetings are held at the Bank's principal or regional office locations or at any other location specified in the notice convening the meeting.

In addition to the powers provided for it expressly in the Charter and the powers delegated to it by the BOG, the Board shall be responsible for the conduct of the general operations of the Bank and, in particular:

(a) appoint such technical or other sub-committees as it deems necessary;

(b) determine the organisation and offices of the Bank and prescribe the responsibilities attached to the administrative and professional officers of the Bank;

(c) approve the budget of the Bank;

(d) prepare the work of the BOG;

(e) in conformity with the general directive of the BOG, take decisions concerning particular loans, guarantees, investments in equity capital and borrowing of funds by the Bank and on similar financial transactions;

(f) determine the rates of interest for loans, commissions and fees for guarantees and other financial transactions of a similar kind; and

(g) submit the accounts for each financial year and annual report for approval to the BOG at each annual meeting.

Mr. Juste Rwamabuga is the current Chairperson of the Board. The members of the Board are set below:

Mr. Juste Rwamabuga…………..	Non-Executive Independent Director and Board Chair
Mr. Gerard Pascal Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea.
Mr. Veenay Rambarassah	Alternate Non-Executive Director for all Other Shareholders
Ms. Peter Molu Ibrae	Non-Executive Director for Kenya, Mozambique, Zambia and Somalia
Ms. Busisiwe Alice Dlamini-Nsibande.....................................	Non-Executive Director for Egypt, Tanzania, Eswatini and Djibouti
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Madagascar and Malawi
Ms. Zhou Shou..............................	Non-Executive Director for Non-African States

Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	Group Managing Director and President Emeritus

Board Sub-Committees

The Board of Directors has four Board sub-committees namely, the Audit and Risk Committee, the Investment and Credit Committee, the Remuneration and Nominations Committee and the Finance and Capital Committee.

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

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

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

The Finance and Capital Committee ("**FINCO**") is responsible for advising the Board on matters pertaining to, *inter alia*, financial and treasury management as well as capital raising.

Each Board-Committee is composed of at least four Directors. In accordance with the practice of the Bank, the Board Committees are reconstituted annually. The Group Managing Director is a member of INVESCO, FINCO and REMCO and attends ARCO in an ex-officio capacity.

The current members of each Board sub-committee are as follows:

ARCO

Dr. Abdel-Rahman Taha	ARCO Chair and Non-Executive Independent Director
Mr. Said Mhamadi	Non-Executive Director representing Sudan, Comoros, Uganda and DRC
Mr. Peter Molu Ibrae......................	Non-Executive Director representing Kenya, Mozambique, Somalia and Zambia
Mr. Juste Rwamabuga....................	Non-Executive Independent Director
Mr. Peter Simbani	Non-Executive Director representing Seychelles, Ethiopia, Burundi, Madagascar and Malawi
Mr. John Bosco Sebabi	Alternate Non-Executive Director for all Other Shareholders
Mr. Mohamed Kalif	Non-Executive Director representing African Institutions
Mr. Admassu Tadesse	Group Managing Director and President Emeritus – Ex-Officio

FINCO

Mr. Mohamed Kalif	FINCO Chair and Non-Executive Director representing African Institutions
Ms. Shuo Zhou	Non-Executive Director representing non-African States
Mr. Said Mhamadi	Non-Executive Director representing Sudan, Comoros, Uganda and DRC
Mr. Gerard Bussier.........................	Non-Executive Director representing Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea
Ms. Busisiwe Alice Dlamini	Non-Executive Director representing Egypt, Tanzania, Eswatini and Djibouti

Mr. Admassu Tadesse	Group Managing Director and President Emeritus

INVESCO

Mr. Gerard Bussier	INVESCO Chair and Non-Executive Director representing Zimbabwe, Mauritius, Rwanda, South Sudan and Eritrea
Mr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Kalif Mohamed…………	Non-Executive Director representing African Institutions
Ms. Shuo Zhou	Non-Executive Director representing non-African States
Mr. Admassu Tadesse	Group Managing Director and President Emeritus

REMCO

Ms. Busisiwe Alice Dlamini-Nsibande.....................................	REMCO Chair and Non-Executive Director representing Egypt, Tanzania, Eswatini and Djibouti
Mr. Juste Rwamabuga....................	Non-Executive Independent Director
Mr. Peter Molu Ibrae.....................	Non-Executive Director representing Kenya, Mozambique, Somalia and Zambia
Mr. Peter Simbani	Non-Executive Director representing Seychelles, Ethiopia, Burundi, Madagascar and Malawi
Mr. Admassu Tadesse	Group Managing Director and President Emeritus

As at 31 December 2020, no Director held directly an interest in the Bank's ordinary issued share capital.

None of the Directors has been, nor is currently, the subject of filing of a petition for bankruptcy, either in their own capacity or as an executive officer of any company. None of the Directors has been convicted of a criminal offence, nor is any Director the subject of current criminal proceedings. None of the Directors has been ruled temporarily or permanently unfit to engage in any business practices.

Since 2017, following approval by the BOG, the Provident Fund for Directors & Select Stakeholders of the Trade and Development Fund ("**DSPF**") is a Class B shareholder of the Bank. The DSPF membership, on a voluntary basis, is open to members of the Board of Directors and Board of Governors of the Bank, subject to an investment limit of the equivalent of ten (10) Class B shares per DSPF member. As at 31 December 2020, the DSPF owned 0.08 per cent. of the Bank's total shareholding.

Except for employment contracts with executive Directors, there are no existing or proposed contracts between any of the Directors and the Bank. There are no ongoing actual or potential significant conflicts of interest between any Director and their duties to the Bank.

Directors' Qualifications and Experience

Juste Rwamabuga

Juste Rwamabuga is a Burundian national with over 40 years' experience in public, private and international organisations, including, the World Bank, International Finance Corporation and the African Development Bank. He previously served as Division Manager, Transports Infrastructure Department of the African Development Bank. He holds an MBA from the University of Montreal, Canada. He is an Independent Non-Executive Director and Chairman of the Board of Directors.

Gerard Pascal Bussier

Gerard Bussier is the Deputy Financial Secretary at the Ministry of Finance and Economic Development of the Government of Mauritius, heading the Directorate that deals with resource mobilisation, bilateral agreements, and economic cooperation including international affairs and trade. Mr. Bussier is a Certified Chartered Accountant (UK) and a Certified Fraud Examiner (USA). He also holds a Master's degree in Business Administration from the University of Mauritius with specialisation in finance. He is the Non-Executive Director representing Rwanda, Mauritius, Zimbabwe, Eritrea and South Sudan

Peter Simbani

Peter Simbani heads the Department of Economic Planning and Development which is responsible for the formulation of the medium to long-term development plans for the country, the formulation of the public sector investment programme and monitoring the performance of sector plans. He has over 27 years' experience in aid and debt management.

He holds a Master's degree in International Development Studies from the University of Bradford as well as a Bachelor's degree in Social Sciences from Chancellor College of the University of Malawi. He is the Non-Executive Director representing Seychelles, Burundi, Madagascar, Ethiopia and Malawi.

Ms. Shuo Zhou

Shuo Zhou is the Chief Representative for the People's Bank of China at the Africa office in Tunis. Her career comprises of 31 years in PBC as a central banker working on financial supervision and international financial cooperation. She served as an Advisor to the Board of Executives of the African Development Bank and Inter-American Development Bank between 2012-2016.

Ms. Zhou holds a MA in International Finance from Tsinghua University and a Honor Degree in International Finance from the Business School of Liaoning University in China. She is the Non-Executive Director representing the constituency comprising Non-African States.

Abdel-Rahman Taha

Dr. Taha holds a PhD in Business Administration from the University of California, Los Angeles and an MBA from the University of California, Berkeley. He has over 40 years' experience in the management of regional multilateral development finance institutions focusing on trade finance and export credit and political risk insurance, covering African and other developing countries.

Dr. Taha previously served as the CEO of the Islamic Corporation for the Insurance of Investment and Export Credit. He is an Independent Non-Executive Director.

Mohamed Kalif

Mohamed Kalif is the Head of Financial Intermediation of the African Development Bank ("**AfDB**") which covers commercial banks, trade finance, SMEs, insurance, leasing and regional development financial institutions. Before joining the Private Sector Department of the AfDB, Mr. Kalif was chief of risk of African Development Bank for a period of 7 years.

Mr. Kalif has accumulated 24 years of banking experience, including of risk management, corporate banking and PIF lending in commercial banks and development financial institutions environment. He is the Non-Executive Director representing African Institutions.

Busisiwe Alice Dlamini-Nsibande

Dlamini-Nsibande is an experienced macroeconomist with over 30 years of exposure and working as an economist.

She worked at the Central Bank of Eswatini for 25 years eight of which as Director of the Economics department, providing updates on domestic, regional and international developments to the Bank's executive committee and Bankers Association meetings.

She coordinated the monitoring and surveillance of the SADC macroeconomic convergence program to ensure economic stability in the region (2008 to 2017). Ms. Dlamini is currently a member of the Central Bank of Eswatini Monetary Policy Committee and advises on fiscal and monetary issues. She holds a Bachelor of Arts in Economics and Statistics from the University of Botswana and Swaziland and a Master's in Economics from the University of Essex

She is the current Non-Executive Director for the constituency comprising Egypt, Tanzania, Djibouti and Eswatini.

Veenay Rambarassah

Rambarassah Veenay is Director of Investment at the National Pensions Fund of Mauritius, managing the portfolio of all the funds falling under the National Pensions Scheme. Prior to his service at the National

Pensions Fund of Mauritius, Mr. Veenay was a Project Finance Manager for Ebene Cybercity Project in Mauritius.

He holds MSc. in Finance and Investment and ACCA designation and has over 20 years of experience, primarily in the finance and accounting field. He is the Non-Executive Director representing the constituency comprising All Other Shareholders.

Peter Molu Ibrae

Peter Molu is a Program Manager, County Governments in the National Treasury and Planning of Kenya. He has over 18 years' experience in human resources and change management. Prior to his service at the National Treasury, he was the Human Resources manager for the Electoral and Boundaries Commission (IEBC)

He holds a master's in human resources management from Egerton University and sits on the Board of Child Welfare Society of Kenya. He is the Non-Executive Director representing the constituency comprising Kenya, Somalia, Zambia and Mozambique.

Said Mhamadi

Said Mhamadi is a Special Advisor to the Minister of Finance and Budget and for the EDF program in Comoros. Mr. Mhamadi previously served in various roles at the Ministry of Finance including, Director General for Budget and National Economy Expert for the European Development Fund.

Mr. Mhamadi is the Non-Executive Director representing the Democratic Republic of Congo, Uganda, Comoros and Sudan.

Admassu Tadesse, Group Managing Director and President Emeritus

Admassu Tadesse is the Group Managing Director and President Emeritus of the Bank. He has over 20 years of executive and board experience in specialist and corporate banking, and other financial sectors, has been running TDB as CEO since 2012, and has recently assumed the Group Managing Director and President Emeritus roles of TDB Group. Prior to TDB, he served as a senior executive at the Development Bank of Southern Africa (DBSA), where he worked for some ten years and was responsible for international finance and investment, as well as corporate strategy. Earlier in his career, he served in management and technical capacities with international funds and development agencies, mainly out of New York and Johannesburg.

He has and continues to serve on various industry leadership bodies, including the International Development Finance Club, the Finance in Common Summit, the Association of African Development Finance Institutions, the Southern Africa Development Community DFRC, and the UN African Influencers of Development Group. He has also been a member of several professional bodies, such as the institute of bankers in South Africa, Kenya and Mauritius, among others. He has also served as a member of several boards of directors of various financial institutions in Africa and Europe, including Proparco and FISEA in France, Commonwealth Fund for Infrastructure and Gulf Africa Bank among other investment funds, insurance companies and reinsurance companies.

Mr. Tadesse holds an MSc from the London School of Economics and Political Science, and an MBA from Wits Business School, in addition to a BA degree from Western University in Canada, and advanced executive and leadership training in advanced management, banking and private equity from Harvard Business School, Euromoney and INSEAD.

Executive Management Board

In October 2020, the Board of Directors strengthened the Bank's Executive Committee and upgraded it into an Executive Management Board on the premise that a strengthened executive committee would formally link the various management committees of the Bank and enhance coordination and preparations for management submissions to the Board. The Executive Management Board serves as a coordination mechanism under the authority of the Group Managing Director as Chairperson.

Group Managing Director

Pursuant to the Bank's Charter, the Group Managing Director must be a person of integrity and of the highest competence to matters pertaining to the activities, management, and administration of TDB Group. The Group

Managing Director presides over the affairs of TDB Group and serves as its legal representative. The TDB Group comprises TDB, TDF, ESATF, TCI and the TDB Academy (which is a substructure within TDF).

The Group Managing Director shall hold office for a term of five years renewable only once at the discretion of the BOG. The Board may on a majority of two thirds of the total voting power at the meeting recommend the suspension of the Group Managing Director and the appointment of an acting Group Managing Director. However, the BOG has the powers to dismiss and suspend the Group Managing Director by a simple majority of the voting power of the Issuer Members present upon recommendation of the Board made pursuant to a decision of the Board taken by a majority of two thirds of the total voting power at the meeting. The Group Managing Director shall also be a national of an Issuer Member State which is a member of COMESA.

Mr. Admassu Tadesse was unanimously appointed by the Board of Governors in September 2020 as Group Managing Director and President Emeritus and assumed his office as Group Managing Director on 1 January 2021. He is also supported by two Deputy Group Managing Directors, who serve concurrently as Group CRO and Group GC, namely Ms. Joy Ntare and Mr. David Bamlango. Mr. Tadesse also concurrently serves as CEO of TDB, until a new CEO is appointed in 2021/2022.

The Chief Executive Officer

In accordance with the Bank's Charter, the Chief Executive Officer (CEO) of TDB must be a person of integrity with proven track record and highest competence in the business and commercial operations pertaining to his or her function. The CEO shall hold office for a term of five years renewable only once and works closely with the Group Managing Director in conducting the business of the Bank under the general direction of the Board of Directors and in concert with the Executive Management Board.

In September 2020, the Board of Governors approved that the process for the recruitment of a new Chief Executive Officer of the Bank to succeed the incumbent Chief Executive Officer of the Bank, in the context of the expanded and consolidated group structure of TDB, commences in 2021.

Senior Management of the Bank

The following are the members of the Bank's senior management team:

No	Name	Nationality	Position
1	Admassu Tadesse	Ethiopian	TDB Group MD & TDB CEO
2	Michael Awori	Kenyan	Deputy TDB CEO/Chief Operating Officer
3	Joy Ntare	Rwandan	Group Deputy MD & Group Chief Risk Officer
4	David Mumbere Bamlango	Congolese	Group Deputy MD & Group General Counsel
5	Catherine Kimaryo	Tanzanian	Chief Strategy Advisor
6	Daniel Lam Chun	Mauritian	Coverage Executive, Franco-Lusophone Africa (ad int)
7	Gloria Mamba	eSwatini	Coverage Executive, Southern Africa
8	Antoine John Esther	Seychellean	Coverage Executive, DR Congo & Prospective W/A M/S
9	Gift Moonga	Zambian	Coverage Executive, North-East Africa
10	Lloyd Muposhi	Zambian	Coverage Executive, East Africa, and Sovereign Advisory Origination
11	Wycliffe Bbossa	Ugandan	Executive, Portfolio Management
12	Abraham Byanyima	Ugandan	Executive, Treasury
13	Goodman Chakanyuka	Zimbabwean	Executive, Credit Risk Management
14	Francis Namboya	Malawian	Executive, Financial Management
15	Mary Kamari	Rwandan	Executive, Corporate Affairs and Investor Relations
16	Tom Mzumara	Zambian	Corporate Secretary

TDB Group and its Management is led by the Group Managing Director, who is responsible for providing overall strategic direction, coordination as well as governance and functional support to the Group's various strategic business units and subsidiaries, as well as carrying out asset management and strategic investments. TDB Group comprises TDB, TDF, ESATF, TCI and TDB Academy. TDB Group's strategic investees companies are the ZEP Reinsurance Company, the Africa Trade Insurance Agency and fund management companies, notably ESATAL. The Group Managing Director works closely with the Group General Counsel and Group CRO, who also concurrently serve as deputy managing directors responsible for various group-wide support and governance functions such as legal, risk, finance and information technology.

TDB's banking strategic business unit is led by the CEO who is responsible for the development and execution of the Bank's business strategies towards fulfilment of the Bank's business plan. The CEO drives the business of the bank, defining its business operations and implementing them; providing ongoing monitoring of results to ensure plan objectives are being met, undertaking corrective actions as required; co-chairing various management committees and supervising various business and portfolio departments and regional coverage teams and other bank senior staff. The CEO works closely with the Group MD, serves as a Co-Chair of the Executive Management Board, and reports into the Board of Directors, alongside the Group CRO and other senior executives.

The Deputy CEO/COO works closely with the CEO, setting the annual bank plans and targets, and supervising the regional coverage executives and origination teams as well as the Bank's portfolio management and lending operations departments, including the various specialist units covering trade, project and infrastructure finance as well as project advisory.

There are no actual or potential conflicts of interest between any member of the Bank's management team and their duties and the Bank.

SENIOR MANAGEMENT PROFILES

The following is a summary of key members of the current management team:

Admassu Tadesse- TDB Group MD and CEO

See above.

Michael Awori- TDB Deputy CEO and Chief Operating Officer

Mr. Awori is an international banker with over 21 years' experience in development finance, investment banking, corporate finance, mergers and acquisitions and also leveraged finance, and has been a senior executive with TDB since 2017. His track-record in international banking includes the execution of over USD 20 billion in financing, capital markets and M&A transactions in Africa and globally.

Prior to TDB, Mr. Awori was the Regional Head of Debt Finance, East Africa at Barclays. He has previously held positions of Investment Banking Associate at Citigroup Chicago and Vice-President, Asset Based Lending and Corporate Banking Officer both at JPMorgan Chase, Chicago. He began his banking career in bulge-bracket investment banking and corporate banking in Chicago, first with JPMorgan and then Citigroup. He spent over a decade with these institutions, advising clients on corporate finance and mergers & acquisitions, completing several notable transactions including cross-border M&A and capital market financings, before returning to Africa.

A member of the Mauritius Institute of Directors and Kenya Institute of Directors, he also serves on the Board of Directors of Cable & Wireless, Seychelles' leading 'quad-play' telecom company and the Board Investment Committee of ESATF/ESATAL that covers all the Member States of TDB. Mr. Awori is a graduate of the University of Chicago's Booth School of Business and Goshen College, and has trained in advanced management training at the London Business School, among others.

Joy Ntare - Deputy Group MD and Group Chief Risk Officer

Ms. Ntare is a financial sector executive with close to 30 years of experience in banking, accounting and finance. Prior to joining TDB in 2014, she served at the Central Bank of Rwanda for 20 years in several capacities including as Director General for Financial Stability and Director of Supervision of Non-Bank Financial Institutions prior to joining the Bank. She also worked at the Tanzania Electric Supply Company.

She has and continues to serve on the boards of directors of various financial institutions, including insurance and reinsurance companies.

She holds an MBA from Cardiff Business School, University of Wales, among others and is a member of the Association of Chartered Certified Accountants (UK) and the Institute of Certified Public Accountants of Rwanda (ICPAR).

David Mumbere Bamlango- Deputy Group MD & Group General Counsel

Mr. Bamlango has over 15 years of experience as a corporate lawyer in leveraged finance, project finance, debt capital markets, structured finance and derivatives. Prior to his appointment at TDB, Mr. Bamlango was Partner in the Finance Practice Group at DLA Piper LLP and an Associate in the Finance and Banking Group at Mayer Brown LLP in Chicago before that.

He serves on legal industry bodies globally as well as the board of directors of TDF and ESATAL, among others. Mr. Bamlango has a Juris Doctor from Chicago-Kent College of Law, at the Illinois Institute of Technology, and holds a Master's in Business Law from Université Paris Panthéon-Sorbonne, a License in Law from Université Lille, and a Graduate in Law (LLB) from Université Libre des Pays des Grands Lacs. He is admitted to practice law in the State of New York and the State of Illinois.

Catherine Kimaryo- Chief Strategy Advisor

Ms. Kimaryo has over 20 years of experience in Project and Corporate Finance and deal structuring. Ms. Kimaryo was previously the Director, the Nairobi Regional Office, responsible for Projects and Infrastructure Finance. Before joining TDB, she was a Senior Investment Officer at the World Bank and held roles at the United Nations in Kosovo and Akiba Commercial Bank in Tanzania. Ms. Kimaryo holds a Master of Business Administration from Wits Business School and a Bachelor of Commerce from McGill University.

John Esther- Coverage Executive, DR Congo & Prospective West African Member States

Mr. Esther has over 20 years of experience in banking and insurance. He was most recently CEO of Sacos Insurance in Seychelles. Prior to this, he held senior management roles at Barclays in the Seychelles and Uganda and was Business Development Director the Seychelles Financial Services Authority. Mr. Esther holds Master of Business Administration from Durham University Business School, Bachelor of Laws from University of London, Post Graduate Certificate in Education and BSc. Physics from Victoria University of Manchester.

Daniel Lam Chun- Coverage Executive, Indian Ocean-Lusophone Africa (ad int)

Mr. Lam Chun has over 14 years of experience in investment banking and corporate finance. Prior to joining the Bank, he served as the Head of Investment Banking at Barclays Bank Mauritius Ltd, and prior held various management roles at Absa Capital Limited, Standard Bank Mauritius Ltd and Mauritius Commercial Bank Ltd as a Senior Manager, Investment Banking; Manager, Investment Banking, among others. Mr. Lam Chun holds an MBA from the Université Panthéon-Sorbonne, Paris Dauphine, a Master of Professional Accounting, Control & Audit from Université d'Auvergne Clermont, and also an MSc. in Accounting & Finance from Université d'Auvergne Clermont and Bachelor of Business Administration from Université Lumière Lyon. Mr. Lam Chun is a national of Mauritius.

Gift Moonga- Coverage Executive, North-East Africa, and Representative, Addis Ababa Office

Mr. Moonga has over 20 years of diverse experience in corporate banking working in Zambia, Seychelles, and the UK. Prior to joining the Bank, he served as Head of Corporate Banking at Standard Chartered Bank in Zambia. Mr. Moonga holds MSc. Risk Management from Stern Business School, New York University, MSc. International Banking and Finance from Salford University, Diploma in Risk Management, Diploma in Banking from Chartered Institute of Bankers (UK) and is a Certified Professional Risk Manager.

Gloria Mamba- Director-General (ad int.) Trade and Development Fund (TDF) / Coverage Executive, Anglophone Southern Africa

Ms. Mamba has spent 15 years in financial services in Southern and Eastern Africa. She has extensive experience in investment appraisal and monitoring, project development and managing multiple stakeholders, including private sector clients, government agencies and DFIs. Before joining TDB, Gloria was an Associate Director at Deloitte, Managing Director at the Global Environment Fund and a Divisional Executive at DBSA. Ms. Mamba holds a Master's Degree from the Thunderbird School of International Management and a BA in Economics from Barnard College.

Lloyd Muposhi- Coverage Executive, East Africa, and Sovereign Advisory Origination

Mr. Muposhi has over 20 years of diverse experience in corporate banking with First Rand Bank, Standard Chartered Bank and Citibank Zambia. He has prior experience with Quantum Capital and Loita Capital Partners. Mr. Muposhi holds a BA from University of Zambia and Master Degree in Law from Northwestern Pritzker School of Law/EI University.

Wycliffe Bbossa- Executive, Portfolio Management

Mr. Bbossa has 20 years' experience in development finance, business advisory and commercial banking. Before joining TDB, he worked with KPMG East Africa on banking reforms and restructuring. Earlier, he worked as Manager in Debt Recovery at Goldtrust Bank Uganda. He holds a BA and an MA in Economics from the University of Malawi. He also holds a post graduate diploma in Project Management and Evaluation from Maastricht School of Management.

Abraham Byanyima- Executive, Treasury

Mr. Byanyima has over 15 years of diverse and progressive experience in Emerging and Global Markets gained from working for Global Banks and Africa based Financial Institutions. His expertise includes interest rate derivatives and global currency derivative products, forex trading and risk management. Prior to joining the Bank, he worked as Vice President of Bank of New York Mellon and as Associate Director at UBS Investment Bank, New York. Mr. Byanyima holds an MBA from Fordham University.

Goodman Chakanyuka- Executive, Credit Risk Management

Dr. Chakanyuka has over 18 years of experience in commercial banking across Southern Africa. Previously, he served as the Chief Risk Officer at Ned Bank (Swaziland) for 8 years and held senior positions with Kingdom Bank and the African Export Import Bank. He holds a Doctorate in Business Leadership from UNISA, an MBA and a BSc in Economics from the University of Zimbabwe and is an associate member of the Institute of Bankers (Zimbabwe)

Francis Namboya- Executive, Financial Management Department

Mr. Namboya has been with the Bank for over 18 years and has almost 30 years of experience as a finance specialist. Before joining TDB, Mr. Namboya worked as Financial Controller, Company Secretary and Treasurer for the Commonwealth Development Corporation (CDC) in Tanzania, United Kingdom and Malawi. Mr. Namboya holds an MBA from Oxford Brookes University (UK) and a Bachelor of Commerce (Accountancy) and Diploma in Business Studies from the University of Malawi. He is a fellow of the Association of Chartered Certified Accountants (UK) and Certified Public Accountant (CPA) Malawi.

Mary Kamari - Executive, Corporate Affairs and Investor Relations

Mary Kamari has close to 20 years of experience leading resource mobilisation, programme management and business development efforts in some of the most prominent institutions globally and in Africa, including the World Bank, the UN, DBSA and GoodWorks International. Ms. Kamari holds an MBA from California State University, a Certificate in Strategic Management in Banking from INSEAD Business School and a Bachelor of Business Administration from Makerere University.

Tom Mzumara - Corporate Secretary

Mr. Mzumara has over 16 years of diverse experience as a legal professional with expertise in corporate legal advisory, corporate governance & legal institutional matters, capital markets and other resource mobilisation transactions as well as structured financing transactions. Prior to joining TDB, he held various positions working both in the private and public sectors as legal practitioner and in-house legal counsel. Mr. Mzumara holds an LLM in Commercial Law from the University of Cape Town (South Africa), an LLB from the University of Zambia and he is duly admitted to the Zambian bar as an Advocate of the High Court of Zambia.

Workforce Diversity

The Bank is committed to gender diversity with current female workforce of 43% (with about 40% of the professionals and management being female).

The Eminent and Distinguished Persons Advisory Panel

In late 2016, the Bank established a High Level Eminent and Distinguished Persons Advisory Panel composed of a mix of current and former members of the COMESA Authority (former Heads of State), as well as former leaders of strategic regional institutions, both financial and economic. The panel was formed to advise the Group Managing Director and executive team of the Bank with strategic perspectives/insights and strong international networks that will support the promotion and re-positioning of the Bank, as well as its further growth and transformation.

In line with the Corporate Plan 2018-2022, this High Level Eminent and Distinguished Persons Advisory Panel and its members supports high level engagements, through targeted advocacy and outreach with the objective of mobilising select member states/countries, strategic funding partners and institutional investors.

The following is a summary of the current members of the panel.

Name	Profile
H.E. Mr Danny Faure	Former President, Republic of Seychelles
H.E. Mr. Rupiah Banda	Former President, Republic of Zambia
Mr. Erastus Mwenche	Former Deputy Chairperson, African Union Commission
Dr. Donald Kaberuka	Former President, African Development Bank
Dr. Norbert Kloppenburg	Member of the Executive Board, KfW

DEPARTMENTS OF THE BANK

The roles and responsibilities of each department are summarised below

Compliance and Risk Management

The Compliance and Risk Management Department ("**CRMD**") serves as an independent and dedicated risk management unit whose main responsibility of the monitoring, measurement, evaluation and reporting, on a Bank-wide basis, of all risks including compliance risk. The CRMD reports to the Audit Committee of the Board of Directors.

CRMD's specific responsibilities include:

(a) measuring and reporting on an aggregate basis, all risk exposures across the Bank against approved limits;

(b) coordinating the design, implementation and monitoring of business continuity and other corporate risk management plans;

(c) reviewing risk policies and risk exposure limits as may be recommended by departments and units;

(d) coordinating and facilitating the maintenance of risk registers and risk mitigation action plans;

(e) coordinating the design, implementation and monitoring of other risk management initiatives;

(f) conducting reviews and assessments of credit applications and providing independent opinions; and

(g) monitoring and reporting progress on implementation of departmental risk management plans.

CRMD monitors the Bank's risk exposures on a continuous basis and reports monthly to management through the BIRMC and quarterly through the Audit Committee of the Board of Directors.

Money Laundering and "Know Your Customer" Checks

In support of global efforts towards fighting money laundering and terrorism financing, the Bank applies various anti-money laundering and anti-terrorism financing controls as provided in its policy. These include the administration of "Know Your Customer" checklists, the designation of a Money Laundering Reporting Officer within the Compliance and Risk Management Department, continuous staff training and independent auditing of the procedures and controls to ensure conformity with best practices. The Bank also uses Thomson Reuters World Check programme to check counterparties against sanctions related lists globally and any negative publicity.

The Bank's "Know Your Customer" policy requires the submission of certain information including the entity's certificate of incorporation, physical and operating addresses, board resolutions/mandates with respect to specific transactions, memorandum and articles of association, profile of board members and management, details of shareholdings, and ultimate beneficial owners with a stake in excess of 20 per cent. in an entity, and recently audited financial statements. The policy prohibits any dealings with shell companies.

Additional information is obtained from various databases including the asset freeze targets lists designated by the United Nations and the European Union. The Bank also undertakes due diligence on the intended application of loan funds so as to satisfy itself on the authenticity of the transactions and credibility of the parties involved. For import related transactions, the Bank encourages disbursements through the use of confirmed letters of credit while for other transactions, disbursement applications are scrutinised to ensure that they conform to the purpose for which the loan was approved.

In 2015, the Bank reviewed and revamped its AML/CFT framework to further consolidate its effective internal controls. This included the enhanced customer due diligence policies, procedures, processes, for all customers particularly those that present a high risk of money laundering or terrorist financing. The Bank is currently in the process of undertaking an independent review of its AML/CFT and Sanctions framework to ensure that it is robust and up-to-date and conforms to best practice. This will ensure that the framework is able to adequately identify associated risks and take appropriate mitigating measures. The Bank has a whistle blowing policy that requires all employees to report any unusual transactions or non-compliance. Any suspicious transactions are reported to the Bank's Management and Board of Directors, and where need be, to the central banks or other Issuer Member States' regulatory authorities for further investigation.

Sanctions Checks

All the Bank's customers, counterparties, involved parties, and staff are screen against lists of persons, entities and countries appearing on the sanctions lists as published by the United Nations, European Union, United States government, the United Kingdom, and such other governments related to the transaction. Screening is carried out at onboarding, due diligence, financial close, disbursement, and monitoring stages. The Bank's screening solution is automated (World check) and capable on providing the bank with daily updates.

The Bank has a full-fledged Compliance Unit to ensure that the Bank complies with its internal sanctions policy, together with any local and international sanctions regime as may be applicable to the Bank.

Corporate Affairs and Investor Relations

The Corporate Affairs Department is responsible for managing key stakeholder relations which include Issuer Member States, lenders, business partners and donors. The department also coordinates membership expansion and the management of strategic partnerships with bilateral and multi-lateral development partners. The department provides analytical and policy advice to the Group Managing Director on various strategic initiatives, maintains information of development issues in the region, provides administrative and logistical support to the Board and handles the Bank's public relations activities.

Coverage

In line with the Bank's decentralisation and partnership strategy to better service the whole region, the Bank has recently revised its operating model in an endeavour to bring its services closer to clients. Under this new coverage model, the Bank aims to serve its clients through regional coverage banking teams strategically placed in each of the Bank's operational hubs namely, Mauritius, Kenya, Zimbabwe and Ethiopia. Each hub is headed by a regional coverage executive assisted by a number of International coverage bankers. The expansion and enhancement of the Bank's new and existing offices has redefined the Bank's business model into a customised country specific approach to reinforce its client focus and outreach.

The coverage team assumes full ownership of the client and, with the support of the lending operations team, offers improved turnaround time on client requests, whilst supporting the PMD team with the management of clients in the live portfolio.

Export Credit Agency Finance Unit

To support the Bank's corporate resource mobilisation strategy that calls for a diversified growth in funding sources and allow for bilateral sources of funding to drive business, the Bank set up a fully-fledged Export Credit Agency Finance Unit ("**ECA Finance Unit**") in 2016.

The ECA Finance Unit aims to contribute, among other things, to:

(a) minimisation of the Bank's cost of funding, hence contributing to the Bank's profitability;

(b) minimisation of mismatches of assets and liabilities, maturity, and currency;

(c) diversification and expansion of the Bank's sources of funding through expansion of ECA and ECA-backed lender base;

(d) expansion of the Bank's geographic coverage and sector diversification by providing access to finance to high-risk countries and sectors; and

(e) business and pipeline development by leveraging the Bank's relationships with ECAs and ECA-backed lenders.

The ECA Finance Unit is strengthening its collaboration with several ECAs in OECD countries, namely; Euler Hermes, Finnvera, JBIC-NEXI, US EXIM, SACE, EKN to actively support Bank projects with ECA-backed financing. The ECA Finance Unit is also in advanced discussions with ECAs in the emerging markets of India (Exim India), Brazil (BNDES) and Belarus (Eximgarant-DBRB) to consolidate and diversify its funding mix.

Finance

The Finance department is responsible for ensuring timely availability of accurate and readily usable financial information, and adequate funding to meet all operational requirements. Its main focus is therefore on budgeting and control, financial reporting and resource mobilisation and management.

Human Resources and Administration

The Human Resources and Administration Department is responsible for all staffing and administration matters including staff recruitment, staff welfare, performance evaluation and the provision of administrative support services to other departments.

In appointing officers and staff to the Bank, consideration is given to employing individuals with the highest standards of integrity and professionalism. During 2018, the Bank had 138 employees of which 101 employees were professionally qualified constituting 73 per cent. of the total workforce. Female employees represented 43 per cent. of the total workforce.

Legal Services

The Legal Services department has the responsibility of executing the general legal advisory services function of the Bank. In its core function of providing legal services support, the department is responsible for serving as general legal counsel of the Bank, drafting various legal instruments, instructing external counsel of the Bank and overseeing the smooth conduct of its litigation portfolio. It reviews and advises upon contractual arrangements with various counterparties with whom the Bank engages in its ordinary course of business.

Lending Operations Department (PIF and Trade Finance)

The Lending Operations Department is responsible for coordinating the Bank's two main financing activities namely PIF and trade finance with its key functions including appraising credit applications, securing the required approvals and committing the underlying loans through appropriate documentation and fulfilment of conditions precedent to disbursement. The Department is also responsible for relationship and portfolio management functions of trade finance accounts which are regular in terms of loan servicing.

Portfolio Management

The Portfolio Management Department ("**PMD**") is responsible for the administration and monitoring of PIF loans and investments immediately from the first disbursement of funds through to project implementation. PMD also takes over the responsibility of managing trade finance accounts whose ageing of arrears exceed 90 days.

The overall aim of the department is to manage and maintain a high quality loans portfolio by ensuring that all Bank-supported transactions perform in line with the credit appraisal requirements and that the approved terms and conditions are executed appropriately.

Other functions of PMD include:

(a) developing and improving the effectiveness and efficiency of the Bank's loan administration, supervision, monitoring, and debt recovery processes;

(b) checking and verifying compliance with the provisions of the credit approvals and the loan agreements in the disbursement process;

(c) checking and verifying compliance to the Banks' approved procurement policy and procedures by borrowers;

(d) sustaining regular loan repayment status of existing and new borrowers;

(e) grading of loans based on performance of individual accounts and recommending classification and loan provisioning;

(f) working out existing and potential non-performing loans through restructuring arrangements which are reinforced by effective supervision and monitoring activities; and

(g) assessing the performance and exit mechanisms for accounts in receivership and monitoring the overall performance of receivership operations for both in-house and external receivers.

(h) As part of its core responsibilities, PMD generates the following reports:

(i) back to office reports arising from the monitoring and supervision visits to projects;

(j) arrears recovery reports to apprise the ARC on the status of the outstanding arrears and the recovery actions taken or proposed to be taken by PMD to have the arrears settled. The reports are prepared on a monthly basis;

(k) quarterly compliance reports setting out the status of compliance by the borrower with the terms and conditions of the loan /facility agreement. The reports are submitted to CRMU; and

(l) quarterly portfolio reports detailing country, industry, sector exposure by type of advances and duration of loan. The reports which are submitted to the Board of Directors incorporate comments on the performance of the main borrowers and overall portfolio performance.

Syndications and Agency Operations

The Syndication and Agency Operations Department is responsible for implementing the Bank's capital leveraging and asset distribution strategy by mobilising funds from African and global development finance institutions, export credit agencies, commercial banks, debt and pension funds to support trade and infrastructure expansion in Issuer Member States. The department also supports the Bank's overall capital optimisation strategy by proactively distributing the Bank's loan assets to mitigate obligor, sector and geographic concentration to ensure adherence to prudential limits, whilst providing limits for booking of new loan assets and generating incremental fee income.

Through its leveraging role, the department attracts global and African financial institutions into large-ticket transactions arranged by the Bank to support sovereign and corporate clients, by optimising the Bank's preferred creditor status in the Issuer Member States, and acting as "*Mandated Lead Arranger*" and "*Facility Agent*" or "*Security Agent*" on such transactions.

Treasury

The Treasury Department is responsible for the management of the Bank's liquidity and market risks by ensuring that risk is controlled within the bank policy risk guidelines. Treasury is also charged with market facing functions that include term liability issuance as well as Money Market operations. A treasury management system platform was implemented at the end of 2018. With the implementation of the Treasury Management System, Treasury is in a better position to optimise capital and balance sheet management and Bank's liquidity.

CORPORATE PLAN 2018-2022

Corporate Strategy

The main pillars for Corporate Plan 2018-2022 are:

(i) sustainable and managed growth strategy through product and geographic diversification and innovation. Efficient utilisation of resources and optimisation through alignment of funds and structuring;

(ii) operational excellence through automation of processes, service delivery and quality assurance;

(iii) become a risk intelligent organisation through proactive implementation of enterprise-wide risk management strategies;

(iv) focused partnerships and mobilisation of specialized funds to raise sufficient resources to support growth; and

(v) embrace sustainability in all business practices & processes to deliver *"triple bottom line"* results.

During the first two years of Corporate Plan 2018-2022, the Bank successfully implemented a coverage model which consisted in establishing geographic coverage teams separate from the specialist teams powering the Bank's core lines of business, Project and Infrastructure Finance and Trade Finance. The Bank's operating region has thus been divided into five sub-regions: Southern, Eastern, North-Eastern, DRC and the Indian Ocean-Lusophone, the latter comprising the Indian Ocean Islands as well as Portuguese speaking countries. The deployment of this coverage model played an important role in driving the Bank's performance. In addition to managing the DRC operations, the DRC country office also covers prospective West African member states.

Another of the key enablers of growth at the Bank has been the introduction of syndications and agencies in the strategy for asset growth. In all, the Bank's syndications and agency activities have crowded in USD 1.5 billion of capital with 67% coming from African investors, 19% from European partners, 8% Asian partners and 6% from US-based partners. TDB also launched an advisory line of business incubated within the Lending Operations complex, providing transaction advisory services to private sector clients.

The Bank further launched the Small and Medium-sized Enterprises ("**SME**") program during first half of Corporate Plan 2018-2022. The SME program has already deployed an aggregate of USD 3.0 million in six Member States to support small businesses mainly run by women in various sectors including agribusiness, light manufacturing, hospitality, and tourism. The Bank's support for the SME program is driven by the recognition that, due to the nature of the Member State economies, SMEs provide the greatest source of employment alongside the public sector.

TDB continues to invest heavily in its staff, by far the Bank's most valued asset, The Young Professional and Mid-Career programmes continued to play an important role in helping the Bank attract highly qualified employees in a tight market for qualified talents. The Bank has also continued to attract and retain some of the best talent the African continent has to offer through very competitive and attractive employment terms for staff, while maintaining very high recruitment standards. Through TDB Academy, the Bank has expanded its programming with respect to training and professional development opportunities for the staff.

Mid-way through implementation of Corporate Plan 2018-2022, the world found itself in the grips of COVID-19, a global pandemic whose closest comparator is the 1918 Spanish flu pandemic, but on a much larger scale due to increased mobility, global trade and interdependence. The pandemic is unprecedented in terms of scale and severity. The various quarantine and lockdown measures imposed across the globe have adversely impacted the Bank's business in terms of growth and asset quality. However, despite those challenges, the Bank remains committed to continuing on the best possible growth path likely to deliver profitability and sustainability while pursuing the vision to be "A world class African development financial institution advancing the economic development, integration and prosperity of the region."

Competition

The competitive landscape in which the Bank operates includes local commercial banks, subsidiaries of international banks, regional and international development financial institutions. Given, however, the significant demand for development capital in the region, the Bank views the presence of these institutions both from a competitive position and a complementary or collaborative perspective.

Subsidiaries of foreign banks operating in the Issuer Member States include Absa, Standard Bank of South Africa, Citibank and Standard Chartered Bank. The Bank enjoys good working relations with these foreign banks and is often invited to join club deals or syndications arranged by them. A number of these banks fund the Bank's trade finance activities.

TDB's competitive advantage is derived from;

(i) ability to extend both long and short-term foreign and local currency denominated loans to the operating region;

(ii) ability to act as a credible intermediary and conduit of financing for international financial institutions unable to lend directly to the operating region;

(iii) capitalisation in U.S. dollars and the availability of significant levels of callable capital acting as guarantee to the Bank's borrowings;

(iv) focus on the operating region's private sector, recognised as the engine of growth for the Issuer Member States;

(v) intimate knowledge of the operating region through linkages with government institutions, central banks, commercial banks, local development financial institutions and private sector operators; and

(vi) human resources capacity with extensive experience, depth and breadth in development banking in Africa.

The Bank enjoys strong relations with African continental and regional development financial institutions which include the African Development Bank ("**AfDB**"), African Export-Import Bank ("**AfreximBank**"), Development Bank of South Africa ("**DBSA**"), Africa Finance Corporation ("**AFC**") and the East African Development Bank ("**EADB**"). AfDB has provided equity and lines of credit to the Bank in excess of USD 184 million and is an active co-financier on a number of Bank financed projects. The Bank has a 0.3 per cent. equity stake in Afrexim bank, an active co-financier on a number of trade finance and project finance transactions. DBSA has provided a USD 95 million line of credit to the Bank and is also an active co-financier on several transactions.

International financial institutions such as the International Finance Corporation, Agence Francaise de Development ("**AFD**"), Kreditanstalt fur Wiederaufbau (KFW), Japan Bank of International Co- Operation, China Import Export Bank, PROPARCO, (*Promotion et Participation pour la Coopération*), DEG (*Deutsche Investitions und Entwicklungsgesellschaft mbH*), FMO (*Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V.*), USAID, the European Investment Bank ("**EIB**") and the UK's CDC Group are active players in the provision of medium to long term development capital in the region.

TAXATION

The Charter

Under Article 43 of The Charter, the Bank is exempt from any obligation relating to the payment, withholding or collection of any tax or duty within the jurisdictions of the Issuer Member States.

The Bank, its property, other assets, income and transaction, are exempt from all taxation and from all customs duties and prohibitions and restrictions on imports and exports in respect of articles imported or exported by the Bank for its official use.

Article 43 further states that no tax of any kind shall be levied on any obligations or securities issued by the Bank, including any dividend or interest thereon, by whomever held; which discriminates against such obligations or security solely because it is issued by the Bank; or if the sole reason for the imposition of such a tax is the place or currency in which such obligations or securities are issued, made payable or paid or the location of any office maintained by the Bank.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in the second amended and restated dealer agreement dated 23 June 2021 (the "**Dealer Agreement**") between the Issuer and the Permanent Dealers and Arrangers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers.

The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

General:

Neither the Issuer nor any Dealer makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Base Prospectus, any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required. Each Dealer shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Base Prospectus, any other offering material or any Final Terms, in all cases at its own expense.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in, or which is consistent with, the documents permitted to be circulated in accordance with Clause 5.2 (*Distribution of Prospectus*) of the Dealer Agreement.

United States of America:

"The Notes have not been and will not be registered under the Securities Act, or with any security regulatory authority of any state or other jurisdiction of the United States, and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of, the Securities Act.

Each Dealer represents, warrants and agrees that it has offered and sold the Notes of any identifiable tranche, and shall offer and sell the Notes of any identifiable tranche (1) as part of its distribution at any time and (2) otherwise until 40 days after completion of the distribution of such tranche as determined and certified to the Issuer and each Relevant Dealer, by the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager, only in accordance with Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes or has solicited or will solicit offers for, or offer to sell, Notes by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offering within the meaning of Section 4(2) of the Securities Act, and it and they have complied and shall comply with the offering restrictions requirement of Regulation S. Each Dealer agrees to notify the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager when it has completed the distribution of its portion of the Notes of any identifiable tranche so that the Issuing and Paying Agent or, in the case of a Syndicated Issue, the Lead Manager may determine the completion of the distribution of all Notes of that tranche and notify the other Relevant Dealers of the end of the distribution compliance period.

Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

'The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such tranche as determined, and certified to the Issuer and [Relevant Dealers], by [Lead Manager], except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.'

Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, unless the Final Terms or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "**C Rules**" or "not applicable", each Dealer represents and agrees in relation to each Tranche of Notes in bearer form:

(a) except to the extent permitted under U.S. Treas. Reg. §1.163 5(c)(2)(i)(D) (the "**D Rules**"):

   (i) it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person and

   (ii) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period

(b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules

(c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163 5(c)(2)(i)(D)(6) and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in Clauses 3.2(a), 3.2(b) and 3.2(c) of the Dealer Agreement on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in Clauses 3.2(a), 3.2(b) and 3.2(c) of the Dealer Agreement.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, to the extent that the Final Terms relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "C Rules", under U.S. Treas. Reg. §1.163 5(c)(2)(i)(C) (the "**C Rules**"), Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer represents, warrants and agrees that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes

EU Prospectus Regulation Public Offer Selling Restriction

If the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Offering Memorandum in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision only, the expression "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "EU Prospectus Regulation" means Regulation (EU) 2017/1129.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Offering Memorandum in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of

Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "**UK Prospectus Regulation**"); and

(b) the expression an offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

UK Prospectus Regulation Public Offer Selling Restriction

If the Final Terms in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", in relation to the United Kingdom, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Offering Memorandum in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the UK Prospectus Regulation) subject to obtaining the prior consent of the Relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the UK Prospectus Regulation, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision only, the expression "offer of Notes to the public" in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Belgium

With regard to Notes having a maturity of less than 12 months (and which therefore fall outside the scope of the Prospectus Regulation), the Base Prospectus has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of Notes in Belgium in accordance with the Belgian Law on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time.

The Notes are not intended to be sold to Belgian Consumers, and each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold and will not offer or sell, directly or indirectly, such Notes to Belgian Consumers, and has not distributed or caused to be distributed and will not distribute or cause to be distributed, the Base Prospectus, the relevant Final Terms or any other offering material relating to such Notes to Belgian Consumers.

For these purposes, a "**Belgian Consumer**" has the meaning provided by the Belgian Code of Economic Law, as amended from time to time (*Wetboek van 28 februari 2013 van economisch recht/Code du 28 février 2013 de droit économique*), being any natural person resident or located in Belgium and acting for purposes which are outside his/her trade, business or profession.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Kenya:

This Base Prospectus and the offering of any Notes have not been nor will it be approved by the Capital Markets Authority of Kenya.

Issuer Member States:

Each Dealer represents, warrants and undertakes that it will not, as part of its initial distribution of Notes, offer or sell any Notes to residents of any Issuer Member State or legal entity incorporated in any Issuer Member State.

Notes may not be offered or sold to residents of any Issuer Member State or to any legal entity incorporated in any Issuer Member State.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]/[•]]

MiFIR product governance / target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, "**MiFID II**")/MiFID II]; or (ii) a customer within the meaning of Directive 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.][1]

[**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**");

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (the "**UK PRIIPS Regulation**"); or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the EUWA. Consequently

[1] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

no key information document required by Regulation (EU) No 1286/2014 as it forms part of the current domestic law of the UK by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPS Regulation.][2]

[**Singapore Securities and Futures Act Product Classification** – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and ["Excluded Investment Products"]/["Specified Investment Products"] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

Final Terms dated [*Date*] 2021

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK

LEI: [2138004HC83AB2ENIZ64/[•]]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the USD [•]

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 23 June 2021 [and the Base Prospectus Supplement dated [•] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of [Regulation (EU) 2017/1129 (as amended or superseded, the "**Prospectus Regulation**")] [and/or] [the UK Prospectus Regulation][, as applicable]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the [Prospectus Regulation] [and/or] [the UK Prospectus Regulation][, as applicable], in each case and must be read in conjunction with such Base Prospectus.]

[Terms used herein shall be deemed to be defined as such for the purposes of the [2017/2019] Conditions (the "[**2017/2019**] **Conditions**") set forth in the base prospectus dated [28 February 2017/14 May 2019] [and the supplements to it dated [•]] which are incorporated by reference in the Base Prospectus dated 23 June 2021. This document constitutes the Final Terms relating to the issue of the Notes described herein for the purposes of the [Prospectus Regulation] [and/or] [the UK Prospectus Regulation][, as applicable] and must be read in conjunction with the Base Prospectus dated 23 June 2021 [and the supplement(s) to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes the [Prospectus Regulation] [and/or] [the UK Prospectus Regulation][, as applicable], save in respect of the Conditions which are set forth in the base prospectus dated [•] and are incorporated by reference in the Base Prospectus.]

The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 as amended or superseded. The expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**").

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus and the Final Terms have been published on the website of Euronext Dublin (https://live.euronext.com/). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Regulation[3].

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2 Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the Issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

3 Remove this language for unlisted Notes.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms*.]

1.	[(i)]	Series Number:		[•]
	[(ii)	Tranche Number (If fungible with an existing Series:		[•]
		(a)	Issue Date of existing Series	[•]
		(b)	Aggregate Principal Amount of existing Series	[•]
		(c)	Date on which the Notes become Fungible	[Not Applicable/The Notes shall be consolidated and form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date].]]
2.	Specified Currency or Currencies:			[•]
3.	Aggregate Nominal Amount of Notes:			[•]
	[(i)]	Series:		[•]
	[(ii)	Tranche:		[•]]
4.	Issue Price:			[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
5.	(i)	Specified Denominations:		[•]
	(ii)	Calculation Amount:		[•]
6.	(i)	Issue Date:		[•]
	(ii)	Interest Commencement Date		[*Specify*/Issue Date/Not Applicable]
7.	Maturity Date:			[*Specify date or* (*for Floating Rate Notes*) *Interest Payment Date falling in or nearest to the relevant month and year*]
8.	Interest Basis:			[[•] per cent. Fixed Rate] [[months][LIBOR/LIBID/LIMEAN/EURIBOR] +/- [•] per cent. Floating Rate] [Zero Coupon] [further particulars specified below in paragraphs 12 and 13]
9.	Put/Call Options:			[Investor Put] [Issuer Call] [further particulars specified below in paragraphs 15 and 16]
10.	(i)	Status of the Notes:		[Senior/Rated/Perpetual]/ Subordinated]

	(ii)	Date Board approval for issuance of Notes obtained:	[•]
			(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
11.	**Method of distribution**:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

12.	**Fixed Rate Note Provisions**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[•] in each year [adjusted in accordance with
			[[Floating Rate Business Day Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] *and specify any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
	(iii)	Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(iv)	Broken Amount(s):	[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]
	(v)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA / Actual/365 (Fixed) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / Actual/Actual-ICMA]
	(vi)	[Determination Dates:	[•] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))]
13.	**Floating Rate Note Provisions**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[[•][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
			[[•]in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
	(ii)	Specified Interest Payment Dates:	[•]

	(iii)	First Interest Payment Date:	[•]
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
	(v)	Business Centre(s):	[•][Not Applicable]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[•][Not Applicable]
	(viii)	Screen Rate Determination:	[Applicable/Not Applicable]
		- Reference Rate/Benchmark:	[•]
		- Interest Determination Date(s):	[•]
		- Relevant Screen Page:	[•]
	(ix)	ISDA Determination:	[Applicable/Not Applicable]
		- Floating Rate Option:	[•]
		- Designated Maturity:	[•]
		- Reset Date:	[•]
	(x)	Margin(s):	[+/-][•] per cent. per annum
	(xi)	Minimum Rate of Interest:	[•] per cent. per annum
	(xii)	Rate of Interest:	[•] per cent. per annum
	(xiii)	Day Count Fraction:	[Actual/Actual / Actual/Actual – ISDA / Actual/365 (Fixed) / Actual/360 / 30/360 / 360/360 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / Actual/Actual-ICMA]
14.	**Zero Coupon Note Provisions**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	[Amortisation/Accrual] Yield:	[•] per cent. per annum
	(ii)	Reference Price:	[•]

PROVISIONS RELATING TO REDEMPTION

15.	**Call Option**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]

	(ii)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[•] per Calculation Amount
		(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv)	Notice period	[•]
16.	**Put Option**		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[•]
	(ii)	Optional Redemption Amount(s) of each Note:	[•] per Calculation Amount
	(iii)	Notice period	[•]
17.	**Final Redemption Amount of each Note**		[•] per Calculation Amount
	(i)	Payment Date:	[•]
	(ii)	Minimum Final Redemption Amount:	[•] per Calculation Amount
	(iii)	Maximum Final Redemption Amount:	[•] per Calculation Amount
18.	**Early Redemption Amount**		
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption.		[•] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

19.	Form of Notes:	[**Bearer Notes**: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [Permanent Global Note exchangeable for a for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes**: Global Certificate]
20.	New Global Note:	[Yes] [No]
21.	New Safekeeping Structure:	[Yes] [No]

22.	Financial Centre(s):	[Applicable] [Not Applicable] *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15(ii), I6(v) and 18(ix) relates*
	(a) Date of payment	[•]
	(b) Place of payment	[•]
23.	Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No] [If yes, specify dates on which Talons will be exchangeable for further coupons]
24.	Renminbi Currency Events:	[Condition 8(j) is applicable/Not Applicable]
	Renminbi Settlement Centre(s)	[[•]/Not Applicable]
25.	Relevant Benchmark[s]:	[[LIBOR/EURIBOR] is provided by [*administrator legal name*]. As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation]/[Not Applicable]]

DISTRIBUTION

26.	(i)	If syndicated, names [and addresses] of Managers [and underwriting commitments]:	[Not Applicable/give names, addresses and underwriting commitments] (*Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*)
	(ii)	[Date of Subscription Agreement:	[•]]
	(iii)	Stabilisation Manager(s) (if any):	[Not Applicable/give names]
	(iv)	If non-syndicated, name and address of Dealer:	[Not Applicable/give name and address]
	(v)	Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount
	(vi)	U.S. Selling Restrictions:	Reg. S Compliance Category; TEFRA C/TEFRA D/TEFRA not applicable]

27.	**REASONS FOR THE OFFER AND ESTIMATED NET AMOUNT OF PROCEEDS**	
	Reasons for the offer:	[•] [See ["Use of Proceeds"] in Base Prospectus"/Give details]
	Estimated net proceeds:	[•]

Signed on behalf of the Eastern and Southern African Trade and Development Bank:

By: ....
Duly authorised

PART B – OTHER INFORMATION

1. **LISTING**

(i)	Admission to trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [Euronext Dublin's regulated market] with effect from [•].] [The Issuer will also make an application for the Notes to be listed on the Official Market of the Stock Exchange of Mauritius Ltd.] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant market*] with effect from [•].] [Not Applicable.] (*Where documenting a fungible issue need to indicate that original Notes are already admitted to trading*)
(ii)	Estimate of total expenses related to admission to trading	[•]

2. **RATINGS**

Ratings:

[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[S&P: [•]] [Moody's: [•]]

[[Fitch: [•]]

[[Other]: [•]]

(*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

[Endorsed by [•]]

[[*Insert Credit Rating agency*]] is established in the United Kingdom ("**UK**") and is registered under Regulation (EU) No 1060/2009 (the "**EU CRA Regulation**") on credit rating agencies as it forms part of the current domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (the "**UK CRA Regulation**")]

[[*Insert credit rating agency*] is established in the European Union and is registered under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").]

[[*Insert credit rating agency*] is not established in the European Union and has not applied for registration under Regulation (EU) No 1060/2009 (the "**CRA Regulation**").]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]]

4. ***Fixed Rate Notes only*** **- YIELD**

Indication of yield:	[•] [Not Applicable]

5. **OPERATIONAL INFORMATION**

ISIN Code:	[•]
Common Code:	[•]
[CFI Code:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]
[FISN:	[See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]] (*If the CFI and/or FISN is not required or requested, it/they should be specified to be "Not Applicable"*)
Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, *societe anonyme* and the relevant identification numbers):	[Not Applicable/give name(s) and number(s)]
Delivery:	Delivery [against/free of] payment
Names and addresses of initial Paying Agent(s):	[•]
Names and addresses of additional Paying Agent(s) (if any):	[•]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered notes*]] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend

upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. While the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as common safekeeper). Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

GENERAL INFORMATION

1. It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on Euronext Dublin's regulated market will be admitted separately as and when issued, subject only to the issue of the relevant Notes. Application has been made to Euronext Dublin for Notes to be admitted to the Official List and trading on its regulated market.

   The Issuer may make an application for such listed Notes to also be listed on the Official Market of the Stock Exchange of Mauritius Ltd.

2. The update of the Programme was authorised by a resolution of the Board of Directors passed on 7 June 2021. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and with the issue and performance of Notes under the Programme. The establishment of the Programme and the issue and performance of Notes under the Programme is authorised pursuant to the Charter.

3. There has been no significant change in the financial performance or financial position of the Issuer, and no material adverse change in the prospects of the Issuer, since 31 December 2020. The Issuer prepares its financial statements in accordance with IFRS.

4. As disclosed on page 98 of this Base Prospectus (see "*Business of the Bank – Material Litigation*"), the Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer.

5. Each Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

7. There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in the Issuer being under an obligation or entitlement that is material to its ability to meet its obligations to noteholders in respect of the Notes being issued.

8. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions.

9. For so long as Notes may be issued pursuant to this Base Prospectus, copies of the following documents will be available for inspection at https://www.tdbgroup.org/emtn-programme/:

(i) the Trust Deed (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);

(ii) the Agency Agreement;

(iii) the Charter of the Eastern and Southern African Trade and Development Bank;

(iv) the published annual report for the financial year ended 31 December 2020 and 31 December 2019 and audited accounts of the Issuer for the financial years ended 31 December 2020 and 2019;

(v) each Final Terms (save that Final Terms will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity); and

(vi) a copy of this Base Prospectus together with any Supplement of Base Prospectus or further Base Prospectus.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the regulated market will be published on the website of Euronext Dublin (https://live.euronext.com/).

10. Copies of the latest annual report and accounts of the Issuer and the latest interim accounts of the Issuer may be obtained, and copies of the Trust Deed will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours and upon reasonable notice, so long as any of the Notes is outstanding.

11. The Bank's current external auditors, Deloitte & Touche of Kenya, whose registered address is at Deloitte Place Waiyaki Way, Muthangari, P.O Box 40092-00100 Nairobi ("**Deloitte**"), have audited and rendered an unqualified audit opinion on the accounts of the Bank for the year ended 31 December 2020.

12. Deloitte is a member of The Institute of Certified Public Accountants of Kenya ("**ICPAK**"), an affiliate of the International Federation of Accountants ("**IFAC**").

13. All notices to Noteholders shall be given to them in accordance with Condition 17 (*Notices*) (as modified, in the event of Notes held in global form, by the provisions of paragraph 4 "*Amendments to Conditions*" in "*Overview of Provisions relating to the Notes while in Global Form*".

14. The yield of each Tranche of Notes set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

15. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the notes and is not itself seeking admission of the notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin.

16. Certain of the Arrangers and Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and its affiliates in the ordinary course of business. Certain of the Arrangers and Dealers and their affiliates may have positions, deal or make markets in an issuance of Notes, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

17. In addition, in the ordinary course of their business activities, the Arrangers and Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Arrangers and Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Arrangers and Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially an issuance of Notes. Any such positions could adversely affect future trading prices of any issuance of Notes. The Arrangers and Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

18. The Bank's Legal Identifier Code ("**LEI**") is 2138004HC83AB2ENIZ64.

INDEX TO FINANCIAL STATEMENTS

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

ANNUAL REPORT

AND

AUDITED CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

BOARD OF GOVERNORS

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

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of eSwatini

Republic of Mozambique

Republic of Madagascar

NON-REGIONAL MEMBERS

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

Republic of Belarus (represented by the Development Bank of Belarus)

INSTITUTIONS

African Development Bank

National Pension Fund-Mauritius

Mauritian Eagle Insurance Company Limited

Rwanda Social Security Board

Banco Nacional de Investimento

Seychelles Pension Fund

Africa Reinsurance Corporation

ZEP-RE (PTA Reinsurance Company)

National Social Security Fund – Uganda

SACOS Group Limited

OPEC Fund

TDB Staff Provident Fund

TDB Directors and Select Stakeholders Provident Fund

Arab Bank for Economic Development in Africa (BADEA)

Investment Fund for Developing Countries (IFU)

African Economic Research Consortium (AERC)

Caisse Nationale de la Sécurité Sociale Djibouti

DIRECTORS

Mr. Juste Rwamabuga	Non-Executive Independent Director and Chairman, Board of Directors
Mr. Gerard Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Ms. Busisiwe Alice Dlamini-Nsibande	Non-Executive Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Mr. Peter Molu Ibrae	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Ms. Shuo Zhou	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
TBC	Non-Executive Director for All Other Shareholders
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President Emeritus and Group MD/CEO
TBC	Alternate Non-Executive Director for African Institutions
Ms. Kampeta Sayinzoga	Alternate Non-Executive Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
TBC	Alternate Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Ms. Isabel Sumar	Alternate Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
TBC	Alternate Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Dr. Natu Mwamba	Alternate Non-Executive Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Veenay Rambarassah	Alternate Non-Executive Director for All Other Shareholders
Mr. Liu Wenzhong	Alternate Non-Executive Director for Non-African States
Ms. Lynda Kahari	Alternate Independent Non-Executive Director
Mr. Ayman Al Adl	Alternate Independent Non-Executive Director

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092, 00100
Nairobi, Kenya

HEADQUARTERS

TDB Headquarters
Africa FI Place
Lot 13, Wall Street, Ebene, Cybercity,
P. O. Box 43, Reduit, Mauritius
Telephone : +230- 4676021/4676016
Fax :+230-4675971
Email :Official@tdbgroup.org

TDB Headquarters
Chaussee, Prince Louis, Rwagasore
P. O. Box 1750, Bujumbura, Burundi
Telephone :257 (22) 4966 / 257 (22) 4625
Fax :257 (22) 4983
Email :Official@tdbgroup.org

OTHER OFFICES

TDB Nairobi Regional Office: East Africa
197 Lenana Place, Lenana Road
P. O. Box 48596 - 00100 Nairobi, Kenya
Telephone :254 (20) 2712250
Fax :254 (20) 2711510
Swift :ESATKENA

TDB Harare Regional Office: Southern Africa
70 Enterprise Road
Harare, Zimbabwe
Telephone : 263(4)788330-3/788336-9/788317
FCT Line : +263-7827884955
Fax :+263-772788345

TDB Addis Ababa Regional Office: Horn of Africa and North Africa
UNDP Compound
Main Bole Rd, Olympia Roundabout, DRC St.
Kirkos Subcity, Kebele 01, House No. 119,
Addis Ababa, Ethiopia

TDB Kinshasa Country Office
Crown Tower 2nd Floor Off No 301
Avenue Batetela and Boulevard du 30 Juin,
Gombe Commune, Kinshasa,
Democratic Republic of Congo
Telephone :243 (0) 99601090 - 104

The directors have pleasure in presenting their report and the annual financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2020.

1. PRINCIPAL ACTIVITIES

The principal activity of the Group 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 year are set out on pages 11 and 12.

3. DIVIDEND

The Board has recommended a dividend of USD 327.03 (2019: USD 342.01) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

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

5. DIRECTORS

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

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

6. AUDITORS

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

BY ORDER OF THE BOARD

Chairman

25th March 2021

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

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 Group and of the Bank as at the end of the financial year and of the operating results of the Group and of the Bank for that year. It also requires the directors to ensure that the Group and Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Group and Bank. They are also responsible for safeguarding the assets of the Group and Bank.

The directors accept responsibility for the preparation and presentation of these 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 Group and 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.

Having made an assessment of the Bank and its subsidiary's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Bank and its subsidiary's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Director

25th March 2021

Director

25th March 2021

Deloitte.

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place
Waiyaki Way, Muthangari
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Dropping Zone No.92
Email: admin@deloitte.co.ke
www.deloitte.com

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated and separate financial statements of Eastern and Southern African Trade and Development Bank (the "Bank") and its subsidiary (together the "Group"), set out on pages 11 to 124, which comprise the consolidated and separate statements of financial position at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Bank as at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

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

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

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current year.

The matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on it.

Report on the Audit of the Financial Statements (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Impairment of loans and advances</th></tr>
<tr><td>
The measurement of impairment of loans at the end of the year involves significant judgements and estimates by Management and the Directors, which could have material impact on the Group financial position and the results of the Group and Bank.
At 31 December 2020, the Group reported total gross trade finance loans of USD 3.18 billion (2019: USD 2.94 billion) and USD 96.86 million (2019: USD 70.48 million) of expected credit loss (ECL) provisions, and total gross project finance loans of USD 2.29 billion (2019: USD 2.15 billion) and USD 67.48 million (2019: USD 40.66 million) of ECL provisions. These are disclosed in Note 16 and Note 17 in the consolidated and separate financial statements.
Measurement of the ECL on loans and advances was considered to be a key audit matter to our current year audit due to the following:

Project Finance Loans and Trade Finance Loans are material to the consolidated financial statements;
The level of subjective judgement applied in determining the ECL on loans;
The uncertainty related to unprecedented global and local economic stress; and
The effect that ECL has on the impairment of loans and the Group's credit risk management.

The areas of significant management judgement include the modelling methodology applied to Stage 1 and Stage 2 exposures, which include:

The judgement involved relating to input assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure At Default (EAD) and Loss Given Default (LGD) within the ECL calculations;
The incorporation of forward-looking information (FLI) and macroeconomic inputs into the Significant Increase in Credit Risk (SICR) assessment and ECL calculations;
The assessment of whether there has been a SICR event since origination date of the exposure to the reporting date (i.e. a trigger event that has caused a deterioration in credit risk and resulted in migration of the loan from Stage 1 to Stage 2), taking the impact of COVID-19 into account; and
Assessing the impact of COVID-19 on the forward-looking economic information incorporated into the respective models.

</td><td>
Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our credit and actuarial experts:
(i) Assessed the design and implementation and operating effectiveness of the relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance;
(ii) Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice;
(iii) Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate;
(iv) For a sample of advances, agreed the input data to underlying documentation;
(v) Confirmed that the latest available FLI has been appropriately incorporated within the impairment models by comparing these to our own actuarial statistics and independent market data;
(vi) Developed an independent view to quantify the impact of COVID-19 due to the inherent uncertainty in the estimation of this risk by applying our own independent inputs to management's model. We compared the severity to past actual stress events and the ability of the ECL models to capture the full extent of the stress;
(vii) Assessed the Group's probability-weighted macroeconomic scenario estimates and evaluated the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of these macro-economic variables through the appropriate governance structures. We also assessed how management has incorporated the impact of COVID-19 into the macroeconomic scenarios;
(viii) Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information on whether there was a significant increase in credit risk;
</td></tr>
</table>

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
• Assessing the impact of COVID-19 on ECL raised for the restructured loans, as SICR in the form of arrears may have been delayed.	(ix) Tested the assumptions, inputs and formulas used in the ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default; (x) Reviewed the appropriateness of thresholds used to determine "SICR". The Bank bases this on both quantitative and qualitative indicators which was the basis of our review of the staging for a sample of the loans; and (xi) Evaluated the sufficiency and accuracy of the disclosures in the notes of the consolidated and separate financial statements.
In addition, for Stage 3 exposures: • The assumptions used for estimating the recoverable amounts and timing of future cash flows of individual exposures which have been classified as non-performing.	In respect to Stage 3 advances, tested the key controls around the valuation of collateral (where applicable) for operating effectiveness, including inspecting a sample of legal agreements and underlying documentation to assess the legal right to and existence of collateral and expected timing of future cash flows.
Management overlays: Where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made by management in determining the COVID-19 macroeconomic adjustment which is discussed above.	(i) Assessed the reasonableness of post model adjustments raised by management (such as adjustments made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition), including independent considerations taking into account industry and client/portfolio specific risk; and (ii) Re-performed management's calculation of the COVID-19 overlays for restructured loans to assess mathematical accuracy and that the calculation was in accordance with the documented policy.
The related disclosures in the consolidated financial statements are included in: • Note 18 – Impairment allowance; • Note 3(s) - Critical judgements in applying the Group' accounting policies; • Note 3(t) – Key sources of estimation uncertainty; • Note 42 - Significant judgement and estimates impacted by COVID-19; and • Note 43 – Financial Risk Management - Credit risk.	Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on corporate advances which were found to be within an acceptable range in the context of IFRS 9.

Other Information

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

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

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

Responsibilities of the directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements (Continued)

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Bank to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya

25 March 2021

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INCOME			
Interest income	4	435,283,929	405,726,034
Interest expense	5	(194,147,067)	(221,574,428)
Other borrowing costs	6	(11,580,793)	(5,062,817)
Interest and similar expense		(205,727,860)	(226,637,245)
Net interest income		229,556,069	179,088,789
Fee and commission income	7(a)	51,767,366	72,390,670
Gains on financial assets designated at fair value through profit or loss	15	14,200,217	16,006,006
Net trading income		295,523,652	267,485,465
Risk mitigation costs	7(b)	(36,085,713)	(35,979,543)
Other income	8	6,812,154	6,282,770
OPERATING INCOME		266,250,093	237,788,692
EXPENDITURE			
Operating expenses	9	(44,461,783)	(41,084,135)
Impairment on other financial assets	11	(363,754)	(3,755)
Impairment allowance on loans	18	(60,598,738)	(41,485,622)
Net foreign exchange loss		(3,211,459)	(3,682,121)
TOTAL EXPENDITURE		(108,635,734)	(86,255,633)
PROFIT BEFORE TAXATION		157,614,359	151,533,059
Taxation credit/(charge)	12(a)	3,494	(3,494)
PROFIT FOR THE YEAR		157,617,853	151,529,565
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit or loss:			
Fair value gain/(loss) through other comprehensive income – Equity investments	19	2,803,020	(465,000)
Fair value gain through other comprehensive income – Trade Fund	23	2,777,578	-
		5,580,598	(465,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		163,198,451	151,064,565
Profit for the year is attributable to:			
Owners of the Bank		157,253,961	151,417,188
Non-controlling interest		363,892	112,377
		157,617,853	151,529,565
Total comprehensive income is attributable to:			
Owners of the Bank		162,834,559	150,952,188
Non-controlling interest		363,892	112,377
		163,198,451	151,064,565
EARNINGS PER SHARE:			
Basic	13	1,362	1,448
Diluted	13	1,306	1,374

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INCOME			
Interest income	4	435,283,929	405,726,034
Interest expense	5	(194,147,067)	(221,574,428)
Other borrowing costs	6	(11,580,793)	(5,062,817)
Interest and similar expense		(205,727,860)	(226,637,245)
Net interest income		229,556,069	179,088,789
Fee and commission income	7(a)	51,767,366	72,390,670
Gains on financial assets designated at fair value through profit or loss	15	14,200,217	16,006,006
Net trading income		295,523,652	267,485,465
Risk mitigation costs	7(b)	(36,085,713)	(35,979,543)
Other income	8	6,197,848	6,009,802
OPERATING INCOME		265,635,787	237,515,724
EXPENDITURE			
Operating expenses	9	(44,415,191)	(41,039,418)
Impairment on other financial assets	11	(363,754)	(3,755)
Impairment allowance on loans	18	(60,598,738)	(41,485,622)
Net foreign exchange loss		(3,211,459)	(3,682,116)
TOTAL EXPENDITURE		(108,589,142)	(86,210,911)
PROFIT FOR THE YEAR		157,046,645	151,304,813
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit and loss:			
Fair value gain/(loss) through other comprehensive income - Equity investments	19	2,803,020	(465,000)
Fair value gain through other comprehensive income – Trade Fund	23	2,777,578	-
		5,580,598	(465,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		162,627,243	150,839,813
EARNINGS PER SHARE			
Basic	13	1,360	1,448
Diluted	13	1,305	1,374

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
ASSETS			
Cash and balances held with other banks	14	1,539,924,217	1,382,403,564
Derivative financial instruments	15	-	40,049,341
Trade finance loans	16	3,084,634,815	2,865,166,921
Project loans	17	2,224,776,722	2,106,337,583
Investment in Government securities	22	120,928,084	44,897,636
Investment in Trade Fund	23	52,327,417	49,997,089
Other receivables	24	136,891,570	120,523,438
Equity investments at fair value through other comprehensive income	19	53,987,118	51,135,850
Investment in joint venture	20	317,010	317,010
Property and equipment	25	29,331,571	24,683,063
Right-of-use assets	26	3,348,569	3,912,012
Intangible assets	27	1,998,699	1,998,002
TOTAL ASSETS		7,248,465,792	6,691,421,509
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	28	93,275,106	95,822,611
Derivative financial instruments	15	41,329,500	-
Lease liability	29	1,087,250	1,520,467
Short term borrowings	30	2,407,476,876	2,465,247,997
Provision for service and leave pay	33	9,957,779	8,551,510
Other payables	32	86,016,880	138,732,787
Long term borrowings	31	3,051,524,280	2,591,528,898
Current tax payable	12	-	3,494
TOTAL LIABILITIES		5,690,667,671	5,301,407,764
EQUITY			
Share capital	34	534,933,840	499,107,472
Share premium	34	146,999,927	101,867,839
Retained earnings		801,599,826	722,081,828
Proposed dividend		37,691,195	36,313,155
Fair value reserve		16,294,397	10,713,799
Management reserve	35	19,842,911	19,842,911
Equity attributable to owners of the Bank		1,557,362,096	1,389,927,004
Non-controlling interest		436,025	86,741
TOTAL EQUITY		1,557,798,121	1,390,013,745
TOTAL LIABILITIES AND EQUITY		7,248,465,792	6,691,421,509

The notes on pages 19 to 124 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 25th March 2021 and were signed on its behalf by:

....
Group MD & CEO Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
ASSETS			
Cash and balances held with other banks	14	1,539,158,445	1,382,110,581
Derivative financial instruments	15	-	40,049,341
Trade finance loans	16	3,084,634,815	2,865,166,921
Project loans	17	2,224,776,722	2,106,337,583
Investment in Government securities	22	120,928,084	44,897,636
Investment in Trade Fund	23	52,327,317	49,996,989
Other receivables	24	136,817,961	120,416,110
Equity investments at fair value through other comprehensive income	19	53,987,118	51,135,850
Investment in joint venture	20	317,010	317,010
Investment in subsidiary	21	69,984	69,984
Property and equipment	25	29,331,571	24,683,063
Right-of-use assets	26	3,348,569	3,912,012
Intangible assets	27	1,998,699	1,998,002
TOTAL ASSETS		7,247,696,295	6,691,091,082
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	28	93,275,106	95,822,611
Derivative financial instruments	15	41,329,500	-
Lease liability	29	1,087,250	1,520,467
Short term borrowings	30	2,407,476,876	2,465,247,997
Provision for service and leave pay	33	9,957,779	8,551,510
Other payables	32	86,003,099	138,604,970
Long term borrowings	31	3,051,524,280	2,591,528,898
TOTAL LIABILITIES		5,690,653,890	5,301,276,453
EQUITY			
Share capital	34	534,933,840	499,107,472
Share premium	34	146,999,927	101,867,839
Retained earnings		801,280,135	721,969,453
Proposed dividend		37,691,195	36,313,155
Fair value reserve		16,294,397	10,713,799
Management reserve	35	19,842,911	19,842,911
TOTAL EQUITY		1,557,042,405	1,389,814,629
TOTAL LIABILITIES AND EQUITY		7,247,696,295	6,691,091,082

The notes on pages 19 to 124 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 25th March 2021 and were signed on its behalf by:

....
Group MD & CEO Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total USD	Non-controlling interest USD	Total USD
At 1 January 2019		461,742,558	60,500,611	606,977,795	31,684,721	11,178,799	19,842,911	1,191,927,395	-	1,191,927,395
Capital subscriptions	34	37,364,914	-	-	-	-	-	37,364,914	-	37,364,914
Acquisition of control	21	-	-	-	-	-	-	-	(25,636)	(25,636)
Share Premium	34	-	41,367,228	-	-	-	-	41,367,228	-	41,367,228
Proposed dividend	34	-	-	(36,313,155)	36,313,155	-	-	-	-	-
Dividend declared and paid	34	-	-	-	(20,208,849)	-	-	(20,208,849)	-	(20,208,849)
Dividend declared and payable	32	-	-	-	(11,475,872)	-	-	(11,475,872)	-	(11,475,872)
Other comprehensive income	19	-	-	-	-	(465,000)	-	(465,000)	-	(465,000)
Profit for the year		-	-	151,417,188	-	-	-	151,417,188	112,377	151,529,565
At 31 December 2019		499,107,472	101,867,839	722,081,828	36,313,155	10,713,799	19,842,911	1,389,927,004	86,741	1,390,013,745
At 1 January 2020		499,107,472	101,867,839	722,081,828	36,313,155	10,713,799	19,842,911	1,389,927,004	86,741	1,390,013,745
Capital subscriptions	34	35,826,368	-	-	-	-	-	35,826,368	-	35,826,368
Share Premium	34	-	45,132,088	-	-	-	-	45,132,088	-	45,132,088
General Capital Increase 2 (GCI-2) share allotment*	34	-	-	(40,044,768)	-	-	-	(40,044,768)	-	(40,044,768)
Proposed dividend	34	-	-	(37,691,195)	37,691,195	-	-	-	-	-
Dividend declared and paid	34	-	-	-	(28,651,751)	-	-	(28,651,751)	(14,608)	(28,666,359)
Dividend declared and payable	32	-	-	-	(7,661,404)	-	-	(7,661,404)	-	(7,661,404)
Other comprehensive income	19	-	-	-	-	5,580,598	-	5,580,598	-	5,580,598
Profit for the year		-	-	157,253,961	-	-	-	157,253,961	363,892	157,617,853
At 31 December 2020		534,933,840	146,999,927	801,599,826	37,691,195	16,294,397	19,842,911	1,557,362,096	436,025	1,557,798,121

* General Capital Increase 2 (GCI-2) – In August 2019, the Board of Directors approved a special dividend be paid out to shareholders who were in existence as at 31 December 2013. The special dividend was converted to a General Capital Increase which was allocated from the Bank's reserves.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total equity USD
At 1 January 2019		461,742,558	60,500,611	606,977,795	31,684,721	11,178,799	19,842,911	1,191,927,395
Capital subscriptions	34	37,364,914	-	-	-	-	-	37,364,914
Share Premium	34	-	41,367,228	-	-	-	-	41,367,228
Proposed dividend	34	-	-	(36,313,155)	36,313,155	-	-	-
Dividend declared and paid	34	-	-	-	(20,208,849)	-	-	(20,208,849)
Dividend declared and payable	32	-	-	-	(11,475,872)	-	-	(11,475,872)
Other comprehensive income	19	-	-	-	-	(465,000)	-	(465,000)
Profit for the year		-	-	151,304,813	-	-	-	151,304,813
At 31 December 2019		499,107,472	101,867,839	721,969,453	36,313,155	10,713,799	19,842,911	1,389,814,629
At 1 January 2020		499,107,472	101,867,839	721,969,453	36,313,155	10,713,799	19,842,911	1,389,814,629
Capital subscriptions	34	35,826,368	-	-	-	-	-	35,826,368
Share Premium	34	-	45,132,088	-	-	-	-	45,132,088
General Capital Increase 2 (GCI-2) share allotment*	34	-	-	(40,044,768)	-	-	-	(40,044,768)
Proposed dividend	34	-	-	(37,691,195)	37,691,195	-	-	-
Dividend declared and paid	34	-	-	-	(28,651,751)	-	-	(28,651,751)
Dividend declared and payable	32	-	-	-	(7,661,404)	-	-	(7,661,404)
Other comprehensive income	19	-	-	-	-	5,580,598	-	5,580,598
Profit for the year		-	-	157,046,645	-	-	-	157,046,645
At 31 December 2020		534,933,840	146,999,927	801,280,135	37,691,195	16,294,397	19,842,911	1,557,042,405

* General Capital Increase 2 (GCI-2) – In August 2019, the Board of Directors approved a special dividend be paid out to shareholders who were in existence as at 31 December 2013. The special dividend was converted to a General Capital Increase which was allocated from the Bank's reserves.

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
OPERATING ACTIVITIES			
Net cash generated from operations	36(a)	217,366,641	273,403,562
INVESTING ACTIVITIES			
Purchase of property and equipment	25	(5,716,336)	(4,323,518)
Purchase of intangible assets	27	(760,161)	(737,437)
Acquisition of equity investments	19	(48,248)	(79,120)
Investment in government securities	22	(76,030,448)	(44,897,636)
Investment in Trade Fund	23	-	(49,996,989)
Redemption of Trade Fund	23	447,250	-
Net cash used in investing activities		(82,107,943)	(100,034,700)
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	34	23,638,328	37,364,914
Proceeds from share premium	34	25,865,600	41,367,228
Payment of dividends	34	(28,651,751)	(20,208,849)
Payment of lease liabilities	29	(594,011)	(585,250)
Net cash generated from financing activities		20,258,166	57,938,043
INCREASE IN CASH AND CASH EQUIVALENTS		155,345,679	231,306,905
Foreign exchange loss on cash and cash equivalents		2,174,974	5,178,281
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,382,403,564	1,145,918,378
CASH AND CASH EQUIVALENTS AT END OF YEAR	36(c)	1,539,924,217	1,382,403,564
FACILITIES AVAILABLE FOR LENDING	36(d)	2,476,282,295	1,712,525,076

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
OPERATING ACTIVITIES			
Net cash generated from operations	36(a)	216,722,667	273,110,579
INVESTING ACTIVITIES			
Purchase of property and equipment	25	(5,716,336)	(4,323,518)
Purchase of intangible assets	27	(760,161)	(737,437)
Acquisition of equity investments	19	(48,248)	(79,120)
Investment in government securities	22	(76,030,448)	(44,897,636)
Investment in Trade Fund	23	-	(49,996,989)
Redemption of Trade Fund	23	447,250	-
Net cash used in investing activities		(82,107,943)	(100,034,700)
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	34	23,638,328	37,364,914
Proceeds from share premium	34	25,865,600	41,367,228
Payment of dividends	34	(28,651,751)	(20,208,849)
Payment of lease liabilities	29	(594,011)	(585,250)
Net cash generated from financing activities		20,258,166	57,938,043
INCREASE IN CASH AND CASH EQUIVALENTS		154,872,890	231,013,922
Foreign exchange loss on cash and cash equivalents		2,174,974	5,178,281
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,382,110,581	1,145,918,378
CASH AND CASH EQUIVALENTS AT END OF YEAR	36(c)	1,539,158,445	1,382,110,581
FACILITIES AVAILABLE FOR LENDING	36(d)	2,476,282,295	1,712,525,076

1. CORPORATE INFORMATION

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

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

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

The accounting policies adopted are consistent with those followed in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2019, except for new standards, amendments and interpretations effective 1 January 2020. The nature and impact of each new standard/ amendment are described below. The nature and impact of each new standard/ amendment are described below:

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

i) ***Relevant new standards and amendments to published standards effective for the year ended 31 December 2020***

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Group's financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below.

a) **Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7**

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments did not have an impact on the Bank's financial statements.

b) **Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16**

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

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

i) ***Relevant new standards and amendments to published standards effective for the year ended 31 December 2020*** **(continued)**

b) Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16 (continued)

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease

In the current financial year, the Group has not applied the practical expedient included in the amendment to IFRS 16 (as issued by the IASB in May 2020). There were no Covid-19 related rent concessions in the current year and therefore the Group has not applied the amendments.

c) Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

d) Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

ii) Impact of new and amended standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, the Group has not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2	*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*
IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*Reference to Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018 – 2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

a) **Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments 9, IAS 39, 7, 4 and 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying to accompany the amendments regarding modifications and hedge accounting.

On modification of financial assets, financial liabilities and lease liabilities, a practical expedient is available to allow for modifications required by the reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate prospectively. All other modifications are accounted for using current requirements. A similar practical expedient is provided for lessee accounting applying IFRS 16. IFRS 4 was also amended to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by the reform.

On hedge accounting, certain amendments were made to generally permit hedge accounting continuation solely because of the IBOR reform provided that the amended hedging relationships meet all the qualifying criteria to apply hedge accounting including effectiveness requirements. The amendments enable entities to amend the formal designation and document of a hedging relationship to reflect changes required by the reform without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk, amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged, or amending the description of the hedge instrument to refer to an alternative benchmark rate, and for those applying IFRS 1-39, amending the description of how the entity will assess hedge effectiveness.

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

ii) Impact of new and amended standards and interpretations in issue but not yet effective (Continued)

a) Interest Rate Benchmark Reform – phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (continued)

Amendments to IFRS 7 outline disclosure requirements to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments apply to all entities and are not optional and are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The amendments must be applied retrospectively, however, the amendments provide relief from restating comparative information. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

The Directors are still in the process of assessing the full impact of the amendments on the Bank's financial statements. It is not practicable to provide a reasonable financial estimate of the effect until the Directors complete the detailed review.

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

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

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to the following Standards.

a) IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

b) IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

c) IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Early adoption of standards

The Group did not early-adopt any new or amended standards in the year ended 31 December 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

Statement of compliance

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Revenue recognition

i. Interest income from loans and investments

Interest income includes interest on financial instruments measured at amortised cost which comprise project finance loans, trade finance loans, placements with banks and government securities.

Interest income is recognised on an accrual basis using the effective interest rate method in line with IFRS 9.

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL (or impairment allowance before 1 January 2019).

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

Calculation of interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Revenue recognition (continued)

i. Interest income from loans and investments (continued)

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

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

ii. Fees and commissions

Fee and commission income is earned by the Group by providing services to customers and excludes amounts collected on behalf of third parties.

Fee and commission income is earned on the execution of a significant performance obligation, which may be as the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time).

Fees and commissions are generally recognised over time 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 Group'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. Other fees are recognised at the point when the service is completed or significant act performed.

Facility fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

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 at a point in time 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.

(d) Borrowing and financing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) Property and equipment

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

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

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

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

Freehold land and buildings are not depreciated.
Leasehold land is depreciated over the unexpired term of the lease on the straight-line basis.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Intangible assets

The Group'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 Group. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives.

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

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

(h) Taxation

In accordance with paragraph 6 of Article 43 of its Charter, the Bank is exempt from all forms of tax. However, income earned by the subsidiary company that is registered in Mauritius is subject to tax on its chargeable income at a fixed rate of 15% (2019: 15%).

Taxation current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior period.

(i) Share capital

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments

A financial asset or liability is recognised when the Group 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.

Initial Recognition and Measurement

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

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

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

Amortised cost

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

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

The Group recognises its cash and balances held with banks, investment in government securities, trade finance and project finance loans and other receivables at amortised cost. Project financing is long term in nature, while trade financing is short term in nature. These instruments are subject to impairment.

Fair Value through Other Comprehensive Income (FVOCI) -- Equity

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

Fair Value through Profit or Loss (FVTPL)

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Initial Recognition and Measurement (Continued)

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

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

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

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

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

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

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

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

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

De Minimis

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Initial Recognition and Measurement (continued)

Business Model Assessment

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

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

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

Derecognition and Modification

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Initial Recognition and Measurement (continued)

Financial Liabilities

Initial Measurement of Financial Liabilities

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

Subsequent Measurement

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

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

Derecognition

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

Reclassification

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

An entity shall not reclassify any financial liability.

Write-off

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The exposures are written off against the respective impairment allowances for losses. This is in compliance with both the provisions of the International Financial Reporting Standards (IFRS) and Bank policy which require the Bank to regularly assess accounts which are significantly impaired and are specifically provided for yet continue to deteriorate.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due. Loans which are written off are therefore not forgiven. Appropriate measures are subsequently undertaken to maximize recovery from these accounts except where the anticipated costs of recovery exceed the amounts expected to be recovered and therefore considered cost ineffective.

The Loan Recovery Unit actively follows up with the customers to recover any residual balance post the realisation of collateral and post write off.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Offsetting

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

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

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

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

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

No impairment loss is recognised on equity investments.

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

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

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Measurement of ECLs

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

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

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

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

Hedge Accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Hedge Accounting (Continued)

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 Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair Value Hedges

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

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

(k) Employee entitlements

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

(l) Retirement benefit costs

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

(m) Contingent liabilities

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

(n) Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Provisions for other liabilities

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

(q) Collection accounts deposits

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

(r) Investment in Joint Venture

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

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

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 is NIL (2019: NIL) of joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Critical judgments in applying the Group's accounting policies

In the process of applying the Group'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 period. 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 period.

(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 Group 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 37.

In the process of applying the Group'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 period. 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 period.

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 Group 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 37.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Critical judgments in applying the Group's accounting policies (continued)

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

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Group provides for 12-month ECLs. These are classified as Stage 1 assets.
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

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

The impairment loss on loans is disclosed in more detail in notes 16, 17 and 18.

(iii) Classification and measurement of financial assets

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

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

(iv) Significant increase of credit risk

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

(v) Application of IFRS 16-Leases

Judgement is made in the application of IFRS 16 and included:

- identifying whether a contract includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Key sources of estimation uncertainty

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

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

ii. *Probability of default:*

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

iii. *Loss Given Default:*

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

iv. *Property and equipment*

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

v. *Fair value measurement and valuation process*

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

vi. *Application of IFRS 16 - Leases*

Key sources of estimation uncertainty in the application of IFRS 16 included the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

(u) Models and assumptions used

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

(v) Management Reserve

The Board of Directors approved creation of a management reserve in the year ended 31 December 2018. When the Group adopted at 1 January 2018 IFRS 9- Financial Instruments accounting standard's Expected Loss (ECL) Model it showed that the Group's credit policy was more conservative and resulted in USD 19.84 million excess impairment provision.

The board therefore approved the creation of the management reserve to cushion the Group against credit risk and other incidents of significant loss. The USD 19.84 million excess impairment provision was transferred to the management reserve as at 31 December 2019. Transfers into and out of this management reserve will be approved by the Board of Directors.

	GROUP AND BANK 2020 USD	2019 USD
4. INTEREST INCOME		
On loans and facilities:		
Project finance loans	170,243,373	162,719,962
Trade finance loans	189,196,103	209,703,194
	359,439,476	372,423,156
On placements:		
Deposits/Held at amortised cost	75,844,453	33,302,878
	435,283,929	405,726,034
5. INTEREST EXPENSE		
Interest payable on funds borrowed from:		
Banks and financial institutions	100,408,688	128,757,528
Regional and International Bond Markets	70,363,933	60,100,100
Amortisation of deferred borrowing cost	11,905,932	11,796,360
Other institutions	11,468,514	20,920,440
	194,147,067	221,574,428
6. OTHER BORROWING COSTS		
Facility and management fees	7,533,462	1,588,874
Commitment fees	1,044,955	2,409,744
Bank commission	495,793	117,225
Technical grants fees and expenses	120,000	-
Agency costs	112,754	84,934
Other costs	2,273,829	862,040
	11,580,793	5,062,817
7 (a) FEE AND COMMISSION INCOME		
Upfront fees in trade finance	20,266,335	15,946,793
Management fees in trade finance	6,192,524	11,547,500
Commitment fees in project finance	5,199,852	2,922,739
Facility fees in project finance	5,163,349	31,113,074
Letter of credit fees in trade finance	4,133,922	7,272,026
Letter of credit fees in project finance	(14,805)	69,272
Restructuring fees in project finance	3,741,180	43,950
Restructuring fees in trade finance	1,604,264	-
Guarantee Fees in trade finance	1,212,972	59,109
Syndication Fees in project finance	1,142,039	198,863
Drawdown fees in trade finance	1,049,971	745,362
Appraisal fees in project finance	658,000	396,850
Document handling fees in trade finance	457,178	472,132
Guarantee Fees in project finance	371,250	170,000
Management fees in project finance	309,623	345,748
Other fees in trade finance	199,961	984,673
Other project fees	79751	102,579
	51,767,366	72,390,670

7 (b) RISK MITIGATION COSTS

	GROUP AND BANK	
	2020 USD	2019 USD
Insurance cover costs*	34,512,993	34,017,764
Risk down-selling costs**	1,572,720	1,961,779
	36,085,713	35,979,543

*These are premiums on insurance cover taken on loans made to various borrowers. As at 31 December 2020, the insurance cover was USD 1.61 billion (December 2019: USD 1.74 billion). The cover was taken with African Trade Insurance Agency Limited, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are Investment-grade companies.

**These costs represent Risk down-selling costs relating to fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Group's secondary loan trading and asset distribution activities under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2020, the Group had down sold/distributed an aggregate of USD 247 million (December 2019 – USD 702 million).

8. OTHER INCOME

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Impaired assets recovered *	5,356,771	5,359,063	5,356,771	5,359,063
Management fee	770,877	272,968	-	-
Dividend income	354,376	479,833	510,952	479,833
Miscellaneous income	275,252	135,107	275,247	135,107
Interest on staff loans	165,052	35,481	165,052	35,481
(Loss)/gain on disposal of property and equipment	(110,174)	318	(110,174)	318
	6,812,154	6,282,770	6,197,848	6,009,802

*The impaired assets recovered account relates to previously written off loans that were recovered during the year.

9. OPERATING EXPENSES

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Staff costs (Note 10)	35,055,218	28,220,483	35,055,218	28,220,483
Business promotion	2,660,304	1,592,659	2,660,304	1,592,659
Consultants and advisors	1,850,698	3,798,576	1,850,698	3,798,576
Office running expenses	1,469,063	1,466,386	1,431,288	1,429,719
Depreciation of property and equipment	957,654	973,437	957,654	973,437
Amortisation of intangible assets	759,464	593,179	759,464	593,179
Depreciation of right-of-use assets	582,663	389,764	582,663	389,764
Official missions	407,658	2,423,127	407,658	2,423,127
Short term rent	186,018	151,398	186,018	151,398
Board of Directors meetings	175,034	808,860	175,034	808,860
Board of Governors meeting	151,617	519,185	151,617	519,185
Interest expense on lease liability (note 29)	141,575	83,031	141,575	83,031
Audit fees	64,817	64,050	56,000	56,000
	44,461,783	41,084,135	44,415,191	41,039,418

10. STAFF COSTS

	GROUP AND BANK 2020 USD	GROUP AND BANK 2019 USD
Salaries and wages	16,688,577	9,468,266
Staff reward and recognition scheme	8,548,907	10,270,763
School fees for dependents	3,002,612	2,123,438
Staff provident fund contributions-defined contribution plan	2,716,318	2,486,596
Medical costs	1,189,809	1,138,162
Service pay provision	1,098,668	1,099,332
Other costs*	1,040,595	1,280,271
Leave pay expense	769,732	353,655
	35,055,218	28,220,483

*Other staff costs mainly relate to training costs, staff relocation and installation expenses.

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS – GROUP AND BANK

	2020	2019
Other receivables (Note 24)	363,754	3,755

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

12. CURRENT TAX PAYABLE

	GROUP 2020 USD	GROUP 2019 USD	BANK 2020 USD	BANK 2019 USD
(a) Taxation Charge				
Current taxation based on the adjusted profit at 15%	(3,494)	3,494	-	-
(b) Reconciliation of expected tax based on accounting profit to tax charge				
Accounting profit before taxation	157,770,935	151,533,059	157,046,645	151,304,813
Tax at the applicable rate of 15%	23,665,640	22,729,959	23,556,997	22,695,722
Tax effect of expenses not deductible for tax purposes*	-	266	-	-
Tax effect of tax losses utilised	-	(31,009)	-	-
Tax effect of income not taxable**	(23,665,640)	(22,695,722)	(23,556,997)	(22,695,722)
	-	3,494	-	-
(c) Taxation payable				
At 1 January	3,494	-	-	-
Charge for the year	-	3,494	-	-
Tax reversal***	(3,494)	-	-	-
At 31 December	-	3,494	-	-

12. CURRENT TAX PAYABLE (Continued)

* Expenses not deductible for tax purposes relate to items of capital nature in the subsidiary.
** Income not taxable relates to the Bank which is exempt from corporate tax as per the Bank's charter.
***Trade Development Bank ("TDB") is a multilateral institution fully recognized by the Republic of Mauritius, also the host country of TDBs principal office. Since both the subsidiary (ESATAL) and the Fund are creatures of the TDB Charter which is in force in Mauritius and given that they are owned in majority by TDB, the Company benefits from tax exemption, immunities and privileges under TDB.

For the year to 31 December 2020, the Company had no tax liability (year ended 31 December 2019: USD 3,494 which has since been reversed in 2020).

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	GROUP		BANK	
EARNINGS:	2020 USD	2019 USD	2020 USD	2019 USD
Earnings for the purpose of the basic earnings per share being net profit attributable to shareholders	157,253,961	151,417,188	157,046,645	151,304,813
Earnings for the purpose of the diluted earnings per share	157,253,961	151,417,188	157,046,645	151,304,813
There were no earnings with a potential dilutive effect during the year (2019: NIL).				
NUMBER OF SHARES:				
Weighted average number of shares for the purpose of basic earnings per share:				
Class A	86,207	79,115	86,207	79,115
Class B	29,239	25,366	29,239	25,366
	115,446	104,481	115,446	104,481
Basic Earnings Per Share	1,362	1,448	1,360	1,448
Weighted average number of shares for the purpose of diluted earnings per share:	120,343	110,096	120,343	110,096
Diluted Earnings Per Share	1,306	1,374	1,305	1,374

The weighted average number of shares in issue is calculated based on the capital instalments due at the end of the year.

Diluted earnings per share takes into account the dilutive effect of the Class A shares issued but not paid up. Class B shares are all paid up on issue and therefore have no dilutive effect.

14. CASH AND BALANCES HELD WITH OTHER BANKS

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Current accounts – Note 14 (i)	156,760,578	531,494,818	155,994,806	531,201,835
Call and term deposits with banks – Note 14 (ii)	1,383,163,639	850,908,746	1,383,163,639	850,908,746
	1,539,924,217	1,382,403,564	1,539,158,445	1,382,110,581

(i) Current accounts:

	GROUP 2020 USD	GROUP 2019 USD	BANK 2020 USD	BANK 2019 USD
Amounts maintained in United States Dollars (USD)	134,055,178	329,789,005	133,289,406	329,496,022
Amounts maintained in other currencies:				
Zambia Kwacha	10,732,930	4,093,616	10,732,930	4,093,616
Tanzania Shillings	5,811,688	6,282,295	5,811,688	6,282,295
Malawi Kwacha	3,198,035	59,262,988	3,198,035	59,262,988
Euro	2,028,034	129,319,511	2,028,034	129,319,511
Burundi Francs	586,035	608,723	586,035	608,723
Ethiopian Birr	141,042	341,662	141,042	341,662
Kenyan Shilling	77,597	1,491,533	77,597	1,491,533
Zimbabwean Dollar	54,344	193,950	54,344	193,950
Mauritian Rupee	42,683	43,724	42,683	43,724
South African Rand	14,783	12,220	14,783	12,220
British Pounds	9,587	16,750	9,587	16,750
Japanese Yen	6,515	33,945	6,515	33,945
United Arab Emirates Dirham	1,922	124	1,922	124
Ugandan Shilling	205	4,772	205	4,772
	22,705,400	201,705,813	22,705,400	201,705,813
	156,760,578	531,494,818	155,994,806	531,201,835

(ii) Call and term deposits with banks:

	GROUP 2020 USD	GROUP 2019 USD	BANK 2020 USD	BANK 2019 USD
United States Dollars (USD)	1,348,406,230	811,445,668	1,348,406,230	811,445,668
Amounts maintained in other currencies:				
Sudanese Pounds	29,369,779	34,098,184	29,369,779	34,098,184
Ugandan Shillings	5,387,630	5,364,894	5,387,630	5,364,894
	34,757,409	39,463,078	34,757,409	39,463,078
Total call and term deposits	1,383,163,639	850,908,746	1,383,163,639	850,908,746

15. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Group 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 Group with other financial institutions in which the Group 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 Group hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the Group is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

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

	GROUP AND BANK	
	2020 USD	2019 USD
Currency forward exchange contracts		
Net opening balance at start of year	40,049,341	54,042,940
Contracts entered into during year-Net	68,125,922	37,548,455
Net amounts settled	(163,704,980)	(67,548,060)
Fair value gains through profit or loss	14,200,217	16,006,006
Net closing balance as at end of year	(41,329,500)	40,049,341

As at 31 December 2020 and 31 December 2019, the Group only had currency forward exchange contracts in its derivative financial instruments portfolio.

16. TRADE FINANCE LOANS

	GROUP AND BANK	
	2020 USD	2019 USD
Principal loans	2,593,587,582	2,621,167,722
Interest receivable	587,909,480	314,478,574
Gross loans	3,181,497,062	2,935,646,296
Impairment on trade finance loans (note 18)*	(96,862,247)	(70,479,375)
Net loans	3,084,634,815	2,865,166,921

Analysis of gross loans by maturity:

Maturing:

	2020 USD	2019 USD
Within one year	1,056,073,385	1,573,903,790
One to three years	1,435,549,642	1,305,713,451
Over three years	689,874,035	56,029,055
	3,181,497,062	2,935,646,296

16. TRADE FINANCE LOANS (Continued)

*Includes impairment charge for off-balance sheet commitments.

The gross non-performing (Stage 3) trade finance loans was USD 89,735,648 (December 2019- USD 70,115,393). The impairment provisions on stage 3 loans amounted to USD 71,917,281 (December 2019 - USD 64,231,748) hence the carrying value of the loans amount was USD 17,818, 367 (December 2019- USD 5,883,645). Stage 1 and 2 provisions for trade finance loans amounted to USD 24,944,967 (December 2019 - USD 6,247,627).

17. PROJECT LOANS

	GROUP AND BANK	
	2020	2019
	USD	USD
Loans disbursed	4,225,163,924	3,484,215,531
Interest capitalised*	74,649,100	116,695,511
Loans repaid	(2,057,830,433)	(1,508,489,914)
Principal loan balances	2,241,982,591	2,092,421,128
Interest receivable	50,281,026	54,574,428
Gross loans	2,292,263,617	2,146,995,556
Impairment on project loans (Note 18)	(67,486,895)	(40,657,973)
Net loans	2,224,776,722	2,106,337,583

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

Analysis of gross loans by maturity:

	GROUP AND BANK	
	2020	2019
Maturing:	USD	USD
Within one year	398,862,679	424,572,300
One year to three years	692,703,243	648,868,236
Three to five years	708,447,718	476,764,089
Over five years	492,249,977	596,790,931
	2,292,263,617	2,146,995,556

The gross non-performing (Stage 3) project loans was USD 67,820,124 (December 2019 - USD 48,362,733). The impairment provisions on stage 3 loans amounted to USD 33,063,944 (December 2019 - USD 27,397,273) hence the carrying value of the loans amounted to USD 34,756,180 (December 2019- USD 20,965,460). Stage 1 and 2 provisions for project finance loans amounted to USD 34,422,954 (December 2019 - USD 13,260,702).

18. IMPAIRMENT ALLOWANCE

GROUP AND BANK

	Finance Project Loans On-balance sheet USD	Project Finance Loans Off-balance sheet USD	Total Finance Loans Allowance USD	Trade Finance Loans On-balance sheet USD	Trade Finance Loans Off-sheet USD	Total Trade Finance Loans Allowance USD	Low Credit Risk Assets USD	Total Allowance USD
At 1 January 2019	29,820,960	407,153	30,228,113	79,985,093	1,601,793	81,586,886	4,019,769	115,834,768
Amounts written-off	-	(407,153)	(407,153)	(34,390,012)	(1,601,793)	(35,991,805)	-	(36,398,958)
Charge for the year	10,298,449	538,564	10,837,013	24,408,620	475,674	24,884,294	5,764,315	41,485,622
At 31 December 2019	40,119,409	538,564	40,657,973	70,003,701	475,674	70,479,375	9,784,084	120,921,432
As at 1 January 2020	40,119,409	538,564	40,657,973	70,003,701	475,674	70,479,375	9,784,084	120,921,432
Amounts written off	-	(538,564)	(538,564)	(6,343,181)	(475,674)-	(6,818,855)	-	(7,357,419)
Charge for the year	25,811,784	1,555,702	27,367,486	32,775,939	425,788	33,201,727	29,525	60,598,738
At 31 December 2020	65,931,193	1,555,702	67,486,895	96,436,459	425,788	96,862,247	9,813,609	174,162,751

19. EQUITY INVESTMENTS

(i) Equity participation

GROUP AND BANK

	Beginning Cost USD	Additions at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Fair value adjustment for the year USD
At fair value through other comprehensive income:						
As at 31 December 2020						
African Export Import Bank	2,364,160	-	2,364,160	7,393,000	7,431,000	(38,000)
ZEP Reinsurance	31,938,654	-	31,938,654	42,496,000	39,191,000	3,305,000
Tononoka Steels Limited	628,653	-	628,653	194,000	519,000	(325,000)
Tanruss Investment Limited	1,755,000	-	1,755,000	168,000	213,000	(45,000)
Africa Trade Insurance Company	1,000,000	-	1,000,000	981,000	939,000	42,000
Gulf African Bank	1,978,734	-	1,978,734	2,448,000	2,086,000	362,000
Pan African Housing Fund	756,850	48,248	805,098	307,118	756,850	(497,980)
	40,422,051	48,248	40,470,299	53,987,118	51,135,850	2,803,020
As at 31 December 2019						
African Export Import Bank	2,364,160	-	2,364,160	7,431,000	6,589,000	842,000
ZEP Reinsurance	31,938,654	-	31,938,654	39,191,000	38,886,000	305,000
Tononoka Steels Limited	628,653	-	628,653	519,000	1,835,000	(1,316,000)
Tanruss Investment Limited	1,755,000	-	1,755,000	213,000	276,000	(63,000)
Africa Trade Insurance Company	1,000,000	-	1,000,000	939,000	1,015,000	(76,000)
Gulf African Bank	1,978,734	-	1,978,734	2,086,000	2,243,000	(157,000)
Pan African Housing Fund	677,730	79,120	756,850	756,850	677,730	-
	40,342,931	79,120	40,422,051	51,135,850	51,521,730	(465,000)

The Group'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 Group has subscribed to the equity of various projects in its Member States. The Group's participation is expressed in US Dollars. As at 31 December 2020, all investments were carried at fair value as per provision of IFRS 9. The Group does not intend to dispose the shares in the short term, and none of the shares have been derecognized. The dividends received in respect of these investments, whenever applicable, are disclosed in note 8.

19. EQUITY INVESTMENTS (Continued)

	GROUP AND BANK 2020 USD	2019 USD
ii) Instalments paid:		
Total subscribed capital*	41,865,201	41,865,201
Less: Instalments not due – Note 19 (iii)	(1,394,902)	(1,443,150)
Instalments paid at end of year – Note 19 (i) and (iv)	40,470,299	40,422,051

*Total subscribed capital includes paid up capital and unpaid subscriptions

	2020 USD	2019 USD
iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:		
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	194,902	243,150
	1,394,902	1,443,150

*Unpaid subscriptions are payable on call.

	2020 USD	2019 USD
iv) Movement in the instalments paid:		
At beginning of year	40,422,051	40,342,931
Net additions at cost – Note 19 (i)	48,248	79,120
At end of year	40,470,299	40,422,051

20. INVESTMENT IN JOINT VENTURE

The Bank has a 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint venture was incorporated in 2016 and its principal place of business is Ebene, Mauritius. ESAIF is a vehicle that will raise and manage the Infrastructure Fund. The Bank's voting rights in the joint venture 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 investment. ESAIF has a 31 December year end for reporting purposes.

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

	GROUP AND BANK 2020 USD	2019 USD
Current assets - cash and cash equivalents	634,021	634,021
TOTAL ASSETS	634,021	634,021
Liabilities	-	-
Equity	634,021	634,021
Bank's carrying amount of the investment -50%	317,010	317,010

20. INVESTMENT IN JOINT VENTURE (Continued)

ESAIF is yet to start operations. The joint venture had no contingent liabilities or capital commitments at 31 December 2020. ESAIF cannot distribute its profits without the consent from the venture partners.

	GROUP AND BANK	
	2020	2019
	USD	USD
Movement in joint venture:		
At 1 January	317,010	386,994
Reduction in investment*	-	(69,984)
At 31 December	317,010	317,010

* The movement relates to classification of investment in Eastern and Southern African Trade Advisers Limited - ESATAL (See Note 21) to a subsidiary after TDB gained control over the entity. TDB's share capital in ESATAL is USD 69,984.

21 INVESTMENT IN SUBSIDIARY – AT COST

The Bank has a 50% plus 1 share interest in Eastern and Southern African Trade Advisers Limited (ESATAL). ESATAL was incorporated in 2015 as a joint venture between TDB and GML Capital, with each party controlling 50% interest in the joint venture. In August 2019 ESATAL became a subsidiary of TDB after the Bank obtained control. The principal place of business of ESATAL is Ebene, Mauritius. ESATAL is an investment Manager for The East and Southern African Trade Fund – "ESATF". ESATAL has a 31 December year end for reporting purposes.

	BANK 2020		BANK 2019	
	No of Shares	Ordinary Share USD	No of Shares	Ordinary Share USD
Total issued and fully paid	139,967	139,967	139,967	139,967
TDB's share -50% + 1 share	69,984	69,984	69,984	69,984

The ordinary shares have the following rights:

i. One vote per share on all resolutions and matters falling to the determination and approval of shareholders under the Mauritius Companies Act 2001 and the Constitution
ii. The right to an equal share of dividends as may be declared and paid by the company
iii. The right to an equal share in the distribution of the surplus assets of the Company

21 INVESTMENT IN SUBSIDIARY (Continued)

The relevant activities of subsidiary are determined by its Board of Directors based on simple majority votes where each director carries one vote. Therefore, the Directors of the Group concluded that the Group has control over ESATAL and the results are consolidated in these financial statements.

Set out below is the summarised financial information for the subsidiary with non-controlling interest:

	BANK	
	2020	2019
Summarised statement of financial position	USD	USD
Total assets	839,480	400,411
Total liabilities	(13,781)	(131,311)
Net assets	825,699	269,100
Non-controlling interest	50%	50%
Summarised statement of profit and loss and other comprehensive income		
Profit before taxation	724,290	228,247
Taxation charge	3,494	(3,494)
	727,784	224,753
Profit for the year is attributable to owners of the Bank	363,892	112,376
Profit for the year is attributable to non-controlling interest	363,892	112,377
Total comprehensive income for the year	727,784	224,753
Summarised statement of cash flows		
Net cash from operating activities	643,974	183,312
Net cash from financing activities	(171,185)	-
Net increase in cash and cash equivalents	472,789	183,312
Cash and cash equivalents at beginning of year	292,983	109,671
Cash and cash equivalents at end of year	765,772	292,983

22. INVESTMENTS IN GOVERNMENT SECURITIES

	GROUP AND BANK	
	2020	2019
	USD	USD
Held at amortised cost:		
Treasury Notes and Treasury Bonds:		
At 1 January	44,897,636	-
Additions: Treasury Bonds*	47,801,418	44,897,636
Margin receivable	28,229,030	-
At 31 December	120,928,084	44,897,636

*As part of the Bank's mandate to deepen capital markets within our member states, TDB continued to invest in Zambian treasury bonds providing competitive yields ranging from 26% to 33%. The bonds are held as investments in Zambian Kwacha equivalent.

23. INVESTMENT IN TRADE FUND

	GROUP		BANK	
	2020	2019	2020	2019
	USD	USD	USD	USD
Investment in ESATF – at fair value through other comprehensive income:				
At 1 January	49,997,089	-	49,996,989	-
Additions during the year	-	49,997,089	-	49,996,989
Retirements/maturities during the year	(447,250)	-	(447,250)	-
Fair value gains	2,777,578	-	2,777,578	-
At 31 December	52,327,417	49,997,089	52,327,317	49,996,989

Investment in trade fund comprises of equity investments in The East and Southern African Trade Fund – "ESATF". The tenure of the investments is six months and therefore the cost of the investment approximates the fair value.

24. OTHER RECEIVABLES

			2019	2018
	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Down-sold assets*	85,000,000	70,000,000	85,000,000	70,000,000
Prepayments and other receivables**	36,850,165	48,797,741	36,776,556	48,690,413
Staff loans and advances***	14,123,916	1,047,994	14,123,916	1,047,994
Appraisal fees****	917,489	677,703	917,489	677,703
	136,891,570	120,523,438	136,817,961	120,416,110
*Appraisal fees receivable****				
At beginning year	677,703	1,033,204	677,703	1,033,204
Accrued income	1,201,581	396,850	1,201,581	396,850
Receipts	(598,041)	(748,596)	(598,041)	(748,596)
Amounts written off (Note 11)	(363,754)	(3,755)	(363,754)	(3,755)
At end of year	917,489	677,703	917,489	677,703
Amounts due within one year	126,004,800	120,330,250	125,931,190	120,222,922
Amounts due after one year	10,886,770	193,188	10,886,771	193,188
	136,891,570	120,523,438	136,817,961	120,416,110

*Down-sold assets represent loan assets sold to the Group's counterparties on a non-funded basis. The amount disclosed at 31 December 2020 and 31 December 2019 represent different facility agreements. Down-selling receivable does not attract interest.

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

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

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

25. PROPERTY AND EQUIPMENT – GROUP AND BANK

Year ended 31 December 2020:	Freehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST							
At 1 January 2020	140,400	4,770,891	26,598,015	864,665	1,865,267	2,477,509	36,716,747
Additions	-	5,346,357	87,446	120,499	7,537	154,497	5,716,336
Disposals	-	-	-	-	(132,567)	(14,756)	(147,323)
At 31 December 2020	140,400	10,117,248	26,685,461	985,164	1,740,237	2,617,250	42,285,760
ACCUMULATED DEPRECIATION							
At 1 January 2020	-	-	8,250,390	563,148	1,141,595	2,078,551	12,033,684
Charge for the year	-	-	508,828	104,434	133,523	210,869	957,654
Disposals	-	-	-	-	(24,342)	(12,807)	(37,149)
At 31 December 2020	-	-	8,759,218	667,582	1,250,776	2,276,613	12,954,189
NET CARRYING AMOUNT							
At 31 December 2020	140,400	10,117,248	17,926,243	317,582	489,461	340,637	29,331,571

Building Under Construction:

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

None of the assets have been pledged to secure borrowings of the Group (December 2019: NIL).

25. PROPERTY AND EQUIPMENT – GROUP AND BANK (Continued)

Year ended 31 December 2019:	Freehold land US	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2019	140,400	2,453,865	1,067,139	26,582,523	725,269	1,750,724	2,177,164	34,897,084
Additions	-	-	3,703,752	15,492	169,981	120,584	313,709	4,323,518
Disposals	-	-	-	-	(30,585)	(6,041)	(13,364)	(49,990)
Reclassification (Note 26)	-	(2,453,865)	-	-	-	-	-	(2,453,865)
At 31 December 2019	140,400	-	4,770,891	26,598,015	864,665	1,865,267	2,477,509	36,716,747
ACCUMULATED DEPRECIATION								
At 1 January 2019	-	76,419	-	7,749,159	497,423	998,888	1,865,085	11,186,974
Charge for the year	-	-	-	501,231	96,310	148,185	227,711	973,437
Disposals	-	-	-	-	(30,585)	(5,478)	(14,245)	(50,308)
Reclassification		(76,419)	-	-	-	-	-	(76,419)
At 31 December 2019	-	-	-	8,250,390	563,148	1,141,595	2,078,551	12,033,684
NET CARRYING AMOUNT								
At 31 December 2019	140,400	-	4,770,891	18,347,625	301,517	723,672	398,958	24,683,063

Leasehold Land:

Leasehold land refers to land that the Group owns and holds on a 99-year leasehold title. This was transferred to right-of-use assets in 2019 upon adoption of IFRS 16 Leases

Building Under Construction:

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

26. RIGHT OF USE ASSETS

The Right-of-Use comprise leases in respect of space for own use and land that the Group owns and holds on a 99-year leasehold title. Information about the leases in which the Group is a lessee is presented below:

	GROUP AND BANK	
	2020	2019
	USD	USD
COST		
At the beginning of the year	4,378,195	-
Lease asset recognised	19,220	1,924,330
Reclassification (Note 25)	-	2,453,865
At the end of the year	4,397,415	4,378,195
ACCUMULATED AMORTISATION		
At the beginning of the year	466,183	-
Reclassification (Note 25)	-	76,419
Charge for the year	582,663	389,764
At the end of the year	1,048,846	466,183
NET BOOK VALUE		
At the end of the year	3,348,569	3,912,012
Amounts recognized in profit and loss:		
Depreciation expense-right-of-use asset	582,663	389,764
Interest expense	141,575	83,031
Expense relating to short term lease contracts	53,273	60,405
	777,511	533,200

27. INTANGIBLE ASSETS

	2020	2019
COST		
At beginning of year	3,618,920	4,276,392
Additions	760,161	737,437
Impairment	-	(1,394,909)
At end of year	4,379,081	3,618,920
AMORTISATION		
At beginning of year	1,620,918	2,422,648
Charge for the year	759,464	593,179
Impairment	-	(1,394,909)
At end of year	2,380,382	1,620,918
NET CARRYING AMOUNT		
At end of year	1,998,699	1,998,002

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

28. COLLECTION ACCOUNT DEPOSITS

	GROUP AND BANK	
	2020	2019
	USD	USD
At beginning year	95,822,611	119,576,580
Increase	49,600,753	6,893,456
Reduction	(52,148,258)	(30,647,425)
At end of year	93,275,106	95,822,611

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

29. LEASE LIABILITY

	GROUP AND BANK	
	2020	2019
	USD	USD
At start year	1,520,467	2,022,686
New Lease liability	19,219	-
Payment of lease liabilities	(594,011)	(585,250)
Interest on lease liabilities	141,575	83,031
At end of year	1,087,250	1,520,467
Maturity Analysis of undiscounted cash flows		
Year 1	551,599	558,110
Year 2	280,042	484,679
Year 3	255,609	477,678
Total discounted lease liabilities	1,087,250	1,520,467

30. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

African Trade Insurance Agency- Note 30 (b)	-	1,680,450

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

30. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT-TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	GROUP AND BANK 2020 USD	2019 USD
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-19	Dec-22	USD	468,989,865	451,471,994
Global Syndication 2020	Dec-20	Dec-22	USD	450,000,000	-
Syndicated Loan - Asia (I)	Jun-19	Jun-22	USD	400,000,000	400,000,000
Global Syndication 2018	Oct-18	Oct-22	USD	260,000,000	460,000,000
Syndicated Loan - Asia (II)	Dec-20	Dec-22	USD	225,000,000	-
The Bank of Tokyo Mitsubishi UFJ, Ltd	Jun-19	Jun-21	USD	150,000,000	150,000,000
Samurai Syndication	Dec-18	Dec-21	USD	123,783,324	146,763,016
CDC Group	Dec-20	Dec-22	USD	100,000,000	-
NORFUND	Dec-20	Jun-21	USD	50,611,417	-
Nedbank	Dec-18	Nov-21	USD	50,000,000	50,000,000
Mizuho Bank London	Oct-20	Jul-21	USD	40,000,000	-
Africa 50 Financement de Projets	Nov-20	Mar-21	USD	31,903,540	-
Standard Chartered Bank London	Jul-20	May-21	USD	21,653,436	-
KfW	Jun-20	Jun-21	USD	20,000,000	-
Citibank	Nov-20	Apr-21	USD	9,247,080	-
African Trade Insurance Agency-Staff Pension	Sep-19	Sep-21	USD	5,550,674	-
Syndicated Loan - Asia (II)	Dec-17	Dec-20	USD	-	237,000,000
Mashreq Bank	Dec-19	Dec-20	USD	-	100,000,000
Citibank	Sep-19	Apr-20	USD	-	79,511,339
Mizuho Bank London	Dec-18	Nov-20	USD	-	75,000,000
Standard Bank Isle of Man	Dec-19	Nov-20	USD	-	56,015,000
Sumitomo Mitsui Banking Corporation Euro	Dec-19	Dec-20	USD	-	50,000,000
First Abu Dhabi Bank PJSC	Apr-19	Apr-20	USD	-	50,000,000
KfW	Dec-19	Dec-20	USD	-	46,500,000
Africa 50 Financement de Projets	Oct-19	Mar-20	USD	-	31,446,755
NORFUND	Jun-20	Dec-20	USD	-	30,000,000
Bank One Ltd	Dec-19	Mar-20	USD	-	22,406,000
Standard Chartered Bank London	Jan-20	Oct-20	USD	-	14,149,861
BHF Bank	Oct-19	Mar-20	USD	-	8,233,539
African Trade Insurance Agency	Jan-19	Sep-20	USD	-	4,242,949
Sub-total for other short-term borrowings				2,406,739,336	2,462,740,453
INTEREST PAYABLE				737,540	827,094
Certificate of Deposits (Note 30 (a))				-	1,680,450
TOTAL SHORT-TERM BORROWINGS				2,407,476,876	2,465,247,997

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

31. LONG TERM BORROWINGS

					Amounts as at 31 December 2020			Amounts as at 31 December 2019		
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 d after o Ye U
African Development Bank	Nov-08	Mar-29	USD	188,750,000	188,750,000	26,250,000	162,500,000	207,500,000	18,750,000	188,750,0
African Economic Research Consortium	Nov-19	Nov-26	USD	2,993,975	2,993,975	-	2,993,975	2,993,975	-	2,993,9
US$ 1.0 Billion Euro Medium Term Note Programme: Third Tranche *	May-19	May-24	USD	750,000,000	750,000,000	-	750,000,000	750,000,000	-	750,000,0
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche *	Dec-13	Mar-22	USD	700,000,000	700,000,000	-	700,000,000	700,000,000	-	700,000,0
Opec Fund for International Development	Mar-19	Jun-23	USD	60,000,000	60,000,000	20,000,000	40,000,000	20,000,000	2,925,278	17,074,7
Development Bank of Southern Africa	Mar-07	Jun-21	USD	4,687,500	4,687,500	4,687,500	-	14,062,500	9,375,000	4,687,5
Private Export Funding Corporation	Aug-11	Aug-21	USD	5,205,825	5,205,825	5,205,825	-	11,155,339	5,949,514	5,205,8
KfW	Dec-13	Nov-31	USD	145,714,286	145,714,286	11,428,571	134,285,715	151,428,571	5,714,286	145,714,2
KfW-IPEX	Sep-16	Dec-28	USD	96,382,577	96,382,577	13,364,622	83,017,955	109,747,199	13,364,622	96,382,5
European Investment Bank	Aug-16	Dec-34	USD	70,496,000	70,496,000	11,749,333	58,746,667	82,239,046	11,749,333	70,489,7
CDC Group	Oct-16	May-25	USD	59,469,697	59,469,697	17,424,242	42,045,455	72,727,273	16,267,380	56,459,8
Standard Chartered Bank / USAID	Sep-17	Sep-24	USD	16,911,622	16,911,622	4,227,906	12,683,716	21,157,142	4,227,906	16,929,2
Finnish Export Credit Sumitomo Mitsui Banking Corporation	Jul-17	Dec-29	USD	53,921,901	53,921,901	5,226,373	48,695,528	-	-	
Japan Bank for International Corporation	Jul-17	Feb-24	USD	853,983	853,983	853,983		29,204,255	6,696,563	22,507,6
Agence Francaise De Development	Dec-17	Aug-35	USD	71,875,000	71,875,000	6,250,000	65,625,000	57,000,000	3,125,000	53,875,0
The Exim -Import Bank of China	Dec-17	Nov-21	USD	250,000,000	250,000,000	250,000,000	-	250,000,001	-	250,000,0
Industrial Development Corporation	Mar-18	Feb-26	USD	82,164,643	82,164,643	21,825,532	60,339,111	87,156,493	13,408,691	73,747,8
Arab Bank for Economic Development in Africa	Feb-18	Jan-27	USD	13,125,000	13,125,000	1,875,000	11,250,000	14,999,940	1,250,000	13,749,9
Development Bank of the Republic of Belarus	Jun-20	Apr-25	USD	15,677,754	15,677,754	1,789,433	13,888,321	-	-	
Oesterreichische Entwicklungsbank AG	Jun-20	Jun-30	USD	25,000,000	25,000,000	-	25,000,000	-	-	
MIGA Guaranteed Syndicated	Jul-20	Jun-30	EUR	334,434,877	411,237,846	-	411,237,846	-	-	
Cassa Depositi e Prestiti	Jul-20	Jun-30	EUR	50,000,000	61,482,500	-	61,482,500	-	-	
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	2,242,404,954	-	-	-	982,821	982,821	
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	2,240,669,845	-	-	-	980,815	980,815	
Oldenburgische Landesbank AG	Various	Feb-20	USD	628,96	-	-	-	628,965	628,965	
Sub total for long term borrowings					3,085,950,109	402,158,320	2,683,791,789	2,583,964,335	115,396,174	2,468,568,1
Interest payable					29,829,894	29,829,894	-	28,520,393	28,520,393	
Total long term borrowings					3,115,780,003	431,988,214	2,683,791,789	2,612,484,729	143,916,567	2,468,568,1
Deferred Expenditure					(64,255,723)	(10,545,083)	(53,710,640)	(20,955,831)	(8,677,535)	(12,278,29
					3,051,524,280	421,443,131	2,630,081,149	2,591,528,898	135,239,032	2,456,289,8

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

32. OTHER PAYABLES

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Provident fund*	29,217,684	7,492,768	29,217,684	7,492,768
Other creditors**	18,871,780	102,089,407	18,857,999	101,961,590
Accrued Long Term Incentive Scheme	10,282,849	4,939,849	10,282,849	4,939,849
Deferred income-LC discounting	10,116,963	-	10,116,963	-
Dividends payable	7,661,404	11,475,872	7,661,404	11,475,872
Accrued reward & recognition	3,547,549	5,552,242	3,547,549	5,552,242
Accrued Syndication fees	2,308,386	2,507,304	2,308,386	2,507,304
Accrued fees-Trade Finance	2,301,542	401,256	2,301,542	401,256
Accrued expenses	1,640,962	4,197,989	1,640,962	4,197,989
Rental deposit	51,622	51,622	51,622	51,622
Accrued fees-Project Finance	16,139	24,478	16,139	24,478
	86,016,880	138,732,787	86,003,099	138,604,970

Analysis of other payables by maturity:

	GROUP 2020 USD	GROUP 2019 USD	BANK 2020 USD	BANK 2019 USD
Amounts due within one year	46,516,347	134,555,523	46,502,566	134,427,706
Amounts due after one year	39,500,533	4,177,264	39,500,533	4,177,264
	86,016,880	138,732,787	86,003,099	138,604,970

*Provident fund relates to the Group's contribution to the fund that is yet to be remitted.
**Other creditors mainly relate to cash cover deposits by clients.

33. PROVISION FOR SERVICE AND LEAVE PAY

	GROUP AND BANK	
	2020 USD	2019 USD
(ii) PROVISION FOR SERVICE PAY		
At start of year	6,600,151	6,040,190
Increase in provision	1,098,668	1,099,333
Payment of service pay	(246,877)	(539,372)
At end of year	7,451,942	6,600,151
(i) PROVISION FOR LEAVE PAY		
At start of year	1,951,359	1,788,449
Increase in provision	670,419	257,172
Payment of leave pay	(115,941)	(94,262)
At end of year	2,505,837	1,951,359
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	9,957,779	8,551,510

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

34. SHARE CAPITAL

	GROUP AND BANK					
	As at 31 December 2020			As at 31 December 2019		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
- 176,468 (2019: 88,234 Class 'A' ordinary shares of USD 22,667 each	4,000,000,156	-	4,000,000,156	2,000,000,000	-	2,000,000,000
- 220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(1,975,179,713)	-	(1,975,179,713)	(57,755,436)	-	(57,755,436)
- Class 'B'		(859,400,500)	(859,400,500)	-	(872,565,554)	(872,565,554)
Subscribed capital:						
- 89,329 Class 'A' (December 2019: 85,686) ordinary shares of USD 22,667 each	2,024,820,443	-	2,024,820,443	1,942,244,564	-	1,942,244,564
- 31,014 Class 'B' (December 2019: 28,110) ordinary shares of USD 4,533.40 each	-	140,599,500	140,599,500	-	127,434,446	127,434,446
Less: Callable capital	(1,619,856,354)	-	(1,619,856,354)	(1,553,795,650)	-	(1,553,795,650)
Payable capital	404,964,089	140,599,500	545,563,589	388,448,914	127,434,446	515,883,360
Less: Amounts not yet due	(9,802,117)	-	(9,802,117)	(15,597,120)		(15,597,120)
Capital due	395,161,972	140,599,500	535,761,472	372,851,794	127,434,446	500,286,240
Less: subscriptions in arrears	(827,632)	-	(827,632)	(1,178,768)	-	(1,178,768)
Paid up capital	394,334,340	140,599,500	534,933,840	371,673,026	127,434,446	499,107,472

34. SHARE CAPITAL (Continued)

	GROUP AND BANK					
	31 December 2020			31 December 2019		
Movement in paid up share capital	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
At beginning of year	371,673,026	127,434,446	499,107,472	357,025,081	104,717,477	461,742,558
African Economic Research Consortium	-	-	-	-	793,349	793,349
African Development Bank	1,373,620	503,210	1,876,830	485,074	10,880,209	11,365,283
African Reinsurance Corporation	-	113,336	113,336	-	-	-
BADEA -Arab Bank for Economic Development in Africa	-	258,405	258,405	-	-	-
Banco Nacionale De Investment	-	131,469	131,469	-	-	-
Caisse Nationale de Sécurité Sociale (CNSS) Djibouti	-	1,858,702	1,858,702	-	-	-
Investment Fund for Developing Countries	-	7,425,743	7,425,743	-	7,910,819	7,910,819
Mauritian Eagle Insurance Company	-	36,267	36,267	-	-	-
National Pension Fund-Mauritius	-	698,147	698,147	-	-	-
National Social Security Fund- Uganda	-	834,149	834,149	-	367,207	367,207
OPEC Fund for International Development (OFID)	-	308,273	308,273	-	-	-
Rwanda Social Security Board	-	462,409	462,409	-	1,967,504	1,967,504
Seychelles Pension Fund	-	27,201	27,201	-	-	-
Sacos Group Limited	-	149,603	149,603	-	13,600	13,600
TDB Directors & Select Stakeholders Provident Fund	-	(63,468)	(63,468)	-	693,613	693,613
TDB Staff Provident Fund	-	(113,336)	(113,336)	-	90,668	90,668
Belarus	158,669	-	158,669	122,402	-	122,402
Burundi	498,674	-	498,674	199,470	-	199,470
China- People's Republic	1,523,221	534,944	2,058,165	553,075	-	553,075
Comoros	31,734	-	31,734	22,667	-	22,667
Congo DRC	843,212	-	843,212	680,010	-	680,010
Djibouti	77,068	-	77,068	45,334	-	45,334
Egypt	2,153,365	-	2,153,365	870,413	-	870,413
Eritrea	147,901	-	147,901	49,431	-	49,431
Eswatini	432,486	-	432,486	414,353	-	414,353
Ethiopia	3,162,500	-	3,162,500	1,870,481	-	1,870,481
Kenya	2,076,297	-	2,076,297	9,067	-	9,067
Madagascar	418,886	-	418,886	405,286	-	405,286
Malawi	521,341	-	521,341	213,070	-	213,070
Mauritius	879,480	-	879,480	408,006	-	408,006
Mozambique	2,161,030	-	2,161,030	4,120,449	-	4,120,449
Rwanda	2,548,877	-	2,548,877	2,244,740	-	2,244,740
Seychelles	108,802	-	108,802	45,334	-	45,334
Somalia	195,969	-	195,969	65,496	-	65,496
South Sudan	285,604	-	285,604	276,537	-	276,537
Tanzania	1,813,360	-	1,813,360	99,735	-	99,735
Uganda	1,249,218	-	1,249,218	699,504	-	699,504
Zambia	-	-	-	748,011	-	748,011
	22,661,314	13,165,054	35,826,368	14,647,945	22,716,969	37,364,914
At end of year	394,334,340	140,599,500	534,933,840	371,673,026	127,434,446	499,107,472

34. SHARE CAPITAL (Continued)

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 Group'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 49 contains the status of subscriptions to the capital stock by member countries

SHARE PREMIUM:

		GROUP AND BANK		
As at 31 December 2020:	Number of shares	Share value USD	Price paid USD	Share premium USD
Share Premium – Class B:				
At 1 January 2020	28,110	127,434,446	219,143,494	91,709,048
Additions – Cash paid	2,258	10,236,464	27,576,954	17,340,490
Additions – GCI Allotment	731	3,313,930	8,644,203	5,330,273
Disposals during the year -Note 40 (g)	(85)	(385,340)	(5,161,298)	(4,775,958)
At 31 December 2020	31,014	140,599,500	250,203,353	109,603,853
Share Premium – Class A:				
At 1 January 2020				
- Without Share premium	84,220	-	-	-
- With Share premium	1,466	6,645,964	16,804,755	10,158,791
Additions – Cash paid	1,732	7,641,064	27,088,271	13,301,067
Additions – GCI Allotment	1,911	8,874,112	22,810,328	13,936,216
At 31 December 2020	89,329	23,161,140	66,703,354	37,396,074
Total Share Premium	120,343	173,919,431	316,906,707	146,999,927
As at 31 December 2019:				
Share Premium – Class B:				
At 1 January 2019	23,099	104,717,477	165,218,088	60,500,611
Additions during the year	5,011	22,716,969	53,925,406	31,208,437
At 31 December 2019	28,110	127,434,446	219,143,494	91,709,048
Share Premium – Class A:				
At 1 January 2019	80,891	-	-	-
Additions -Without Share Premium	3,329	-	-	-
Additions -With Share Premium	1,466	6,645,964	16,804,755	10,158,791
At 31 December 2019	85,686	6,645,964	16,804,755	10,158,791
Total Share Premium	113,796	134,080,410	235,948,249	101,867,839

Class A and B shares

As at 31 December 2020, there were 89,329 Class 'A' ordinary shares (December 2019: 85,686) and 31,014 Class 'B' ordinary shares (December 2019: 28,110). Class 'A' shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class 'B' shares have a par value of USD 4,533.40 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.

34. SHARE CAPITAL (Continued)

Nature and purpose of the share premium

Class 'B' shares are issued at a premium of USD 8,406.33 (December 2019: USD 7,678.81) that is determined after a valuation of the Group's shares. The share premium is used to finance the operations of the Group. The share premium for class 'A' shares was introduced in 2019.

	2020 USD	2019 USD
Dividends on ordinary shares declared and paid:		
Final dividend for 2019: USD 342.01 per share (2018: 315.93 per share)		
-Declared and paid	28,822,936	20,208,849
-Declared and not paid/payable	7,661,404	11,475,872
	36,484,340	31,684,721
Proposed dividends on ordinary shares:		
Dividend for 2020: USD 327.03(2019: USD 342.01 per share)	37,691,195	36,313,155

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

35. MANAGEMENT RESERVE

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

36. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP 2020 USD	GROUP 2019 USD	BANK 2020 USD	BANK 2019 USD
a) Reconciliation of profit for the year to net cash generated from operations:				
Profit for the year	157,614,359	151,533,059	157,046,645	151,304,813
Adjustments:				
Depreciation on property and equipment (Note 25)	957,654	973,437	957,654	973,437
Depreciation of right of use asset (Note 26)	582,663	389,764	582,663	389,764
Amortisation of intangible assets (Note 27)	759,464	593,179	759,464	593,179
Loss/(gain) from disposal of property and equipment	110,174	(318)	110,174	(318)
Gain in foreign exchange	(2,174,974)	(5,178,281)	(2,174,974)	(5,178,281)
Interest received	(243,085,234)	(276,163,851)	(243,085,234)	(276,163,851)
Interest paid	181,021,188	212,690,235	181,021,188	212,690,235
Provision for impairment	60,598,739	41,485,622	60,598,739	41,485,622
Increase in provision for service and leave	1,043,450	89,236	1,043,450	89,236
Impairment of off-balance sheet items	(2,011,016)	(6,778,553)	(2,011,016)	(6,778,553)
Interest on lease liability	141,575	83,031	141,575	83,031
Profit before changes in operating assets and liabilities	155,558,042	119,716,560	154,990,328	119,488,314

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

	GROUP		BANK	
	2020	2019	2020	2019
	USD	USD	USD	USD
a) Reconciliation of profit for the year to net cash generated from operations (continued):				
Profit before changes in operating assets and liabilities:	155,558,042	119,716,560	154,990,328	119,488,314
Working capital changes:				
Increase in other receivables	(16,368,132)	(3,355,301)	(16,401,851)	(3,280,080)
Decrease in hedging derivative instruments-Assets	40,049,341	13,993,599	40,049,341	13,993,599
Increase in hedging derivative instruments-Liabilities	41,329,500	-	41,329,500	-
Increase in trade finance loans	(251,226,695)	(156,130,658)	(251,226,695)	(156,130,658)
Increase in project loans	(145,268,062)	(687,077,238)	(145,268,062)	(687,077,238)
Decrease in collection accounts deposits	(2,547,505)	(23,753,969)	(2,547,505)	(23,753,969)
(Decrease)/increase in other payables	(68,982,158)	51,054,792	(68,853,514)	54,270,135
Provision for service and leave pay paid	362,818	633,634	362,818	633,634
Interest received	243,085,234	276,163,851	243,085,234	276,163,851
Interest paid	(181,021,188)	(212,690,235)	(181,021,188)	(212,690,235)
Net increase in borrowings (Note 36 (b))	402,224,261	891,493,226	402,224,261	891,493,226
Net cash generated from operations	217,195,456	273,403,562	216,722,667	273,110,579

(b) Analysis of changes in borrowings

	GROUP AND BANK	
	2020	2019
Short term borrowings:	USD	USD
At start of year	2,465,247,997	2,383,253,601
Loans received	1,095,330,075	2,609,097,356
Repayments	(1,153,101,196)	(2,527,102,960)
At end of year	2,407,476,876	2,465,247,997
Long term borrowings:		
At start of year	2,591,528,898	1,782,030,068
Loans received	739,994,679	1,055,979,537
Repayments	(279,999,297)	(246,480,707)
At end of year	3,051,524,280	2,591,528,898
Total borrowings at end of year	5,459,001,156	5,056,776,895
Increase in total borrowings (Note 36(a))	402,224,261	891,493,226

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Group and, therefore, are classified as cash flows from operations.

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

(c) Analysis of cash and cash equivalents

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
Cash and balances with other banks - Note 14	1,539,924,217	1,382,403,564	1,539,158,445	1,382,110,581
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(d) Facilities available for lending

As at 31 December 2020, the following facilities were available to the Group for lending:

SHORT-TERM FACILITIES	GROUP AND BANK		
LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	468,989,865	468,989,865	-
Global Syndication 2020	450,000,000	450000000	-
Syndicated Loan - Asia (I)	400,000,000	400,000,000	-
Global Syndication 2018	260,000,000	260,000,000	-
Syndicated Loan - Asia (II)	225,000,000	225,000,000	-
ING Bank	150,111,327	-	150,111,327
Standard Chartered Bank London	150,000,000	50044309.9	99,955,690
The Bank of Tokyo Mitsubishi UFJ, Ltd	150,000,000	150,000,000	-
Samurai Syndication	123,783,324	123,783,324	-
Citibank	120,000,000	25364349.03	94,635,651
CDC Group	100,000,000	100,000,000	-
Mashreq Bank	100,000,000	-	100,000,000
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	-	90,000,000
Mizuho Bank London	80,000,000	40000000	40,000,000
BNP Paribas Group	75,000,000	-	75,000,000
NORFUND	50,611,417	50,611,417	-
Sumitomo Mitsui Banking Corporation Euro	50,000,000	-	50,000,000
Rand Merchant Bank	50,000,000	--	50,000,000
Nedbank	50,000,000	50,000,000	-
BHF Bank	36,889,500	-	36,889,500
Emirates NBD Group	35,000,000	-	35,000,000
Africa 50 Financement de Projets	31,903,540	31903540	-
KBC Bank	30,741,250	2,410,702	28,330,548
Natixis	30,000,000	-	30,000,000
Absa Bank	20,000,000	-	20,000,000
KfW IPEX	20,000,000	20,000,000	-
DZ Bank	15,158,226	-	15,158,226
Banque de Commerce de placement	8,828,500	-	8,828,500
African Trade Insurance Agency- Staff pension	5,550,673	5,550,673	-
TOTAL	3,562,567,622	2,453,658,180	1,108,909,442
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36. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Facilities available for lending (Continued)

LONG TERM FACILITIES	GROUP AND BANK		
LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Eurobond	750,000,000	750,000,000	-
Eurobond	700,000,000	700,000,000	-
Japan Bank for International Corporation (JBIC)	430,000,000	7,275,000	422,725,000
World Bank Facility	415,000,000	-	415,000,000
MIGA Guaranteed Syndicated	391,673,407	391,673,407	-
African Development Bank	330,000,000	330,000,000	-
The Exim -Import Bank of China	250,000,000	250,000,000	-
Agence Francaise De Development (AFD)	225,000,000	75,000,000	150,000,000
European Investment Bank (EIB)	208,120,000	88,120,000	120,000,000
KfW	160,000,000	160,000,000	-
KfW- Ipex	133,135,287	133,135,287	-
Industrial Development Corporation (IDC)	100,565,184	100,565,184	-
Exim Bank India	100,000,000	75,000,000	25,000,000
CDC Group	100,000,000	100,000,000	-
The Export-Import Bank of Korea (KEXIM)	100,000,000	-	100,000,000
Development Bank of South Africa (DBSA)	95,000,000	95,000,000	-
Development Bank of the Republic of Belarus (DBRB)	70,000,000	21,477,535	48,522,465
Cassa Depositi e Prestiti (CDP)	61,482,500	61,482,500	-
Private Export Funding Corporation(PEFCO)	60,000,000	60,000,000	-
Opec Fund for International Development (OFID)	60,000,000	60,000,000	-
Finnish Export Credit (FEC)-Sumitomo Mitsui Banking Corporation (SMBC)	56,811,725	53,932,708	2,879,017
Oldenburgische Landesbank AG	51,403,510	36,854,139	14,549,371
Standard Chartered Bank / USAID	50,000,000	25,703,000	24,297,000
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)	44,400,000	-	44,400,000
Oesterreichische Entwicklungsbank AG	25,000,000	25,000,000	-
Arab Bank for Economic Development in Africa(BADEA)	15,000,000	15,000,000	-
African Economic Research Consortium(AEREC)	2,993,975	2,993,975	-
Exim Bank USA	No limit	-	-
	4,985,585,588	3,618,212,735	1,367,372,853
TOTAL FACILITIES	8,548,153,210	6,071,870,915	2,476,282,295

Note:

Facilities utilised include outstanding letters of credit amounting to USD 279,740,762 (December 2019: USD 349,268,107) as disclosed in note 39(b).

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

(d) Facilities available for lending (Continued)

As at 31 December 2019 the following facilities were available to the Group for lending:

SHORT-TERM FACILITIES	GROUP AND BANK		
LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan - Global	460,000,000	460,000,000	-
Syndicated Loan- Middle East	451,471,994	451,471,994	-
Syndicated Loan - Asia (I)	400,000,000	400,000,000	-
Syndicated Loan - Asia (II)	237,000,000	237,000,000	-
AFREXIM	168,045,000	-	168,045,000
Standard Chartered Bank London	150,000,000	43,369,843	106,630,157
The Bank of Tokyo Mitsubishi UFJ, Ltd	150,000,000	150,000,000	-
Samurai Syndication	146,763,016	146,763,016	-
ING Bank	136,762,266	136,762,266	-
Citibank	120,000,000	106,642,507	13,357,493
Mashreq Bank	100,000,000	100,000,000	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	-	90,000,000
Mizuho Bank London	89,913,143	89,913,143	-
Commercial Bank of Africa	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Deutsche Bank	60,000,000	-	60,000,000
Standard Bank Isle of Man	56,015,000	56,015,000	
First Abu Dhabi Bank PJSC	50,000,000	50,000,000	
Sumitomo Mitsui Banking Corporation	50,000,000	50,000,000	-
Rand Merchant Bank	50,000,000	-	50,000,000
Nedbank	50,000,000	50,000,000	-
KfW IPEX	46,500,000	46,500,000	-
BHF Bank	33,609,000	8,422,990	25,186,010
Africa 50 Financement de Projets	31,446,755	31,446,755	-
Natixis	30,000,000	-	30,000,000
NORFUND	30,000,000	30,000,000	-
KBC Bank	28,007,500	-	28,007,500
Bank One	22,406,000	22,406,000	-
Barclays/Absa Bank	20,000,000	8,249,457	11,750,543
DZ Bank	15,158,226	-	15,158,226
Banque de Commerce de placement	9,686,500	-	9,686,500
African Trade Insurance Agency	5,923,399	5,923,399	-
TOTAL	3,628,707,799	2,680,886,370	947,821,429

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

(d) Facilities available for lending (Continued)

LONG TERM FACILITIES

LENDER	Facilities available USD	GROUP AND BANK Facilities utilised USD	Facilities unutilised USD
Eurobond	1,450,000,000	1,450,000,000	-
Japan Bank for International Corporation	430,000,000	7,275,000	422,725,000
African Development Bank	330,000,000	330,000,000	-
Export Import Bank of China	250,000,000	250,000,000	-
European Investment Bank	208,120,000	88,120,000	120,000,000
KfW	160,000,000	160,000,000	-
KfW- Ipex	133,135,287	133,135,287	-
Industrial Development Corporation	100,565,184	100,565,184	-
Exim Bank India	100,000,000	75,000,000	25,000,000
CDC Group	100,000,000	100,000,000	-
Development Bank of South Africa	95,000,000	95,000,000	-
Agence Francaise De Development	75,000,000	57,000,000	18,000,000
Development Bank of the Republic of Belarus	72,000,000	-	72,000,000
Private Export Funding Corporation	60,000,000	60,000,000	-
OPEC Fund for International Development	60,000,000	20,000,000	40,000,000
Finnish Export Credit -Sumitomo Mitsui Banking Corporation	56,811,725	28,679,449	28,132,276
Oldenburgische Landesbank AG	51,403,510	36,854,139	14,549,371
Standard Chartered Bank / USAID	50,000,000	25,703,000	24,297,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
Arab Bank for Economic Development in Africa	15,000,000	15,000,000	-
African Economic Research Consortium	2,993,975	2,993,975	-
Exim Bank USA	No limit	-	-
TOTAL	3,816,536,236	3,051,832,589	764,703,647
TOTAL FACILITIES: 31 December 2019	7,445,244,035	5,732,718,959	1,712,525,076

37. 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 Group's estimate of assumptions that a market participant would make when valuing the instruments.

Net derivative financial instruments

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

Financial instruments disclosed at fair value

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

Fair Value hierarchy

The Group 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.

	GROUP AND BANK			
At 31 December 2020:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Net derivative financial instruments	-	-	-	-
Investment in Trade Fund	-	52,327,417	-	52,327,417
Equity investments at fair value through other comprehensive income	-	-	53,987,118	53,987,118
Investment in joint venture	-	-	317,011	317,011
	-	52,327,316	54,304,129	106,631,546
LIABILITIES:				
Net derivative financial instruments	-	41,329,500	-	-
At 31 December 2019:				
ASSETS				
Net derivative financial instruments	-	40,049,341	-	40,049,341
Investment in Trade Fund	-	49,997,089	-	49,997,089
Equity investments at fair value through other comprehensive income	-	-	51,135,850	51,135,850
Investment in joint venture	-	-	317,010	317,010
	-	90,046,430	51,452,860	141,499,290

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between Level 1, 2 and Level 3:

As at 31 December 2020 and 31 December 2019, there were no transfers between the levels.

Valuation of financial Instruments recorded at fair value:

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

Valuations of financial instruments are the responsibility of Management.

The valuation of derivative financial instruments is performed daily in the Treasury Management System, while that of equity investments is performed on a semi-annual basis by consultants who are contracted by the Financial Management Department. The valuations are also subject to quality assurance procedures performed by the Group's internal and external auditors. In addition, the accuracy of the computation is tested. The latest valuation is also compared with the valuations in the preceding periods. If fair value changes (positive or negative) are more than certain thresholds set, the changes are further considered by senior management. Appropriateness of valuation methods and inputs is considered and management may request that alternative valuation methods are applied to support the valuation arising from the method chosen.
Net changes in fair value of financial assets and financial liabilities -Level 3

	GROUP AND BANK					
	As at 31 December 2020			As at 31 December 2019		
	Realised	Unrealised	Total (losses)	Realised	Unrealised	Total gains
	USD	USD	USD	USD	USD	USD
ASSETS						
Equity investments – at fair value through other comprehensive income	-	2,803,020	2,803,020	-	(465,000)	(465,000)
	=========	=========	==========	=========	========	========

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	GROUP AND BANK 2020 USD	2019 USD
Equity investments – at fair value through other comprehensive income	Equity method-% of net assets	Professional Investment Managers Valuation	n/a	53,987,118	51,135,850
			==========	=========	==========

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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:

			GROUP AND BANK	
			2020	2019
Description	Input	Sensitivity used	USD	USD
Equity investments – at fair value through other comprehensive income	Professional Investment Managers Valuation	5%	2,699,356	2,556,793
		==========	=========	=========

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

Level 3 reconciliation

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

	GROUP AND BANK	
	2020	2019
	USD	USD
At start of year	51,135,850	51,521,730
FV gains and losses	2,803,020	(465,000)
Additions	48,248	79,120
At end of year	53,987,118	51,135,850
	==========	==========

38. SEGMENT REPORTING

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

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

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Group's main business. The Group 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.

The Bank's main coverage areas are:
- East Africa - covering Kenya, Rwanda, Tanzania and Uganda.
- North-East Africa – covering Djibouti, Egypt, Ethiopia, South Sudan and Sudan.
- Southern Africa – covering Malawi, Swaziland, Zambia and Zimbabwe.
- Franco-Lusophone Africa – covering Comoros, Mauritius, Madagascar, Mozambique, Burundi, Seychelles and DR Congo.

Multi-regional area comprises conglomerates operating across various coverage regions while Corporate is made up of all service departments in the Bank.

38. SEGMENT REPORTING (Continued)

a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year 31 December 2020	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Subsidiary USD	Consolidated/ Bank Total USD
Interest income	127,000,079	105,420,632	69,779,086	11,662,563	45,577,117	359,439,477	75,844,452	-	435,283,929
Interest expense and other borrowing costs	(60,450,946)	(48,653,462)	(34,038,636)	(5,642,840)	(21,095,680)	(169,881,564)	(35,846,296)	-	(205,727,860)
Net interest income	66,549,133	56,767,170	35,740,450	6,019,723	24,481,437	189,557,913	39,998,156	-	229,556,069
Fee and commission income	11,110,996	5,322,663	21,640,577	5,649,453	8,043,677	51,767,366	-	-	51,767,366
Fair value gains on financial assets - derivatives	-	-	-	-	-	-	14,200,217	-	14,200,217
Net Trading Income	77,660,129	62,089,833	57,381,027	11,669,176	32,525,114	241,325,279	54,198,372	-	295,523,652
Risk Mitigation Costs	(15,661,808)	(5,548,313)	(9,045,576)	-	-	(30,255,697)	(5,830,016)	-	(36,085,713)
Other Income	4,490,627	-	866,144	-	-	5,356,771	684,501	770,882	6,812,154
Depreciation and amortisation	-	-	-	-	-	-	(2,299,779)	-	(2,299,779)
Operating expenditure	(915,832)	(660,234)	(745,965)	(702,042)	(3,495,126)	(6,519,199)	(35,596,213)	(46,592)	(42,162,004)
Impairment allowance on loans	(19,343,091)	(10,507,415)	(19,745,055)	(6,293,034)	(4,710,143)	(60,598,738)	-	-	(60,598,738)
Impairment on other assets	-	-	-	-	-	-	(363,754)	-	(363,754)
Net foreign exchange loss	-	-	-	-	-	-	(3,211,459)	-	(3,211,459)
Profit before taxation	46,230,025	45,373,871	28,710,575	4,674,100	24,319,845	149,308,416	7,581,653	724,290	157,614,359
Taxation charge	-	-	-	-	-	-	-	3,494	3,494
PROFIT FOR THE YEAR	46,230,025	45,373,871	28,710,575	4,674,100	24,319,845	149,308,416	7,581,653	727,784	157,617,853

38. SEGMENT REPORTING (Continued)

a) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2019	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Subsidiary USD	Consolidated/ Bank Total USD
Interest income	119,335,164	102,046,112	91,043,323	5,598,800	54,399,757	372,423,156	33,302,878	-	405,726,034
Interest expense and other borrowing costs	(66,718,523)	(57,169,921)	(50,708,654)	(3,175,994)	(30,261,273)	(208,034,365)	(18,602,880)	-	(226,637,245)
Net interest income	52,616,641	44,876,191	40,334,669	2,422,806	24,138,484	164,388,791	14,699,998	-	179,088,789
Fee and commission income	34,447,645	3,629,308	20,611,034	8,483,507	5,219,176	72,390,670	-	-	72,390,670
Fair value gains on financial assets - derivatives	-	-	-	-	-	-	16,006,006	-	16,006,006
Net Trading Income	87,064,286	48,505,499	60,945,703	10,906,313	29,357,660	236,779,461	30,706,004	-	267,485,465
Risk Mitigation Costs	(13,535,724)	(2,759,791)	(15,742,527)	-	-	(32,038,042)	(3,941,501)	-	(35,979,543)
Other Income	2,449,063	-	2,910,000	-	-	5,359,063	650,739	272,968	6,282,770
Depreciation and amortisation	-	-	-	-	-	-	(1,956,380)	-	(1,956,380)
Operating expenditure	(963,651)	(553,993)	(541,216)	(945,118)	(3,351,349)	(6,355,327)	(32,361,648)	(410,780)	(39,127,755)
Impairment allowance on loans	(13,009,762)	(23,734,106)	(4,066,891)	(312,386)	(362,477)	(41,485,622)	-	-	(41,485,622)
Impairment on other assets	-	-	-	-	-	-	(3,755)	-	(3,755)
Net foreign exchange loss	-	-	-	-	-	-	(3,682,116)	(5)	(3,682,121)
PROFIT BEFORE TAXATION	62,004,212	21,457,609	43,505,069	9,648,809	25,643,834	162,259,533	(10,588,657)	(137,817)	151,533,059
Taxation	-	-	-	-	-	-	-	(3,494)	(3,494)
PROFIT FOR THE YEAR	62,004,212	21,457,609	43,505,069	9,648,809	25,643,834	162,259,533	(10,588,657)	(141,311)	151,529,565

38. SEGMENT REPORTING (Continued)

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

Year ended 31 December 2020	Trade finance USD	Project finance USD	Other USD	Subsidiary USD	Total USD
Gross interest income	189,196,103	170,243,373	75,844,453	-	435,283,929
Interest expense and other borrowing costs	(6,800,636)	(120,827,274)	(78,099,950)	-	(205,727,860)
Net interest income	182,395,467	49,416,099	(2,255,497)	-	229,556,069
Fee and commission income	35,117,126	16,650,240	-	-	51,767,366
Fair value gains on financial assets – derivatives	14,200,217	-	-	-	14,200,217
Risk mitigation costs	(26,348,285)	(6,634,744)	(3,102,684)	-	(36,085,713)
Other income	-	-	684,501	770,882	1,455,383
Other assets written-off	(294,921)	(68,832)	-	-	(363,753)
Other assets recovered	-	5,356,771	-	-	5,356,771
Operating expenses	(34,665,539)	(7,449,873)	-	(46,592)	(42,162,004)
Depreciation and amortisation	(1,928,297)	(371,482)	-	-	(2,299,779)
Impairment on assets	(40,639,517)	(17,948,206)	(29,525)	-	(58,617,248)
Impairment on off-balance sheet commitments	(1,981,491)	-	-	-	(1,981,491)
Net foreign exchange loss	(2,024,439)	-	(1,187,020)	-	(3,211,459)
Profit before taxation	123,830,321	38,949,973	(5,890,225)	724,290	157,614,359
Taxation charge	-	-	-	3,494	3,494
Profit for the year	123,830,321	38,949,973	(5,890,225)	727,784	157,617,853

Year ended 31 December 2019	Trade finance USD	Project finance USD	Other USD	Subsidiary USD	Total USD
Gross interest income	209,703,194	162,719,962	33,302,878	-	405,726,034
Interest expense and other borrowing costs	(85,902,669)	(107,030,332)	(33,704,244)	-	(226,637,245)
Net interest income	123,800,525	55,689,630	(401,366)	-	179,088,789
Fee and commission income	36,968,485	35,422,185	-	-	72,390,670
Fair value gains on financial assets – derivatives	-	-	16,006,006	-	16,006,006
Risk mitigation costs	(19,705,323)	(12,102,304)	(4,171,916)	-	(35,979,543)
Other income	-	-	650,739	272,968	923,707
Other assets written-off	(3,755)	-	-	-	(3,755)
Other assets recovered	-	5,359,063	-	-	5,359,063
Operating expenses	(18,571,804)	(20,145,171)	-	(410,780)	(39,127,755)
Depreciation and amortisation	(908,477)	(1,018,846)	(29,057)	-	(1,956,380)
Impairment on assets	(24,408,620)	(10,298,449)	(5,416,406)	-	(40,123,475)
Impairment on off-balance sheet commitments	(1,362,147)	-	-	-	(1,362,147)
Net foreign exchange loss	(3,682,116)	-	-	(5)	(3,682,121)
Profit before taxation	92,126,768	52,906,108	6,638,000	(137,817)	151,533,059
Taxation charge	-	-	-	(3,494)	(3,494)
Profit for the year	92,126,768	52,906,108	6,638,000	(141,311)	151,529,565

38. SEGMENT REPORTING (Continued)

b) REVENUE FROM MAJOR GROUPS

	GROUP AND BANK 2020 USD	2019 USD
Groups contributing 10% or more of revenue	179,686,861	196,183,199
All other customers	307,364,434	281,933,505
Total Revenue	487,051,295	478,116,704

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2020	GROUP AND BANK Trade finance USD	Project finance USD	Other USD	Subsidiary USD	Total USD
Assets					
Cash and balances held with other banks	29,369,779	-	1,509,788,666	765,772	1,539,924,217
Investment in Government securities	120,928,084	-	-	-	120,928,084
Investment in Trade Fund	52,327,317	-	-	100	52,327,417
Other receivables	-	-	136,817,962	73,608	136,891,570
Trade finance loans	3,084,634,815	-	-	-	3,084,634,815
Project loans	-	2,224,776,722	-	-	2,224,776,722
Equity investments at fair value other comprehensive income	-	53,987,118	-	-	53,987,118
Investment in Joint Ventures	-	317,010	-	-	317,010
Property and equipment	-	-	29,331,571	-	29,331,571
Right of use asset	-	-	3,348,569	-	3,348,569
Intangible assets	-	-	1,998,699	-	1,998,699
Total assets	3,287,259,995	2,279,080,850	1,681,285,467	839,480	7,248,465,792
Liabilities:					
Short term borrowings	2,407,476,876	-	-	-	2,407,476,876
Long term borrowings		3,051,524,280	-	-	3,051,524,280
Derivative financial instruments	41,329,500	-	-	-	41,329,500
Collection account deposits	93,275,106	-	-	-	93,275,106
Lease Liability	-	-	1,087,250	-	1,087,250
Provision for service and leave pay	-	-	9,957,779	-	9,957,779
Other payables	-	-	86,003,099	13,781	86,016,880
Total liabilities	2,542,081,482	3,051,524,280	97,048,128	13,781	5,690,667,671
Equity	-	-	1,557,362,096	-	1,557,433,080
Non-controlling interest	-	-	-	436,025	436,025
Total equity	-	-	1,557,362,096	436,025	1,557,798,121
Total Liabilities and equity	2,542,081,482	3,051,524,280	1,654,410,224	449,806	7,248,465,792

38. SEGMENT REPORTING (Continued)

c) STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2019			GROUP AND BANK		
	Trade finance USD	Project finance USD	Other USD	Subsidiary USD	Total USD
Assets					
Cash and balances held with other banks	34,091,881	-	1,348,018,700	292,983	1,382,403,564
Investment in Government securities	44,897,636	-	-	-	44,897,636
Investment in Trade Fund	49,996,989		-	100	49,997,089
Derivative financial instruments	40,049,341	-	-	-	40,049,341
Other receivables	-	-	120,416,110	107,328	120,523,438
Trade finance loans	2,865,166,921	-	-	-	2,865,166,921
Project loans	-	2,106,337,583	-	-	2,106,337,583
Equity investments at fair value other comprehensive income	-	51,135,850	-	-	51,135,850
Investment in Joint Ventures	-	317,010	-	-	317,010
Property and equipment	-	-	24,683,063	-	24,683,063
Right of use asset	-	-	3,912,012	-	3,912,012
Intangible assets	-	-	1,998,002	-	1,998,002
Total assets	3,034,202,768	2,157,790,443	1,499,027,887	400,411	6,691,421,509
Liabilities:					
Short term borrowings	2,465,247,997	-	-	-	2,465,247,997
Long term borrowings	-	2,591,528,898	-	-	2,591,528,898
Collection account deposits	95,822,611	-	-	-	95,822,611
Lease Liability		-	1,520,467	-	1,520,467
Provision for service and leave pay	-	-	8,551,510	-	8,551,510
Other payables	-	-	138,604,970	127,817	138,732,787
Current tax payable	-	-	-	3,494	3,494
Total liabilities	2,561,070,608	2,591,528,898	148,676,947	131,311	5,301,407,764
Equity	-	-	1,389,814,629	112,375	1,389,927,004
Non-controlling interest	-	-	-	86,741	86,741
Total equity	-	-	1,389,814,629	199,116	1,390,013,745
Total liabilities and equity	2,561,070,608	2,591,528,898	1,538,491,576	330,427	6,691,421,509

39. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP AND BANK	
	2020	2019
(a) Approved capital expenditure	USD	USD
Approved but not contracted	20,374,471	22,883,600
Approved and contracted	983,312	508,418
(b) Loans committed but not disbursed		
Project finance loans	251,982,800	490,097,321
Trade finance loans	248,476,824	184,214,397
	500,459,624	674,311,718

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

	GROUP AND BANK	
	2020	2019
	USD	USD
Letters of credit – Project finance loans	2,283,939	2,286,780
- Trade finance loans	277,456,823	346,981,327
	279,740,762	349,268,107
Guarantees	39,258,744	69,186,744
	318,999,506	418,454,851

(c) Pending litigation

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

As at 31 December 2020, there were no material legal proceedings involving the Group (December 2019 – NIL). No provision has been made as, in the opinion of the Directors and the Group's lawyers, it is unlikely that any significant loss will crystallise.

40. RELATED PARTY TRANSACTIONS

(a) Membership and governance

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

40. RELATED PARTY TRANSACTIONS (Continued)

(a) Membership and governance (continued)

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

(b) Loans to member states	GROUP AND BANK 2020 USD	2019 USD
Outstanding loans at start of year	2,397,403,823	1,802,387,616
Loans disbursed during the year	303,859,892	1,012,848,585
Loans repaid during the year	(171,517,284)	(417,832,378)
Outstanding loan balances at end of year	2,529,746,431	2,397,403,823

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 Group has not made any specific provision for doubtful debts relating to amounts owed by related parties (2019: Nil). General provisions have been raised as applicable.

(c) Borrowings from members	GROUP AND BANK 2020 USD	2019 USD
Outstanding borrowings at start of year	207,499,999	158,746,264
Borrowings received during the year	5,014,284	69,807,613
Borrowings repaid during the year	(23,764,284)	(21,053,878)
Outstanding balances at end of year	188,749,999	207,499,999

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 Group for any borrowings from members. The borrowings are for an average period of ten years.

(d) Income and expenses	GROUP AND BANK 2020 USD	2019 USD
• Interest income from loans to Member States earned during the year	228,237,210	180,127,858
• Interest expense on borrowings from Member States incurred during the year	(9,067,346)	(9,367,901)
• Fees and commission earned from Member States during the year	14,794,113	20,406,465

40. RELATED PARTY TRANSACTIONS (Continued)

(e) Other related parties

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

	GROUP AND BANK	
	2020 USD	2019 USD
Salaries and other short-term benefits	4,508,747	4,340,442
Post-employment benefits: Defined contribution: Provident Fund	250,496	266,610
Board of Directors and Board of Governors allowances	113,730	359,819
Other long-term employee benefits	620,371	671,857
	5,493,344	5,638,728

(f) Share capital

During the year, Class 'B' shares with a value of USD 4,161,680 (December 2019: USD 1,176,054) were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund while Class 'B' shares with a value of USD 4,338,483 (December 2019: NIL) matured and were retired.

41. 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:

	2020	2019
British Pound	0.7351	0.7623
Euro	0.8132	0.8926
United Arab Emirates Dirham	3.6726	3.6729
South Africa Rand	14.6928	14.1017
Zambian Kwacha	21.1186	13.9600
Ethiopian Birr	39.3369	31.9500
Mauritian Rupee	39.5010	36.4408
Sudanese Pound	55.2750	47.6100
Zimbabwe Dollar	81.7861	16.7394
Japanese Yen	103.1371	108.8050
Kenya Shilling	109.1800	101.3950
Malawi Kwacha	772.1772	732.7564
Burundi Franc	1,923.0000	1,866.0000
Tanzania Shilling	2,319.0000	2,281.6000
Uganda Shilling	3,647.7950	3,662.2500

42. IMPACT OF COVID-19

From the beginning of the year 2020, the global economy has been adversely affected by the outbreak of the novel coronavirus of 2019 ("COVID-19"), which was declared a pandemic by the World Health Organisation. The COVID-19 pandemic resulted in a global economic downturn that had an adverse impact on governments, with suppressed fiscal revenues, increases in health expenditure and reduced international trade negatively affecting government revenues and GDP. Consequently, unemployment as well as adjustments in fiscal and monetary policies to respond to the crisis impacted the regional economies.

The Group has implemented support measures to Customers impacted by Covid-19 through repayment deferral arrangements that were deemed continuation of customers' existing loans and were therefore accounted for as non-substantial loan modifications. The Credit model inputs and assumptions including forward looking macro-economic assumptions were in response to the Covid-19 Pandemic with the fundamental credit model mechanics and methodology underpinning the Group's calculation of ECL remaining consistent with prior periods.

Overall sovereign creditworthiness remains unaffected in the interim, but resilience may wane as economic growth rates decline, and revenue targets remain unmet. The Bank's gross portfolio exposure to Sovereigns including public enterprises at USD 3.5 billion constitute 61% of the portfolio (December 2019: USD 3.60 billion - 67%,). The affected sectors in 2020 are transport(aviation), hospitality, agribusiness, and manufacturing. This was due to logistical delays, travel bans and government lockdowns, adversely impacting supply and demand. Modified loans in the affected sectors total USD156.60 million, constituting 2.70% of gross exposure as at 31st December 2020. From a credit perspective, the Bank continues to identify sectors and clients that have been affected, and this has resulted in modification of certain loan assets. The impact arising from these modifications is disclosed in Note 43(a).

The Bank continues to conduct periodic stress tests on its loan assets to assess requisite levels of preparedness, magnitude, and potential negative impact to continue monitoring the risks and the on-going impacts from COVID-19 on its clients. As the pandemic evolves, there is an expectation of repayment delays and/or requests to extend loan repayments due to adverse impacts on borrower cash-flows.
It is anticipated that the COVID-19 pandemic may still impact the Bank's profitability for the year ending 31 December 2021 in respect of interest income, risk mitigation costs, operating expenses and modification losses arising from IFRS 9 requirements.

The extent of the impact of COVID-19 on the Group's business and financial results will depend largely on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.

Significant judgement and estimates impacted by COVID-19

(a) Impairment provisions on advances

Incorporating forward-looking information

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its expected credit loss (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

42. IMPACT OF COVID-19 (Continued)

Significant judgement and estimates impacted by COVID-19 (continued)

(a) Impairment provisions on advances (continued)

Incorporating forward-looking information

Significant increase in credit risk

The Group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID-19 on the customer base is being undertaken, which is in line with the group's existing policy documented in the group credit impairment framework.

(b) COVID-19 debt relief measures provided to customers

Due to the COVID-19 pandemic and its resultant impact on different economies, a liquidity crisis was experienced by a large number of customers across the Group as disclosed in note 43(b). In order to assist customers, the Group provided various relief measures to customers. In the trade finance and project finance segments, these included the following:

- restructure of existing exposures with no change in the present value of the estimated future cash flows; and
- restructure of existing exposures with a change in the present value of the estimated future cash flows.

In order to determine the appropriate accounting treatment of the restructure of existing facilities and related additional disclosures required, the principles set out in accounting policy note 43(b) were applied.

(c) Fair value measurement

The valuation techniques for fair value measurement of financial instruments have been assessed by the Management to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments.

When assessing the fair value measurement of financial instruments for this period, Management took into consideration inputs that are reflective of market participant input as opposed to Group-specific inputs.

43. FINANCIAL RISK MANAGEMENT

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

(a) INTRODUCTION

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement monitoring and reporting, subject to risk limits and other governance controls. This process of risk management is critical to the Group's sustainability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group 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 Group's risk appetite statement and risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive Risk Appetite Statement and risk management framework for measuring, monitoring, controlling and mitigation of the Group's risks. The policies are integrated in the overall management information systems of the Group and supplemented by a management reporting structure.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) INTRODUCTION (Continued)

Risk management structure (Continued)

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, 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 Group's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Group. 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 Group'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 Group also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on prudential limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group'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 Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

(b) CREDIT RISK

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

Credit Risk Appetite

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

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

All limits were within approved risk appetite thresholds as at 31 December 2020.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Risk Management Policies and Processes

The Group 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 credit cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes. There is segregation of duties in the various decision-making processes distinct from the deal teams to enhance the independence of due diligence.

Client-Specific Risk

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

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

Country risk

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

Notes 47 and 48 of the Financial Statements contain further country exposure analysis.

Credit-related commitment risks

The Group makes guarantees available to its customers that may require that the Group makes payments on their behalf. The group also enters into commitments to extend credit lines to secure the customers' liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group 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 Group to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 35(b).

Credit quality

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2020				31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Project finance loans:								
Pass/Acceptable	1,871,236,148	-	-	1,871,236,148	1,927,357,463	-	-	1,927,357,463
Special mention	-	353,207,345	-	353,207,345	-	171,275,360	-	171,275,360
Substandard, Doubtful & Loss	-	-	67,820,124	67,820,124	-	-	48,362,733	48,362,733
	1,871,236,148	353,207,345	67,820,124	2,292,263,617	1,927,357,463	171,275,360	48,362,733	2,146,995,556
Loss Allowance	(2,697,363)	(31,725,588)	(33,063,944)	(67,486,895)	(4,611,448)	(8,649,252)	(27,397,273)	(40,657,973)
Carrying Amount	1,868,538,785	321,481,757	34,756,180	2,224,776,722	1,922,746,015	162,626,108	20,965,460	2,106,337,583
Trade finance loans:								
Pass/ acceptable	2,899,754,462	-	-	2,899,754,462	2,711,660,871	-	-	2,711,660,871
Special mention	-	192,006,952	-	192,006,952	-	153,870,032	-	153,870,032
Substandard, Doubtful & Loss	-	-	89,735,648	89,735,648	-	-	70,115,393	70,115,393
	2,899,754,462	192,006,952	89,735,648	3,181,497,062	2,711,660,871	153,870,032	70,115,393	2,935,646,296
Loss Allowance	(18,082,726)	(6,862,240)	(71,917,281)	(96,862,247)	(1,387,516)	(4,860,111)	(64,231,748)	(70,479,375)
Carrying Amount	2,881,671,736	185,144,712	17,818,367	3,084,634,815	2,710,273,355	149,009,921	5,883,645	2,865,166,921

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2020				31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Undisbursed commitments:								
Pass/ Acceptable	480,882,880	-	-	480,882,880	607,732,507	-	-	607,732,507
Special mention	21,274,601	-	-	21,274,601	-	-	-	-
	502,097,481	-	-	502,097,481	607,732,507	-	-	607,732,507
Loss Allowance	(1,936,873)	-	-	(1,936,873)	(864,399)	-	-	(864,399)
Carrying Amount	500,160,608	-	-	500,160,608	606,868,108	-	-	606,868,108
Letters of Credit:								
Pass/acceptable	51,288,857	-	-	51,288,857	158,138,671	-	-	19,121,521
	51,288,857	-	-	51,288,857	158,138,671	-	-	158,138,671
Loss Allowance	(44,617)	-	-	(44,617)	(149,839)	-	-	(149,839)
Carrying Amount	51,247,240	-	-	51,247,240	157,988,832	-	-	157,988,832
Total off-balance sheet items								
Pass/ Acceptable	532,171,737	-	-	532,171,737	765,871,178	-	-	765,871,178
Special mention	21,274,601	-	-	21,274,601	-	-	-	-
	553,386,338	-	-	553,386,338	765,871,178	-	-	765,871,178
Loss Allowance	(1,981,490)	-	-	(1,981,490)	(1,014,238)	-	-	(1,014,238)
Carrying Amount	551,404,848	-	-	551,404,848	764,856,940	-	-	764,856,940

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	GROUP AND BANK			
	2020 USD	%	2019 USD	%
On – statement of financial position Items				
Cash and Balances held with other banks	1,539,924,217	21	1,382,403,564	20
Investment in Government securities	120,928,084	2	44,897,636	1
Investment in Trade Fund	52,327,417	1	49,997,089	1
Other receivables	100,041,405	1	71,725,697	1
Derivative financial instruments	-		40,049,341	1
Loans and advances	5,473,760,679	75	5,082,641,852	76
-Project loans	2,292,263,617		2,146,995,556	
-Trade finance loans	3,181,497,062		2,935,646,296	
Sub Total	7,286,981,802	100	6,671,715,179	100
Off – statement of financial position Items				
Letters of Credit	279,740,762	34	349,268,107	32
Loan commitments not disbursed	500,459,624	61	674,311,718	62
Guarantees and Performance bonds	39,258,744	5	69,186,744	6
Sub Total	819,459,130	100	1,092,766,569	100
Total Credit Exposure	8,106,440,931		7,764,481,748	

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 77.63% in 2020 (December 2019 – 79.54%) of the total maximum credit exposure.

Other than cash and bank balances amounting to USD 1,539,924,217 (December 2019 - USD 1,382,403,564) Investment in government securities of USD 120,928,084 (December 2019 - USD 44,897,636) and investment in the trade fund of USD 52,327,417 (December 2019 - USD 49,997,089), 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 2020, the fair value of collateral held for impaired loans and advances was USD 165,930,368 (December 2019 – USD 102,156,645) and the gross impaired loans exposure was USD 157,555,772(December 2019-USD 118,478,127).

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral Held

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

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

Collateral held for loan portfolio

		GROUP AND BANK	
		2020 USD	2019 USD
(i)	Total portfolio:		
	Mortgages on properties	406,496,444	349,615,291
	Fixed charge on plant and equipment	561,480,756	420,609,012
	Cash security deposits	982,877,837	936,482,697
	Sovereign undertakings	68,675,652	141,549,070
	Insurance and Guarantees	2,564,069,192	2,494,249,874
	Other floating all asset debenture	905,229,843	601,852,034
	Total security cover	5,488,829,724	4,944,357,978
	Gross portfolio	(5,473,760,679)	(5,082,641,852)
	Net cover	15,069,045	(138,283,874)
(ii)	Loans not impaired:		
	Mortgages on properties	317,924,250	284,512,453
	Fixed charge on plant and equipment	536,910,970	416,039,226
	Cash security deposits	982,307,661	935,889,800
	Sovereign undertakings	67,175,652	141,549,070
	Insurance and Guarantees	2,513,581,778	2,462,358,750
	Other floating all asset debenture	904,999,044	601,852,034
	Total security cover	5,322,899,355	4,842,201,333
	Gross portfolio	(5,316,204,907)	(4,964,163,725)
	Net cover	6,694,448	(121,962,392)

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio (Continued)

(iii) Impaired loans:	GROUP AND BANK 2020 USD	2019 USD
Mortgages on properties	88,572,194	65,102,838
Fixed charge on plant and equipment	24,569,786	4,569,786
Insurance and Guarantees	570,176	31,891,124
Cash security deposits	1,500,000	592,897
Sovereign undertakings	50,487,414	-
Other	230,798	
Total security cover	165,930,368	102,156,645
Gross portfolio	(157,555,772)	(118,478,127)
Net cover	8,374,596	(16,321,482)

Inputs, assumptions, and techniques used for estimating impairment

Significant Increase in Credit Risk

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

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

- Quantitative factors;
- Qualitative indicators;
- Project finance and Trade Finance loans rated LCC 3 and 4; and
- A backstop of 30 days past due

Credit Risk Classification

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

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

Trade Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.11%
Low risk Moderate risk	6.46%
High risk Substandard	100%

Project Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.37%
Low risk Moderate risk	19.61%
High risk Substandard Bad & Doubtful Loss	100%

Determining Whether Credit Risk Has Increased Significantly

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

Currently, the Group will deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being rated as LCC 3 and LCC 4 or being in arrears for a period of 31 to 89 days for corporates and up to 179 days for sovereigns.

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Definition of Default

The Group will consider a financial asset to be credit impaired when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower has a risk classification of LCC 5,6 and 7; or
- the borrower is:
  - more than 90 days past due on any material credit obligation to the Group for corporate borrowers
  - more than 180 days past due on any material credit obligation to the group for sovereign borrowers, and as approved by the Board of Directors.

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status, material deterioration of PD and cash flow coverage since origination, and non-payment of another obligation of the same issuer to the Group; and
- based on empirical data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking Information

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

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

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

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured and Modified Loans

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

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

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

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

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

Restructured

Originates from a distress situation, increased credit risk affecting cashflows generation. Main features of restructure include, extension of tenor by 12 months or longer, unchanged interest rate for most of the facilities, moratorium of capital for 12 months or longer.

Modified

Specified modified Loans are loans that were performing satisfactorily as at 31st March 2020 (pre-Covid-19). Modifications relate to roll-overs and maturity extension not exceeding six months in the normal course of business- without necessarily changing the underlying facility structure and material terms and conditions of the facility. Main features of modifications include, rollovers of maturing obligations for 3 to 6 months in normal course of business; unchanged pricing, for long term loans- moratorium of 3 to 6 months of capital or in some cases both capital and interest; loan reprofiling through extension of tenor of 3 to 6 months or in some cases no extension of tenor and financial covenant waivers as appropriate on a case by case basis

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured and Modified Loans – continued

Due to Covid-19 disruptions, Borrowers were pro-active to approach the Bank to negotiate reprofiling of payments in order to avert default and to manage their cashflows and address liquidity constraints. Payment delays due to temporary systemic factors affecting all borrowers are not considered as a reason for automatic classification in default, forborne or unlikeliness to pay; unlikeliness to pay has been considered on a case-by-case. Modifications are generally done to address short term cash-flow challenges where the fundamentals of the project remain sound.

The following tables refer to restructured and modified financial assets where the restructuring or modification does not result in de-recognition.

	GROUP AND BANK			
	2020			2019
	Restructured USD	Covid-19 Modified USD	Total USD	Restructured USD
Gross carrying amount before restructuring	36,525,112	216,055,980	252,581,092	78,998,101
Loss allowance before restructuring	(1,104,339)	(874,338)	(1,978,677)	-
Net amortised cost before restructuring	35,420,773	215,181,642	250,602,415	78,998,101
Net restructuring gain/(loss)	1,416,502	5,652,870	7,069,372	(159,793)
Net amortised cost after restructuring	36,837,275	220,834,512	257,671,787	78,838,308
Analysis of Gross Amounts by Sector:				
Manufacturing	7,489,651	60,440,161	67,929,812	71,965,590
Agribusiness	-	88,507,215	88,507,215	-
Hospitality	3,288,129	5,718,683	9,006,812	-
Banking and Financial Services	-	2,507,028	2,507,028	-
Transport	5,822,453	-	5,822,453	-
Construction	15,661,080	-	15,661,080	-
Oil & gas	4,575,962	-	4,575,962	-
Other	-	63,661,425	63,661,425	7,032,511
	36,837,275	220,834,512	257,671,787	78,998,101
Analysis of Gross Amounts by Product:				
Project Finance loans	16,600,234	138,898,077	155,498,311	71,965,590
Trade Finance loans	20,237,041	81,936,435	102,173,476	7,032,511
	36,837,275	220,834,512	257,671,787	78,998,101

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured and modified loans - continued

Impact of the Covid-19 modifications on the ECL:

Balance on Modification USD	PV of modified cashflows USD	Modification gain USD	impairment at 31 December 2020 USD	Impairment at 31 December 2019 USD
211,162,326	220,834,512	9,672,186	14,414,360	2,476,080

The Bank has continued to accrue interest on these facilities.

As at reporting date, there were no substantial modifications that resulted in derecognition and recognition of new financial assets.

If the loans that have been restructured due to the impact of COVID were reclassified to Stage 3 loans, there would be no impact on the impairment charge because the value of collateral on the loans is higher than the loan exposures by USD 102.95 million.

Inputs into Measurement of ECLs

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

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

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect the rating of the support provider and the nature of support as applicable as well forward-looking information as described above.

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs into Measurement of ECLs - continued

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

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

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

- Product type; and
- Industry.

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

ECL Sensitivity Analysis

If the loans categorised as stage 2 were to increase by 5% as of December 2020, the ECL would increase by 5.05%.

If all loans that have been renegotiated were deemed to have suffered a significant increase in credit risk and were moved from stage 1 to stage 2 the ECL would increase by 0.29%.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment.

As at 31 December 2020:

	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Project Finance loans;				
Balance at 1 January	4,611,444	8,649,253	27,397,276	40,657,973
Transfer to 12 months ECL	2,070,496	(2,070,496)	-	-
Transfer to Lifetime ECL not credit impaired	(314,096)	314,096	-	-
Transfer to Lifetime ECL credit impaired	(242)	(600,377)	600,618	-
Net re-measurement of Loss allowance	(3,753,243)	25,433,112	11,257,399	32,937,268
Net financial assets originated	85,918	-	-	85,918
Financial assets derecognized*	(2,914)	-	(6,191,350)	(6,194,264)
Balance at 31 December	2,697,363	31,725,588	33,063,944	67,486,895
Trade Finance loans:				
Balance at 1 January	1,387,518	4,860,111	64,231,746	70,479,375
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(16,334)	16,334	-	-
Transfer to Lifetime ECL credit impaired	(15,665)	-	15,665	-
Net of financial assets originated	16,545,375	1,000,316	7,669,870	25,215,561
Net remeasurement of loss allowance	183,181	1,160,799	-	1,343,980
Financial assets derecognised	(1,349)	(175,320)	-	(176,669)
Balance	18,082,726	6,862,240	71,917,281	96,862,247
Undisbursed commitments – Trade Finance:				
Balance at 1 January	864,399	-	-	864,399
Transfer to Lifetime ECL not credit impaired	(53,653)	53,653	-	-
Net remeasurement of Loss allowance	(434,498)	1,276,417	-	841,919
Net financial assets originated	331,274	-	-	331,274
Financial assets derecognised	(100,719)	-	-	(100,719)
Balance at 31 December	606,803	1,330,070	-	1,936,873
Letters of credit – Trade Finance:				
Balance at 1 January	149,839	-	-	149,839
Net remeasurement of Loss allowance	(2,095)	-	-	(2,095)
Net financial assets originated	36,310	-	-	36,310
Financial assets derecognised	(139,437)	-	-	(139,437)
Balance at 31 December	44,617	-	-	44,617
Total Trade Finance - at 31 December 2020	18,734,146	8,192,310	71,917,281	98,843,737

*Project finance loans that have been derecognised as a result of write-off amount to USD 11.36 million whereas the ECL on the same amounts to USD 6.19 million. The total contractual amount outstanding on financial assets that were written off during the year and are still subject to enforcement activity is USD 11.36 million.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

As at 31 December 2019:

Project Finance loans;	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	1,584,648	4,627,035	24,147,841	30,359,524
Transfer to 12 months ECL	29,438	(29,438)	-	-
Transfer to Lifetime ECL not credit impaired	(24,014)	24,014	-	-
Transfer to Lifetime ECL credit impaired	-	(1,588,089)	1,588,089	-
Net re-measurement of Loss allowance	614,980	5,739,727	1,661,343	8,016,050
Net financial assets originated	2,415,388	-	-	2,415,388
Financial assets derecognised	(8,992)	(123,997)	-	(132,989)
Balance at 31 December	4,611,448	8,649,252	27,397,273	40,657,973

Trade Finance loans:	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	2,470,575	1,015,357	76,467,029	79,952,961
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(106,130)	106,130	-	-
Transfer to Lifetime ECL credit impaired	-	(85,884)	85,884	-
Net of financial assets originated	449,772	-	-	449,772
Net remeasurement of loss allowance	(1,415,783)	3,824,508	22,923,190	25,331,915
Financial assets derecognized*	(10,918)	-	(35,244,355)	(35,255,273)
Balance at 31 December	1,387,516	4,860,111	64,231,748	70,479,375

Undisbursed commitments:	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	1,517,384	27,252	-	1,544,636
Net remeasurement of Loss allowance	157,340	-	-	157,340
Net financial assets originated	345,194	-	-	345,194
Financial assets derecognised	(1,155,519)	(27,252)		(1,182,771)
Balance at 31 December	864,399	-		864,399

Letters of credit:	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	62,613	-	-	62,613
Net remeasurement of Loss allowance	(59,410)	-	-	(59,410)
Net financial assets originated	146,636	-	-	146,636
Financial assets derecognized	-	-	-	-
Balance at 31 December	149,839	-	-	149,839

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance - continued

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

Gross Loans and advances

The following tables show reconciliations from the opening to the closing balance of the gross loans by Segment.

	As at 31 December 2020				31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	Tota USI
Project finance loans;								
Balance at 1 January	1,927,357,463	171,275,360	48,362,733	2,146,995,556	1,254,771,124	180,999,353	24,147,841	1,459,918,31
Transfer to 12 months ECL	31,933,404	(31,933,404)	-	-	2,868,676	(2,868,676)	-	
Transfer to Lifetime ECL not credit impaired	(213,975,257)	213,975,257	-	-	(36,445,833)	36,445,833	-	
Transfer to Lifetime ECL credit impaired	(643,676)	(21,367,414)	22,011,090	-	-	(33,878,560)	33,878,560	
Net remeasurement of loss allowance	(153,140,664)	21,257,546	1,545,859	(130,337,259)	144,268,617	(2,272,590)	(9,663,668)	132,332,35
New financial assets originated	286,964,826	-	-	286,964,826	572,470,055	-	-	572,470,05
Financial assets derecognised*	(7,259,948)	-	(4,099,558)	(11,359,506)	(10,575,176)	(7,150,000)	-	(17,725,17
Balance at year end	1,871,236,148	353,207,345	67,820,124	2,292,263,617	1,927,357,463	171,275,360	48,362,733	2,146,995,55
Trade finance loans:								
Balance at 1 January	2,711,660,871	153,870,032	70,115,393	2,935,646,296	2,527,025,580	211,163,777	75,208,489	2,813,397,84
Transfer to 12 months ECL	(23,696,096)	23,696,096	-		-	-	-	
Transfer to Lifetime ECL not credit impaired	(15,912,468)	-	15,912,468	-	(145,976,186)	145,976,186	-	
Transfer to Lifetime ECL credit impaired	137,508,514)	19,437,595	3,707,787	160,653,896	-	(29,529,122)	29,529,122	
Net remeasurement of loss allowance	91,500,07	-	-	91,500,097	289,126,191	(173,740,809)	(636,405)	114,748,97
Net financial assets originated	(1,596,298)	(4,706,928)	-	(6,303,227)	75,496,336	-	-	75,496,33
Financial assets derecognised	-	-	-	-	(34,011,050)	-	(33,985,813)	(67,996,86
Balance at year end	2,899,464,620	192,296,794	89,735,648	3,181,497,062	2,711,660,871	153,870,032	70,115,393	2,935,646,29

*Project finance loans that have been derecognised as a result of write-off amount to USD 11.36 million whereas the ECL on the same amounts to USD 6.19 million. The total contractual amount outstanding on financial assets that were written off during the year and are still subject to enforcement activity is USD 11.36 million.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance - continued

	As at 31 December 2020				31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Undisbursed commitments:								
Balance at 1 January	607,732,507	-	-	607,732,507	566,479,040	2,457,056	-	568,936,096
Transfer to Lifetime ECL not credit impaired	(22,238,934)	22,238,934	-	-	-	-	-	-
Net financial assets originated or purchased	219,015,740	-	-	219,015,740	198,209,021	-	-	198,209,021
Net remeasurement of loss allowance	(239,883,753)	(964,333)	-	(240,848,086)	259,414,754	-	-	259,414,754
Financial assets derecognised	(83,802,410)	-	-	(83,802,410)	(416,370,306)	(2,457,056)	-	(418,827,362)
Balance at year end	480,823,150	21,274,601	-	502,097,751	607,732,509	-	-	607,732,509
Letters of Credit								
Balance at 1 January	158,138,671	-	-	158,138,671	19,121,521	-	-	19,121,521
Net financial assets originated or purchased	39,258,744	-	-	39,258,744	153,654,028	-	-	153,654,028
Net remeasurement of loss allowance	10,051,493	-	-	10,051,493	(14,636,878)	-	-	(14,636,878)
Financial assets derecognized	(156,160,051)	-	-	(156,160,051)	-	-	-	-
Balance at year end	51,288,857	-	-	51,288,857	158,138,671	-	-	158,138,671

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2020

	Gross Exposure								
	On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Other mitigations USD	Net Exposure USD	%
Agri- Business	1,039,514,697	19	186,827,928	23	(56,917,187)	(495,815,175)	(75,301,730)	598,308,533	18
Banking and Financial Services	563,884,220	10	246,496,727	30	(1,194,200)	(164,584,005)	(49,785,303)	594,817,440	18
Construction	16,723,249	0	-	-	-	-	-	16,723,249	1
Energy	255,441,663	5	57,618,201	7	(8,243)	(6,249,864)	-	306,801,757	9
Health Services	19,696,499	0	13,064,655	2	-	-	-	32,761,155	1
Hospitality	41,185,547	1	10,749,731	1	-	-	-	51,935,278	2
ICT	186,756,199	3	-	-	(40,303,986)	-	-	146,452,213	4
Infrastructure	1,299,281,154	24	161,491,943	20	-	(525,000,000)	(200,000,000)	735,773,097	22
Manufacturing and Heavy Industries	205,769,658	4	5,000,000	1	-	-	-	210,769,658	6
Oil & Gas	1,586,717,040	29	8,209,946	1	(924,604,236)	(347,676,675)	-	322,646,075	10
Other	6,858,208	0	99,999,999	12	(16,161,816)	-	-	90,696,391	3
Real Estate	14,281,411	0	-	-	-	-	-	14,281,411	0
Transport	208,122,014	4	30,000,000	4	-	(72,531,499)	(774,318)	164,816,197	5
Wholesale Commodities	29,529,120	1	-	-	-	-	-	29,529,120	1
	5,473,760,679	100	819,459,130	100	(1,039,189,668)	(1,611,857,218)	(325,861,351)	3,316,311,574	100

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2019

	Gross Exposure								
	On-statement Of financial Position USD	%	Off-statement of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Other mitigations USD	Net Exposure USD	%
Agri- Business	1,169,535,433	23	159,975,844	15	(93,233,460)	(471,499,850)	(72,399,560)	692,378,407	22
Banking and Financial Services	252,620,207	5	407,788,468	37	(3,249,878)	(149,703,601)	-	507,455,196	16
Construction	15,912,468	-	-	-	-	-	-	15,912,468	1
Education	585,293	-	-	-	-	-	-	585,293	0
Energy	227,641,858	4	98,889,990	9	(607,837)	(13,320,937)	-	312,603,074	10
Health Services	19,598,954	-	15,563,915	1	-	-	-	35,162,869	1
Hospitality	37,458,389	1	14,288,001	1	-	-	-	51,746,390	2
ICT	189,283,341	4	4,678,805	-	-	-	-	193,962,146	6
Infrastructure	1,163,859,598	23	55,591,053	5	-	(525,000,000)	(200,000,000)	494,450,651	16
Manufacturing and Heavy Industries	207,112,021	4	19,168,218	2	-	-	-	226,280,239	7
Oil & Gas	1,435,411,818	28	216,822,276	20	(747,351,883)	(496,091,494)	(151,675,409)	257,115,308	8
Other	19,502,584	-	100,000,000	10	-	-	-	119,502,584	4
Real Estate	27,920,827	1	-	-	-	-	-	27,920,827	1
Transport	281,963,011	6	-	-	-	(82,894,502)	(46,697,214)	152,371,295	5
Wholesale Commodities	34,236,050	1	-	-	-	-	-	34,236,050	1
	5,082,641,852	100	1,092,766,570	100	(844,443,058)	(1,738,510,384)	(470,772,183)	3,121,682,797	100

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2020

	Gross Exposure								
	On-statement of Financial Position USD	%	Off-statement of Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Other Mitigants USD	Net Exposure USD	%
Burundi	13,601,870	0	-	-	(570,176)	-	-	13,031,694	0
Comoros	15,447,540	0	13,064,655	2	-	-	-	28,512,196	1
Congo DRC	65,921,096	1	5,000,000	1	-	-	-	70,921,096	2
Djibouti	9,678,662	0	-	-	-	-	-	9,678,662	0
Egypt	79,663,684	1	-	-	-	-	-	79,663,684	2
Eswatini	6,421,664	0	18,586,851	2	-	-	-	25,008,515	1
Ethiopia	383,985,167	7	233,529,843	29	(149)	(150,000,000)	(50,327,574)	417,187,286	13
Kenya	678,901,765	12	99,999,999	12	(16,161,816)	(350,000,000)	(100,000,000)	312,739,948	9
Madagascar	10,498,098	0	7,078,256	1	-	-	-	17,576,355	1
Malawi	357,101,847	7	155,663,710	19	(27,546,076)	(250,500,000)	(75,301,730)	159,417,751	5
Mauritius	155,805,562	3	-	-	(40,303,986)	-	-	115,501,576	3
Mozambique	101,115,539	2	41,367,266	5	-	-	-	142,482,805	4
Rwanda	637,244,307	12	3,631,499	0	(280,000,001)	(72,531,499)	(232,047)	288,112,259	9
Seychelles	52,686,913	1	749,731	0	-	-	-	53,436,644	2
Sudan	662,188,381	12	-	-	(152,894,320)	(245,315,175)	-	263,978,886	8
Tanzania	601,378,046	11	119,121,247	15	(8,243)	(175,000,000)	(100,000,000)	445,491,051	13
Uganda	358,214,439	7	63,130,079	8	-	-	-	421,344,519	13
Zambia	686,122,079	13	22,789,421	3	(1,523,572)	(347,676,675)	-	359,711,252	11
Zimbabwe	597,784,020	11	35,746,573	4	(520,181,329)	(20,833,869)	-	92,515,395	3
	5,473,760,679	100	819,459,130	100	(1,039,189,668)	(1,611,857,218)	(325,861,351)	3,316,311,574	100

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2019

	Gross Exposure								
	On-statement of Financial Position USD	%	Off-statement of Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Other Mitigants USD	Net Exposure USD	%
Burundi	13,633,604	-	-	-	(592,897)	-	-	13,040,707	1
Comoros	12,769,196	-	15,563,915	1	-	-	-	28,333,111	1
Congo DRC	8,939,758	-	-	-	-	-	-	8,939,758	1
Djibouti	44,251,088	1	-	-	-	-	-	44,251,088	1
Egypt	29,529,122	1	-	-	-	-	-	29,529,122	1
Eswatini	7,029,752	-	18,000,000	2	-	-	-	25,029,752	1
Ethiopia	290,170,778	6	329,094,816	30	(149)	(100,000,000)	-	519,265,445	17
Kenya	760,886,817	15	104,678,805	10		(350,000,000)	(100,000,000)	415,565,622	13
Malawi	488,200,928	10	141,975,844	13	(59,172,497)	(248,000,000)	(72,399,560)	250,604,715	8
Mauritius	133,818,935	3	-	-	-	-	-	133,818,935	4
Mozambique	34,360,071	1	245,549,618	22	-	-	(151,675,409)	128,234,280	4
Rwanda	446,646,316	9	2,522,267	1	(150,000,000)	(82,894,502)	(46,697,214)	169,576,867	5
Seychelles	55,934,659	1	4,288,001	1	(743)	-	-	60,221,917	2
Sudan	658,953,698	13	-	-	(180,031,669)	(223,499,850)	-	255,422,179	8
Tanzania	683,182,864	13	22,025,508	2	(603,127)	(175,000,000)	(100,000,000)	429,605,245	14
Uganda	160,337,315	3	81,905,926	7	-	-	-	242,243,241	8
Zambia	703,969,604	14	57,961,870	5	(4,041,976)	(496,091,494)	-	261,798,004	8
Zimbabwe	550,027,347	11	69,200,000	6	(450,000,000)	(63,024,538)	-	106,202,809	3
	5,082,641,852	100	1,092,766,570	100	(844,443,058)	(1,738,510,384)	(470,772,183)	3,121,682,797	100

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from financial liabilities. The Group'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 Group 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 Group 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 Group 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 Group's reputation.

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2020:	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	1,056,710,876	-	-	5,387,630	477,825,711	-	1,539,924,217
Investment in Government securities	-	-	-	-	120,928,084	-	120,928,084
Investment in Trade Fund	-	-	-	-	52,327,417	-	52,327,417
Other receivables	86,920,238	422,085	627,218	1,185,093	7,888,659	2,998,112	100,041,405
Trade finance loans	43,074,939	50,141,061	309,773,493	557,081,520	2,485,086,386	27,803,773	3,472,961,172
Project loans	94,034,241	77,010,741	105,165,554	270,698,883	1,726,875,559	546,576,138	2,820,361,116
Equity investment at fair value through OCI	-	-	-	-	53,987,118	-	53,987,118
Investment in joint venture	-	-	-	-	317,010	-	317,010
Total assets	1,280,740,294	127,573,887	415,566,265	834,353,126	4,925,235,944	577,378,023	8,160,847,539
LIABILITIES							
Short term borrowings	10,846,242	45,919,030	232,030,405	415,393,927	1,703,287,272	-	2,407,476,876
Long term borrowings	38,097,710	38,329,519	29,535,753	315,480,149	1,942,786,358	687,294,791	3,051,524,280
Derivative financial instruments	-	-	41,329,500	-	-	-	41,329,500
Collection Account	93,275,106	-	-	-	-	-	93,275,106
Other payables	46,464,725	-	-	-	39,500,533	-	85,965,258
Total liabilities	188,683,783	84,248,549	302,895,658	730,874,076	3,685,574,163	687,294,791	5,679,571,020
Net liquidity gap	1,092,056,511	43,325,338	112,670,607	103,479,050	1,239,661,781	(109,916,768)	2,481,276,519
Cumulative gap	1,092,056,511	1,135,381,849	1,248,052,456	1,351,531,506	2,591,193,287	2,481,276,519	2,481,276,519

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

At 31 December 2019:	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	973,598,469	33,449,454	-	5,364,894	369,990,747	-	1,382,403,564
Investment in Government securities	4,263,801	-	-	-	40,633,835	-	44,897,636
Investment in Trade Fund	49,997,089	-	-	-	-	-	49,997,089
Other receivables	71,092,371	103,093	136,482	200,563	193,188	-	71,725,697
Derivative financial instruments	40,049,341	-	-	-	-	-	40,049,341
Trade finance loans	313,547,881	37,401,126	231,846,650	544,676,772	2,020,752,353	-	3,148,224,782
Project loans	116,107,025	7,965,986	69,409,431	202,923,858	1,666,955,997	770,119,963	2,833,482,260
Equity investment at fair value through OCI	-	-	-	-	51,135,850	-	51,135,850
Investment in joint venture	-	-	-	-	317,010	-	317,010
Total assets	1,568,655,977	78,919,659	301,392,563	753,166,087	4,149,978,980	770,119,963	7,622,233,229
LIABILITIES							
Short term borrowings	52,431,358	49,339,555	89,628,413	840,367,715	775,360,110	658,121,846	2,465,248,997
Long term borrowings	12,431,829	19,283,010	48,560,850	125,601,782	2,138,000,425	247,651,002	2,591,528,898
Collection Account	95,822,611	-	-	-	-	-	95,822,611
Other payables	128,421,795	260,343	390,514	781,028	4,421,508	4,405,977	138,681,165
Total liabilities	289,107,593	68,882,908	138,579,777	966,750,525	2,917,782,043	910,178,825	5,291,281,671
Net liquidity gap	1,279,548,384	10,036,751	162,812,786	(213,584,438)	1,232,196,937	(140,058,862)	2,330,951,558
Cumulative gap	1,279,548,384	1,289,585,135	1,452,397,921	1,238,813,483	2,471,010,420	2,330,951,558	2,330,951,558

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

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

	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 December 2020:							
Guarantees	-	-	-	39,258,744	-	-	39,258,744
Letters of credit	55,521,717	171,490,035	20,477,977	14,853,391	17,397,642	-	279,740,762
Loan commitments	50,045,962	100,091,925	150,137,887	200,183,850	-	-	500,459,624
Total	105,567,679	271,581,960	170,615,864	254,295,985	17,397,642	-	819,459,130
At 31 December 2019:							
Guarantees	-	69,186,744	-	-	-	-	69,186,744
Letters of credit	192,198,760	137,276,216	8,208,014	11,585,117	-	-	349,268,107
Loan commitments	67,431,172	134,862,344	202,293,515	269,724,687	-	-	674,311,718
Total	259,629,932	341,325,304	210,501,529	281,309,804	-	-	1,092,766,569

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Group'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 Group 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 Group 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 Group's past relationships.

(d) MARKET RISK

The objective of the Group'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 Group 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 Group'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.

43. FINANCIAL RISK MANAGEMENT

(d) MARKET RISK (Continued)

(i) Interest rate risk continued (Continued)

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

At 31 December 2020:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	1,027,341,097	-	5,387,630	-	477,825,711	29,369,779	1,539,924,217
Investment in Government securities	-	-	-	-	120,928,084	-	120,928,084
Investment in Trade Fund	-	-	-	-	-	52,327,417	52,327,417
Other receivables	-	-	-	-	13,335,555	86,705,850	100,041,405
Trade finance loans	4,576,960	1,486,979,558	-	-	1,593,078,297	-	3,084,634,815
Project finance loans	16,936,067	1,849,807,659	-	-	357,695,629	337,367	2,224,776,722
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	53,987,118	53,987,118
Investment in Joint Venture	-	-	-	-	-	317,010	317,010
Total financial assets	1,048,854,124	3,336,787,217	5,387,630	-	2,562,863,276	223,044,541	7,176,936,788
FINANCIAL LIABILITIES							
Short term borrowings	308,963,383	2,095,201,182	248,119	-	3,064,192	-	2,407,476,876
Long term borrowings	295,842,692	856,539,210	25,000,000	-	1,874,142,378	-	3,051,524,280
Derivative financial instruments	-	-	-	-	-	41,329,500	41,329,500
Collection Accounts	-	-	-	-	-	93,275,106	93,275,106
Other payables	-	-	-	-	-	85,965,258	85,965,258
Total financial liabilities	604,806,075	2,951,740,392	25,248,119	-	1,877,206,570	220,569,864	5,679,571,020
Net interest rate exposure	444,048,049	385,046,825	(19,860,489)	-	685,656,706	2,474,677	1,497,365,768
Cumulative interest rate exposure	444,048,049	829,094,874	809,234,385	809,234,385	1,494,891,091	1,497,365,768	1,497,365,768

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

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

At 31 December 2019:	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	939,500,285	33,449,454	5,364,894	-	369,990,747	34,098,184	1,382,403,564
Investment in Government securities	-	-	-	-	44,897,636	-	44,897,636
Investment in Trade Fund	-	-	-	-	-	49,997,089	49,9967,089
Other receivables	-	-	-	-	690,005	71,035,692	71,725,697
Derivative financial instruments	-	-	-	-	-	40,049,341	40,049,341
Trade finance loans	3,758,885	1,191,501,334	-	-	1,669,034,053	872,649	2,865,166,921
Project finance loans	14,327,581	1,902,020,209	-	-	183,584,929	6,404,864	2,106,337,583
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,135,850	51,135,850
Investment in Joint Venture	-	-	-	-	-	317,010	317,010
Total financial assets	957,586,751	3,126,970,997	5,364,894	-	2,268,197,370	253,910,679	6,612,030,691
FINANCIAL LIABILITIES							
Short term borrowings	510,827,029	1,460,111,114	237,246,880	-	257,062,974	-	2,465,247,997
Long term borrowings	435,961,050	601,351,708	100,239,343	-	1,453,976,797	-	2,591,528,898
Collection Accounts	-	-	-	-	-	95,822,611	95,822,611
Other payables	-	-	-	-	10,389,542	128,163,806	138,681,165
Total financial liabilities	946,788,079	2,061,462,822	337,486,223	-	1,721,429,313	224,114,234	5,291,280,671
Net interest rate exposure	10,798,672	1,065,508,175	(332,121,329)	-	546,768,057	29,796,445	1,320,750,020
Cumulative interest rate exposure	10,798,672	1,076,306,847	744,185,518	744,185,518	1,290,953,575	1,320,750,020	1,320,750,020

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Group monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the period 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 period end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2020 were outstanding at those levels for the whole period,
- 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 Group's net profit for the period ended 31 December 2020 of USD 157,617,853 (December 2019: USD 151,529,565) would increase or decrease by USD 7,984,686(December 2019 - USD 7,887,902) as follows:

Effect on the Group's Net Profit:

The profit for the year ended 31 December 2020 would increase to USD 165,602,539 (December 2019: USD 159,417,467) or decrease to USD 149,633,167 (December 2019: USD 143,641,663).

The potential change is 5.1 % (December 2019 – 5.2%) of the year's profit.

(ii) Currency risk

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

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

The Group's currency position as at 31 December 2020 was as follows:

FINANCIAL ASSETS	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	ZMW	JPY	OTHER	TOTAL
Cash and balances with other banks	1,463,849,508	9,587	2,028,034	77,597	29,369,779	5,387,835	18,613,822	3,198,035	5,811,688	10,732,930	6,515	838,887	1,539,924,217
Investment in Government securities	-	-	-	-	-	-	-	-	-	120,928,084	-	-	120,928,084
Investment in Trade Fund	52,327,417	-	-	-	-	-	-	-	-	-	-	-	52,327,417
Other receivables	15,041,405	-	85,000,000	-	-	-	-	-	-	-	-	-	100,041,405
Trade finance loans	1,665,344,517	-	1,419,290,298	-	-	-	-	-	-	-	-	-	3,084,634,815
Project finance loans	1,919,366,648	-	305,410,074	-	-	-	-	-	-	-	-	-	2,224,776,722
Equity Investments at fair value through other comprehensive income	53,987,118	-		-	-	-	-	-	-	-	-	-	53,987,118
Investment in joint Venture	317,010	-		-	-	-	-	-	-	-	-	-	317,010
Total financial assets	5,170,233,623	9,587	1,811,728,406	77,597	29,369,779	5,387,835	18,613,822	3,198,035	5,811,688	131,661,014	6,515	838,887	7,176,936,788
FINANCIAL LIABILITIES													
Short term borrowings	2,169,665,499	-	199,030,761	-	-	-	-	-	-	-	38,780,616	-	2,407,476,876
Long term borrowings	2,578,306,842	-	473,217,438	-	-	-	-	-	-	-	-	-	3,051,524,280
Derivative Financial Investment	(1,081,340,950)	-	1,122,670,450	-	-	-	-	-	-	-		-	41,329,500
Collection account	59,430,123	-	-	-	28,827,039	-	-	3,159,925	8,379	1,280,655	-	568,985	93,275,106
Other payables	85,931,863	-	-	29,451	-	-	-	-	-	-	-	3,944	85,965,258
Total financial liabilities	3,811,993,377	-	1,794,918,649	29,451	28,827,039	-	-	3,159,925	8,379	1,280,655	38,780,616	572,929	5,679,571,020
NET POSITION	1,358,240,246	9,587	16,809,757	48,146	542,740	5,387,835	18,613,822	38,110	5,803,309	130,380,359	(38,774,101)	265,958	1,497,365,768

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Group's currency position as at 31 December 2019 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	JPY	OTHER	TOTAL
FINANCIAL ASSETS												
Cash and balances with other banks	1,122,785,220	16,750	129,319,511	1,491,533	34,098,184	5,369,665	18,449,578	59,262,988	6,282,296	33,945	5,293,894	1,382,403,564
Investment in Government securities	44,897,636	-	-	-	-	-	-	-	-	-	-	44,897,636
Investment in Trade Fund	49,997,089	-	-	-	-	-	-	-	-	-	-	49,997,089
Other receivables	1,725,697	-	70,000,000	-	-	-	-	-	-	-	-	71,725,697
Derivative Financial Investment	1,372,422,131		(1,332,372,790)	-	-	-	-	-	-	-	-	40,049,341
Trade finance loans	1,747,553,603	-	1,117,613,318	-	-	-	-	-	-	-	-	2,865,166,921
Project finance loans	2,028,601,470	-	74,943,416	-	-	-	-	-	2,792,697	-	-	2,106,337,583
Equity Investments at fair value through other comprehensive income	51,135,850	-	-	-	-	-	-	-	-	-	-	51,135,850
Investment in joint Venture	317,010	-	-	-	-	-	-	-	-	-	-	317,010
Total financial assets	6,419,435,706	16,750	59,503,455	1,491,533	34,098,184	5,369,665	18,449,578	59,262,988	9,074,993	33,945	5,293,894	6,612,030,691
FINANCIAL LIABILITIES												
Short term borrowings	2,169,460,294	-	259,024,687	-	-	-	-	-	-	36,763,016	-	2,465,247,997
Long term borrowings	2,589,564,016	-	-	-	-	-	-	-	1,964,882	-	-	2,591,528,898
Collection account	25,384	-	-	-	33,468,065	-	-	59,172,497	588,187	-	2,568,478	95,822,611
Other payables	138,534,056	-	-	131,356	-	-	-	-	-	-	15,753	138,681,165
Total financial liabilities	4,897,583,750	-	259,024,687	131,356	33,468,065	-	-	59,172,497	2,553,069	36,763,016	2,584,231	5,291,280,671
NET POSITION	1,521,851,956	16,750	(199,521,232)	1,360,177	630,119	5,369,665	18,449,578	90,491	6,521,924	(36,729,071)	2,709,663	1,320,750,020

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Group is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudan Pounds, and Uganda Shilling. The Group has operations in and lends to customers in Zimbabwe, but the transactions are made in USD. The following analysis details the Group's sensitivity to a 10% incre and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used wl reporting foreign currency risk internally and represents management's assessment of the reasona possible change in foreign exchange rates. The sensitivity analysis includes cash and term depos securities, loans and borrowings in currencies other than United States Dollars. A positive number be indicates a decrease in profit and reserves when the USD strengthens by 10% against the other curren in which the Group has a net asset position. For a 10% weakening of the USD against the relev currencies, there would be an equal opposite impact on the net profit.

	GBP	EURO	KES	TSH	AED	SDG	UGX	JPY
December 2020	1,051	3,653,717	2,357	250	506,935	982	(6,238)	(183,869)
December 2019	2,058	(19,601,775)	(270)	286	502,316	1,324	8,820	(87,560)

44. CAPITAL MANAGEMENT

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

44. CAPITAL MANAGEMENT (Continued)

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

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

	GROUP		BANK	
	2020 USD	2019 USD	2020 USD	2019 USD
RISK WEIGHTED ASSETS				
On-Statement of financial position assets	4,279,000,679	3,748,096,745	4,278,161,199	3,747,696,334
Off- Statement of financial position assets	76,255,912	100,013,828	76,255,912	100,013,828
Total risk weighted assets	4,355,256,591	3,848,110,573	4,354,417,111	3,847,710,162
CAPITAL				
Paid up capital	534,933,840	499,107,472	534,933,840	499,107,472
Retained earnings and reserves	1,022,428,256	890,819,532	1,022,108,565	890,707,157
Total capital	1,557,362,096	1,389,927,004	1,557,042,405	1,389,814,629
CAPITAL ADEQUACY RATIO	35.8%	36.1%	35.8%	36.1%

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

45. 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. As described on Note 42, the extent of the impact of COVID-19 on the Group's business and financial results will depend largely on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.

46. FINANCIAL INSTRUMENTS CATEGORIES

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

As at 31 December 2020:	Amortised Cost USD	At fair value through profit or loss* USD	At fair value through other comprehensive income USD	Other USD	Total carrying amount USD
Financial assets					
Cash and balances held with banks	1,539,924,217	-	-	-	1,539,924,217
Investment in Government securities	120,928,084	-	-	-	120,928,084
Investment in Trade Fund	-	-	52,327,417	-	52,327,417
Other receivables	100,041,405	-	-	-	100,041,405
Trade finance loans	3,084,634,815	-	-	-	3,084,634,815
Project finance loans	2,224,776,722	-	-	-	2,224,776,722
Equity investments at fair value through other comprehensive income	-	-	53,987,118	-	53,987,118
Investment in joint ventures	-	-	-	317,010	317,010
Total financial assets	7,070,305,243	-	106,314,535	317,010	7,176,936,788
Financial liabilities					
Collection account deposits	93,275,106	-	-	-	93,275,106
Derivative financial instruments	-	41,329,500	-	-	41,329,500
Short term borrowings	2,407,476,876	-	-	-	2,407,476,876
Long term borrowings	3,051,524,280	-	-	-	3,051,524,280
Other payables	85,965,258	-	-	-	85,965,258
Total financial liabilities	5,638,241,520	41,329,500	-	-	5,679,571,020

*Financial assets in this category are all mandatorily measured at fair value through profit or loss in accordance with IFRS 9 because they are either held for trading, managed on a fair value basis, held to sell, or are held to collect contractual cash flows which are not solely payments of principal and interest.

There are no assets pledged as security for liabilities.

46. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

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

As at 31 December 2019:	Amortised Cost USD	At fair value through profit or loss* USD	At fair value through other comprehensive income USD	Other USD	Total carrying amount USD
Financial assets					
Cash and balances held with banks	1,382,403,564	-	-	-	1,382,403,564
Investment in Government securities	44,897,636	-	-	-	44,897,636
Investment in Trade Fund	-	-	49,997,089	-	49,997,089
Other receivables	71,725,697	-	-	-	71,725,697
Trade finance loans	2,865,166,921	-	-	-	2,865,166,921
Project finance loans	2,106,337,583	-	-	-	2,106,337,583
Equity investments at fair value through other comprehensive income	-	-	51,135,850	-	51,135,850
Investment in joint ventures	-	-	-	317,010	317,010
Derivative financial instruments	-	40,049,341	-	-	40,049,341
Total financial assets	6,470,531,401	40,049,341	101,132,939	317,010	6,612,030,691
Financial liabilities					
Collection account deposits	95,822,611	-	-	-	95,822,611
Short term borrowings	2,465,247,997	-	-	-	2,465,247,997
Long term borrowings	2,591,528,898	-	-	-	2,591,528,898
Other payables	138,681,165	-	-	-	138,681,165
Total financial liabilities	5,291,280,671	-	-	-	5,291,280,671

*Financial assets in this category are all mandatorily measured at fair value through profit or loss in accordance with IFRS 9 because they are either held for trading, managed on a fair value basis, held to sell, or are held to collect contractual cash flows which are not solely payments of principal and interest.

There are no assets pledged as security for liabilities.

47. TRADE FINANCE LOAN PORTFOLIO

Country	As at 31 December 2020			As at 31 December 2019		
	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	15,001,067	3,092,081	11,908,986	669,476	336,141	333,335
Djibouti	6,481,943	5,767,776	714,167	5,888,470	3,745,968	2,142,502
Egypt	79,663,684	134,562	79,529,122	29,529,122	29,529,122	-
Ethiopia	6,421,664	6,421,664	-	163,602,340	163,602,340	-
Eswatini	256,470,157	48,078,755	208,391,402	7,029,752	7,029,752	-
Kenya	19,650,693	13,276,193	6,374,500	43,994,735	36,709,434	7,285,301
Madagascar	8,838,299	8,838,299	-	-	-	-
Malawi	357,101,847	149,234,816	207,867,031	488,200,928	383,602,428	104,598,500
Mauritius	21,381,344	12,551,953	8,829,391	4,995,515	4,995,515	-
Mozambique	24,507,937	18,756	24,489,181	-	-	-
Rwanda	349,668,051	2,822,207	346,845,844	2,369,700	2,369,700	-
Seychelles	-	-	-	196,697,214	165,197,214	31,500,000
Sudan	619,290,298	-	619,290,298	619,002,822	201,880,534	417,122,288
Tanzania	138,865,413	52,698,634	86,166,779	155,836,721	151,797,109	4,039,612
Uganda	40,582,783	27,491,762	13,091,021	48,917,843	45,372,215	3,545,628
Zambia	675,063,776	208,620,773	466,443,003	692,267,632	358,105,878	334,161,754
Zimbabwe	562,508,106	11,330,359	551,177,747	476,644,026	19,630,440	457,013,586
Gross Loans	3,181,497,062	550,378,590	2,631,118,472	2,935,646,296	1,573,903,790	1,361,742,506
Less: Impairment on trade finance loans (Note 18)	(96,862,247)	-	(96,862,247)	(70,479,375)	-	(70,479,375)
NET LOANS	3,084,634,815	550,378,590	2,534,256,225	2,865,166,921	1,573,903,790	1,291,263,131

48. PROJECT LOAN PORTFOLIO

Country	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	As at 31 December 2020 Balance Outstanding USD	As at 31 December 2020 Due within One year USD	As at 31 December 2020 Due after One year USD	As at 31 December 2019 Balance Outstanding USD	As at 31 December 2019 Due within One year USD	As at 31 December 2019 Due after One year USD
Burundi	26,176,875	1,192,186	(14,664,725)	897,534	13,601,870	8,442,014	5,159,856	13,633,604	6,242,983	7,390,621
Comoros	15,347,845	-	-	99,696	15,447,541	2,571,363	12,876,178	12,769,196	11,343,852	1,425,344
Congo DRC	49,037,675	-	-	1,882,354	50,920,029	5,100,960	45,819,069	43,581,612	38,306,667	5,274,945
Djibouti	2,835,000	-	-	361,719	3,196,719	905,280	2,291,439	3,051,288	1,594,688	1,456,600
Eritrea	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	162,536,048	18,670,182	(58,399,814)	4,708,593	127,515,009	15,562,725	111,952,284	126,568,438	103,788,562	22,779,876
Kenya	1,468,608,364	1,532,900	(830,811,138)	19,920,942	659,251,068	105,684,111	553,566,957	716,892,082	635,415,710	81,476,372
Madagascar	1,389,373	-	-	270,427	1,659,800	21,369	1,638,431			
Malawi	60,793,337	2,920	(60,796,257)	-	-	-	-	-	-	-
Mauritius	146,509,945	-	(12,766,112)	680,385	134,424,218	2,106,748	132,317,470	128,823,420	8,567,221	120,256,199
Mozambique	76,377,484	-	-	230,118	76,607,602	133,190	76,474,412	31,990,370	31,874,418	115,953
Rwanda	447,303,857	3,612,691	(166,266,082)	2,925,792	287,576,258	52,850,120	234,726,138	249,949,102	205,992,905	43,956,197
Seychelles	94,155,554	-	(42,245,021)	776,380	52,686,913	9,619,627	43,067,286	55,934,659	52,690,941	3,243,718
Sudan	45,106,624	17,056,064	(25,392,904)	6,128,298	42,898,082	42,898,082	-	39,950,876	36,769,785	3,181,091
Tanzania	717,452,885	682,910	(256,718,084)	1,094,924	462,512,635	92,318,724	370,193,911	527,346,143	464,852,730	62,493,414
Uganda	454,977,702	6,103,522	(153,566,388)	10,097,217	317,612,053	35,749,504	281,862,549	111,419,472	86,757,998	24,661,474
Zambia	131,225,914	25,086,069	(145,253,659)	-	11,058,324	-	11,058,324	11,701,973		11,701,973
Zimbabwe	324,925,790	709,656	(290,546,597)	206,647	35,295,496	24,898,860	10,396,636	73,383,321	38,224,796	35,158,523
Gross loans	4,225,163,924	74,649,100	(2,057,830,433)	50,281,026	2,292,263,617	398,862,677	1,893,400,940	2,146,995,556	1,722,423,256	424,572,300
Less: Impairment on project loans (note 18)					(67,486,895)	-	(67,486,895)	(40,657,973)	-	(40,657,973)
NET LOANS					2,224,776,722	398,862,677	1,825,914,045	2,106,337,583	1,722,423,256	383,914,327

49. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2020:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2020 USD	Instalments paid as at 31.12.2020 USD
Belarus	1,267	1.42	28,719,089	22,975,271	5,743,818	5,743,818	5,743,818
Burundi	1,756	1.97	39,803,252	31,842,602	7,960,650	7,960,650	7,960,650
China	4,891	5.48	110,864,297	88,691,438	22,172,859	22,172,859	22,172,859
Comoros	185	0.21	4,193,395	3,354,716	838,679	838,679	838,679
Djibouti	407	0.46	9,225,469	7,380,375	1,845,094	1,845,094	1,845,094
Congo DRC	5,943	6.65	134,709,981	107,767,985	26,941,996	26,941,996	26,941,997
Egypt	7,629	8.54	172,926,543	138,341,234	34,585,309	34,585,309	34,585,308
Eritrea	240	0.27	5,440,080	4,352,064	1,088,016	1,088,016	906,637
eSwatini	454	0.51	10,290,818	8,232,654	2,058,164	2,058,164	1,657,411
Ethiopia	8,734	9.78	197,973,578	158,378,862	39,594,716	36,594,511	36,594,511
Kenya	7,422	8.31	168,234,474	134,587,579	33,646,895	33,646,895	33,646,895
Madagascar	1,883	2.11	42,681,961	34,145,569	8,536,392	8,536,392	8,536,392
Malawi	3,577	4.00	81,079,859	64,863,887	16,215,972	16,215,972	16,215,972
Mauritius	2,314	2.59	52,451,438	41,961,150	10,490,288	10,490,288	10,490,288
Mozambique	447	0.50	10,132,149	8,105,719	2,026,430	1,224,925	1,224,925
Rwanda	2,333	2.61	52,882,111	42,305,689	10,576,422	10,576,422	10,576,422
Seychelles	4,338	4.86	98,329,446	78,663,557	19,665,889	13,665,481	13,665,481
Somalia	385	0.43	8,726,795	6,981,436	1,745,359	1,745,359	1,745,359
South Sudan	318	0.36	7,208,106	5,766,486	1,441,620	1,441,621	1,201,294
Sudan	5,277	5.91	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	7,157	8.01	162,227,719	129,782,175	32,445,544	32,445,544	32,445,544
Uganda	5,560	6.22	126,028,520	100,822,816	25,205,704	25,205,704	25,200,531
Zambia	6,154	6.89	139,492,718	111,594,174	27,898,544	27,898,544	27,898,544
Zimbabwe	6,337	7.09	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	4,321	4.84	97,944,107	78,355,286	19,588,821	19,588,821	19,588,821
	89,329	100	2,024,820,443	1,619,856,354	404,964,089	395,161,972	394,334,340

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

Class 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31 December 2020:							
African Development Bank	5,844	18.84	26,493,309	26,493,309	26,493,309	19,822,784	46,316,093
African Economic Research Consortium	175	0.56	793,349	793,349	793,349	1,212,676	2,006,025
Africa Reinsurance Corporation	805	2.60	3,649,403	3,649,403	3,649,403	2,014,651	5,664,054
Arab Bank for Economic Development in Africa	1,017	3.28	4,610,489	4,610,489	4,610,489	6,074,932	10,685,421
Banco Nacional de Investmento	917	2.96	4,157,146	4,157,146	4,157,146	1,699,496	5,856,642
Caisse Nationale de Sécurité Sociale (CNSS) Djibouti	410	1.32	1,858,702	1,858,702	1,858,702	3,148,628	5,007,330
Investment Fund for Developing Countries	3,383	10.91	15,336,561	15,336,561	15,336,561	24,470,626	39,807,187
Mauritian Eagle Insurance Company Limited	278	0.90	1,260,291	1,260,291	1,260,291	454,413	1,714,704
National Pension Fund–Mauritius	1,941	6.26	8,799,369	8,799,369	8,799,369	4,133,719	12,933,088
National Social Security Fund Uganda	3,231	10.42	14,647,481	14,647,481	14,647,481	14,316,766	28,964,247
OPEC Fund for International Development	2,122	6.84	9,619,918	9,619,918	9,619,918	11,184,114	20,804,032
People's Republic of China	3,674	11.85	16,655,786	16,655,786	16,655,786	6,837,440	23,493,226
Rwanda Social Security Board	3,602	11.61	16,329,380	16,329,380	16,329,380	11,644,490	27,973,870
Sacos Group Limited	130	0.42	589,346	589,346	589,346	519,669	1,109,015
Seychelles Pension Fund	1,062	3.42	4,814,492	4,814,492	4,814,492	2,584,331	7,398,823
TDB Directors and Select Stakeholders Provident Fund	93	0.30	421,608	421,608	421,608	(17,073)	404,535
TDB Staff Provident Fund	1,496	4.82	6,781,997	6,781,997	6,781,997	(1,720,936)	5,061,061
ZEP-RE (PTA Reinsurance Company)	834	2.69	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	31,014	100	140,599,500	140,599,500	140,599,500	109,603,853	250,203,353

Class 'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Group'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.

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

As at 31 December 2019:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2019 USD	Instalments paid as at 31.12.2019 USD
Belarus	1,232	1.44	27,925,744	22,340,595	5,585,149	5,585,149	5,585,149
Burundi	1,646	1.92	37,309,882	29,847,906	7,461,976	7,461,976	7,461,976
China	4,555	5.32	103,248,185	82,598,548	20,649,637	20,649,637	20,649,637
Comoros	178	0.21	4,034,726	3,227,781	806,945	806,945	806,945
Djibouti	390	0.46	8,840,130	7,072,104	1,768,026	1,768,026	1,768,026
Congo DRC	5,757	6.72	130,493,919	104,395,135	26,098,784	26,098,784	26,098,784
Egypt	7,154	8.35	162,159,718	129,727,774	32,431,944	32,431,944	32,431,943
Eritrea	240	0.28	5,440,080	4,352,064	1,088,016	1,088,016	758,736
Eswatini	447	0.52	10,132,149	8,105,719	2,026,430	1,625,677	1,224,925
Ethiopia	8,257	9.64	187,161,419	149,729,135	37,432,284	33,432,012	33,432,011
Kenya	6,964	8.13	157,852,988	126,282,390	31,570,598	31,570,598	31,570,598
Madagascar	443	0.52	10,041,481	8,033,185	2,008,296	806,039	806,039
Malawi	1,768	2.06	40,075,256	32,060,205	8,015,051	8,015,051	8,015,051
Mauritius	3,383	3.95	76,682,461	61,345,969	15,336,492	15,336,492	15,336,492
Mozambique	2,277	2.66	51,612,759	41,290,207	10,322,552	8,329,257	8,329,257
Rwanda	4,217	4.92	95,586,739	76,469,391	19,117,348	11,116,805	11,116,605
Seychelles	361	0.42	8,182,787	6,546,230	1,636,557	1,636,557	1,636,557
Somalia	318	0.37	7,208,106	5,766,485	1,441,621	1,441,621	1,005,326
South Sudan	2,270	2.65	51,454,090	41,163,272	10,290,818	10,290,818	10,290,818
Sudan	5,277	6.16	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	6,757	7.89	153,160,919	122,528,735	30,632,184	30,632,184	30,632,184
Uganda	5,286	6.17	119,817,762	95,854,210	23,963,552	23,963,552	23,951,313
Zambia	6,154	7.18	139,492,720	111,594,175	27,898,545	27,898,545	27,898,545
Zimbabwe	6,337	7.40	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	4,018	4.69	91,076,006	72,860,805	18,215,201	18,215,201	18,215,201
	85,686	100	1,942,244,564	1,553,795,650	388,448,914	372,851,794	371,673,026

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

Class 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31 December 2019:							
African Economic Research Consortium	175	0.62	793,349	793,349	793,349	1,212,676	2,006,025
African Development Bank	5,733	20.39	25,990,099	25,990,099	25,990,099	19,013,101	45,003,200
Africa Reinsurance Corporation	780	2.77	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
Arab Bank for Economic Development in Africa	960	3.42	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investmento	888	3.16	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Investment Fund for Developing Countries	1,745	6.21	7,910,819	7,910,819	7,910,819	11,891,474	19,802,293
Mauritian Eagle Insurance Company Limited	270	0.96	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	6.36	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	3,047	10.84	13,813,332	13,813,332	13,813,332	12,942,723	26,756,055
OPEC Fund for International Development	2,054	7.31	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	12.65	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,500	12.45	15,866,971	15,866,971	15,866,971	10,900,923	26,767,894
Sacos Group Limited	124	0.44	562,144	562,144	562,144	475,093	1,037,237
Seychelles Pension Fund	1,029	3.66	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	107	0.38	485,076	485,076	485,076	190,584	675,660
TDB Staff Provident Fund	1,521	5.41	6,895,330	6,895,330	6,895,330	2,511,356	9,406,686
ZEP-RE (PTA Reinsurance Company)	834	2.97	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	28,110	100	127,434,446	127,434,446	127,434,446	91,709,048	219,143,494

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

ANNUAL REPORT

AND

AUDITED CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS

BOARD OF GOVERNORS

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

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of eSwatini

Republic of Mozambique

Republic of Madagascar

NON-REGIONAL MEMBERS

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

Republic of Belarus – Development Bank of Belarus

INSTITUTIONS

African Development Bank

National Pension Fund-Mauritius

Mauritian Eagle Insurance Company Limited

Rwanda Social Security Board

Banco Nacional de Investimento

Seychelles Pension Fund

Africa Reinsurance Corporation

ZEP-RE (PTA Reinsurance Company)

National Social Security Fund – Uganda

SACOS Group Limited

OPEC Fund for International Development

TDB Staff Provident Fund

TDB Directors and Select Stakeholders Provident Fund

Arab Bank for Economic Development in Africa (BADEA)

Investment Fund for Developing Countries (IFU)

African Economic Research Consortium (AERC)

DIRECTORS

Mr. Juste Rwamabuga	Non-Executive Independent Director and Chairman, Board of Directors
Mr. Gerard Bussier	Non-Executive Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
Mr. Christian Rwakunda	Non-Executive Director for All Other Shareholders
Mr. Peter Simbani	Non-Executive Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
Ms. Busisiwe Alice Dlamini-Nsibande	Non-Executive Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Said Mhamadi	Non-Executive Director for Uganda, Sudan, DR Congo and Comoros
Ms. Isabel Sumar	Non-Executive Director for Kenya, Zambia, Mozambique and Somalia
Mr. Liu Mingzhi	Non-Executive Director for Non-African States
Mr. Mohamed Kalif	Non-Executive Director for African Institutions
Dr. Abdel-Rahman Taha	Non-Executive Independent Director
Mr. Admassu Tadesse	President and Chief Executive
	Non-Executive Alternate Director for African Institutions
	Non-Executive Alternate Director for Zimbabwe, Mauritius, Rwanda, Eritrea and South Sudan
	Non-Executive Alternate Director for Seychelles, Ethiopia, Burundi, Malawi and Madagascar
	Non-Executive Alternate Director for Kenya, Zambia, Mozambique and Somalia
Ms. Marie Gisele Masawa	Non-Executive Alternate Director for Uganda, Sudan, DR Congo and Comoros
Dr. Natu Mwamba	Non-Executive Alternate Director for Egypt, Tanzania, Djibouti and eSwatini
Mr. Veenay Rambarassah	Non-Executive Alternate Director for All Other Shareholders
Mr. Liu Wenzhong	Non-Executive Alternate Director for Non-African States
Ms. Lynda Kahari	Alternate Independent Non-Executive Director
Mr. Ayman Al Adl	Alternate Independent Non-Executive Director

AUDITORS

Deloitte & Touche
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way, Muthangari
P. O. Box 40092, 00100
Nairobi, Kenya

HEADQUARTERS

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OTHER OFFICES

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TDB Kinshasa Country Office
Crown Tower 2nd Floor Off No 301
Avenue Batetela and Boulevard du 30 Juin,
Gombe Commune, Kinshasa,
Democratic Republic of Congo
Telephone :243 (0) 99601090 - 104

The directors have pleasure in presenting their report and the audited financial statements of the Eastern and Southern African Trade and Development Bank (TDB - formerly PTA Bank) for the year ended 31 December 2019.

1. PRINCIPAL ACTIVITIES

The principal activity of the Group 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 11 and 12.

3. DIVIDEND

The Board has recommended a dividend of USD 342.01 (2018: USD 315.93) per share subject to the approval of the shareholders at the Annual General Meeting.

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

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

5. DIRECTORS

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

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

6. AUDITORS

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

BY ORDER OF THE BOARD

Chairman

26 MARCH 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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 Group and of the Bank as at the end of the financial year and of the operating results of the Group and of the Bank for that year. It also requires the directors to ensure that the Group and Bank keeps proper accounting records which disclose with reasonable accuracy, the financial position of the Group and Bank. They are also responsible for safeguarding the assets of the Group and Bank.

The directors accept responsibility for the preparation and presentation of these 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 Group and 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.

Having made an assessment of the Bank and its subsidiary's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Bank and its subsidiary's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Director	Director
26 MARCH 2020	26 MARCH 2020

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Eastern and Southern African Trade and Development Bank (the "Bank") and its subsidiary (together the "Group") set out on pages 11 to 123, which comprise the consolidated and Bank statements of financial position at 31 December 2019, and the consolidated and Bank statements of profit or loss and other comprehensive income, consolidated and Bank statements of changes in equity and consolidated and Bank statements of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the Group and Bank as at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank's Charter.

Basis for Opinion

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

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

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current period.

The matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on it.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
The measurement of impairment of loans at the end of the year involves significant judgements and estimates by Management and the Directors, which could have material impact on the Group financial position and the results of the Group and Bank. At 31 December 2019, the Bank reported total gross trade finance loans of USD 2.94 billion (2018: USD 2.81 billion) and USD 70.48 million (2018: USD 79.95 million) of expected credit loss (ECL) provisions, and total gross project finance loans of USD 2.15 billion (2018: USD 1.46 billion) and USD 40.66 million (2018: USD 30.36 million) of ECL provisions. These are disclosed in Note 16 and Note 17 in the consolidated and separate financial statements. IFRS 9 requires impairment losses to be evaluated on an ECL basis. The determination of impairment provisions for expected losses requires significant judgement, and we have therefore identified the audit of ECL impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the determination of impairment provisions for expected losses are: Accuracy of ECL models The ECL model applies to financial assets measured at amortised cost and certain loan commitments, as well as financial guarantee contracts. Under IFRS 9 credit loss allowances are measured on either of the following bases: (i) 12 month ECLs that result from possible default events within the 12 months after the reporting date; or (ii) Lifetime ECLs that result from ECLs from all possible default events over the expected life of a financial instrument. The Bank is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk ("SICR") since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Bank's best available forward-looking information.	We tested the design and implementation of key controls related to the processes relevant to the ECL. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 and verified that they were allocated to the appropriate stages. With the support of our credit specialists, we : (i) Assessed the reliability of historical macroeconomic and forward-looking information/assumptions used in the model. As the loans are disbursed in different countries, we assessed the reasonableness of the Bank's internal macro-economic tool used to develop each country's ratings. We considered trends in the different economies and industries to which the Bank is exposed. (ii) Tested the assumptions, inputs and formulas used in the ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default. (iii) Reviewed the appropriateness of thresholds used to determine "SICR". The Bank bases this on both quantitative and qualitative indicators which was the basis of our review of the staging for a sample of the loans. (iv) Assessed the discount rate used in the ECL calculation to and ensured that the discounting was done using the appropriate effective interest rate (EIR). (v) Evaluated the sufficiency and accuracy of the disclosures in the notes of the consolidated and separate financial statements.

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and advances	
Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive). The assessment of the ECL of a financial asset or a portfolio of financial assets entails estimations of the likelihood of defaults occurring and of the default correlations between counterparties. The Bank measures ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together. The calculated ECL is then discounted using the original effective interest rate of the financial asset. The Bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio. These economic variables and their associated impact of the PD. Refer to Note 3 (j) for the accounting policy on financial instruments; Note 3 (t) for the critical judgements used in determining the impairment losses; and Note 16, 17 and 18 for the disclosure on trade finance loans, project finance loans and impairment allowance respectively.	We found that the models used for the measurement of ECL to be appropriate and reasonable. In addition, the disclosures in the financial statements pertaining to the ECL measurement were found to be appropriate.

Other Information

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

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

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

Responsibilities of the directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Bank to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on the audit of the Financial Statements

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

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

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya

30 March **2020**

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

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
INCOME			
Interest income	4	405,726,034	361,587,896
Interest expense	5	(221,574,428)	(198,468,902)
Other borrowing costs	6	(5,062,817)	(6,723,839)
Interest and similar expense		(226,637,245)	(205,192,741)
Net interest income		179,088,789	156,395,155
Fee and commission income	7(a)	72,390,670	44,192,454
Gains on financial assets designated at fair value through profit or loss - derivatives	15	16,006,006	23,974,890
Net trading income		267,485,465	224,562,499
Risk mitigation costs	7(b)	(35,979,543)	(34,541,104)
Other income	8	6,282,770	7,482,851
OPERATING INCOME		237,788,692	197,504,246
EXPENDITURE			
Operating expenses	9	(41,084,135)	(40,707,782)
Impairment on other financial assets	11	(3,755)	(3,226,125)
Impairment allowance on loans	18	(41,485,622)	(23,156,955)
Net foreign exchange loss		(3,682,121)	(1,087,992)
TOTAL EXPENDITURE		(86,255,633)	(68,178,854)
PROFIT BEFORE TAXATION		151,533,059	129,325,392
Taxation charge	12 (a)	(3,494)	-
PROFIT FOR THE YEAR		151,529,565	129,325,392
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit and loss:			
Fair value (loss)/gain on fair value through other comprehensive income - Equity investments	19	(465,000)	450,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		151,064,565	129,775,392
Profit for the year is attributable to:			
Owners of the Bank		151,417,188	129,325,392
Non-controlling interest		112,377	-
		151,529,565	129,325,392
Total comprehensive income is attributable to:			
Owners of the Bank		150,952,188	129,775,392
Non-controlling interest		112,377	-
		151,064,565	129,775,392

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
INCOME			
Interest income	4	405,726,034	361,587,896
Interest expense	5	(221,574,428)	(198,468,902)
Other borrowing costs	6	(5,062,817)	(6,723,839)
Interest and similar expense		(226,637,245)	(205,192,741)
Net interest income		179,088,789	156,395,155
Fee and commission income	7(a)	72,390,670	44,192,454
Gains on financial assets designated at fair value through profit or loss – derivatives	15	16,006,006	23,974,890
Net trading income		267,485,465	224,562,499
Risk mitigation costs	7(b)	(35,979,543)	(34,541,104)
Other income	8	6,009,802	7,482,851
OPERATING INCOME		237,515,724	197,504,246
EXPENDITURE			
Operating expenses	9	(41,039,418)	(40,707,782)
Impairment on other financial assets	11	(3,755)	(3,226,125)
Impairment allowance on loans	18	(41,485,622)	(23,156,955)
Net foreign exchange loss		(3,682,116)	(1,087,992)
TOTAL EXPENDITURE		(86,210,911)	(68,178,854)
PROFIT FOR THE YEAR		151,304,813	129,325,392
OTHER COMPREHENSIVE INCOME			
Items that will not be subsequently reclassified to profit and loss:			
Fair value (loss)/gain on fair value through other comprehensive income - Equity investments	19	(465,000)	450,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS		150,839,813	129,775,392
EARNINGS PER SHARE:			
Basic	13	1,448	1,283
Diluted	13	1,374	1,270

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 USD	2018 USD
ASSETS			
Cash and balances held with other banks	14	1,382,403,564	1,145,918,378
Derivative financial instruments	15	40,049,341	54,042,940
Trade finance loans	16	2,865,166,921	2,733,444,885
Project loans	17	2,106,337,583	1,429,558,794
Investment in Government securities	22	44,897,636	-
Investment in Trade Fund	23	49,997,089	-
Other receivables	24	120,523,438	117,136,030
Equity investments at fair value through other comprehensive income	19	51,135,850	51,521,730
Investment in joint venture	20	317,010	386,994
Property and equipment	25	24,683,063	23,710,110
Right-of-use asset	26	3,912,012	-
Intangible assets	27	1,998,002	1,853,744
TOTAL ASSETS		6,691,421,509	5,557,573,605
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	28	95,822,611	119,576,580
Lease liability	29	1,520,467	-
Short term borrowings	30	2,465,247,997	2,383,253,601
Provision for service and leave pay	33	8,551,510	7,828,640
Other payables	32	138,732,787	72,858,965
Long term borrowings	31	2,591,528,898	1,782,030,068
Current tax payable	12(c)	3,494	-
TOTAL LIABILITIES		5,301,407,764	4,365,547,854
EQUITY			
Share capital	34	499,107,472	461,742,558
Share premium	34	101,867,839	60,500,611
Retained earnings		722,081,828	607,076,151
Proposed dividend		36,313,155	31,684,721
Fair value reserve		10,713,799	11,178,799
Management reserve	35	19,842,911	19,842,911
Equity attributable to owners of the Bank		1,389,927,004	1,192,025,751
Non-controlling interest		86,741	-
TOTAL EQUITY		1,390,013,745	1,192,025,751
TOTAL LIABILITIES AND EQUITY		6,691,421,509	5,557,573,605

The notes on pages 19 to 123 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 26th March 2020 and were signed on its behalf by:

President

Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 USD	2018 USD
ASSETS			
Cash and balances held with other banks	14	1,382,110,581	1,145,918,378
Derivative financial instruments	15	40,049,341	54,042,940
Trade finance loans	16	2,865,166,921	2,733,444,885
Project loans	17	2,106,337,583	1,429,558,794
Investment in Government securities	22	44,897,636	-
Investment in Trade Fund	23	49,996,989	-
Other receivables	24	120,416,110	117,136,030
Equity investments at fair value through other comprehensive income	19	51,135,850	51,521,730
Investment in joint venture	20	317,010	386,994
Investment in subsidiary	21	69,984	-
Property and equipment	25	24,683,063	23,710,110
Right-of-use asset	26	3,912,012	-
Intangible assets	27	1,998,002	1,853,744
TOTAL ASSETS		6,691,091,082	5,557,573,605
LIABILITIES AND EQUITY			
LIABILITIES			
Collection account deposits	28	95,822,611	119,576,580
Lease liability	29	1,520,467	-
Short term borrowings	30	2,465,247,997	2,383,253,601
Provision for service and leave pay	33	8,551,510	7,828,640
Other payables	32	138,604,970	72,858,965
Long term borrowings	31	2,591,528,898	1,782,030,068
TOTAL LIABILITIES		5,301,276,453	4,365,547,854
EQUITY			
Share capital	34	499,107,472	461,742,558
Share premium	34	101,867,839	60,500,611
Retained earnings		721,969,453	607,076,151
Proposed dividend		36,313,155	31,684,721
Fair value reserve		10,713,799	11,178,799
Management reserve	35	19,842,911	19,842,911
TOTAL EQUITY		1,389,814,629	1,192,025,751
TOTAL LIABILITIES AND EQUITY		6,691,091,082	5,557,573,605

The notes on pages 19 to 123 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 26th March 2020 and were signed on its behalf by:

President

Director

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total USD	Non-controlling interest USD	Total USD
At 1 January 2018		431,225,426	52,968,478	529,278,391	27,406,782	10,728,799	-	1,051,607,876	-	1,051,607,876
Capital subscriptions	34	30,517,132	-	-	-	-	-	30,517,132	-	30,517,132
Share Premium	34	-	7,532,133	-	-	-	-	7,532,133	-	7,532,133
Proposed dividend	34	-	-	(31,684,721)	31,684,721	-	-	-	-	-
Dividend declared and paid	34	-	-	-	(25,049,089)	-	-	(25,049,089)	-	(25,049,089)
Dividend declared and payable	32	-	-	-	(2,357,693)	-	-	(2,357,693)	-	(2,357,693)
Equity Investments Reserve	19	-	-	-	-	450,000	-	450,000	-	450,000
Appropriation to the Management Reserve	35	-	-	(19,842,911)	-	-	19,842,911	-	-	-
Total comprehensive income for the year		-	-	129,325,392	-	-	-	129,325,392	-	129,325,392
At 31 December 2018		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751	-	1,192,025,751
At 1 January 2019 – as previously reported		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751	-	1,192,025,751
Effect of change of accounting policy for IFRS 16	2(a)	-	-	(98,356)	-	-	-	(98,356)	-	(98,356)
At 1 January 2019 – restated		461,742,558	60,500,611	607,977,795	31,684,721	11,178,799	19,842,911	1,191,927,395	-	1,191,927,395
Capital subscriptions	34	37,364,914	-	-	-	-	-	37,364,914	-	37,364,914
Acquisition of control	21	-	-	-	-	-	-	-	(25,636)	(25,636)
Share Premium	34	-	41,367,228	-	-	-	-	41,367,228	-	41,367,228
Proposed dividend	34	-	-	(36,313,155)	36,313,155	-	-	-	-	-
Dividend declared and paid	34	-	-	-	(20,208,849)	-	-	(20,208,849)	-	(20,208,849)
Dividend declared and payable	32	-	-	-	(11,475,872)	-	-	(11,475,872)	-	(11,475,872)
Equity Investments Reserve	19	-	-	-	-	(465,000)	-	(465,000)	-	(465,000)
Total comprehensive income for the year		-	-	151,417,188	-	-	-	151,417,188	112,377	151,529,565
At 31 December 2019		499,107,472	101,867,839	722,081,828	36,313,155	10,713,799	19,842,911	1,389,927,004	86,741	1,390,013,745

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB – formerly PTA Bank)
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share Capital USD	Share premium USD	Retained earnings USD	Proposed dividend USD	Fair value Reserve USD	Management Reserve* USD	Total equity USD
At 1 January 2018		431,225,426	52,968,478	529,278,391	27,406,782	10,728,799	-	1,051,607,876
Capital subscriptions	34	30,517,132	-	-	-	-	-	30,517,132
Share Premium	34	-	7,532,133	-	-	-	-	7,532,133
Proposed dividend	34	-	-	(31,684,721)	31,684,721	-	-	-
Dividend declared and paid	34	-	-	-	(25,049,089)	-	-	(25,049,089)
Dividend declared and payable	32	-	-	-	(2,357,693)	-	-	(2,357,693)
Equity Investments Reserve	19	-	-	-	-	450,000	-	450,000
Appropriation to the Management Reserve	35	-	-	(19,842,911)	-	-	19,842,911	-
Total comprehensive income for the year		-	-	129,325,392	-	-	-	129,325,392
At 31 December 2018		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751
At 1 January 2019 – as previously reported		461,742,558	60,500,611	607,076,151	31,684,721	11,178,799	19,842,911	1,192,025,751
Effect of change of accounting policy for IFRS 16	2(a)	-	-	(98,356)	-	-	-	(98,356)
At 1 January 2019 – restated		461,742,558	60,500,611	607,977,795	31,684,721	11,178,799	19,842,911	1,191,927,395
Capital subscriptions	34	37,364,914	-	-	-	-	-	37,364,914
Share Premium	34	-	41,367,228	-	-	-	-	41,367,228
Proposed dividend	34	-	-	(36,313,155)	36,313,155	-	-	-
Dividend declared and paid	34	-	-	-	(20,208,849)	-	-	(20,208,849)
Dividend declared and payable	32	-	-	-	(11,475,872)	-	-	(11,475,872)
Equity Investments Reserve	19	-	-	-	-	(465,000)	-	(465,000)
Total comprehensive income for the year		-	-	151,304,813	-	-	-	151,304,813
At 31 December 2019		499,107,472	101,867,839	721,969,453	36,313,155	10,713,799	19,842,911	1,389,814,629

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
OPERATING ACTIVITIES			
Net cash generated from/(used in) operations	36(a)	273,403,562	(167,618,832)
INVESTING ACTIVITIES			
Purchase of property and equipment	25	(4,323,518)	(4,979,569)
Purchase of intangible assets	27	(737,437)	(937,627)
Acquisition of equity investments	19	(79,120)	(84,974)
Acquisition of interest in joint venture	20	-	(17,501)
Proceeds from redemption of government securities	22	-	57,275,058
Investment in government securities	22	(44,897,636)	-
Investment in Trade Fund	23	(49,996,989)	-
Net cash (used in)/generated from investing activities		(100,034,700)	51,255,387
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	34	37,364,914	30,517,132
Proceeds from share premium	34	41,367,228	7,532,133
Payment of dividends	34	(20,208,849)	(25,049,089)
Payment of lease liabilities	29	(585,250)	-
Net cash generated from financing activities		57,938,043	13,000,176
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		231,306,905	(103,363,269)
Foreign exchange gain on cash and cash equivalents		5,178,281	16,301,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,145,918,378	1,232,980,427
CASH AND CASH EQUIVALENTS AT END OF YEAR	36(c)	1,382,403,564	1,145,918,378
FACILITIES AVAILABLE FOR LENDING	36(d)	1,712,525,076	1,776,325,472

EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK (TDB - formerly PTA Bank)
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 USD	2018 USD
OPERATING ACTIVITIES			
Net cash generated from/(used in) operations	36(a)	273,110,579	(167,618,832)
INVESTING ACTIVITIES			
Purchase of property and equipment	25	(4,323,518)	(4,979,569)
Purchase of intangible assets	27	(737,437)	(937,627)
Acquisition of equity investments	19	(79,120)	(84,974)
Acquisition of interest in joint venture	20	-	(17,501)
Proceeds from redemption of government securities	22	-	57,275,058
Investment in government securities	22	(44,897,636)	-
Investment in Trade Fund	23	(49,996,989)	-
Net cash (used in)/generated from investing activities		(100,034,700)	51,255,387
FINANCING ACTIVITIES			
Proceeds from capital subscriptions	34	37,364,914	30,517,132
Proceeds from share premium	34	41,367,228	7,532,133
Payment of dividends	34	(20,208,849)	(25,049,089)
Payment of lease liabilities	29	(585,250)	-
Net cash generated from financing activities		57,938,043	13,000,176
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		231,013,922	(103,363,269)
Foreign exchange gain on cash and cash equivalents		5,178,281	16,301,220
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,145,918,378	1,232,980,427
CASH AND CASH EQUIVALENTS AT END OF YEAR	36(c)	1,382,110,581	1,145,918,378
FACILITIES AVAILABLE FOR LENDING	36(d)	1,712,525,076	1,776,325,472

1. CORPORATE INFORMATION

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

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

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

The accounting policies adopted are consistent with those followed in the preparation of the consolidated and separate annual financial statements for the year ended 31 December 2018, except for new standards, amendments and interpretations effective 1 January 2019. The nature and impact of each new standard/ amendment are described below:

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

New pronouncements issued as at 31 December 2019

a) Impact of application of IFRS 16 -Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach, with the cumulative effect of applying IFRS 16 being recognized in equity on the date of initial application.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

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

New pronouncements issued as at 31 December 2019 (Continued)

a) Impact of application of IFRS 16 - Leases (Continued)

Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have an effect on the Group's consolidated and separate financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

This change did not have any effect on the Group's consolidated and separate financial statements as the Group did not operate any properties as a lessor.

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

New pronouncements issued as at 31 December 2019 (Continued)

a) Impact of application of IFRS 16 - Leases (Continued)

Financial impact of the initial application of IFRS 16

Impact on profit or loss	2019 USD
Depreciation of right-of-use asset	389,764
Finance cost lease liability	83,031
Expenses relating to low value leases – other expenses	60,405
Decrease in rent expense	(585,250)
Increase in profit for the year	(52,050)

Impact on assets, liabilities and equity as at 1 January 2019

	As previously reported USD	IFRS 16 adjustments USD	After IFRS 16 adjustment USD
Right-of-use assets (Note 26)	-	1,924,330	1,924,330
Lease Liabilities (Note 29)	-	2,022,686	2,022,686
Retained earnings	607,076,151	(98,356)	606,977,795

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has decreased by USD 585,250 (2018: USD Nil), being the lease payments net of depreciation charges, and net cash used in financing activities has increased by USD 83,031 (2018: USD Nil),

The application of IFRS 16 did not have an impact on the basic and diluted earnings per share.

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

New pronouncements issued as at 31 December 2019 (Continued)

b) Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

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

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of longterm interests required by IAS 28 (i.e., adjustments to the carrying amount of longterm interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).

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

New pronouncements issued as at 31 December 2019 (Continued)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement (Continued)

The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

Standard	***Effective Date***
Amendments to IAS 10 and IAS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Yet to be set, however earlier application permitted
Amendments to IFRS 3 *Definition of a business*	1 January 2020, with earlier application permitted
Amendments to IAS 1 and IAS 8- *Definition of material*	1 January 2020, with earlier application permitted
Conceptual Framework: *Amendments to References to the Conceptual Framework in IFRS standards*	1 January 2020, with earlier application permitted

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

New pronouncements issued as at 31 December 2019 (Continued)

New and revised IFRS Standards in issue but not yet effective (Continued)

IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Continued)

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Group anticipate that the application of these amendments may have an impact on the Group's consolidated and separate financial statements in future periods should such transactions arise.

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards

Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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

New pronouncements issued as at 31 December 2019 (Continued)

New and revised IFRS Standards in issue but not yet effective (Continued)

Amendments to References to the Conceptual Framework in IFRS Standards (Continued)

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

The Group did not early-adopt any new or amended standards in 2019. The Group does not anticipate that the application of the amendments will have a material impact on the financial statements of the Group.

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

Statement of compliance

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

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of consolidation (Continued)

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer.

i. Interest income from loans and investments

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

Effective interest rate

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Revenue recognition (continued)

i. Interest income from loans and investments (continued)

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

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL (or impairment allowance before 1 January 2019).

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

Calculation of interest income

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

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

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

ii. Fees and commissions

Fees and commissions are generally recognised over time 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 Group'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. Other fees are recognised at the point when the service is completed or significant act performed.

Facility fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan package for itself, or retained a part at the same effective interest rate as for the other participants.

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 at a point in time 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Borrowing and financing costs

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

e) 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.

f) Property and equipment

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

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

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

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

Freehold land and buildings are not depreciated.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Initial Recognition and Measurement (continued)

Business Model Assessment

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

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

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

Derecognition and Modification

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them.

If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Initial Recognition and Measurement (continued)

Financial Liabilities

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

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

Initial Measurement of Financial Liabilities

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

Subsequent Measurement

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

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

Derecognition

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

Reclassification

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

An entity shall not reclassify any financial liability.

Write-off

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Offsetting

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

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

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

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

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

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

No impairment loss is recognised on equity investments.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Measurement of ECLs

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

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

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

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

Hedge Accounting

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial instruments (Continued)

Hedge Accounting (Continued)

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 Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair Value Hedges

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

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

Cash Flow Hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in net trading income in profit or loss. When the hedged transaction affects profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line in profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in profit or loss. When a forecast is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

(k) Employee entitlements

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

(l) Retirement benefit costs

The Group operates a defined contribution provident fund scheme for its employees. The Group contributes 21% of an employee's gross salary to the fund while employees can choose to contribute 7%, 14% or 21%. The Group'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 Group's assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Contingent liabilities

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

(n) Cash and cash equivalents

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

(o) Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises of fixed lease payments (including the substance fixed payments), less any lease incentives.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Leases (Continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment loses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statement of the profit or loss.

(p) Provisions for other liabilities

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

(q) Collection accounts deposits

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

(r) Investment in Joint Venture

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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 2019 NIL (2018: NIL) of joint venture is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Bank. When necessary, adjustments are made to bring the accounting policies in line with those of the Bank.

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

(s) Critical judgments in applying the Group's accounting policies

In the process of applying the Group'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 Group 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 37.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Critical judgments in applying the Group's accounting policies (continued)

(i) Fair value of financial instruments (continued)

In the process of applying the Group'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.

(ii) 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 Group 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 37.

(iii) Impairment losses on loans – Trade and Project Finance

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

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

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

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Group provides for 12-month ECLs. These are classified as Stage 1 assets.
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

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

The impairment loss on loans is disclosed in more detail in notes 16, 17 and 18.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(iv) Classification and measurement of financial assets

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

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

(v) Significant increase of credit risk

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

Refer to note 2 for more details.

(vi) Application of IFRS 16-Leases

Judgement is made in the application of IFRS 16 and included:

- identifying whether a contract includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised.

(t) Key sources of estimation uncertainty

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

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

ii. Probability of default:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Key sources of estimation uncertainty (Continued)

iii. Loss Given Default:

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

iv. Property and equipment

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

v. Fair value measurement and valuation process

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

vi. Application of IFRS 16 - Leases

Key sources of estimation uncertainty in the application of IFRS 16 included the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

(u) Models and assumptions used

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

(v) Management Reserve

The Board of Directors approved creation of a management reserve in the year ended 31 December 2018. When the Group adopted at 1 January 2018 IFRS 9- Financial Instruments accounting standard's Expected Loss (ECL) Model it showed that the Group's credit policy was more conservative and resulted in USD 19.84 million excess impairment provision.

The board therefore approved the creation of the management reserve to cushion the Group against credit risk and other incidents of significant loss. The USD 19.84 million excess impairment provision was transferred to the management reserve as at 31 December 2019. Transfers into and out of this management reserve will be approved by the Board of Directors.

	GROUP AND BANK 2019 USD	GROUP AND BANK 2018 USD
4. INTEREST INCOME		
On loans and facilities:		
Project finance loans	162,719,962	125,422,165
Trade finance loans	209,703,194	204,323,254
	372,423,156	329,745,419
On placements:		
Deposits/Held at amortised cost	33,302,878	31,842,477
	405,726,034	361,587,896
5. INTEREST EXPENSE		
Interest payable on funds borrowed from:		
Banks and financial institutions	128,757,528	109,789,083
Regional and International Bond Markets	60,100,100	51,544,521
Other Institutions	32,716,800	37,135,298
	221,574,428	198,468,902
6. OTHER BORROWING COSTS		
Facility and management fees	1,588,874	3,556,994
Guarantee fees	-	437,562
Commitment fees	2,409,744	2,068,253
Agency fees	84,934	270,784
Other costs	862,040	271,745
Bank commission	117,225	118,501
	5,062,817	6,723,839
7 (a) FEE AND COMMISSION INCOME		
Upfront fees in trade finance	15,946,793	20,130,054
Letter of credit fees in trade finance	7,272,026	4,364,683
Management fees in trade finance	11,547,500	5,847,001
Facility fees in project finance	31,113,074	9,347,577
Drawdown fees in trade finance	745,362	683,225
Commitment fees in project finance	2,922,739	505,739
Drawdown fees in project finance	20,751	306,718
Other fees in trade finance	984,673	(87,999)
Restructuring fees in project finance	43,950	1,914,115
Appraisal fees in project finance	396,850	207,704
Management fees in project finance	345,748	380,105
Letter of credit fees in project finance	69,272	116,762
Document handling fees in trade finance	472,132	269,453
Other project fees	509,800	207,317
	72,390,670	44,192,454

7 (b) RISK MITIGATION COSTS

	GROUP AND BANK 2019 USD	2018 USD
Insurance cover costs*	34,017,764	32,139,864
Risk down-selling costs**	1,961,779	2,401,240
	35,979,543	34,541,104

*These are premiums on insurance cover taken on loans made to various borrowers. As at 31 December 2019, the insurance cover was USD 1.91 billion (2018: USD 1.45 billion). The cover was taken with African Trade Insurance Agency Ltd, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are Investment-grade companies.

**These costs represent Risk down-selling costs relating to fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Group's secondary loan trading and asset distribution activities under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2019, the Group had down sold/distributed an aggregate of USD 413 million (2018 – USD 704 million).

8. OTHER INCOME

	GROUP		BANK	
	2019 USD	2018 USD	2019 USD	2018 USD
Impaired assets recovered *	5,359,063	4,356,719	5,359,063	4,356,719
Dividend income	479,833	918,154	479,833	918,154
Miscellaneous income	135,107	94,663	135,107	94,663
Interest on capital arrears	-	2,073,647	-	2,073,647
Interest on staff loans	35,481	39,668	35,481	39,668
Management fee	272,968	-	-	-
Gain on disposal of property and equipment	318	-	318	-
	6,282,770	7,482,851	6,009,802	7,482,851

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

9. OPERATING EXPENSES

	GROUP		BANK	
	2019 USD	2018 USD	2019 USD	2018 USD
Staff costs (Note 10)	28,220,483	26,960,147	28,220,483	26,960,147
Consultants and advisors	3,798,576	5,951,626	3,798,576	5,951,626
Depreciation of property and equipment	973,437	898,757	973,437	898,757
Depreciation of right-of-use asset	389,764	-	389,764	-
Official missions	2,423,127	2,028,531	2,423,127	2,028,531
Office running expenses	1,466,386	1,313,868	1,429,718	1,313,868
Board of Directors meetings	808,860	814,697	808,860	814,697
Board of Governors meeting	519,185	308,324	519,185	308,324
Business promotion	1,592,659	1,334,185	1,592,659	1,334,185
Rent	151,398	619,082	151,398	619,082
Amortisation of intangible assets	593,179	421,913	593,180	421,913
Interest expense on lease liability (note 27)	83,031	-	83,031	-
Audit fees	64,050	54,000	56,000	54,000
Loss on disposal of property and equipment	-	2,652	-	2,652
	41,084,135	40,707,782	41,039,418	40,707,782

10. STAFF COSTS

	GROUP AND BANK	
	2019	2018
	USD	USD
Salaries and wages	9,468,266	15,331,421
Other costs*	4,541,871	4,041,442
Staff Provident fund contributions –defined contribution plan	2,486,596	2,340,775
Service and leave pay expenses	1,452,987	1,644,260
Staff reward and recognition scheme	10,270,763	3,602,249
	28,220,483	26,960,147

*Other staff costs mainly relate to school fees, medical expenses and training costs.

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS – GROUP AND BANK

	2019 USD	2018 USD
Other receivables (Note 24)	3,755	3,226,125

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

12. TAXATION

(a) Taxation charge

	GROUP		BANK	
	2019	2018	2019	2018
	USD	USD	USD	USD
Current taxation based on the adjusted profit at 15%	3,494	-	-	-

(b) Reconciliation of expected tax based on accounting profit to tax charge

	GROUP		BANK	
	2019 USD	2018 USD	2019 USD	2018 USD
Accounting profit before taxation	151,533,059	129,325,392	151,304,813	129,325,392
Tax at the applicable rate of 15%	22,729,959	19,398,809	22,729,959	19,398,809
Tax effect of expenses not deductible for tax purposes*	266	-	-	-
Tax effect of tax losses utilised	(31,009)	-	-	-
Tax effect of income not Taxable**	(22,695,722)	(19,398,809)	(22,695,722)	(19,398,809)
	3,494	-	-	-

* Expenses not deductible for tax purposes relate to items of capital nature in the subsidiary.
**Income not taxable relates to the Bank which is exempt from corporate tax as per the Bank's charter.

12. TAXATION (Continued)

	GROUP		BANK	
	2019 USD	2018 USD	2019 USD	2018 USD
(c) Taxation payable				
At 1 January	-	-	-	-
Charge for the year	3,494)	-	-	-
	3,494	-	-	-

13. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	GROUP		BANK	
EARNINGS:	2019 USD	2018 USD	2019 USD	2018 USD
Earnings for the purpose of the basic earnings per share being net profit attributable to shareholders	151,529,565	129,325,392	151,304,813	129,325,392
Earnings for the purpose of the diluted earnings per share	151,529,565	129,325,392	151,304,813	129,325,392

There were no earnings with a potential dilutive effect during the period (December 2018: NIL).

NUMBER OF SHARES:

Weighted average number of shares for the purpose of basic earnings per share:

	GROUP 2019	GROUP 2018	BANK 2019	BANK 2018
Class A	79,115	78,643	79,115	78,643
Class B	25,366	22,151	25,366	22,151
	104,481	100,794	104,481	100,794
Weighted average number of shares for the purpose of diluted earnings per share:	110,096	101,853	110,096	101,853

The weighted average number of shares in issue is calculated based on the capital instalments due at the end of the period.

Diluted earnings per share takes into account the dilutive effect of the Class A shares issued but not paid up. Class B shares are all paid up on issue and therefore have no dilutive effect.

14. CASH AND BALANCES HELD WITH OTHER BANKS

	GROUP		BANK	
	2019 USD	2018 USD	2019 USD	2018 USD
Current accounts – Note 14 (i)	531,494,818	139,901,609	531,201,835	139,901,609
Call and term deposits with banks – Note 14 (ii)	850,908,746	1,006,016,769	850,908,746	1,006,016,769
	1,382,403,564	1,145,918,378	1,382,110,581	1,145,918,378

(i) Current accounts:

	GROUP 2019 USD	GROUP 2018 USD	BANK 2019 USD	BANK 2018 USD
Amounts maintained in United States Dollars (USD)	329,789,005	7,915,526	329,496,022	7,915,526
Amounts maintained in other currencies:				
Euro	129,319,511	18,937,550	129,319,511	18,937,550
Malawi Kwacha	59,262,988	85,631,536	59,262,988	85,631,536
United Arab Emirates Dirham	124	18,456,873	124	18,456,873
Tanzania Shillings	6,282,295	2,805,352	6,282,295	2,805,352
Zambia Kwacha	4,093,616	5,660,730	4,093,616	5,660,730
Ethiopian Birr	341,662	408,055	341,662	408,055
Zimbabwean Dollar	193,950	-	193,950	-
Japanese Yen	33,945	33,614	33,945	33,614
British Pounds	16,750	17,258	16,750	17,258
Ugandan Shilling	4,772	7,026	4,772	7,026
Mauritian Rupee	43,724	5,200	43,724	5,200
Kenyan Shilling	1,491,533	5,038	1,491,533	5,038
South African Rand	12,220	8,279	12,220	8,279
Burundi Francs	608,723	9,572	608,723	9,572
	201,705,813	131,986,083	201,705,813	131,986,083
	531,494,818	139,901,609	531,201,835	139,901,609

(ii) Call and term deposits with banks:

	GROUP 2019 USD	GROUP 2018 USD	BANK 2019 USD	BANK 2018 USD
United States Dollars (USD)	811,445,668	967,299,667	811,445,668	967,299,667
Amounts maintained in other currencies:				
Sudanese Pounds	34,098,184	34,091,883	34,098,184	34,091,883
Ugandan Shillings	5,364,894	4,625,219	5,364,894	4,625,219
	39,463,078	38,717,102	39,463,078	38,717,102
Total call and term deposits	850,908,746	1,006,016,769	850,908,746	1,006,016,769

15. DERIVATIVE FINANCIAL INSTRUMENTS

As part of its asset and liability management, the Group 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 Group with other financial institutions in which the Group 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 Group hedges its exposure to adverse movements on currency exchange rates on its Euro disbursements by entering into currency forward exchange contracts. Currency forward exchange contracts are hedges, since the Group is protecting is the USD parity of the Euro, thus hedging the value of the assets from fluctuations.

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

	GROUP AND BANK	
	2019	2018
	USD	USD
Currency forward exchange contracts		
Net opening balance at start of year	54,042,940	(4,797,549)
Contracts entered into during period-Net	(67,548,060)	2,690,421
Net amounts settled	37,548,455	32,175,178
Fair value gains through profit or loss	16,006,006	23,974,890
Net closing balance as at end of year	40,049,341	54,042,940

As at 31 December 2019, the Group only had currency forward exchange contracts in its derivative financial instruments.

16. TRADE FINANCE LOANS

	GROUP AND BANK	
	2019	2018
	USD	USD
Principal loans	2,621,167,722	2,686,114,042
Interest receivable	314,478,574	127,283,804
Gross loans	2,935,646,296	2,813,397,846
Impairment on trade finance loans (note 18)	(70,479,375)	(79,952,961)
Net loans	2,865,166,921	2,733,444,885
Analysis of gross loans by maturity:		
Maturing:		
Within one year	1,573,903,790	1,102,563,832
One to three years	1,305,713,451	1,487,909,814
Over three years	56,029,055	222,924,200
	2,935,646,296	2,813,397,846

16. TRADE FINANCE LOANS (Continued)

The gross non-performing trade finance loans was USD 70,115,394 (2018: USD 76,467,029). The specific impairment provisions related to these loans amounted to USD 64,231,748 (2018: 75,208,488) hence the carrying value of the loans amount was USD 5,883,646 (2018: 1,258,541). General provisions for trade finance loans amounted to USD 6,247,627 (2018: USD 4,744,473).

17. PROJECT LOANS – GROUP AND BANK

	GROUP AND BANK	
	2019	2018
	USD	USD
Loans disbursed	3,484,215,531	2,720,138,793
Interest capitalised*	116,695,511	56,582,529
Loans repaid	(1,508,489,914)	(1,350,947,319)
Principal loan balances	2,092,421,128	1,425,774,003
Interest receivable	54,574,428	34,144,315
Gross loans	2,146,995,556	1,459,918,318
Impairment on project loans (Note 18)	(40,657,973)	(30,359,524)
Net loans	2,106,337,583	1,429,558,794

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

	2019	2018
	USD	USD
Analysis of gross loans by maturity		
Maturing:		
Within one year	424,572,300	221,675,395
One year to three years	648,868,236	526,726,621
Three to five years	476,764,089	349,469,998
Over five years	596,790,931	361,589,304
	2,146,995,556	1,459,918,318

The aggregate non-performing project loans was USD 48,362,733 (December 2018 - USD 24,147,841). The specific impairment provisions related to these loans amounted to USD 27,397,275 (December 2018 - USD 24,147,841) hence the carrying value of the loans amounted to USD 20,965,458 (December 2018- NIL). General provisions for project finance loans amounted to USD 13,260,702 (December 2018 - USD 6,211,683)

18. IMPAIRMENT ALLOWANCE

The movement in the allowance is as follows:

	Project Finance Loans USD	Trade Finance Loans USD	Low Credit Risk Assets USD	Off-Balance Sheet Commitments USD	Total Allowance USD
At 1 January 2018	30,427,993	59,593,328	1,501,887	-	91,523,208
(Credit)/charge for the year	(68,469)	20,359,633	1,258,541	1,607,250	23,156,955
- Amount written back	(1,437,556)	-	-	-	(1,437,556)
- Provisions	1,369,087	20,359,633	1,258,541	1,607,250	24,594,511
At 31 December 2018	30,359,524	79,952,961	2,760,428	1,607,250	114,680,163
	==========	==========	=========	=========	===========
As at 1 January 2019	30,359,524	79,952,961	2,760,428	1,607,250	114,680,163
Amounts written-off	-	(33,882,206)	-	-	(33,882,206)
(Income)/charge for the year	10,298,449	24,408,620	5,416,406	1,362,147	41,485,622
- Amount written back	-	-	-	-	-
- Provisions	10,298,449	24,408,620	5,416,406	1,362,147	41,485,622
At 31 December 2019	40,657,973	70,479,375	8,176,834	2,969,397	122,283,579
	==========	==========	=========	=========	===========

19. EQUITY INVESTMENTS

(i) Equity participation

	Beginning Cost USD	Additions at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Fair value adjustment for day 1 USD	Fair value adjustment for the year USD
At fair value through other comprehensive income:							
As at 31 December 2019							
African Export Import Bank	2,364,160	-	2,364,160	7,431,000	6,589,000	-	842,000
ZEP Reinsurance	31,938,654	-	31,938,654	39,191,000	38,886,000	-	305,000
Tononoka	628,653	-	628,653	519,000	1,835,000	-	(1,316,000)
Tanruss	1,755,000	-	1,755,000	213,000	276,000	-	(63,000)
Africa Trade Insurance Company	1,000,000	-	1,000,000	939,000	1,015,000	-	(76,000)
Gulf African Bank	1,978,734	-	1,978,734	2,086,000	2,243,000	-	(157,000)
Pan African Housing Fund	677,730	79,120	756,850	756,850	677,730	-	-
	40,342,931	79,120	40,422,051	51,135,850	51,521,730	-	(465,000)
As at 31 December 2018							
African Export Import Bank	2,364,160	-	2,364,160	6,589,000	2,364,160	4,224,840	-
ZEP Reinsurance	31,938,654	-	31,938,654	38,886,000	31,938,654	6,947,346	-
Tononoka	628,653	-	628,653	1,835,000	628,653	1,206,347	-
Tanruss	1,755,000	-	1,755,000	276,000	1,755,000	(1,691,000)	212,000
Africa Trade Insurance Company	1,000,000	-	1,000,000	1,015,000	1,000,000	(223,000)	238,000
Gulf African Bank	1,978,734	-	1,978,734	2,243,000	1,978,734	264,266	-
Pan African Housing Fund	592,756	84,974	677,730	677,730	592,756	-	-
	40,257,957	84,974	40,342,931	51,521,730	40,257,957	10,728,799	450,000

The Group'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 Group has subscribed to the equity of various projects in its Member States. The Group's participation is expressed in US Dollars. As at 31 December 2019, all investments were carried at fair value as per provision of IFRS 9 adopted in January 2019. In the previous years, these investments were carried at cost, except for Pan African Housing Fund which has always been carried at fair value The Group does not intend to dispose the shares in the short term, and none of the shares have been derecognized. The dividends received in respect of these investments are disclosed in note 8.

19. EQUITY INVESTMENTS (Continued)

	GROUP AND BANK	
	2019	2018
	USD	USD
ii) Instalments paid:		
Total subscribed capital*	41,865,201	41,865,201
Less: Instalments not due – Note 19 (iii)	(1,443,150)	(1,522,270)
Instalments paid as at end of year – Note 19 (i) and (iv)	40,422,051	40,342,931

*Total subscribed capital includes paid up capital and unpaid subscriptions

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

	2019 USD	2018 USD
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	243,150	322,270
*Unpaid subscriptions are payable on call.	1,443,150	1,522,270

iv) Movement in the instalments paid:

	2019 USD	2018 USD
At beginning of year	40,342,931	40,257,957
Net additions at cost – Note 19 (i)	79,120	84,974
At end of year	40,422,051	40,342,931

20. INVESTMENT IN JOINT VENTURE

The Bank has a 50% interest in Eastern and Southern African Infrastructure Fund (ESAIF). The joint venture was incorporated in 2016 and its principal place of business is Ebene, Mauritius. ESAIF is a vehicle that will raise and manage the Infrastructure Fund. The Bank's voting rights in the joint venture 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 investment. ESAIF has a 31 December year end for reporting purposes.

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

	GROUP AND BANK	
	2019	2018
	USD	USD
Current assets - cash and cash equivalents	634,021	773,988
Non-current assets	-	-
TOTAL ASSETS	634,021	773,988
Liabilities		-
Equity	634,021	773,988
Bank's carrying amount of the investment	317,010	386,994

20. INVESTMENT IN JOINT VENTURE (Continued)

ESAIF is yet to start operations. The joint venture had no contingent liabilities or capital commitments at 31 December 2019. ESAIF cannot distribute its profits without the consent from the venture partners.

	GROUP AND BANK	
	2019	2018
	USD	USD
Movement in joint venture:		
At 1 January	386,994	369,493
Additional investment*	-	17,501
Reduction in investment**	(69,984)	
At 31 December	317,010	386,994
	========	========

* The movement relates to additional investment in ESAIF.
** The movement relates to classification of investment in Eastern and Southern African Trade Advisers Limited - ESATAL (See Note 20) to a subsidiary after TDB gained control over the entity. TDB's share capital in ESATAL is USD 69,984.

21 INVESTMENT IN SUBSIDIARY

The Bank has a 50% plus 1 share interest in Eastern and Southern African Trade Advisers Limited (ESATAL). ESATAL was incorporated in 2015 as a joint venture between TDB and GML Capital, with each party controlling 50% interest in the joint venture. In August 2019 ESATAL became a subsidiary of TDB after the Bank obtained control. The principal place of business of ESATAL is Ebene, Mauritius. ESATAL is an investment Manager for The East and Southern African Trade Fund – "ESATF". ESATAL has a 31 December year end for reporting purposes.

	BANK	
	No of Share	Ordinary Share USD
As at 31 December 2019:		
Total issued and fully paid	139,967	139,967
	=======	=======
TDB's share -50% + 1 share	69,984	69,984
	=======	=======

The ordinary shares have the following rights:

i. One vote per share on all resolutions and matters falling to the determination and approval of shareholders under the Mauritius Companies Act 2001 and the Constitution
ii. The right to an equal share of dividends as may be declared and paid by the company
iii. The right to an equal share in the distribution of the surplus assets of the Company

21 INVESTMENT IN SUBSIDIARY (Continued)

The relevant activities of subsidiary are determined by its Board of Directors based on simple majority votes where each director carries one vote. Therefore, the Directors of the Group concluded that the Group has control over ESATAL and the results are consolidated in these financial statements.

Set out below is the summarised financial information for the subsidiary with non-controlling interest:

	BANK	
	2019	2018
Summarised statement of financial position	USD	USD
Total assets	400,411	141,877
Total liabilities	131,311	97,530
Net assets	269,100	44,347
Non-controlling interest	50%	50%
Summarised statement of profit and loss and other comprehensive income		
Profit before taxation	228,247	(29,474)
Taxation charge	(3,494)	-
	224,753	(29,474)
Profit for the year is attributable to owners of the Bank	112,376	-
Profit for the year is attributable to non-controlling interest	112,377	(29,474)
Total comprehensive income for the year	224,753	(29,474)
Summarised statement of cash flows		
Net cash from/(used in) operating activities	183,312	(40,045)
Net cash from financing activities	-	60,000
Net increase in cash and cash equivalents	183,312	19,955
Cash and cash equivalents at beginning of year	109,671	89,716
Cash and cash equivalents at end of year	292,983	109,671

22. INVESTMENTS IN GOVERNMENT SECURITIES

	GROUP AND BANK	
	2019	2018
	USD	USD
Held at amortised cost:		
Treasury Notes and Treasury Bonds:		
At 1 January	-	57,275,058
Additions: Treasury Bonds*	44,897,636	-
Matured securities: Treasury Notes**	-	(57,275,058)
At 31 December	44,897,636	-

*TDB participated in Zambian treasury bonds by investing in tenors of 2 years, 3 years and 5 years providing a yield to maturity of 26%, 29.5% and 33% respectively. The bonds are held as investments in Zambian Kwacha equivalent.

**The treasury notes were issued by the Government of Malawi and held as investments in Malawi Kwacha equivalent. They matured in 2019, hence the nil balance as 31 December 2019.

23. INVESTMENT IN TRADE FUND

	GROUP		BANK	
	2019	2018	2019	2018
	USD	USD	USD	USD
Investment in ESATF – at fair value through other comprehensive income				
At 1 January	-	-	-	-
Additions during the year	49,997,089	-	49,996,989	-
At 31 December	49,997,089	-	49,996,989	-

Investment in trade fund comprises of equity investments in The East and Southern African Trade Fund – "ESATF". The tenure of the investments is six months and therefore the cost of the investment approximates the fair value.

24. OTHER RECEIVABLES 2019 2018

	GROUP		BANK	
	2019	2018	2019	2018
	USD	USD	USD	USD
Down-sold assets*	70,000,000	70,000,000	70,000,000	70,000,000
Prepayments and other receivables**	48,797,741	44,886,422	48,690,413	44,886,422
Staff loans and advances***	1,047,994	1,216,404	1,047,994	1,216,404
Appraisal fees****	677,703	1,033,204	677,703	1,033,204
	120,523,438	117,136,030	120,416,110	117,136,030
*Appraisal fees receivable**** *				
As at 1 January	1,033,204	614,835	1,033,204	614,835
Accrued income	396,850	5,198,448	396,850	5,198,448
Receipts	(748,596)	(1,553,954)	(748,596)	(1,553,954)
Amounts written off (Note 11)	(3,755)	(3,226,125)	(3,755)	(3,226,125)
At 31 December	677,703	1,033,204	677,703	1,033,204
Amounts due within one year	120,330,250	116,834,370	120,222,922	116,834,370
Amounts due after one year	193,188	301,660	193,188	301,660
	120,523,438	117,136,030	120,416,110	117,136,030

*Down-sold assets represent loan assets sold to the Group'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 Group's exposures and facility fees paid in relation to short term facilities extended to the Group by lenders.

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

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

25. PROPERTY AND EQUIPMENT – GROUP AND BANK

Year ended 31 December 2019:	Freehold land US	Leasehold land USD	Building under construction USD	Buildings USD	Motor vehicles USD	Furniture and fittings USD	Office equipment USD	Total USD
COST								
At 1 January 2019	140,400	2,453,865	1,067,139	26,582,523	725,269	1,750,724	2,177,164	34,897,084
Additions	-	-	3,703,752	15,492	169,981	120,584	313,709	4,323,518
Disposals	-	-	-	-	(30,585)	(6,041)	(13,364)	(49,990)
Reclassification (Note 26)		(2,453,865)						(2,453,865)
At 31 December 2019	140,400	-	4,770,891	26,598,015	864,665	1,865,267	2,477,509	36,716,747
ACCUMULATED DEPRECIATION								
At 1 January 2019	-	76,419	-	7,749,159	497,423	998,888	1,865,085	11,186,974
Charge for the year	-	-	-	501,231	96,310	148,185	227,711	973,437
Disposals	-	-	-	-	(30,585)	(5,478)	(14,245)	(50,308)
Reclassification		(76,419)	-	-	-	-	-	(76,419)
At 31 December 2019	-	-	-	8,250,390	563,148	1,141,595	2,078,551	12,033,684
NET CARRYING AMOUNT								
At 31 December 2019	140,400	-	4,770,891	18,347,625	301,517	723,672	398,958	24,683,063

Leasehold Land:

Leasehold land refers to land that the Group owns and holds on a 99-year leasehold title. This was transferred to right-of-use asset upon adoption of IFRS 16 Leases.

Building Under Construction:

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

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

25. PROPERTY AND EQUIPMENT (Continued)

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

Leasehold Land:

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

Building Under Construction:

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

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

26. RIGHT OF USE ASSET

The Group leases office space for its use. Approximately half of the leases expired in 2019 and were replaced with new leases for the same underlying properties. This resulted in a right-of-use asset of USD 1,406,642 (2018: nil). Information about the leases in which the Group is a lessee is presented below:

	GROUP AND BANK	
	2019	2018
	USD	USD
COST		
At the beginning of the year	-	-
Lease asset recognised	1,924,330	-
Reclassification (Note 25)	2,453,865	-
At the end of the year	4,378,195	-
ACCUMULATED AMORTISATION		
At the beginning of the year	-	-
Reclassification (Note 25)	76,419	
Charge for the year	389,764	-
At the end of the year	466,183	-
NET BOOK VALUE		
At the end of the year	3,912,012	-
Amounts recognized in profit and loss:		
Depreciation expense-right-of-use asset	364,981	-
Interest Expense	83,031	-
Expense relating to short term lease contracts	60,405	-
	508,417	-

27. INTANGIBLE ASSETS

	2019	2018
COST		
At beginning of year	4,276,392	3,338,765
Additions	737,437	937,627
Impairment	(1,394,909)	-
At end of year	3,618,920	4,276,392
AMORTISATION		
At beginning of year	2,422,648	2,000,735
Charge for the year	593,179	421,913
Impairment	(1,394,909)	-
At end of year	1,620,918	2,422,648
NET CARRYING AMOUNT		
At end of year	1,998,002	1,853,744

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

28. COLLECTION ACCOUNT DEPOSITS

	GROUP AND BANK	
	2019	2018
	USD	USD
At 1 January	119,576,580	127,796,131
Increase	6,893,456	43,519,141
Reduction	(30,647,425)	(51,738,692)
At 31 December	95,822,611	119,576,580

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

29. LEASE LIABILITY

	GROUP AND BANK	
	2019	2018
	USD	USD
Undiscounted future minimum lease payment under operating lease at 1 January	139,393	-
Impact of discounting	(3,927)	-
Leases not yet commenced at 1 January	1,887,220	-
At 1 January	2,022,686	-

The movement in the lease liabilities is as follows:

	2019 USD	2018 USD
At 1 January	2,022,686	-
Payment of lease liabilities	(585,250)	-
Interest on lease liabilities	83,031	-
At 31 December	1,520,467	-

Maturity Analysis of undiscounted cash flows		
Year 1	558,110	-
Year 2	619,586	-
Year 3	477,678	-
Total discounted lease liabilities	1,655,374	-

30. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2019 USD	2018 USD
African Trade Insurance Agency	1,680,450	1,243,996

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

30. SHORT TERM BORROWINGS (Continued)

(b) OTHER SHORT-TERM BORROWINGS

	Date of renewal/ advance	Maturity Date	Currency	GROUP AND BANK 2019 USD	2018 USD
Syndicated Loan- Middle First Abu Dhabi Bank PJSC	Dec-19	Dec-22	USD	451,471,994	329,301,555
First Abu Dhabi Bank PJSC	Apr-19	Apr-20	USD	50,000,000	-
Standard Bank Isle of Man	Dec-19	Nov-20	EUR	56,015,000	-
Syndicated Loan - Citibank	Oct-18	Oct-21	USD	460,000,000	460,000,000
Syndicated Loan - Asia (I)	Jun-19	Jun-22	USD	400,000,000	340,000,000
The Bank of Tokyo Mitsubishi UFJ, Ltd	Jun-19	Jun-21	USD	150,000,000	75,000,000
Samurai Syndication	Dec-18	Dec-21	USD	146,763,016	146,220,401
Syndicated Loan - Asia (II)	Dec-17	Dec-20	USD	237,000,000	237,000,000
Mashreq Bank	Dec-19	Dec-20	USD	100,000,000	100,000,000
Citibank	Sep-19	Apr-20	USD	79,511,339	29,952,505
Mizuho Bank London	Dec-18	Nov-20	USD	75,000,000	75,000,000
Nedbank	Dec-18	Nov-21	USD	50,000,000	60,912,877
Sumitomo Mitsui Banking Corporation Euro	Dec-19	Dec-20	USD	50,000,000	58,931,935
KfW	Dec-19	Dec-20	USD	46,500,000	40,000,000
Africa 50 Financement de Projets	Oct-19	Mar-20	USD	31,446,755	39,761,916
NORFUND	Dec-19	Jun-20	USD	30,000,000	-
Bank One Ltd	Dec-19	Mar-20	EUR	22,406,000	22,871,000
Standard Chartered Bank London	Jul-19	Jun-20	USD	14,149,861	193,806,513
BHF BANK	Oct-19	Mar-20	USD	8,233,539	2,140,494
African Trade Insurance Agency	Jan-19	Sep-20	USD	4,242,949	3,677,350
Cargill Kenya Limited	Dec-17	Dec-19	USD	-	148,247,850
Standard Bank South Africa	Sep-18	Jan-19	USD	-	5,141,589
ABSA Bank	Oct-18	Apr-19	USD	-	4,632,718
Commerzbank Frankfurt am Main	Jul-18	Jan-19	USD	-	307,260
Sub-total for other short-term borrowings				2,462,740,453	2,372,905,964
INTEREST PAYABLE				827,094	9,103,641
Certificate of Deposits (Note 30a)				1,680,450	1,243,996
TOTAL SHORT-TERM BORROWINGS				2,465,247,997	2,383,253,601

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

31. LONG TERM BORROWINGS

					GROUP AND BANK 31 December 2019			GROUP AND BANK 31 December 2018		
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	Nov-08	Feb-29	USD	207,500,000	207,500,000	18,750,000	188,750,000	158,746,264	11,250,000	147,496,264
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	-	-	-	-	10,000,000	10,000,000	-
China Development Bank	Dec-08	Dec-19	USD	-	-	-	-	20,000,000	20,000,000	-
KBC Bank	Various	Various	USD	-	-	-	-	3,144,827	2,515,862	628,965
Exim Bank of India Loan	Various	Various	USD	-	-	-	-	7,850	7,850	-
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	May-19	Mar-24	USD	750,000,000	750,000,000		750,000,000	700,000,000	-	700,000,000
US$ 1.0 Billion Euro Medium Term Note Programme: Third Tranche	Dec-13	Mar-22	USD	700,000,000	700,000,000	-	700,000,000	-	-	-
Development Bank of Southern Africa	Mar-07	Jun-23	USD	14,062,500	14,062,500	9,375,000	4,687,500	23,437,500	9,375,000	14,062,500
OPEC Fund for International Development	Mar-19	Aug-23	USD	20,000,000	20,000,000	2,925,278	17,074,722			
Private Export Funding Corporation	Aug-11	Oct-21	USD	11,155,339	11,155,339	5,949,514	5,205,825	17,104,853	5,949,514	11,155,339
KfW	Dec-13	Dec-31	USD	151,428,572	151,428,572	5,714,286	145,714,286	107,142,857	5,714,286	101,428,571
KFW IPEX	Sep-16	Dec-28	USD	109,747,199	109,747,199	13,364,622	96,382,577	123,111,820	13,364,622	109,747,198
European Investment Bank	Aug-16	Sep-26	USD	82,239,046	82,239,046	11,749,333	70,489,713	88,120,000	5,874,667	82,245,333
CDC Group	Oct-16	Dec-25	USD	72,727,273	72,727,273	16,267,380	56,459,893	81,818,182	14,889,746	66,928,436
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	21,157,142	21,157,142	4,227,906	16,929,236	13,478,240	2,449,520	11,028,720
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	29,204,255	29,204,255	6,696,563	22,507,692	20,306,413	7,365,175	12,941,238
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	57,000,000	57,000,000	3,125,000	53,875,000	57,000,000		57,000,000
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000,001	250,000,001	-	250,000,001	250,000,001	25,274,725	224,725,276
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	2,242,404,954	982,821	982,821	-	2,351,638	1,369,446	982,192
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	2,240,669,845	980,815	980,815	-	2,350,022	1,369,446	980,576
IDC – Industrial Development Corporation	Mar-18	Dec-27	USD	87,156,493	87,156,493	13,408,691	73,747,802	100,565,184	11,173,909	89,391,275
BADEA	Feb-18	Sep-27	USD	14,999,940	14,999,940	1,250,000	13,749,940	5,001,933	-	5,001,933
Oldenburgische Landesbank AG	Various	Feb-20	USD	628,965	628,965	628,965	-	-	-	-
African Economic Research Consortium	Nov-19	Nov-26	USD	2,993,975	2,993,975	-	2,993,975	-	-	-
Sub-total for long term borrowings					2,583,964,336	115,396,174	2,468,568,162	1,783,687,584	147,943,768	1,635,743,816
Interest payable					28,520,393	28,520,393	-	25,024,959	25,024,959	-
Total					2,612,484,729	143,916,567	2,468,568,162	1,808,712,543	172,968,727	1,635,743,816
Deferred Expenditure					(20,955,831)	(8,677,535)	(12,278,296)	(26,682,475)	(26,682,475)	-
Total long-term borrowings					2,591,528,898	135,239,032	2,456,289,866	1,782,030,068	146,286,252	1,635,743,816

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

32. OTHER PAYABLES

	GROUP 2019 USD	GROUP 2018 USD	BANK 2019 USD	BANK 2018 USD
Accrued expenses	4,197,989	9,374,066	4,197,989	9,374,066
Accrued fees-Trade Finance	401,256	850,382	401,256	850,382
Provident fund*	7,492,768	1,243,471	7,492,768	1,243,471
Other creditors**	102,089,407	54,008,954	101,961,590	54,008,954
Accrued reward & recognition	5,552,242	4,971,407	5,552,242	4,971,407
Accrued fees-Project Finance	24,478	1,370	24,478	1,370
Rental deposit	51,622	51,622	51,622	51,622
Dividends payable (Note 34)	11,475,872	2,357,693	11,475,872	2,357,693
Accrued Long Term Incentive Scheme	4,939,849	-	4,939,849	-
Accrued Syndication fees	2,507,304	-	2,507,304	-
	138,732,787	72,858,965	138,604,970	72,858,965

Analysis of other payables by maturity:

	GROUP 2019 USD	GROUP 2018 USD	BANK 2019 USD	BANK 2018 USD
Amounts due within one year	134,555,523	65,535,685	134,427,706	65,535,685
Amounts due after one year	4,177,264	7,323,280	4,177,264	7,323,280
	138,732,787	72,858,965	138,604,970	72,858,965

*Provident fund relates to the Group's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.

33. PROVISION FOR SERVICE AND LEAVE PAY

	GROUP AND BANK 2019 USD	GROUP AND BANK 2018 USD
(i) PROVISION FOR SERVICE PAY		
At beginning of year	6,040,190	5,081,470
Increase in provision	1,099,333	1,155,218
Payment of service pay	(539,372)	(196,497)
At end of year	6,600,151	6,040,191
(ii) PROVISION FOR LEAVE PAY		
At beginning of year	1,788,449	1,477,218
Increase in provision	257,172	402,898
Payment of leave pay	(94,262)	(91,667)
At end of year	1,951,359	1,788,449
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	8,551,510	7,828,640

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

34. SHARE CAPITAL

	GROUP AND BANK					
	As at 31 December 2019			As at 31 December 2018		
	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD	CLASS 'A' SHARES USD	CLASS 'B' SHARES USD	TOTAL USD
Authorised capital:						
- 88,234 Class 'A' ordinary shares of USD 22,667 each	2,000,000,000	-	2,000,000,000	2,000,000,000	-	2,000,000,000
- 220,584 Class 'B' ordinary shares of USD 4,533.42 each	-	1,000,000,000	1,000,000,000	-	1,000,000,000	1,000,000,000
Less: Unsubscribed						
- Class 'A'	(57,755,436)	-	(57,755,436)	(166,443,703)	-	(166,443,703)
- Class 'B'	-	(872,565,554)	(872,565,554)	-	(895,282,523)	(895,282,523)
Subscribed capital:						
- 85,686 Class 'A' (2018: 80,891) ordinary shares of USD 22,667 each	1,942,244,564	-	1,942,244,564	1,833,556,297	-	1,833,556,297
- 28,110 Class 'B' (2018: 23,099) ordinary shares of USD 4,533.40 each	-	127,434,446	127,434,446	-	104,717,477	104,717,477
Less: Callable capital	(1,553,795,650)	-	(1,553,795,650)	(1,466,845,038)	-	(1,466,845,038)
Payable capital	388,448,914	127,434,446	515,883,360	366,711,259	104,717,477	471,428,736
Less: Amounts not yet due	(15,597,120)		(15,597,120)	(6,404,787)	-	(6,404,787)
Capital due	372,851,794	127,434,446	500,286,240	360,306,472	104,717,477	465,023,949
Less: subscriptions in arrears	(1,178,768)		(1,178,768)	(3,281,391)	-	(3,281,391)
Paid up capital	371,673,026	127,434,446	499,107,472	357,025,081	104,717,477	461,742,558

34. SHARE CAPITAL (Continued)

	GROUP AND BANK					
	31 December 2019			31 December 2018		
	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	357,025,081	104,717,477	461,742,558	333,838,490	97,386,936	431,225,426
African Economic Research Consortium	-	793,349	793,349			
African Development Bank	485,074	10,880,209	11,365,283	1,128,817	-	1,128,817
BADEA – Arab Bank for Economic Development in Africa	-	-	-	-	4,352,084	4,352,084
Investment Fund for Developing Countries	-	7,910,819	7,910,819			
National Social Security Fund- Uganda	-	367,207	367,207	-	389,875	389,875
Sacos Group Limited	-	13,600	13,600			
Rwanda Social Security Board	-	1,967,504	1,967,504	-	376,274	376,274
TDB Staff Provident Fund	-	693,613	693,613	-	2,030,972	2,030,972
TDB Directors & Select Stakeholders Provident Fund	-	90,668	90,668	-	181,336	181,336
Belarus	122,402	-	122,402	1,222,205	-	1,222,205
Burundi	199,470	-	199,470	462,407	-	462,407
China	553,075	-	553,075	1,282,952	-	1,282,952
Comoros	22,667	-	22,667	40,801	-	40,801
Congo DRC	680,010	-	680,010	3,540,695	-	3,540,695
Djibouti	45,334	-	45,334	108,802	-	108,802
Egypt	870,413	-	870,413	2,012,830	-	2,012,830
Eritrea	49,431	-	49,431	45,216	-	45,216
Eswatini	414,353	-	414,353	409,820	-	409,820
Ethiopia	1,870,481	-	1,870,481	2,012,830	-	2,012,830
Kenya	9,067	-	9,067	2,012,830	-	2,012,830
Madagascar	405,286	-	405,286	400,753	-	400,753
Malawi	213,070	-	213,070	498,674	-	498,674
Mauritius	408,006	-	408,006	952,014	-	952,014
Mozambique	4,120,449	-	4,120,449	145,069	-	145,069
Rwanda	2,244,740	-	2,244,740	539,475	-	539,475
Seychelles	45,334	-	45,334	99,735	-	99,735
Somalia	65,496	-	65,496	59,912	-	59,912
South Sudan	276,537	-	276,537	13,600	-	13,600
Tanzania	99,735	-	99,735	1,944,829	-	1,944,829
Uganda	699,504	-	699,504	2,520,571	-	2,520,571
Zambia	748,011	-	748,011	1,731,754	-	1,731,754
	14,647,945	22,716,969	37,364,914	23,186,591	7,330,541	30,517,132
	371,673,026	127,434,446	499,107,472	357,025,081	104,717,477	461,742,558

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

34. SHARE CAPITAL (Continued)

	GROUP AND BANK			
	Number of shares	Share value USD	Price paid USD	Share premium USD
Share Premium – Class B:				
As at 31 December 2019:				
At 1 January 2019	23,099	104,717,477	165,218,088	60,500,611
Additions during the year	5,011	22,716,969	53,925,406	31,208,437
At 31 December 2019	28,110	127,434,446	219,143,494	91,709,048
Share Premium – Class A:				
As at 31 December 2019:				
At1 January 2019	80,891	-	-	-
Additions -Without Share Premium	3,329	-	-	-
Additions -With Share Premium	1,466	16,804,755	6,645,964	10,158,791
As at 31 December 2019	85,686	16,804,755	6,645,964	10,158,791
Total	113,796	144,239,201	225,789,458	101,867,839
Share Premium – Class B:				
As at 31 December 2018:				
As at 1 January 2018:	21,482	97,386,936	150,355,414	52,968,478
Additions during the year	1,617	7,330,541	14,862,674	7,532,133
As at 31 December 2018:	23,099	104,717,477	165,218,088	60,500,611

Class A and B shares

As at 31 December 2019, there were 85,686 ‘A’ ordinary shares (2018: 80,891) and 28,110 Class ‘B’ ordinary shares (2018: 23,099). Class ‘A’ shares have a par value of USD 22,667 each (comprising 80% callable and 20% payable) and were issued only to Members, while Class ‘B’ shares have a par value of USD 4,533.40 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 7,679.81 (2018: USD 6,929.60) that is determined after a valuation of the Group’s shares. The share premium is used to finance the operations of the Group. The share premium for class A shares was introduced in 2019 hence nil balance in 2018.

	2019 USD	2018 USD
Dividends on ordinary shares declared and paid:		
Final dividend for 2018: USD 315.93 per share (2017: 308.67 per share)		
-Declared and paid	20,208,849	25,049,089
-Declared and not paid/payable	11,475,872	2,357,693
	31,684,721	27,406,782
*Proposed dividends on ordinary share**s:***		
Dividend for 2019: USD 342.01 per share (2018: USD 315.93 per share)	36,313,155	31,684,721

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

35. MANAGEMENT RESERVE

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

36. NOTES TO THE STATEMENT OF CASH FLOWS

	GROUP 2019 USD	BANK 2019 USD	GROUP AND BANK 2018 USD
(a) Reconciliation of profit for the year to net cash generated from/(used in) operations:			
Profit for the year	151,533,059	151,304,813	129,325,392
Adjustments:			
Depreciation on property and equipment (Note 25)	973,437	973,437	898,757
Depreciation of right of use asset (Note 26)	389,764	389,764	-
Amortisation of intangible assets (Note 27)	593,179	593,179	421,913
(Gain)/loss from disposal of property and equipment	(318)	(318)	2,652
Gain in foreign exchange	(5,178,281)	(5,178,281)	(16,301,220)
Interest received	(276,163,851)	(276,163,851)	(271,215,413)
Interest paid	212,690,235	212,690,235	182,199,807
Management reserve	-	-	19,842,913
Provision for impairment	41,485,622	41,485,622	23,156,955
Increase in provision for service and leave pay	89,236	89,236	981,788
Impairment of off-balance sheet items	(6,778,553)	(6,778,553)	(2,865,791)
Interest on lease liability	83,031	83,031	-
Profit before changes in operating assets and liabilities	119,716,560	119,488,314	66,447,753
Working capital changes			
Increase in other receivables	(3,355,301)	(3,280,080)	(10,658,542)
Decrease/(Increase) in hedging derivative instruments-Assets	13,993,599	13,993,599	(54,042,940)
Decrease in hedging derivative instruments-Liabilities	-	-	(4,797,549)
Increase in trade finance loans	(156,130,658)	(156,130,658)	(182,556,237)
Increase in project loans	(687,077,238)	(687,077,238)	(194,370,177)
Decrease in collection accounts deposits	(23,753,969)	(23,753,969)	(8,219,550)
Increase/(decrease) in other payables	51,054,792	54,270,135	(11,157,197)
Provision for service and leave pay paid	633,634	633,634	288,164
Interest received	276,163,851	276,163,851	271,215,413
Interest paid	(212,690,235)	(212,690,235)	(182,199,807)
Net increase in borrowings (Note 36 (b))	891,493,226	891,493,226	142,431,837
Net cash generated from/(used in) operations	273,403,562	273,110,579	(167,618,832)

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

(b) Analysis of changes in borrowings

	GROUP AND BANK	
	2019	2018
	USD	USD
Short term borrowings:		
At beginning of year	2,383,253,601	2,314,562,284
Loans received	2,609,097,356	2,634,377,484
Repayments	(2,527,102,960)	(2,565,686,167)
At end of year	2,465,247,997	2,383,253,601
Long term borrowings:		
At beginning of year	1,782,030,068	1,708,289,548
Loans received	1,055,979,537	547,625,476
Repayments	(246,480,707)	(473,884,956)
At end of year	2,591,528,898	1,782,030,068
Total borrowings:		
At beginning of year	4,165,283,669	4,022,851,832
Loans received	3,665,076,893	3,182,002,960
Repayments	(2,773,583,667)	(3,039,571,123)
At end of year	5,056,776,895	4,165,283,669
Increase in total borrowings (Note 36(a))	891,493,226	142,431,837

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Group and, therefore, are classified as cash generated from operations.

(c) Analysis of cash and cash equivalents

	GROUP		BANK	
	2019	2018	2019	2018
	USD	USD	USD	USD
Cash and balances with other banks - Note 14	1,382,403,564	1,145,918,378	1,382,110,581	1,145,918,378

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

(d) Facilities available for lending

As at 31 December 2019 the following facilities were available to the Group for lending:

	GROUP AND BANK		
SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Syndicated Loan - Global	460,000,000	460,000,000	-
Syndicated Loan- Middle East	451,471,994	451,471,994	-
Syndicated Loan - Asia (I)	400,000,000	400,000,000	-
Syndicated Loan - Asia (II)	237,000,000	237,000,000	-
AFREXIM	168,045,000	-	168,045,000
Standard Chartered Bank London	150,000,000	43,369,843	106,630,157
The Bank of Tokyo Mitsubishi UFJ, Ltd	150,000,000	150,000,000	-
Samurai Syndication	146,763,016	146,763,016	-
ING Bank	136,762,266	136,762,266	-
Citibank	120,000,000	106,642,507	13,357,493
Mashreq Bank	100,000,000	100,000,000	-
Societe Generale	95,000,000	-	95,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	-	90,000,000
Mizuho Bank London	89,913,143	89,913,143	-
Commercial Bank of Africa	80,000,000	-	80,000,000
BNP Paribas Group	75,000,000	-	75,000,000
Deutsche Bank	60,000,000	-	60,000,000
Standard Bank Isle of Man	56,015,000	56,015,000	
First Abu Dhabi Bank PJSC	50,000,000	50,000,000	
Sumitomo Mitsui Banking Corporation	50,000,000	50,000,000	-
Rand Merchant Bank	50,000,000	-	50,000,000
Nedbank	50,000,000	50,000,000	-
KfW IPEX	46,500,000	46,500,000	-
BHF Bank	33,609,000	8,422,990	25,186,010
Africa 50 Financement de Projets	31,446,755	31,446,755	-
Natixis	30,000,000	-	30,000,000
NORFUND	30,000,000	30,000,000	-
KBC Bank	28,007,500	-	28,007,500
Bank One	22,406,000	22,406,000	-
Barclays/Absa Bank	20,000,000	8,249,457	11,750,543
DZ Bank	15,158,226	-	15,158,226
Banque de Commerce de placement	9,686,500	-	9,686,500
African Trade Insurance Agency	5,923,399	5,923,399	-
TOTAL	3,628,707,799	2,680,886,370	947,821,429

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

(d) Facilities available for lending (Continued)

	GROUP AND BANK		
	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
LONG TERM FACILITIES LENDER			
Eurobond	1,450,000,000	1,450,000,000	-
Japan Bank for International Corporation	430,000,000	7,275,000	422,725,000
African Development Bank	330,000,000	330,000,000	-
Export Import Bank of China	250,000,000	250,000,000	-
European Investment Bank	208,120,000	88,120,000	120,000,000
KfW	160,000,000	160,000,000	-
KfW- Ipex	133,135,287	133,135,287	-
Industrial Development Corporation	100,565,184	100,565,184	-
Exim Bank India	100,000,000	75,000,000	25,000,000
CDC Group	100,000,000	100,000,000	-
Development Bank of South Africa	95,000,000	95,000,000	-
Agence Francaise De Development	75,000,000	57,000,000	18,000,000
Development Bank of the Republic of Belarus	72,000,000	-	72,000,000
Private Export Funding Corporation	60,000,000	60,000,000	-
OPEC Fund for International Development	60,000,000	20,000,000	40,000,000
Finnish Export Credit -Sumitomo Mitsui Banking Corporation	56,811,725	28,679,449	28,132,276
Oldenburgische Landesbank AG	51,403,510	36,854,139	14,549,371
Standard Chartered Bank / USAID	50,000,000	25,703,000	24,297,000
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
Arab Bank for Economic Development in Africa	15,000,000	15,000,000	-
African Economic Research Consortium	2,993,975	2,993,975	-
Exim Bank USA	No limit	-	-
TOTAL	3,816,536,236	3,051,832,589	764,703,647
TOTAL FACILITIES: 31 December 2019	7,445,244,035	5,732,718,959	1,712,525,076

Note:

Facilities utilised include outstanding letters of credit amounting to USD 346,981,327 (2018: USD161,393,239) as disclosed in note 39(b).

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

(d) Facilities available for lending (Continued)

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

	GROUP AND BANK		
SHORT-TERM FACILITIES LENDER	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
Asian Syndicated Loan 1	340,000,000	340,000,000	-
Middle East Syndication 2018 (First Abu Dhabi Bank PJSC)	329,301,555	329,301,555	-
Cargill Kenya	148,247,850	148,247,850	-
African Trade Insurance Agency	4,921,346	4,921,346	-
BHF Bank	34,306,500	4,972,880	29,333,620
AFREXIM	171,532,500	-	171,532,500
NIC Bank	40,000,000	-	40,000,000
Natixis	30,000,000	-	30,000,000
ING Bank	102,919,500	-	102,919,500
KBC Bank	28,588,750	-	28,588,750
DZ Bank	15,158,226	-	15,158,226
Standard Chartered Bank	330,000,000	221,419,972	108,580,028
Asian Syndication 11, 2018 (Standard Chartered Bank)	237,000,000	237,000,000	-
BNP Paribas Group	75,000,000	-	75,000,000
Mauritius Commercial Bank	90,000,000	-	90,000,000
Standard Bank South Africa	90,000,000	5,141,589	84,858,411
Deutsche Bank	60,000,000	-	60,000,000
Commercial Bank of Africa	80,000,000	-	80,000,000
Mizuho	80,000,000	75,000,000	5,000,000
Sumitomo Mitsui Banking Corporation	220,000,000	73,665,000	146,335,000
Rand Merchant Bank	50,000,000	-	50,000,000
Bank of Tokyo Mitsubishi	221,220,401	221,220,401	-
Banque de Commerce de placement	9,865,500	-	9,865,500
State Bank of Mauritius	25,000,000	-	25,000,000
Mashreqbank	100,000,000	100,000,000	-
FimBank	28,588,750	-	28,588,750
FBN Bank London	5,000,000	-	5,000,000
Societe Generale	95,000,000	-	95,000,000
Barclays/Absa Bank	24,000,000	23,358,811	641,189
Banque BIA, France	22,871,000	-	22,871,000
BMCE Bank	28,588,750	-	28,588,750
British Arab Commercial Bank	57,177,500	-	57,177,500
Citibank	65,000,000	49,554,598	15,445,402
Syndicated Loan Oct 2019 (Citibank)	460,000,000	460,000,000	-
Nedbank	85,000,000	64,098,885	20,901,115
United Bank Limited	5,000,000	-	5,000,000
Africa50	39,761,917	39,761,917	-
Bank One	22,871,000	22,871,000	-
KFW IPEX	40,000,000	40,000,000	-
TOTAL	3,891,921,045	2,460,535,804	1,431,385,241

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

(d) Facilities available for lending (continued)

	GROUP AND BANK		
	Facilities available USD	Facilities utilised USD	Facilities unutilised USD
LONG TERM FACILITIES LENDER			
Eurobond	700,000,000	700,000,000	-
Exim Bank India	100,000,000	75,000,000	25,000,000
European Investment Bank	88,120,000	88,120,000	-
African Development Bank	330,000,000	270,000,000	60,000,000
Development Bank of South Africa	95,000,000	95,000,000	-
Private Export Funding Corporation	60,000,000	60,000,000	-
BKB Bank	51,403,510	36,854,139	14,549,371
Africa Agriculture Trade and Investment Fund	30,000,000	30,000,000	-
KfW	160,000,000	110,000,000	50,000,000
KfW- Ipex	133,135,287	133,135,287	-
China Development Bank	122,900,000	122,900,000	-
BHF Bank	18,000,000	7,300,000	10,700,000
Japan Bank for International Corporation	80,000,000	23,040,956	56,959,044
Tanzania Shillings Local Currency Bond	16,506,555	16,506,555	-
CDC Group	100,000,000	100,000,000	-
Arab Bank for Economic Development in Africa	15,000,000	5,000,000	10,000,000
Industrial Development Corporation	105,000,000	100,565,184	4,434,816
Standard Chartered Bank / USAID	50,000,000	14,703,000	35,297,000
Agence Francaise De Development	75,000,000	57,000,000	18,000,000
The Exim -Import Bank of China	250,000,000	250,000,000	-
OPEC Fund for International Development	60,000,000	-	60,000,000
Exim Bank USA	No Limit	-	No Limit
TOTAL	2,640,065,352	2,295,125,121	344,940,231
TOTAL FACILITIES: 31 December 2018	6,531,986,397	4,755,660,925	1,776,325,472

Note:

Facilities utilised include outstanding letters of credit amounting to USD 346,981,327 (2018: USD 161,673,239 USD as disclosed in note 39(b).

37. 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 Group's estimate of assumptions that a market participant would make when valuing the instruments.

Net derivative financial instruments

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

Financial instruments disclosed at fair value

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

Fair Value hierarchy

The Group 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.

		GROUP AND BANK		
At 31 December 2019:	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
ASSETS				
Net derivative financial instruments	-	40,049,341	-	40,049,341
Investment in Trade Fund	-	49,997,089	-	49,997,089
Equity investments at fair value through other comprehensive income	-	-	51,135,850	51,135,850
Investment in joint venture	-	-	69,984	69,984
	-	90,046,430	51,205,834	141,252,264
At 31 December 2018:				
LIABILITIES				
Net derivative financial instruments	-	54,042,940	-	54,042,940
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
Investment in joint venture	-	-	386,994	386,994
	-	54,042,940	51,908,724	105,951,664

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Transfers between Level 1, 2 and Level 3:

As at 31 December 2019 and 31 December 2018, there were no transfers between the levels.

Valuation of financial Instruments recorded at fair value:

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

Valuations of financial instruments are the responsibility of Management.

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

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

	GROUP AND BANK					
	As at 31 December 2019			As at 31 December 2018		
	Realised USD	Unrealised USD	Total (losses) USD	Realised USD	Unrealised USD	Total gains USD
ASSETS						
Equity investments – at fair value through other comprehensive income	-	(465,000)	(465,000)	-	450,000	450,000
	=========	=========	==========	=========	======	=========

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range (weighted average)	December 2019 USD	December 2018 USD
Equity investments – at fair value through other comprehensive income	Equity method-% of net assets	Professional Investment Managers Valuation	n/a	51,135,850	51,521,730
			==========	=========	==========

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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:

			Effect on fair value	
			GROUP AND BANK	
			2019	2018
Description	Input	Sensitivity used	USD	USD
Equity investments – at fair value through other comprehensive income	Professional Investment Managers Valuation	5%	2,556,793	2,576,087
		==========	=========	=========

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

Level 3 reconciliation

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

	GROUP AND BANK	
	2019	2018
	USD	USD
Balance as at 31 January	51,521,730	40,257,957
IFRS 9 adjustment	-	10,728,799
Balance as at 31 January-Restated	51,521,730	50,986,756
FV gains and losses	(465,000)	450,000
Additions	79,120	84,974
Balance as at 31 December	51,135,850	51,521,730
	==========	==========

38. SEGMENT REPORTING

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

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

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Group’s main business. The Group 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.

38. SEGMENT REPORTING (Continued)

For the year ended 31 December 2019 INCOME	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Subsidiary USD	Consolidated/ Bank Total USD
Interest income	119,335,164	102,046,112	91,043,323	5,598,800	54,399,757	372,423,156	33,302,878	-	405,726,034
Interest expense and other borrowing costs	(66,718,523)	(57,169,921)	(50,708,654)	(3,175,994)	(30,261,273)	(208,034,365)	(18,602,880)	-	(226,637,245)
Net interest income	52,616,641	44,876,191	40,334,669	2,422,806	24,138,484	164,388,791	14,699,998	-	179,088,789
Fee and commission income	34,447,645	3,629,308	20,611,034	8,483,507	5,219,176	72,390,670	-	-	72,390,670
Fair value gains on financial assets - derivatives	-	-	-	-	-	-	16,006,006	-	16,006,006
Net Trading Income	87,064,286	48,505,499	60,945,703	10,906,313	29,357,660	236,779,461	30,706,004	-	267,485,465
Risk Mitigation Costs	(13,535,724)	(2,759,791)	(15,742,527)	-	-	(32,038,042)	(3,941,501)	-	(35,979,543)
Other Income	2,449,063	-	2,910,000	-	-	5,359,063	650,739	272,968	6,282,770
Depreciation and amortisation	-	-	-	-	-	-	(1,956,380)	-	(1,956,380)
Operating expenditure	(963,651)	(553,993)	(541,216)	(945,118)	(3,351,349)	(6,355,327)	(32,361,648)	(410,780)	(39,127,755)
Impairment allowance on loans	(13,009,762)	(23,734,106)	(4,066,891)	(312,386)	(362,477)	(41,485,622)	-	-	(41,485,622)
Impairment on other assets	-	-	-	-	-	-	(3,755)	-	(3,755)
Net foreign exchange loss	-	-	-	-	-	-	(3,682,116)	(5)	(3,682,121)
PROFIT BEFORE TAXATION	62,004,212	21,457,609	43,505,069	9,648,809	25,643,834	162,259,533	(10,588,657)	(137,817)	151,533,059
Taxation	-	-	-	-	-	-	-	(3,494)	(3,494)
PROFIT FOR THE YEAR	62,004,212	21,457,609	43,505,069	9,648,809	25,643,834	162,259,533	(10,588,657)	(141,311)	151,529,565

38. SEGMENT REPORTING (Continued)

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the Year ended 31 December 2018

	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Consolidated/ Bank Total USD
INCOME								
Interest income	91,440,363	111,132,038	76,846,704	2,396,245	47,930,069	329,745,419	31,842,477	361,587,896
Interest expense and other borrowing costs	(50,559,206)	(63,454,029)	(44,238,902)	(1,381,908)	(27,331,490)	(186,965,535)	(18,227,206)	(205,192,741)
Net interest income	40,881,157	47,678,009	32,607,802	1,014,337	20,598,579	142,779,884	13,615,271	156,395,155
Fee and commission income	11,977,476	988,364	20,435,473	2,338,308	8,452,833	44,192,454	-	44,192,454
Fair value gains on financial assets - derivatives	-	-	-	-	-	-	23,974,890	23,974,890
Net Trading Income	52,858,633	48,666,373	53,043,275	3,352,645	29,051,412	186,972,338	37,590,161	224,562,499
Risk Mitigation Costs	(8,221,032)	(9,019,064)	(14,032,706)	-	(279,333)	(31,552,135)	(2,988,969)	(34,541,104)
Other Income	1,564,251	-	2,533,153	49,940	-	4,147,344	3,335,507	7,482,851
Depreciation and amortisation	-	-	-	-	-	-	(1,320,670)	(1,320,670)
Operating expenditure	(897,995)	(389,952)	(450,054)	(748,743)	(3,415,261)	(5,902,005)	(33,485,107)	(39,387,112)
Impairment allowance on loans	(11,012,333)	(1,103,071)	(7,233,548)	(638,737)	(1,910,725)	(21,898,414)	(1,258,541)	(23,156,955)
Impairment on other assets	(471,125)	-	-	(255,000)	-	(726,125)	(2,500,000)	(3,226,125)
Net foreign exchange loss	-	-	-	-	-	-	(1,087,992)	(1,087,992)
PROFIT FOR THE YEAR	33,820,399	38,154,286	33,860,120	1,760,105	23,446,093	131,041,003	(1,715,611)	129,325,392

38. SEGMENT REPORTING (Continued)

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

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

	Trade finance	Project finance	Other	Subsidiary	Total
Year ended 31 December 2019	USD	USD	USD	USD	USD
Gross interest income	209,703,194	162,719,962	33,302,878	-	405,726,034
Interest expense and other borrowing costs	(85,902,669)	(107,030,332)	(33,704,244)	-	(226,637,245)
Net interest income	123,800,525	55,689,630	(401,366)	-	179,088,789
Fee and commission income	36,968,485	35,422,185	-	-	72,390,670
Fair value gains on financial assets – derivatives	-	-	16,006,006	-	16,006,006
Risk mitigation costs	(19,705,323)	(12,102,304)	(4,171,916)	-	(35,979,543)
Other income	-	-	650,739	272,968	923,707
Other assets written-off	(3,755)	-	-	-	(3,755)
Other assets recovered	-	5,359,063	-	-	5,359,063
Operating expenses	(18,571,804)	(20,145,171)	-	(410,780)	(39,127,755)
Depreciation and amortisation	(908,477)	(1,018,846)	(29,057)	-	(1,956,380)
Impairment on assets	(24,408,620)	(10,298,449)	(5,416,406)		(40,123,475)
Impairment on off-balance sheet commitments	-	(1,362,147)	-	-	(1,362,147)
Net foreign exchange loss	(3,682,116)	-	-	(5)	(3,682,121)
Profit before taxation	93,488,915	51,543,961	6,638,000	(137,817)	151,533,059
Taxation charge	-	-	-	(3,494)	(3,494)
Profit for the year	109,495,239	51,543,961	(9,368,324)	(141,311)	151,529,565
	===========	===========	===========	========	===========
Year ended 31 December 2018	USD	USD	USD	USD	USD
Gross interest income	204,323,254	125,422,165	31,842,477	-	361,587,896
Interest expense and other borrowing costs	(116,941,399)	(70,024,156)	(18,227,206)	-	(205,192,741)
Net interest income	87,381,855	55,398,029	13,615,271	-	156,395,155
Fee and commission income	31,206,418	12,986,036	-	-	44,192,454
Fair value gains on financial assets – derivatives	-	-	23,974,890	-	23,974,890
Risk mitigation costs	(23,385,321)	(7,905,473)	(3,250,310)	-	(34,541,104)
Other income	-	-	1,052,485	-	1,052,485
Interest on capital arrears	-	-	2,073,647	-	2,073,647
Other assets written-off	(2,500,000)	(726,125)		-	(3,226,125)
Other assets recovered	503,410	3,850,173	3,136	-	4,356,719
Operating expenses	(19,781,660)	(19,605,452)	-	-	(39,387,112)
Depreciation and amortisation	(662,813)	(657,857)		-	(1,320,670)
Impairment on assets	(20,359,633)	68,469	(1,258,541)	-	(21,549,705)
Impairment on off-balance sheet commitments	(744,814)	(862,436)	-	-	(1,607,250)
Net foreign exchange loss	(1,087,992)	-	-	-	(1,087,992)
Profit for the year	74,544,340	42,545,364	12,235,688	-	129,325,392
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38. SEGMENT REPORTING (Continued)

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

b) REVENUE FROM MAJOR GROUPS

	2019 USD	2018 USD
Groups contributing 10% or more of revenue	196,183,199	223,371,145
All other customers	248,630,627	150,566,918
Total Revenue	444,813,826	373,938,063
	===========	===========

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2019	Trade finance USD	Project finance USD	Other USD	Total USD	Total USD
Assets					
Cash and balances held with other banks	34,091,881	-	1,348,018,700	292,983	1,382,403,564
Investment in Government securities	44,897,636	-	-	-	44,897,636
Investment in Trade Fund	49,996,989		-	100	49,997,089
Derivative financial instruments	40,049,341	-	-	-	40,049,341
Other receivables	-	-	120,416,110	107,328	120,523,438
Trade finance loans	2,865,166,921	-	-	-	2,865,166,921
Project loans	-	2,106,337,583	-	-	2,106,337,583
Equity investments at fair value other comprehensive income	-	51,135,850	-	-	51,135,850
Investment in Joint Ventures	-	317,010	-	-	317,010
Property and equipment	-	-	24,683,063	-	27,035,726
Right of use asset	-	-	3,9012,012	-	3,9012,012
Intangible assets	-	-	1,998,002	-	1,998,002
Total assets	3,034,202,768	2,157,790,443	1,499,027,887	400,411	6,691,421,509
	============	============	============	============	============
Liabilities:					
Short term borrowings	2,465,247,997	-	-		2,465,247,997
Long term borrowings	-	2,591,528,898	-		2,591,528,898
Collection account deposits	95,822,611	-	-		95,822,611
Lease Liability		-	1,520,467		1,520,467
Provision for service and leave pay	-	-	8,551,510		8,551,510
Other payables	-	-	138,604,970	127,817	138,732,787
Current tax payable	-	-	-	3,494	3,494
Total liabilities	2,561,070,608	2,591,528,898	148,676,947	5,301,276,453	5,301,407,764
	============	============	============	============	============
Equity	-	-	1,389,814,629	112,375	1,389,927,004
Non-controlling interest	-	-		86,741	86,741
	============	============	============	============	============
	2,561,070,608	2,591,528,898	1,538,491,576	330,427	6,691,421,509
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38. SEGMENT REPORTING (Continued)

c) STATEMENT OF FINANCIAL POSITION (Continued)

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

39. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP AND BANK	
	2019	2018
(a) Approved capital expenditure	USD	USD
Approved but not contracted	22,883,600	17,294,830
Approved and contracted	508,418	10,105,737
(b) Loans committed but not disbursed		
Project finance loans	490,097,321	263,569,643
Trade finance loans	184,214,397	265,445,719
	674,311,718	529,015,362

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

	GROUP AND BANK	
	2019	2018
	USD	USD
Letters of credit – Project finance loans	2,286,780	280,000
- Trade finance loans	346,981,327	161,393,239
Guarantee	69,186,744	17,000,000
	418,454,851	178,673,239

(c) Pending litigation

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

As at 31 December 2019, there were no material legal proceedings involving the Group (2018 – NIL). No provision has been made as, in the opinion of the Directors and the Group's lawyers, it is unlikely that any significant loss will crystallise.

40. RELATED PARTY TRANSACTIONS

(a) Membership and governance

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

40. RELATED PARTY TRANSACTIONS (Continued)

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

	GROUP AND BANK	
	2019	2018
(b) Loans to member states	USD	USD
Outstanding loans at 1 January	1,802,387,616	1,907,869,877
Loans disbursed during the year	1,012,848,585	453,571,429
Loans repaid during the year	(417,832,378)	(559,053,690)
Outstanding loan balances at 31 December	2,397,403,823	1,802,387,616

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 Group has not made any specific provision for doubtful debts relating to amounts owed by related parties (2018: Nil). General provisions have been raised as applicable.

	GROUP AND BANK	
	2019	2018
(c) Borrowings from members	USD	USD
Outstanding borrowings at 1 January	158,746,264	266,009,640
Borrowings received during the year	69,807,613	8,513,580
Borrowings repaid during the year	(21,053,878)	(115,776,956)
Outstanding balances at 31 December	207,499,999	158,746,264

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 Group for any borrowings from members. The borrowings are for an average period of ten years.

	GROUP AND BANK	
	2019	2018
(e) Income and expenses	USD	USD
• Interest income from loans to Member States earned during the year	205,331,885	180,127,858
• Interest expense on borrowings from Member States incurred during the year	(9,154,252)	(9,367,901)
• Fees and commission earned from Member States during the year	40,025,185	20,406,465

40. RELATED PARTY TRANSACTIONS (Continued)

(f) Other related parties

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

	GROUP AND BANK	
	2019	2018
	USD	USD
Salaries and other short-term benefits	4,340,442	4,520,153
Post employment benefits: Defined contribution: Provident Fund	266,610	705,313
Board of Directors and Board of Governors allowances	359,819	258,775
Other long-term employee benefits	671,857	279,153
	5,638,728	5,763,394

(g) Share capital

During the year, Class 'B' shares with a value of USD 1,176,054 (2018: USD 2,212,308) were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund.

41. 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:

	2019	2018
British Pound	0.7623	0.7885
Euro	0.8926	0.8745
United Arab Emirates Dirham	3.6729	3.6729
Zambian Kwacha	13.9600	11.9500
South Africa Rand	14.1017	14.3717
Zimbabwe Dollar	16.7394	00.0000
Ethiopian Birr	31.9500	28.3273
Mauritian Rupee	36.4408	34.1500
Sudanese Pound	47.6100	28.8370
Kenya Shilling	101.3950	101.8000
Japanese Yen	108.8050	110.4350
Malawi Kwacha	732.7564	728.7700
Burundi Franc	1,866.0000	1,756.0000
Tanzania Shilling	2,281.6000	2,281.6000
Uganda Shilling	3,662.2500	3,726.2500

42. EVENTS AFTER THE REPORTING DATE

From the beginning of the year after the reporting date (Q1-2020), the global economy has been adversely affected by the outbreak of the novel coronavirus of 2019 ("COVID-19"), which has been declared a pandemic by the World Health Organisation. The COVID-19 pandemic could result in a global economic downturn that will have an adverse impact on sovereign governments, with suppressed fiscal revenues, increases in health expenditure and reduced international trade negatively affecting government revenues and GDP. Consequently, unemployment as well as adjustments in fiscal and monetary policies to respond to the crisis will impact the regional economies.

Overall sovereign creditworthiness remains unaffected in the interim, but resilience may wane as growth rates decline and revenue targets remain unmet. The Bank's gross portfolio exposure to Sovereigns including public enterprises constitute 67% (USD 3.60 billion).

It seems likely at this point that travel, tourism, entertainment, automotive, oil & gas and health sectors will be most affected due to disruptions in supply and demand. The current distribution of TDB's gross loan assets by sector and the Bank's top key sectors in gross percentage terms are as follows: Oil & Gas (28%), Agribusiness (23%), Infrastructure (23%), Banking and Financial Institutions (5%) and Transport & Logistics (6%).

From a credit perspective, the Bank is in the process of rapidly identifying sectors and clients most likely to be affected. The Bank is conducting periodic stress tests on its loan assets to assess requisite levels of preparedness, magnitude and potential negative impact. As the pandemic evolves, there is an expectation of repayment delays and/or requests to extend loan repayments due to adverse impacts on borrower cash-flows.

It is anticipated that the COVID-19 pandemic may impact the Bank's profitability for the year ending 31 December 2020 in respect of interest income, risk mitigation costs, operating expenses and modification losses arising from IFRS 9 requirements.

The extent of the impact of COVID-19 on the Group's business and financial results will depend largely on future developments, including the duration and spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.

43. FINANCIAL RISK MANAGEMENT

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

(a) INTRODUCTION

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement monitoring and reporting, subject to risk limits and other governance controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group 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 Group's risk appetite statement and risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive appetite statement and risk management framework for measuring, monitoring, controlling and mitigation of the Group's risks. The policies are integrated in the overall management information systems of the Group 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 Group, 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.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) INTRODUCTION (Continued)

Risk management structure (Continued)

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Group's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Group. 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 Group'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 Group also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on prudential limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group'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 Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

(b) CREDIT RISK

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

Credit Risk Appetite

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

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

All limits were within approved risk appetite thresholds as at 31 December 2019

Risk Management Policies and Processes

The Group 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.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Client-Specific Risk

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

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

Country risk

The Group 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 Group uses prudent country exposure management policies. In addition, the Group considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

Notes 46 and 47 of the Financial Statements contain further country exposure analysis as at 31 December 2019 and 31 December 2018.

Credit-related commitment risks

The Group makes available to its customers guarantees that may require that the Group 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 Group 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 Group to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 35(b).

Credit quality

The following tables sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost (31 December 2019) and loans and receivables (31 December 2018). Unless specifically indicated, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the undrawn portion of amounts committed. Loan commitments are undisbursed facilities including letters of credit. Explanation of the terms ‘Stage 1’, ‘Stage 2’, ‘Stage 3’ and purchased originated credit impaired (POCI) assets is included in Note 2 (b) and 3 (j).

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Project finance loans:	USD	USD	USD	USD	USD
Pass/Acceptable	1,927,357,463	-	-	1,927,357,463	1,254,771,124
Special mention	-	171,275,360	-	171,275,360	180,999,353
Substandard, Doubtful & Loss	-	-	48,362,733	48,362,733	24,147,841
	1,927,357,463	171,275,360	48,362,733	2,146,955,556	1,459,918,318
Loss Allowance	(4,611,448)	(8,649,252)	(27,397,273)	(40,657,973)	(30,359,524)
Carrying Amount	1,922,746,015	162,626,108	20,965,460	2,106,297,583	1,429,558,794
Trade finance loans:					
Pass/ acceptable	2,711,660,871	-	-	2,711,660,871	2,527,025,580
Special mention	-	153,870,032	-	153,870,032	211,163,777
Substandard, Doubtful & Loss	-	-	70,115,393	70,115,393	75,208,489
	2,711,660,871	153,870,032	70,115,393	2,935,646,296	2,813,397,846
Loss Allowance	(1,387,516)	(4,860,111)	(64,231,748)	(70,479,375)	(79,952,961)
Carrying Amount	2,710,273,355	149,009,921	5,883,645	2,865,166,921	2,733,444,885
Undisbursed commitments:					
Pass/ Acceptable	607,732,507	-	-	607,732,507	566,479,040
Special mention	-	-	-	-	2,457,056
	607,732,507	-	-	607,732,507	568,936,096
Loss Allowance	(864,399)	-	-	(864,399)	(1,544,636)
Carrying Amount	606,868,108	-	-	606,868,108	567,391,460
Letters of Credit:					
Pass/acceptable	158,138,671	-	-	19,121,521	19,121,521
Special mention	-	-	-	-	-
	158,138,671	-	-	158,138,671	19,121,521
Loss Allowance	(149,839)	-	-	(149,839)	(62,614)
Carrying Amount	157,988,832	-	-	157,988,832	19,058,907

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	31 December 2019				31 December 2018
	Stage 1	Stage 2	Stage 3	Total	Total
Total off-balance sheet items	USD	USD	USD	USD	USD
Pass/ Acceptable	765,871,178	-	-	765,871,178	585,600,561
Special mention	-	-	-	-	2,457,056
	765,871,178	-	-	765,871,178	588,057,617
Loss Allowance	(1,014,238)	-	-	(1,014,238)	(1,607,250)
Carrying Amount	764,856,940	-	-	764,856,940	586,450,367
	===========	===========	===========	===========	===========

Maximum Exposure to Credit Risk before Collateral Held:

	GROUP AND BANK			
Credit Exposures	2019	%	2018	%
	USD	%	USD	%
On – statement of financial position Items				
Cash and Balances held with other banks	1,382,110,581	20	1,145,918,378	21
Investment in Government securities	44,897,636	1	-	-
Investment in Trade Fund	49,996,989	1	-	-
Other receivables	71,725,697	1	72,249,608	1
Derivative financial instruments	40,049,341	1	54,042,940	1
Loans and advances	5,082,641,852	76	4,273,316,164	77
-Project loans	2,146,995,556		1,459,918,318	
-Trade finance loans	2,935,646,296		2,813,397,846	
Sub Total	6,671,422,096	100	545,527,090	100
	===========	====	===========	====
Off – statement of financial position Items				
Letters of Credit	349,268,107	32	161,673,239	23
Loan Commitments not disbursed	674,311,718	62	529,015,362	75
Guarantees and Performance Bonds	69,186,744	6	17,000,000	2
Sub Total	1,092,766,569	100	707,688,601	100
Total Credit Exposure	7,764,188,665		6,253,215,691	
	============	====	============	====

The above figures represent the worst-case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 79.54% in 2019 (2018 – 79.66%) of the total maximum credit exposure.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Other than cash and bank balances amounting to USD 1,145,918,378 (2018 -USD 1,232,980,427) Investment in government securities of USD 44,897,636 (2018-USD 57,275,058) and investment in the trade fund of USD 49,996,989 (208 -NIL), 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 2019, the fair value of collateral held for impaired loans and advances was USD 102,156,645 (2018 – USD 251,217,197) and the gross exposure was USD 118,478,127 (2018-USD 100,614,870) after deducting the impairment allowances.

Classification of Loans and advances

Ageing of arrears for past due loans and advances not impaired

	2019 USD	2018 USD
Below 30 Days	314,171,355	49,728,080
31 to 90 Days	1,274,804	4,326,490
91-180 Days	1,895,403	4,153,855
181-360 Days	1,679,778	40,221,656
Over 360 Days	6,124,051	30,359,097
Total arrears	325,145,392	128,789,178

Ageing of arrears for impaired loans and advances

Below 30 Days	2,143,130	195,265
31-90 Days	377,692	301,917
91-180 Days	10,266,824	739,049
181-360 Days	2,573,168	2,989,861
Over 360 Days	74,956,254	74,751,873
Total arrears	90,317,068	78,977,965
Amounts not in arrears	28,161,059	13,823,888
Total	118,478,127	100,614,870

Loans and advances that are neither past due nor impaired

The Group 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 Group classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances (Continued)

Loans and advances that are neither past due nor impaired

The Group 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 Group 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 Group's interest not being adequately protected. Such weaknesses include temporary cash flow constraints and deteriorating economic conditions. The Group 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 Group's Board of Directors.

Impaired loans and advances

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio

		2019 USD	2018 USD
(i)	Total portfolio:		
	Mortgages on properties	349,615,291	587,971,517
	Fixed charge on plant and equipment	420,609,012	786,375,582
	Cash security deposits	936,482,697	1,087,466,651
	Sovereign undertakings	141,549,070	381,906,582
	Insurance and Guarantees	2,494,249,874	2,979,738,078
	Other floating all asset debenture	601,852,034	63,678,563
	Total security cover	4,944,357,978	5,887,136,973
	Gross portfolio	(5,082,641,852)	(4,273,316,164)
	Net cover	(138,283,874)	1,613,820,809
(ii)	Loans not impaired:		
	Mortgages on properties	284,512,453	493,631,052
	Fixed charge on plant and equipment	416,039,226	661,389,974
	Cash security deposits	935,889,800	1,087,466,651
	Sovereign undertakings	141,549,070	381,906,582
	Insurance and Guarantees	2,462,358,750	2,947,846,954
	Other floating all asset debenture	601,852,034	63,678,563
	Total security cover	4,842,201,333	5,635,919,776
	Gross portfolio	(4,964,163,725)	(4,172,701,294)
	Net cover	(121,962,392)	1,463,218,482
(iii)	Impaired loans:		
	Mortgages on properties	65,102,838	94,340,465
	Fixed charge on plant and equipment	4,569,786	124,985,608
	Insurance and Guarantees	31,891,124	31,891,124
	Cash security deposits	592,897	-
	Total security cover	102,156,645	251,217,197
	Gross portfolio	(118,478,127)	(100,614,870)
	Net cover	(16,321,482)	150,602,327

Inputs, assumptions and techniques used for estimating impairment

Significant Increase in Credit Risk

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

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

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

Credit Risk Classification

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

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

Trade Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.11%
Low risk Moderate risk	5.10%
High risk Substandard	100%

Project Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.41%
Low risk Moderate risk	13.94%
High risk Substandard Bad & Doubtful Loss	100%

Determining Whether Credit Risk Has Increased Significantly

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Determining Whether Credit Risk Has Increased Significantly

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

Definition of Default

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

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

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

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

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

Incorporation of forward-looking Information

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment – continued

Incorporation of forward-looking Information - continued

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

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

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

Modified Financial Assets (Restructured Assets)

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

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

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

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment - continued

Inputs into Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:
- Probability of Default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

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

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

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

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

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

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

- Product type; and
- Industry.

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2018 are shown in Note 17, and they represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2019			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Project finance loans;				
Balance at 1 January	1,584,648	4,627,035	24,147,841	30,359,524
Transfer to 12 months ECL	29,438	(29,438)	-	-
Transfer to Lifetime ECL not credit impaired	(24,014)	24,014	-	-
Transfer to Lifetime ECL credit impaired	-	(1,588,089)	1,588,089	-
Net re-measurement of Loss allowance	614,977	5,739,727	1,661,346	8,016,050
Net financial assets originated	2,415,388	-	-	2,415,388
Financial assets derecognised	(8,992)	(123,996)	-	(132,988)
Balance at 31 December	4,611,445	8,864,252	27,397,276	40,657,974
	=========	==========	==========	==========
Trade finance loans:				
Balance at 1 January	2,470,575	1,015,357	76,467,029	79,952,961
Transfer to 12 months ECL	-	-	-	-
Transfer to Lifetime ECL not credit impaired	(106,130)	106,130	-	-
Transfer to Lifetime ECL credit impaired	-	(85,884)	85,884	-
Net of financial assets originated	449,772	-	-	449,772
Net remeasurement of loss allowance	(1,415,781)	3,824,508	22,923,188	25,331,915
Financial assets derecognised	(10,918)	-	(35,244,355)	(35,255,273)
Balance at 31 December	1,387,518	4,860,111	64,231,746	70,479,375
	=========	==========	==========	==========
Undisbursed commitments:				
Balance at 1 January	1,517,384	27,252	-	1,544,636
Net remeasurement of Loss allowance	157,340	-	-	157,340
Net financial assets originated	345,194	-	-	345,194
Financial assets derecognised	(1,155,519)	(27,252)		(1,182,771)
Balance at 31 December	864,399	-		864,399
	=========	==========	==========	==========
Letters of credit:				
Balance at 1 January	62,613	-	-	62,613
Net remeasurement of Loss allowance	(59,410)	-	-	(59,410)
Net financial assets originated	146,636	-	-	146,636
Financial assets derecognized	-	-	-	-
Balance at 31 December	149,839	-	-	149,839
	=========	==========	==========	==========

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance (Continued)

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

Gross Loans and advances

The following tables show reconciliations from the opening to the closing balance of the gross loans by Segment. Comparative amounts for 2018 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2019				31 December
	Stage 1	Stage 2	Stage 3	Total	2018
Project finance loans;	USD	USD	USD	USD	USD
Balance at 1 January	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,249,632,224
Transfer to 12 months ECL	2,868,676	(2,868,676)	-	-	-
Transfer to Lifetime ECL not credit impaired	(36,445,833)	36,445,833	-	-	-
Transfer to Lifetime ECL credit impaired	-	(33,878,560)	33,878,560	-	-
Net remeasurement of loss allowance	144,268,617	(2,272,590)	(9,663,668)	132,332,359	
New financial assets originated	572,470,055	-	-	572,470,055	240,036,560
Financial assets derecognised	(10,575,176)	(7,150,000)	-	(17,725,176)	(28,312,910)
Financial assets written off					(1,437,556)
Balance at 31 December	1,927,357,463	171,275,360	48,362,733	2,146,995,556	1,459,918,318
Trade finance loans:					
Balance at 1 January	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,681,280,568
Transfer to 12 months ECL	-	-	-		
Transfer to Lifetime ECL not credit impaired	(145,976,186)	145,976,186	-	-	-
Transfer to Lifetime ECL credit impaired	-	(29,529,122)	29,529,122	-	-
Net remeasurement of loss allowance	289,126,191	(173,740,809)	(636,405)	114,748,976	290,016,485
Net financial assets originated	75,496,336	-	-	75,496,336	
Financial assets derecognised	(34,011,050)	-	(33,985,813)	(67,996,863)	(157,899,207)
Balance at 31 December	2,711,660,871	153,870,032	70,115,393	2,935,646,296	2,813,397,846
Undisbursed commitments:					
Balance at 1 January	566,479,040	2,457,056	-	568,936,096	412,375,360
Net financial assets originated or purchased	198,209,021	-	-	198,209,021	427,218,461
Net remeasurement of loss allowance	259,414,754	-	-	259,414,754	-
Financial assets derecognised	(416,370,306)	(2,457,056)	-	(418,827,362)	(270,657,725)
Balance at 31 December	607,732,507	-	-	607,732,507	568,936,096

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance (Continued)

	As at 31 December 2019				31 December
	Stage 1	Stage 2	Stage 3	Total	2018
	USD	USD	USD	USD	USD
Letters of Credit					
Balance at 1 January	19,121,521	-	-	19,121,521	70,631,296
Net financial assets originated or purchased	153,654,028	-	-	153,654,028	4,797,522
Net remeasurement of loss allowance	(14,636,878)	-	-	(14,636,878)	-
Financial assets derecognized	-	-	-	-	(66,937,297)
Balance at 31 December	158,138,671	-	-	158,138,671	19,121,521

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2019

	Gross Exposure On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Other mitigations USD	Net Exposure USD	%
Agri- Business	1,169,535,433	23	159,975,844	15	(93,233,460)	(471,499,850)	(72,399,560)	692,378,407	22
Banking and Financial Services	252,620,207	5	407,788,468	37	(3,249,878)	(149,703,601)	-	507,455,196	16
Construction	15,912,468	0	-	0	-	-	-	15,912,468	1
Education	585,293	0	-	0	-	-	-	585,293	0
Energy	227,641,858	4	98,889,990	9	(607,837)	(13,320,937)	-	312,603,075	10
Health Services	19,598,954	0	15,563,915	1	-	-	-	35,162,869	1
Hospitality	37,458,389	1	14,288,001	1	-	-	-	51,746,390	2
ICT	189,283,341	4	4,678,805	0	-	-	-	193,962,146	6
Infrastructure	1,163,859,598	23	55,591,053	5	-	(525,000,000)	(200,000,000)	494,450,651	16
Manufacturing and Heavy Industries	207,112,021	4	19,168,218	2	-	-	-	226,280,239	7
Oil & Gas	1,435,411,818	28	216,822,276	20	(747,351,883)	(496,091,494)	(151,675,409)	257,115,307	8
Other	19,502,584	0	100,000,000	10	-	-	-	119,502,584	4
Real Estate	27,920,827	1	0	0	-	-	-	27,920,827	1
Transport	281,963,011	6	-	0	-	(82,894,502)	(46,697,214)	152,371,295	5
Wholesale Commodities	34,236,050	1	-	0	-	-	-	34,236,050	1
	5,082,641,852	100	1,092,766,570	100	(844,443,058)	(1,738,510,384)	(470,772,183)	3,121,682,797	100

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2018

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2019

	Gross Exposure								
	On-statement of Financial Position USD	%	Off-statement -f Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Other Mitigants USD	Net Exposure USD	%
Burundi	13,633,604	0	-	0	(592,897)	-	-	13,040,707	1
Comoros	12,769,196	0	15,563,915	1	-	-	-	28,333,111	1
Congo DRC	8,939,758	0	-	0	-	-	-	8,939,758	1
Djibouti	44,251,088	1	-	0	-	-	-	44,251,088	1
Egypt	29,529,122	1	-	0	-	-	-	29,529,122	1
Eswatini	7,029,752	0	18,000,000	2	-	-	-	25,029,752	1
Ethiopia	290,170,778	6	329,094,816	30	(149)	(100,000,000)	-	519,265,445	17
Kenya	760,886,817	15	104,678,805	10		(350,000,000)	(100,000,000)	415,565,622	13
Malawi	488,200,928	10	141,975,844	13	(59,172,497)	(248,000,000)	(72,399,560)	250,604,715	8
Mauritius	133,818,935	3	-	0	-	-	-	133,818,935	4
Mozambique	34,360,071	1	245,549,618	22	-	-	(151,675,409)	128,234,280	4
Rwanda	446,646,316	9	2,522,267	1	(150,000,000)	(82,894,502)	(46,697,214)	169,576,867	5
Seychelles	55,934,659	1	4,288,001	1	(743)	-	-	60,221,917	2
Sudan	658,953,698	13	-	0	(180,031,669)	(223,499,850)	-	255,422,179	8
Tanzania	683,182,864	13	22,025,508	2	(603,127)	(175,000,000)	(100,000,000)	429,605,245	14
Uganda	160,337,315	3	81,905,926	7	-	-	-	242,243,241	8
Zambia	703,969,604	14	57,961,870	5	(4,041,976)	(496,091,494)	-	261,798,004	8
Zimbabwe	550,027,347	11	69,200,000	6	(450,000,000)	(63,024,538)	-	106,202,809	3
	5,082,641,852	100	1,092,766,570	100	(844,443,058)	(1,738,510,384)	(470,772,183)	3,121,682,797	100

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2018

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans

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

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

	2019 USD	2018 USD
Financial assets restructured during the year*		
Gross carrying amount before restructuring	78,998,101	56,600,390
Loss allowance before restructuring		(1,525,044)
Net amortised cost before restructuring	78,998,101	55,075,336
Net restructuring loss	(159,793)	(209,376)
Net amortised cost after restructuring	78,838,308	54,865,960

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

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

*2019 loss allowance is based on lifetime Expected Credit Loss (ECL) under IFRS 9 while 2018 loss allowance is based on IAS 39 Incurred Loss.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from financial liabilities. The Group'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 Group 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 Group 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 Group 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 Group's reputation.

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2019:	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	973,305,486	33,449,454	-	5,364,894	369,990,747	-	1,382,110,581
Investment in Government securities	4,263,801	-	-	-	40,633,835	-	44,897,636
Investment in Trade Fund	49,996,989	-	-	-	-	-	49,996,989
Other receivables	71,092,371	103,093	136,482	200,563	193,188	-	71,725,697
Derivative financial instruments	40,049,341	-	-	-	-	-	40,049,341
Trade finance loans	313,547,881	37,401,126	231,846,650	544,676,772	2,020,752,353	-	3,148,224,782
Project loans	116,107,025	7,965,986	69,409,431	202,923,858	1,666,955,997	770,119,963	2,833,482,260
Equity investment at fair value through OCI	-	-	-	-	51,135,850	-	51,135,850
Investment in joint venture	-	-	-	-	317,010	-	317,010
Total assets	1,568,362,894	78,919,659	301,392,563	753,166,087	4,109,345,145	770,119,963	7,621,940,146
LIABILITIES							
Short term borrowings	52,431,358	49,339,555	89,628,413	840,367,715	775,360,110	658,121,846	2,465,248,997
Long term borrowings	12,431,829	19,283,010	48,560,850	125,601,782	2,138,000,425	247,651,003	2,591,528,899
Collection Account	95,822,611	-	-	-	-	-	95,822,611
Other payables	128,293,978	260,343	390,514	781,028	4,421,508	4,405,977	138,553,348
Total liabilities	288,979,776	68,882,908	138,579,777	966,750,525	2,917,782,043	910,178,826	5,291,153,855
Net liquidity gap	1,279,383,118	10,036,751	162,812,786	(213,584,438)	1,232,196,937	(140,058,863)	2,330,786,291
Cumulative gap	1,279,383,118	1,289,419,869	1,452,232,655	1,238,648,217	2,470,845,154	2,330,786,291	2,330,786,291

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

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

	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 December 2019:							
Guarantees	-	69,186,744	-	-	-	-	69,186,744
Letters of credit	192,198,760	137,276,216	8,208,014	11,585,117	-	-	349,268,107
Loan commitments	67,431,172	134,862,344	202,293,515	269,724,687	-	-	674,311,718
Total	259,629,932	341,325,304	210,501,529	281,309,804			1,092,766,569
At 31 December 2018:							
Guarantees	-	17,000,000	-	-	-	-	17,000,000
Letters of credit	56,946,523	98,867,112	5,859,604	-	-	-	161,673,239
Loan commitments	52,901,536	105,803,072	158,704,609	211,606,145	-	-	529,015,362
Total	109,848,059	221,670,184	164,564,213	211,606,145	-	-	707,688,601

43. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Group'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 Group 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 Group 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 Group's past relationships.

(d) MARKET RISK

The objective of the Group'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 Group 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 Group'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.

43. FINANCIAL RISK MANAGEMENT

(d) MARKET RISK (Continued)

(i) Interest rate risk continued (Continued)

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

At 31 December 2019:	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	939,207,302	33,449,454	5,364,894	-	369,990,747	34,098,184	1,382,110,581
Investment in Government securities	-	-	-	-	44,897,636	-	44,897,636
Investment in Trade Fund	-	-	-	-	-	49,996,989	49,996,989
Other receivables	-	-	-	-	690,005	71,035,692	71,725,697
Derivative financial instruments	-	-	-	-	-	40,049,341	40,049,341
Trade finance loans	3,758,885	1,191,501,334	-	-	1,669,034,053	872,649	2,865,166,921
Project finance loans	14,327,581	1,902,020,209	-	-	183,584,929	6,404,864	2,106,337,583
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,135,850	51,135,850
Investment in Joint Venture	-	-	-	-	-	317,010	317,010
Total financial assets	957,293,768	3,126,970,997	5,364,894	-	2,268,197,370	253,910,579	6,611,737,608
FINANCIAL LIABILITIES							
Short term borrowings	510,827,029	1,460,111,114	237,246,880	-	257,062,974	-	2,465,247,997
Long term borrowings	435,961,050	601,351,708	100,239,343	-	1,453,976,797	-	2,591,528,898
Collection Accounts	-	-	-	-	-	95,822,611	95,822,611
Other payables	-	-	-	-	10,389,542	128,163,806	138,553,348
Total financial liabilities	946,788,079	2,061,462,822	337,486,223	-	1,721,429,313	223,986,417	5,291,152,854
Net interest rate exposure	10,505,689	1,065,508,175	(332,121,329)	-	546,768,057	29,924,162	1,320,584,754
Cumulative interest rate exposure	10,505,689	1,076,013,864	743,892,535	743,892,535	1,290,660,592	1,320,584,754	1,320,584,754

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

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

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

At 31 December 2018:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	902,029,451	182,967,472	4,625,219	-	-	56,296,236	1,145,918,378
Other receivables	-	-	-	-	914,339	71,335,269	72,249,608
Derivative financial instruments	-	-	-	-		54,042,940	54,042,940
Trade finance loans	203,086,043	781,557,716	478,249,313	-	1,270,551,813	-	2,733,444,885
Project finance loans	72,530,429	1,247,295,494	-	-	109,732,871	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,521,730	51,521,730
Investment in Joint Venture	-	-	-	-	-	386,994	386,994
Total financial assets	1,177,645,923	2,211,820,682	482,874,532	-	1,381,199,023	233,583,169	5,487,123,329
FINANCIAL LIABILITIES							
Short term borrowings	436,539,339	1,628,889,926	315,290,536	-	2,533,800	-	2,383,523,601
Long term borrowings	280,695,902	801,334,166	-	-	700,000,000	-	1,782,030,068
Collection Accounts	-	-	-	-	-	119,576,580	119,576,580
Other payables	-	-	-	-	8,660,284	64,147,059	72,807,343
Total financial liabilities	717,235,241	2,430,224,092	315,290,536	-	711,194,084	183,723,639	4,357,667,592
Net interest rate exposure	460,410,682	(218,403,410)	167,583,996	-	670,004,939	49,859,530	1,129,455,737
Cumulative interest rate exposure	460,410,682	242,007,272	409,591,268	-	1,079,596,207	1,129,455,737	1,129,455,737

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

43. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Group 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 2019 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 Group's net profit for the year ended 31 December 2019 of USD 151,304,813 (2018: USD 129,325,392) would increase or decrease by USD 30,074,501 (2018 - USD 4,098,006) as follows:

Effect on the Group's Net Profit:

The profit for the year ended 31 December 2019 would increase to USD 181,379,314 (2018: USD 133,423,398) or decrease to USD 121,230,312 (2018: USD 125,227,386).

The potential change is 19.9% (2018 – 3.2%) of the year's profit.

(ii) Currency risk

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

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

The Group's currency position as at 31 December 2019 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	JPY	OTHER	TOTAL
FINANCIAL ASSETS												
Cash and balances with other banks	1,122,492,237	16,750	129,319,511	1,491,533	34,098,184	5,369,665	18,449,578	59,262,988	6,282,296	33,945	5,293,894	1,382,110,581
Investment in Government securities	44,897,636	-	-	-	-	-	-	-	-	-	-	44,897,636
Investment in Trade Fund	49,996,989	-	-	-	-	-	-	-	-	-	-	49,996,989
Other receivables	1,725,697	-	70,000,000	-	-	-	-	-	-	-	-	71,725,697
Derivative Financial Investment	1,372,422,131		(1,332,372,790)	-	-	-	-	-	-	-	-	40,049,341
Trade finance loans	1,747,553,603	-	1,117,613,318	-	-	-	-	-	-	-	-	2,865,166,921
Project finance loans	2,028,601,470	-	74,943,416	-	-	-	-	-	2,792,697	-	-	2,106,337,583
Equity Investments at fair value through other comprehensive income	51,135,850	-	-	-	-	-	-	-	-	-	-	51,135,850
Investment in joint Venture	317,010	-	-	-	-	-	-	-	-	-	-	317,010
Total financial assets	6,419,142,623	16,750	59,503,455	1,491,533	34,098,184	5,369,665	18,449,578	59,262,988	9,074,994	33,945	5,293,894	6,611,737,608
FINANCIAL LIABILITIES												
Short term borrowings	2,169,460,294	-	259,024,687	-	-	-	-	-	-	36,763,016	-	2,465,247,997
Long term borrowings	2,589,564,016	-	-	-	-	-	-	-	1,964,882	-	-	2,591,528,898
Collection account	25,384	-	-	-	33,468,065	-	-	59,172,497	588,187	-	2,568,478	95,822,611
Other payables	138,406,239	-	-	131,356	-	-	-	-	-	-	15,753	138,553,348
Total financial liabilities	4,897,455,933	-	259,024,687	131,356	33,468,065	-	-	59,172,497	2,553,069	36,763,016	2,584,231	5,291,152,854
NET POSITION	1,521,686,690	16,750	(199,521,232)	1,360,177	630,119	5,369,665	18,449,578	90,491	6,521,925	(36,729,071)	2,709,663	1,320,584,754

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

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

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

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

43. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Group is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Group'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 Group has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.
The Group has operations in and lends to customers in Zimbabwe but all the transactions are made in USD.

	GBP	EURO	KES	TSH	AED	SDG	UGX	JPY
2019	2,058	(19,601,775)	(270)	286	502,316	1,324	8,820	(87,560)
	======	==========	======	====	======	=====	======	=======
2018	2,291	10,778,941	(1,110)	230	502,451	2,135	(11,150)	-
	=====	==========	======	====	=======	======	=======	======

44. CAPITAL MANAGEMENT

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

44. CAPITAL MANAGEMENT (Continued)

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

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

	2019 USD	2018 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	3,747,696,334	3,336,944,081
Off- Statement of financial position assets	100,013,828	32,334,648
Total risk weighted assets	3,847,710,162	3,369,278,729
CAPITAL		
Paid up capital	499,107,472	461,742,558
Retained earnings and reserves	890,707,157	730,283,193
Total capital	1,389,814,629	1,192,025,751
CAPITAL ADEQUACY RATIO	36.1%	35.4%

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

45. FINANCIAL INSTRUMENTS CATEGORIES

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

As at 31 December 2019:	Amortised Cost USD	At fair value through profit or loss USD	At fair value through other comprehensive income USD	Total carrying amount USD
Financial assets				
Cash and balances held with banks	1,382,110,581	-	-	1,382,110,581
Investment in Government securities	44,897,636	-	-	44,897,636
Investment in Trade Fund	-	-	49,996,989	49,996,989
Other receivables	71,725,697	-	-	71,725,697
Trade finance loans	2,865,166,921	-	-	2,865,166,921
Project finance loans	2,106,337,583	-	-	2,106,337,583
Equity investments at fair value through other comprehensive income	-	-	51,135,850	51,135,850
Investment in joint ventures	-	-	317,010	317,010
Derivative financial instruments	-	40,049,341	-	40,049,341
Total financial assets	6,470,238,418	40,049,341	101,449,849	6,611,737,608
Financial liabilities				
Collection account deposits	95,822,611	-	-	95,822,611
Short term borrowings	2,465,247,997	-	-	2,465,247,997
Long term borrowings	2,591,528,898	-	-	2,591,528,898
Other payables	138,732,787	-	-	138,732,787
Total financial liabilities	5,291,332,293	-	-	5,291,332,293

Note: The classification as at 31 December 2019 is based on IFRS 9.
There are no assets pledged as security for liabilities.

45. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

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

As at 31 December 2018:	Amortised Cost USD	At fair value through profit or loss USD	At fair value through other comprehensive income USD	Total carrying amount USD
Financial assets				
Cash and balances held with banks	1,145,918,378	-	-	1,145,918,378
Other receivables	72,249,608	-	-	72,249,608
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project finance loans	1,429,558,794	-	-	1,429,558,794
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
Investment in joint ventures	-	-	386,994	386,994
Derivative financial instruments	-	54,042,940	-	54,042,940
Total financial assets	5,381,171,665	54,042,940	51,908,724	5,487,123,329
Financial liabilities				
Collection account deposits	119,576,580	-	-	119,576,580
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	1,782,030,068	-	-	1,782,030,068
Other payables	72,807,343	-	-	72,807,343
Total financial liabilities	4,357,667,592	-	-	4,357,667,592

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

There are no assets pledged as security for liabilities.

46. TRADE FINANCE LOAN PORTFOLIO

	As at 31 December 2019			As at 31 December 2018		
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	669,476	336,141	333,335	10,053,966	53,966	10,000,000
Djibouti	5,888,470	3,745,968	2,142,501	5,338,371	29,200	5,309,171
Egypt	29,529,122	29,529,122	-	29,529,122	29,529,122	-
Ethiopia	163,602,340	163,602,340	-	110,056,653	31,343,679	78,712,974
Eswatini	7,029,752	7,029,752	-	-	-	-
Kenya	43,994,735	36,709,434	7,285,300	30,493,663	980,363	29,513,300
Malawi	488,200,928	383,602,428	104,598,500	439,317,346	173,701,598	265,615,748
Mauritius	4,995,515	4,995,515	-	10,852,025	10,852,025	-
Rwanda	2,369,700	2,369,700	-	196,309,241	1,309,241	195,000,000
Seychelles	196,697,214	165,197,214	31,500,000	-	-	-
Sudan	619,002,822	201,880,534	417,122,288	611,176,960	138,770,894	472,406,066
Tanzania	155,836,721	151,797,109	4,039,612	179,263,850	113,323,337	65,940,513
Uganda	48,917,843	45,372,215	3,545,628	78,938,128	37,321,450	41,616,678
Zambia	692,267,632	358,105,878	334,161,755	670,633,392	134,633,392	536,000,000
Zimbabwe	476,644,026	19,630,440	457,013,586	441,435,129	12,430,788	429,004,341
Gross Loans	2,935,646,296	1,573,903,790	1,361,742,505	2,813,397,846	684,279,055	2,129,118,791
Less: Impairment on trade finance loans (Note 18)	(70,479,375)	-	(70,479,375)	(79,952,961)	-	(79,952,961)
NET LOANS	2,865,166,921	1,573,903,790	1,291,263,130	2,733,444,885	684,279,055	2,049,165,830

47. PROJECT LOAN PORTFOLIO

						As at 31 December 2019			As at 31 December 2018	
Country	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Due within One year USD	Due after One year USD
Burundi	26,176,875	1,192,186	(15,253,149)	1,517,693	13,633,604	6,242,983	7,390,621	13,102,482	4,788,604	8,313,878
Comoros	12,848,585	-	(168,111)	88,722	12,769,196	11,343,852	1,425,344			
Congo DRC	44,200,000	-	(2,946,666)	2,328,279	43,581,612	38,306,667	5,274,945	2,904,168	2,388,540	41,253,333
Djibouti	4,500,000	1,213,337	(2,878,337)	216,288	3,051,288	1,594,688	1,456,600	43,641,874	600,730	2,303,438
Eritrea	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	162,536,049	10,343,409	(49,973,662)	3,662,643	126,568,438	103,788,562	22,779,876	74,127,827	5,466,504	68,661,323
Kenya	1,032,539,929	50,692,748	(393,942,167)	27,601,573	716,892,082	635,415,710	81,476,372	627,132,014	67,539,019	559,592,995
Malawi	60,793,337	2,920	(60,796,257)	-	-	-	0	-	-	-
Mauritius	138,914,516	-	(12,499,446)	2,408,350	128,823,420	8,567,221	120,256,199	128,085,915	19,892,107	108,193,807
Mozambique	33,527,477	-	(1,653,059)	115,953	31,990,370	31,874,418	115,953	4,736,869	70,619	4,666,250
Rwanda	383,920,506	3,612,691	(140,965,446)	3,381,350	249,949,102	205,992,905	43,956,197	264,003,335	33,772,051	230,231,284
Seychelles	96,305,258	-	(41,364,276)	993,678	55,934,659	52,690,941	3,243,718	4,318,402	1,363,856	2,954,546
Sudan	45,106,625	17,056,064	(25,392,904)	3,181,091	39,950,876	36,769,785	3,181,091	37,014,916	245,132	36,769,784
Tanzania	717,758,972	682,910	(192,288,821)	1,193,082	527,346,143	464,852,730	62,493,414	43,413,688	11,762,367	31,651,321
Uganda	268,865,598	6,103,522	(171,061,078)	7,511,429	111,419,472	86,757,998	24,661,474	88,002,986	23,749,363	64,253,624
Zambia	131,225,915	25,086,069	(144,610,011)	-	11,701,973		11,701,973	16,190,988	7,601,691	8,589,297
Zimbabwe	324,592,237	709,655	(252,292,872)	374,297	73,383,321	38,224,796	35,158,523	113,242,854	42,434,812	70,808,043
Gross loans	3,484,215,531	116,695,511	(1,508,489,914)	54,574,428	2,146,995,556	1,722,423,256	424,572,300	1,459,918,318	221,675,395	1,238,242,923
Less: Impairment on project loans (note 18)					(40,657,973)	-	(40,657,973)	(30,359,524)	-	(30,359,524)
NET LOANS					2,106,337,583	1,722,423,256	383,914,327	1,429,558,794	221,675,395	1,238,242,923

48. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2019:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2019 USD	Instalments paid as at 31.12.2019 USD
Belarus	1,232	1.44	27,925,744	22,340,595	5,585,149	5,585,149	5,585,149
Burundi	1,646	1.92	37,309,882	29,847,906	7,461,976	7,461,976	7,461,976
China	4,555	5.32	103,248,185	82,598,548	20,649,637	20,649,637	20,649,637
Comoros	178	0.21	4,034,726	3,227,781	806,945	806,945	806,945
Djibouti	390	0.46	8,840,130	7,072,104	1,768,026	1,768,026	1,768,026
Congo DRC	5,757	6.72	130,493,919	104,395,135	26,098,784	26,098,784	26,098,784
Egypt	7,154	8.35	162,159,718	129,727,774	32,431,944	32,431,944	32,431,943
Eritrea	240	0.28	5,440,080	4,352,064	1,088,016	1,088,016	758,736
eSwatini	447	0.52	10,132,149	8,105,719	2,026,430	1,625,677	1,224,925
Ethiopia	8,257	9.64	187,161,419	149,729,135	37,432,284	33,432,012	33,432,011
Kenya	6,964	8.13	157,852,988	126,282,390	31,570,598	31,570,598	31,570,598
Madagascar	443	0.52	10,041,481	8,033,185	2,008,296	806,039	806,039
Malawi	1,768	2.06	40,075,256	32,060,205	8,015,051	8,015,051	8,015,051
Mauritius	3,383	3.95	76,682,461	61,345,969	15,336,492	15,336,492	15,336,492
Mozambique	2,277	2.66	51,612,759	41,290,207	10,322,552	8,329,257	8,329,257
Rwanda	4,217	4.92	95,586,739	76,469,391	19,117,348	11,116,805	11,116,605
Seychelles	361	0.42	8,182,787	6,546,230	1,636,557	1,636,557	1,636,557
Somalia	318	0.37	7,208,106	5,766,485	1,441,621	1,441,621	1,005,326
South Sudan	2,270	2.65	51,454,090	41,163,272	10,290,818	10,290,818	10,290,818
Sudan	5,277	6.16	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
Tanzania	6,757	7.89	153,160,919	122,528,735	30,632,184	30,632,184	30,632,184
Uganda	5,286	6.17	119,817,762	95,854,210	23,963,552	23,963,552	23,951,313
Zambia	6,154	7.18	139,492,720	111,594,175	27,898,545	27,898,545	27,898,545
Zimbabwe	6,337	7.40	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	4,018	4.69	91,076,006	72,860,805	18,215,201	18,215,201	18,215,201
	85,686	100	1,942,244,564	1,553,795,650	388,448,914	372,851,794	371,673,026

48. 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 2019:							
Total Shares Issued							
African Economic Research Consortium	175	0.62	793,349	793,349	793,349	1,212,676	2,006,025
African Development Bank	5,733	20.39	25,990,099	25,990,099	25,990,099	19,013,101	45,003,200
Africa Reinsurance Corporation	780	2.77	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
Arab Bank for Economic Development in Africa	960	3.42	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investmento	888	3.16	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Investment Fund for Developing Countries	1,745	6.21	7,910,819	7,910,819	7,910,819	11,891,474	19,802,293
Mauritian Eagle Insurance Company Limited	270	0.96	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	6.36	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	3,047	10.84	13,813,332	13,813,332	13,813,332	12,942,723	26,756,055
OPEC Fund for International Development	2,054	7.31	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	12.65	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,500	12.45	15,866,971	15,866,971	15,866,971	10,900,923	26,767,894
Sacos Group Limited	124	0.44	562,144	562,144	562,144	475,093	1,037,237
Seychelles Pension Fund	1,029	3.66	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	107	0.38	485,076	485,076	485,076	190,584	675,660
TDB Staff Provident Fund	1,521	5.41	6,895,330	6,895,330	6,895,330	2,511,356	9,406,686
ZEP-RE (PTA Reinsurance Company)	834	2.97	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	28,110	100	127,434,446	127,434,446	127,434,446	91,709,048	219,143,494

Class 'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Group'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.

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

As at 31 December 2018:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2019 USD	Instalments paid as at 31.12.2019 USD
Belarus	1,205	1.49	27,313,735	21,850,988	5,462,747	5,462,747	5,462,747
Burundi	1,602	1.98	36,312,534	29,050,027	7,262,507	7,262,507	7,262,507
China	4,433	5.48	100,482,811	80,386,249	20,096,562	20,096,562	20,096,562
Comoros	173	0.21	3,921,391	3,137,113	784,278	784,278	784,278
Djibouti	380	0.47	8,613,460	6,890,768	1,722,692	1,722,692	1,722,692
Congo DRC	5,607	6.93	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Egypt	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Eritrea	240	0.30	5,440,080	4,352,064	1,088,016	1,088,016	709,306
Ethiopia	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Kenya	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Madagascar	442	0.55	10,018,814	8,015,051	2,003,763	400,753	400,753
Malawi	1,721	2.13	39,009,907	31,207,926	7,801,981	7,801,981	7,801,981
Mauritius	3,293	4.07	74,642,431	59,713,945	14,928,486	14,928,486	14,928,486
Mozambique	2,252	2.78	51,046,084	40,836,869	10,209,215	6,208,944	4,208,806
Rwanda	1,957	2.42	44,359,319	35,487,455	8,871,864	8,871,864	8,871,864
Seychelles	351	0.43	7,956,117	6,364,894	1,591,223	1,591,223	1,591,223
Somalia	318	0.39	7,208,106	5,766,485	1,441,621	1,441,621	939,830
South Sudan	2,209	2.73	50,071,403	40,057,122	10,014,281	10,014,281	10,014,281
Sudan	5,277	6.52	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	444	0.55	10,064,148	8,051,318	2,012,830	1,211,324	810,572
Tanzania	6,735	8.33	152,662,245	122,129,796	30,532,449	30,532,449	30,532,449
Uganda	5,129	6.34	116,259,043	93,007,234	23,251,809	23,251,809	23,251,809
Zambia	5,989	7.40	135,752,663	108,602,130	27,150,533	27,150,533	27,150,533
Zimbabwe	6,337	7.83	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,911	4.83	88,650,637	70,920,510	17,730,127	17,730,127	17,730,127
	80,891	100	1,833,556,297	1,466,845,038	366,711,259	360,306,472	357,025,081

48. 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 2018:							
Total Shares Issued	220,584	100%	1,000,000,000				
African Development Bank	3,333	14.43	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Africa Reinsurance Corporation	780	3.38	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
BADEA – Arab Bank for Economic Development in Africa	960	4.16	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investmento	888	3.84	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.17	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	7.74	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,966	12.84	13,446,125	13,446,125	13,446,125	12,381,427	25,827,552
OPEC Fund for International Development (OFID)	2,054	8.89	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	15.39	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,066	13.27	13,899,467	13,899,467	13,899,467	7,893,485	21,792,952
Sacos Group Limited	121	0.52	548,544	548,544	548,544	454,304	1,002,848
Seychelles Pension Fund	1,029	4.45	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	87	0.38	394,408	394,408	394,408	145,292	539,700
TDB Staff Provident Fund	1,368	5.92	6,201,717	6,201,717	6,201,717	2,164,875	8,366,592
ZEP-RE (PTA Reinsurance Company)	834	3.61	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	23,099	100	104,717,477	104,717,477	104,717,477	60,500,611	165,218,088

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

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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BOARD OF GOVERNORS

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

MEMBER STATES

Republic of Rwanda

United Republic of Tanzania

Republic of Zambia

Republic of Mauritius

Republic of Seychelles

Republic of Uganda

Republic of Burundi

Union of the Comoros

Arab Republic of Egypt

State of Eritrea

Republic of Kenya

Republic of Malawi

Republic of Zimbabwe

Republic of Djibouti

Republic of Sudan

Federal Democratic Republic of Ethiopia

Democratic Republic of Congo

Federal Republic of Somalia

Republic of South Sudan

Kingdom of eSwatini

Republic of Mozambique

Republic of Madagascar

NON-REGIONAL MEMBERS

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

Republic of Belarus – Development Bank of Belarus

INSTITUTIONS

African Development Bank

National Pension Fund-Mauritius

Mauritian Eagle Insurance Company Limited

Rwanda Social Security Board

Banco Nacional de Investimento

Seychelles Pension Fund

Africa Re- Insurance Corporation

ZEP-RE (PTA Reinsurance Company)

National Social Security Fund – Uganda

SACOS Group Limited

OPEC Fund for International Development

TDB Staff Provident Fund

TDB Directors and Select Stakeholders Provident Fund

BADEA – Arab Bank for Economic Development in Africa

DIRECTORS

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

AUDITORS	Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092, 00100 Nairobi, Kenya
LAWYERS	Various
HEADQUARTERS	TDB Headquarters 2nd Floor, Blue Tower Rue de L'Institute, Ebene P. O. Box 43, Reduit, Mauritius Telephone : +230- 4676021/4676016 Fax :+230-4675971 Email :Official@ptabank.org TDB Headquarters Chaussee, Prince Louis, Rwagasore P. O. Box 1750, Bujumbura, Burundi Telephone :257 (22) 4966 / 257 (22) 4625 Fax :257 (22) 4983 Email :Official@ptabank.org
OTHER OFFICES	TDB Nairobi Regional Office : East Africa 197 Lenana Place, Lenana Road P. O. Box 48596 - 00100 Nairobi, Kenya Telephone :254 (20) 2712250 Fax :254 (20) 2711510 Swift :ESATKENA TDB Harare Regional Office: Southern Africa 70 Enterprise Road Harare, Zimbabwe Telephone : 263(4)788330-3/788336-9/788317 FCT Line : +263-7827884955 Fax :+263-772788345 TDB Addis Ababa Regional Office: Horn of Africa and North Africa UNDP Compound Main Bole Rd, Olympia Roundabout, DRC St. Kirkos Subcity, Kebele 01, House No. 119, Addis Ababa, Ethiopia

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

1. PRINCIPAL ACTIVITIES

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

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

2. RESULTS

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

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

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

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

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

3. DIVIDEND

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

4. BOARD OF GOVERNORS

The current shareholders are shown on page 1.

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

5. DIRECTORS

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

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

6. AUDITORS

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

By Order of the Board

Chairman

28 March 2019

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

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

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

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

Director

28 March 2019

Director

28 March 2019

Deloitte & Touche
Certified Public Accountants (Kenya)
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF EASTERN AND SOUTHERN AFRICAN TRADE AND DEVELOPMENT BANK
(TDB - formerly PTA Bank)

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

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

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

Other matters

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

Key Audit Matter

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

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How the matter was addressed in the audit
Application of IFRS 9 in the calculation of impairment of loans and advances	
The measurement of impairment of loans at the end of the year involves significant judgements and estimates by the Directors, which could have material impact on the financial position and the results of the Bank. At 31 December 2018 the Bank reported total gross trade finance loans of USD 2.81 billion and USD 79.95 million of expected credit loss provisions (ECL), and total gross project finance loans of USD 1.46 billion and USD 30.36 million of ECL provisions. These are disclosed in Note 15 and Note 16 in the financial statements. The Bank adopted IFRS 9 from 1 January 2018 which requires impairment losses to be evaluated on an ECL basis. The determination of impairment provisions for expected losses requires significant judgement, and we have identified the audit of ECL impairment provisions to be a key audit matter. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are: **Accuracy of ECL models** The ECL model applies to financial assets measured at amortised cost and certain loan commitments, as well as financial guarantee contracts. Under IFRS 9 loss allowances are measured on either of the following bases: (i) 12 month ECLs that result from possible default events within the 12 months after the reporting date; or (ii) Lifetime ECLs that result from ECLs from all possible default events over the expected life of a financial instrument. The Bank is required to recognise an allowance for either 12 month or lifetime ECLs, depending on whether there has been a significant increase in credit risk ("SICR") since initial recognition. The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the Bank's best available forward-looking information.	As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain assurance on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. We tested the design and implementation of key controls across the processes relevant to the ECL. This included the allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring and recording of journal entries. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance by testing assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage. With the support of our internal modelling specialists, we : (i) Assessed the reliability of historical macroeconomic and forward-looking information/assumptions used. As the loans are disbursed in different countries, we assessed the reasonableness of the Bank's internal macro-economic tool used to develop each country's ratings. We considered trends in the different economies and industries to which the Bank is exposed. (ii) Tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models. (iii) Reviewed the appropriateness of management's assessment of lifetime of financial instruments based on outstanding term of the loan facilities (iv) Reviewed the appropriateness of thresholds used to determine "SICR". The Bank bases this on both quantitative and qualitative indicators which was the basis of our review of the staging for a sample of the loans. (v) Assessed the discounting used in the ECL calculation to ensure discounting was done to the reporting date using the appropriate effective interest rate (EIR).

Report on the Audit of the Financial Statements (Continued)

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

Other Information

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

Report on the Audit of the Financial Statements (Continued)

Other Information (continued)

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

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

Responsibilities of the directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on the audit of the Financial Statements

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

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

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

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

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

Deloitte & Touche

Certified Public Accountants (Kenya)
Nairobi, Kenya

28 March 2019

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

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

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

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

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

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

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

President

Director

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

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

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

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

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

1. CORPORATE INFORMATION

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

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

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

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

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

New pronouncements issued as at 31 December 2018

a) IFRS 15 Revenue from Contracts with Customers

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

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

b) IFRS 9 Financial instruments

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

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

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

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

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

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

Classification of financial assets and financial liabilities

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

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

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

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

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

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

Impairment of financial assets

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

Transition

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

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

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9

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

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

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

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

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

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

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

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

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

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

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

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

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

Impact of transition of IFRS 9 on opening equity reserves

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

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

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

New pronouncements issued as at 31 December 2018 (Continued)

b) IFRS 9 Financial Instruments (Continued)

IMPACT OF INITIAL APPLICATION OF IFRS 9 – continued

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

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

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

New pronouncements issued but not effective as at 31 December 2018

a) IFRS 16 Leases

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

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

Key features

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

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

Transition

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

Impact

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

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

Statement of compliance

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

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

Presentation of financial statements

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition

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

i. Interest income from loans and investments

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

Effective interest rate

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

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

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

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

Amortised cost and gross carrying amount

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

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

Calculation of interest income

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Revenue recognition (continued)

ii. Fees and commissions

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

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

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

c) Borrowing and financing costs

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

d) Foreign currencies

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

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

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

e) Property and equipment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Property and equipment

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

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

Freehold land and buildings are not depreciated.

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

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

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

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

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

f) Intangible assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Tax

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

h) Share capital

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

i) Financial instruments - Policy applicable after 1 January 2018

Financial instruments

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

Financial assets

Initial Recognition and Measurement

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

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

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

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

Amortised cost

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Initial Recognition and Measurement (continued)

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

Fair Value through Other Comprehensive Income (FVOCI) – Debt

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

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

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

Fair Value through Other Comprehensive Income (FVOCI) – Equity

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

Fair Value through Profit or Loss (FVTPL)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Initial Recognition and Measurement (continued)

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

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

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

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

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

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

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

De Minimis

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

Business Model Assessment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Initial Recognition and Measurement (continued)

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

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

Derecognition and Modification

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

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

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

Financial Liabilities

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

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

Initial Measurement of Financial Liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Financial liabilities (continued)

Subsequent Measurement

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

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

Derecognition

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

Reclassification

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

An entity shall not reclassify any financial liability.

Write-off

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

Offsetting

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Offsetting (Continued)

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

No impairment loss is recognised on equity investments.

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

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

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

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

Measurement of ECLs

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement of ECLs (Continued)

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

Hedge Accounting

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

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

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

Fair Value Hedges

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

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

Cash Flow Hedges

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash Flow Hedges (Continued)

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

(k) Employee entitlements

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

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

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

(l) Retirement benefit costs

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

(m) Contingent liabilities

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

(n) Cash and cash equivalents

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

(o) Leases

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

Bank as a lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases (Continued)

Bank as a lessor

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

(p) Provisions for other liabilities

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

(q) Government grants

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

(r) Collection accounts deposits

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

(s) Investment in Joint Venture

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Investment in Joint Venture (Continued)

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

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

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

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

(i) Fair value of financial instruments

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

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

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

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

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

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

For credit exposures where there have not been significant increases in credit risk since initial recognition, the Bank provides for 12-month ECLs. These are classified as Stage 1 assets.
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime ECLs. These are classified as Stage 2 assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(iii) Classification and measurement of financial assets

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

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

(iv) Significant increase of credit risk

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

Refer to note 2 for more details.

(u) Key sources of estimation uncertainty

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

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

ii. Probability of default:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Key sources of estimation uncertainty (Continued)

iii. Loss Given Default:

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

iv. Property and equipment

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

v. Fair value measurement and valuation process

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

(v) Models and assumptions used

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

(w) Management Reserve

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

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

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

7. (a) FEE AND COMMISSION INCOME

	2018 USD	2017 USD
Upfront fees in trade finance	20,130,054	41,168,729
Letter of credit fees in trade finance	4,364,683	5,952,378
Management fees in trade finance	5,847,001	537,406
Facility fees in project finance	9,347,577	3,415,925
Drawdown fees in trade finance	683,225	2,247,760
Commitment fees in project finance	505,739	450,494
Drawdown fees in project finance	306,718	386,657
Other fees in trade finance	(87,999)	185,500
Restructuring fees in project finance	1,914,115	875,204
Appraisal fees in project finance	207,704	578,992
Management fees in project finance	380,105	354,326
Letter of credit fees in project finance	116,762	401,407
Document handling fees in trade finance	269,453	151,589
Other Project fees	207,317	97,912
	44,192,454	56,804,279

(b) RISK MITIGATION COSTS

	2018 USD	2017 USD
*Insurance cover costs	32,139,864	22,275,106
**Risk down-selling costs	2,401,240	15,114,734
	34,541,104	37,389,840

*This is premium on insurance cover taken on loans made to various borrowers. As at 31 December 2018, the insurance cover was USD 1.45 billion (2017: USD 1.65 billion). The cover was taken with African Trade Insurance Agency Ltd, Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC), Mar Risk Services Limited and Lloyds of London, all of which are Investment-grade companies.

**These costs represent Risk down-selling costs relating to fees paid to acquirers of loan assets distributed via the secondary market. This is in line with the Bank's Secondary loan trading and asset distribution activities under which, the loan assets are selectively traded to manage obligor, sector and geographic prudential limits and to provide room for booking of new assets and generating incremental fee income. During the year ended 31 December 2018, the Bank had down sold/distributed an aggregate of USD 704 million (2017 – USD 950 million).

8. OTHER INCOME

	2018 USD	2017 USD
Impaired assets recovered *	4,356,719	11,086,964
Other income	1,017,817	536,846
Interest on capital arrears**	2,073,647	552,498
Grant income ***	-	297,346
Interest on staff loans	39,668	28,859
Rental income	-	72,750
	7,482,851	12,575,263

8. OTHER INCOME (Continued)

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

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

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

9. OPERATING EXPENSES

	2018 USD	2017 USD
Staff costs (Note 10)	26,960,147	20,508,156
Consultants and advisors	5,951,626	3,353,207
Depreciation of property and equipment	898,757	856,858
Official missions	2,028,531	1,604,402
Other operating expenses	1,316,520	894,520
Board of Directors meetings	814,697	893,231
Business promotion	1,334,185	1,318,308
Rent	619,082	509,511
Board of Governors meeting	308,324	416,374
Amortisation of intangible assets	421,913	374,244
Audit fees	54,000	56,000
	40,707,782	30,784,811

10. STAFF COSTS

	2018 USD	2017 USD
Salaries and wages	15,331,421	12,571,500
Other costs	4,041,442	2,901,054
Staff Provident fund contributions –defined contribution plan	2,340,775	1,952,534
Service and leave pay expenses	1,644,260	1,026,547
Staff reward and recognition scheme	3,602,249	2,056,521
	26,960,147	20,508,156

11. IMPAIRMENT ON OTHER FINANCIAL ASSETS

	2018 USD	2017 USD
Other receivables (Note 21)	3,226,125	-

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 129,325,392 (2017: USD 111,864,421) by the weighted average number of ordinary shares in issue during the year.

Basic Earnings per Share:

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

Diluted Earnings per Share:

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

13. CASH AND BALANCES HELD WITH OTHER BANKS

	2018 USD	2017 USD
Current accounts – Note 13 (i)	139,901,609	139,590,914
Call and term deposits with banks – Note 13 (ii)	1,006,016,769	1,093,389,513
	1,145,918,378	1,232,980,427

(i) Current accounts:

	2018	2017
Amounts maintained in United States Dollars (USD)	7,915,526	7,991,823
Amounts maintained in other currencies:		
Euro	18,937,550	77,072,156
Tanzania Shillings	2,805,352	3,953,925
Malawi Kwacha	85,631,536	44,420,987
Ethiopian Birr	408,055	521,832
Ugandan Shilling	7,026	25,558
United Arab Emirates Dirham	18,456,873	4,888,870
South African Rand	8,279	5,136
Burundi Francs	9,572	3,316
Mauritian Rupee	5,200	17,753
British Pounds	17,258	425
Japanese Yen	33,614	29,514
Zambia Kwacha	5,660,730	642,645
Kenyan Shilling	5,038	16,974
	131,986,083	131,599,091
	139,901,609	139,590,914

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

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

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

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

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

The deposits in Sudanese pounds do not earn interest.

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

14. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

	2018 USD	2017 USD
(a) Currency Hedges:		
Foreign exchange forward contracts:		
Balance as at 1 January	(4,797,549)	75,418,629
Contracts traded during the year-Net	26,665,311	(84,268,108)
Fair valuation	32,175,178	4,051,930
Balance as at 31 December	54,042,940	(4,797,549)
Total Currency Hedges	54,042,940	(4,797,549)
(b) Interest Rate Swap:		
Cash flows		
Balance as at 1 January	-	341,813
Amounts due from counterparties	-	302,055
Amount received from counterparties	-	(196,062)
Amounts settled	-	(447,806)
Balance as at 31 December	-	-
Total Interest Rate Swaps	-	-
Total derivative assets (a) and (b)	54,042,940	(4,797,549)

15. TRADE FINANCE LOANS

Principal loans	2,686,114,042	2,512,940,589
Interest receivable	127,283,804	133,688,966
Gross loans	2,813,397,846	2,646,629,555
Impairment on trade finance loans (Note 17)	(79,952,961)	(75,381,275)
Net loans	2,733,444,885	2,571,248,280

15. TRADE FINANCE LOANS (Continued)

	2018 USD	2017 USD
Maturing:		
Within one year	1,102,563,832	1,911,498,219
One to three years	1,487,909,814	439,339,600
Over three years	222,924,200	295,791,736
	2,813,397,846	2,646,629,555

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

16. PROJECT LOANS

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

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

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

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

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

17. IMPAIRMENT ALLOWANCE

The movement in the allowance is as follows:

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

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

18. EQUITY INVESTMENTS

(i) Equity participation

	Beginning Cost USD	Additions at cost USD	Total Ending Cost USD	Investment Carrying Value at year End USD	Investment Carrying Value Previous Year USD	Fair value adjustment for day 1 USD	Fair value adjustment for the year USD
As at 31 December 2018:							
At fair value through other comprehensive income:							
African Export Import Bank	2,364,160	-	2,364,160	6,589,000	2,364,160	4,224,840	-
PTA Reinsurance	31,938,654	-	31,938,654	38,886,000	31,938,654	6,947,346	-
Tononoka	628,653	-	628,653	1,835,000	628,653	1,206,347	-
Tanruss	1,755,000	-	1,755,000	276,000	1,755,000	(1,691,000)	212,000
Africa Trade Insurance Company	1,000,000	-	1,000,000	1,015,000	1,000,000	(223,000)	238,000
Gulf African Bank	1,978,734	-	1,978,734	2,243,000	1,978,734	264,266	-
Pan African Housing Fund	592,756	84,974	677,730	677,730	592,756	-	-
	40,257,957	84,974	40,342,931	51,521,730	40,257,957	10,728,799	450,000
As at 31 December 2017:							
At cost:							
African Export Import Bank	2,364,160	-	2,364,160	2,364,160	2,364,160	-	-
Africa Trade Insurance Agency	1,000,000	-	1,000,000	1,000,000	1,000,000	-	-
Gulf African Bank	1,978,734	-	1,978,734	1,978,734	1,978,734	-	-
Pan African Housing Fund	433,657	159,099	592,756	592,756	433,657	-	-
Tanruss	1,755,000	-	1,755,000	1,755,000	1,755,000	-	-
Tononoka	628,653	-	628,653	628,653	628,653	-	-
ZEP-RE (PTA Reinsurance Company)	9,336,468	22,602,186	31,938,654	31,938,654	9,336,468	-	-
	17,496,672	22,761,285	40,257,957	40,257,957	17,496,672	-	-

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

	2018 USD	2017 USD
18. EQUITY INVESTMENTS (Continued)		
ii) Instalments paid:		
Total subscribed capital*	41,865,201	41,865,201
Less: Instalments not due – Note 18 (iii)	(1,522,270)	(1,607,244)
Instalments paid as at end of year – Note 18 (i) and (iv)	40,342,931	40,257,957

*Total subscribed capital includes paid up capital and unpaid subscriptions

	2018 USD	2017 USD
iii) Unpaid subscriptions expressed in US Dollars at year-end rates comprised:		
African Export-Import Bank*	1,200,000	1,200,000
Pan African Housing Fund*	322,270	407,244
*Unpaid subscriptions are payable on call.	1,522,270	1,607,244
iv) Movement in the instalments paid:		
At beginning of year	40,257,957	17,496,672
Net additions at cost – Note 18 (i)	84,974	22,761,285
At end of year	40,342,931	40,257,957

19. INVESTMENT IN JOINT VENTURES

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

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

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

19. INVESTMENT IN JOINT VENTURES (Continued)

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

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

* The movement relates to additional investment in ESAIF.

20. INVESTMENTS IN GOVERNMENT SECURITIES

	2018	2017
Treasury Notes:		
At 1 January	57,275,058	214,699,238
Matured bonds	(57,275,058)	(159,180,887)
Accrued income	-	1,756,707
At 31 December	-	57,275,058

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

21. OTHER RECEIVABLES

	2018 USD	2017 USD
Down-sold assets*	70,000,000	75,000,072
Prepayments and other receivables**	44,886,422	29,828,548
Staff loans and advances***	1,216,404	1,034,033
Appraisal fees****	1,033,204	614,835
	117,136,030	106,477,488

*Appraisal fees receivable*****

	2018	2017
As at 1 January	614,835	585,040
Accrued income	5,198,448	544,550
Receipts	(1,553,954)	(514,755)
Amounts written off (Note 11)	(3,226,125)	-
At 31 December	1,033,204	614,835

21. OTHER RECEIVABLES (Continued)

	2018 USD	2017 USD
Amounts due within one year	116,834,370	106,173,304
Amounts due after one year	301,660	304,184
	117,136,030	106,477,488

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

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

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

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

22. DEFERRED EXPENDITURE

	2018 USD	2017 USD
COST		
At beginning of year	-	30,429,340
Additions	-	-
Transfer*	-	(30,429,340)
At end of year	-	-
AMORTISATION		
At beginning of year	-	12,334,174
Charge for the year	-	-
Transfer*	-	(12,334,174)
At end of year	-	-
NET CARRYING AMOUNT		
At end of year	-	-

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

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

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

23. PROPERTY AND EQUIPMENT

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

Leasehold Land:

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

Building Under Construction:

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

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

23. PROPERTY AND EQUIPMENT (Continued)

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

24. INTANGIBLE ASSETS

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

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

25. COLLECTION ACCOUNT DEPOSITS

	2018 USD	2017 USD
At 1 January	127,796,131	177,770,025
Increase	43,519,141	45,703,718
Reduction	(51,738,692)	(89,677,612)
At 31 December	119,576,580	127,796,131

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

26. SHORT TERM BORROWINGS

(a) CERTIFICATES OF DEPOSITS

Lender	2018 USD	2017 USD
Reserve Bank of Malawi	-	94,313,391
Banque Commerciale du Congo	-	20,000,000
African Trade Insurance Agency	1,243,996	1,219,232
	1,243,996	115,532,623

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

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

27. LONG TERM BORROWINGS

					Amounts as at 31 December 2018			Amounts as at 31 December 2017		
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	158,746,264	158,746,264	11,250,000	147,496,264	171,696,249	12,949,985	158,746,264
Africa Agriculture and Trade Investment Fund	Sep-12	Sep-19	USD	10,000,000	10,000,000	10,000,000	-	20,000,000	10,000,000	10,000,000
China Development Bank	Dec-08	Mar-20	USD	20,000,000	20,000,000	20,000,000	-	48,302,095	28,302,095	20,000,000
KBC Bank	Various	Feb-20	USD	3,144,827	3,144,827	2,515,862	628,965	5,661,944	2,515,862	3,146,082
Exim Bank of India Loan	Various	Various	USD	7,850	7,850	7,850	-	113,192	106,706	6,486
US$ 1.0 Billion Euro Medium Term Note Programme: First Tranche	Dec-13	Dec-18	USD	-	-	-	-	217,031,000	217,031,000	-
US$ 1.0 Billion Euro Medium Term Note Programme: Second Tranche	Dec-13	Mar-22	USD	700,000,000	700,000,000	-	700,000,000	700,000,000	-	700,000,000
FMO	Mar-10	Jan-18	USD	-	-	-	-	2,000,000	2,000,000	-
Development Bank of Southern Africa	Mar-07	Jun-23	USD	23,437,500	23,437,500	9,375,000	14,062,500	38,591,099	15,153,599	23,437,500
Private Export Funding Corporation	Aug-11	Oct-21	USD	17,104,853	17,104,853	5,949,514	11,155,339	23,054,367	5,949,514	17,104,853
KfW	Dec-13	Dec-28	USD	107,142,857	107,142,857	5,714,286	101,428,571	85,000,000	2,857,143	82,142,857
KFW IPEX	Sep-16	Dec-28	USD	123,111,820	123,111,820	13,364,622	109,747,198	-	-	-
European Investment Bank	Aug-16	Sep-26	USD	88,120,000	88,120,000	5,874,667	82,245,333	88,120,000	-	88,120,000
CDC Group	Oct-16	Dec-25	USD	81,818,182	81,818,182	14,889,746	66,928,436	45,454,545	13,636,364	31,818,181
Standard Chartered Bank / USAID	Sep-17	Mar-24	USD	13,478,240	13,478,240	2,449,520	11,028,720	3,703,000	1,953,468	1,749,532
Japan Bank for International Corporation (JBIC)	Jul-17	Feb-24	USD	20,306,413	20,306,413	7,365,175	12,941,238	2,471,876	1,818,950	652,926
AFD -Agence Francaise De Development	Dec-17	Mar-32	USD	57,000,000	57,000,000		57,000,000	12,000,000	-	12,000,000
The Exim -Import Bank of China	Dec-17	Dec-23	USD	250,000,001	250,000,001	25,274,725	224,725,276	250,000,000	21,033,379	228,966,621
Tanzania local currency fixed rate bond	Jun-15	May-20	TZS	5,365,496,168	2,351,638	1,369,446	982,192	3,779,765	1,391,378	2,388,387
Tanzania local currency floating rate bond	Jun-15	May-20	TZS	5,364,547,731	2,350,022	1,369,446	980,576	3,778,539	1,390,927	2,387,612
IDC – Industrial Development Corporation	Mar-18	Dec-27	USD	100,565,184	100,565,184	11,173,909	89,391,275	-	-	-
BADEA	Feb-18	Sep-27	USD	5,001,933	5,001,933	-	5,001,933	-	-	-
Sub-total for long term borrowings					1,783,687,584	147,943,768	1,635,743,816	1,720,757,671	338,090,370	1,382,667,301
Interest payable					25,024,959	25,024,959	-	17,987,840	17,987,840	-
Total					1,808,712,543	172,968,727	1,635,743,816	1,738,745,511	356,078,210	1,382,667,301
Deferred Expenditure					(26,682,475)	(26,682,475)	-	(30,455,963)	(112,777)	(30,343,186)
Total long-term borrowings					1,782,030,068	146,286,252	1,635,743,816	1,708,289,548	355,965,433	1,352,324,115

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

28. OTHER PAYABLES

	2018 USD	2017 USD
Accrued expenses	9,374,066	4,548,881
Accrued fees-Trade Finance	850,382	968,344
Provident fund*	1,243,471	8,119,134
Other creditors**	54,008,954	63,865,893
Accrued reward & recognition	4,971,407	3,006,127
Accrued fees-Project Finance	1,370	42,170
Rental deposit	51,622	51,622
Dividends payable	2,357,693	1,056,296
	72,858,965	81,658,467

*Provident fund relates to the Bank's contribution to the fund that is payable.
**Other creditors mainly relate to cash cover deposits by clients.

Analysis of other payables by maturity:	2018 USD	2017 USD
Amounts due within one year	65,535,685	75,009,560
Amounts due after one year	7,323,280	6,648,907
	72,858,965	81,658,467

29. PROVISION FOR SERVICE AND LEAVE PAY

(i) PROVISION FOR SERVICE PAY

	2018	2017
At beginning of year	5,081,470	4,480,046
Increase in provision	1,155,218	792,997
Payment of service pay	(196,497)	(191,573)
At end of year	6,040,191	5,081,470

(ii) PROVISION FOR LEAVE PAY

	2018	2017
At beginning of year	1,477,218	1,358,677
Increase in provision	402,898	164,977
Payment of leave pay	(91,667)	(46,436)
At end of year	1,788,449	1,477,218
TOTAL PROVISION FOR SERVICE AND LEAVE PAY	7,828,640	6,558,688

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

30. SHARE CAPITAL

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

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

30. SHARE CAPITAL (Continued)

	31 December 2018			31 December 2017		
	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	333,838,490	97,386,936	431,225,426	293,781,436	78,269,503	372,050,939
African Development Bank	1,128,817	-	1,128,817	1,047,215	-	1,047,215
BADEA – Arab Bank for Economic Development in Africa	-	4,352,084	4,352,084	-	-	-
National Social Security Fund- Uganda	-	389,875	389,875	-	235,738	235,738
National Pension Fund-Mauritius	-	-	-	-	244,805	244,805
Rwanda Social Security Board	-	376,274	376,274	-	4,234,215	4,234,215
Banco Nacionale De Investment	-	-	-	-	117,869	117,869
Africa Reinsurance Corporation	-	-	-	-	104,269	104,269
OPEC Fund for International Development (OFID)	-	-	-	-	9,311,645	9,311,645
TDB Staff Provident Fund	-	2,030,972	2,030,972	-	4,170,746	4,170,746
TDB Directors & Select Stakeholders Provident Fund	-	181,336	181,336	-	213,071	213,071
Belarus	1,222,205	-	1,222,205	1,145,137	-	1,145,137
Burundi	462,407	-	462,407	430,673	-	430,673
China	1,282,952	-	1,282,952	1,183,218	485,075	1,668,293
Comoros	40,801	-	40,801	387,331	-	387,331
Congo DRC	3,540,695	-	3,540,695	9,628,675	-	9,628,675
Djibouti	108,802	-	108,802	-	-	-
Egypt	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Eritrea	45,216	-	45,216	41,761	-	41,761
Ethiopia	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Kenya	2,012,830	-	2,012,830	1,858,694	-	1,858,694
Madagascar	400,753	-	400,753	-	-	-
Malawi	498,674	-	498,674	457,873	-	457,873
Mauritius	952,014	-	952,014	838,679	-	838,679
Mozambique	145,069	-	145,069	2,063,604	-	2,063,604
Rwanda	539,475	-	539,475	953,089	-	953,089
Seychelles	99,735	-	99,735	95,201	-	95,201
Somalia	59,912	-	59,912	55,333	-	55,333
South Sudan	13,600	-	13,600	10,000,680	-	10,000,680
Swaziland	409,820	-	409,820	400,752	-	400,752
Tanzania	1,944,829	-	1,944,829	1,799,760	-	1,799,760
Uganda	2,520,571	-	2,520,571	2,357,368	-	2,357,368
Zambia	1,731,754	-	1,731,754	1,594,623	-	1,594,623
	23,186,591	7,330,541	30,517,132	40,057,054	19,117,433	59,174,487
	357,025,081	104,717,477	461,742,558	333,838,490	97,386,936	431,225,426

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

30 . SHARE CAPITAL (Continued)

Share Premium: (Class B Shares Only)	Number of shares	Share value USD	Price paid USD	Share premium USD
As at 31 December 2018:				
At1 January 2018	21,482	97,386,936	150,355,414	52,968,478
Additions during the year	1,617	7,330,541	14,862,674	7,532,133
At 31 December 2018	23,099	104,717,477	165,218,088	60,500,611
As at 31 December 2017:				
As at 1 January 2017:	17,265	78,269,503	113,376,164	35,106,661
Additions during the year	4,217	19,117,433	36,979,250	17,861,817
As at 31 December 2017:	21,482	97,386,936	150,355,414	52,968,478

Class A and B shares

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

Nature and purpose of the share premium

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

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

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

31. MANAGEMENT RESERVE

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

32. NOTES TO THE STATEMENT OF CASH FLOWS

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

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

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

(b) Analysis of changes in borrowings:

	2018 USD	2017 USD
Short term borrowings:		
At beginning of year	2,314,562,284	2,369,322,431
Loans received	2,634,377,484	1,670,688,314
Repayments	(2,565,686,167)	(1,725,448,461)
At end of year	2,383,253,601	2,314,562,284
Long term borrowings:		
At beginning of year	1,708,289,548	794,214,640
Loans received	547,625,476	1,175,933,883
Repayments	(473,884,956)	(261,858,975)
At end of year	1,782,030,068	1,708,289,548
Total borrowings:		
At beginning of year	4,022,851,832	3,163,537,071
Loans received	3,182,002,960	2,846,622,197
Repayments	(3,039,571,123)	(1,987,307,436)
At end of year	4,165,283,669	4,022,851,831
Increase in total borrowings (Note 32 (a))	142,431,837	859,314,760

For purposes of the Statement of Cash Flows, borrowings received for on-lending are treated as normal operations of the Bank and, therefore, are classified as cash generated from operations.

(c) Analysis of cash and cash equivalents

	2018 USD	2017 USD
Cash and balances with other banks - Note 13	1,145,918,378	1,232,980,427

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

(d) Facilities available for lending

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

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

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

(d) Facilities available for lending (Continued)

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

<u>Note</u>:

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

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

(d) Facilities available for lending (Continued)

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

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

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

(d) Facilities available for lending (continued)

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

Note:

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value

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

Net derivative financial instruments

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

Financial instruments disclosed at fair value

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

Fair Value hierarchy

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

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

At 31 December 2018:	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
ASSETS				
Net derivative financial instruments	-	54,042,940	-	54,042,940
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
	-	54,042,940	51,520,730	105,564,670
At 31 December 2017:				
LIABILITIES				
Net derivative financial instruments	-	4,797,549	-	4,797,549
	-	4,797,549	-	4,797,549

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Transfers between Level 1, 2 and Level 3:

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

Valuation of financial Instruments recorded at fair value:

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

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

Valuations of financial instruments are the responsibility of Management.

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

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

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

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

33. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Quantitative information of significant unobservable inputs – Level 3:

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

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

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

As at 31 December 2018:

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

As at 31 December 2017: NIL

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

Level 3 reconciliation

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

	2018 USD	2017 USD
Balance as at 31 January	40,257,957	17,496,672
IFRS 9 adjustment	10,728,799	-
Balance as at 31 January-Restated	50,986,756	17,496,672
FV gains and losses	450,000	-
Additions	84,974	22,761,285
Balance as at 31 December	51,521,730	40,257,957

34. SEGMENT REPORTING

The Bank's main business is offering loan products, which is carried out in distinct geographic coverage areas. As such, the Bank has chosen to organise the Bank based on the loan products offered as well as coverage areas for segmental reporting.

The main types of loan products are:

- Trade finance – Short term and structured medium-term financing in support of trading activities such as imports and exports in various member states.
- Project finance – Medium and long- term financing of viable and commercially oriented public and private sector projects and investments in various economic sectors or industries.

Other operations comprise other miscellaneous income like rental of office premises which cannot be directly attributed to the Bank's main business. The Bank also participates in the investment of Government securities and other unlisted equity investments. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, which form the majority of the statement of financial position.

34. SEGMENT REPORTING (Continued)

a) STATEMENT OF COMPREHENSIVE INCOME

	East Africa USD	North East Africa USD	Southern Africa USD	Franco / Lusophone USD	Multi - Regional USD	Total Lending Operations USD	Corporate USD	Consolidated/ Bank Total USD
INCOME								
Interest income	91,440,363	111,132,038	76,846,704	2,396,245	47,930,069	329,745,419	31,842,477	361,587,896
Interest expense and other borrowing costs	(50,559,206)	(63,454,029)	(44,238,902)	(1,381,908)	(27,331,490)	(186,965,535)	(18,227,206)	(205,192,741)
Net interest income	40,881,157	47,678,009	32,607,802	1,014,337	20,598,579	142,779,884	13,615,271	156,395,155
Fee and commission income	11,977,476	988,364	20,435,473	2,338,308	8,452,833	44,192,454	-	44,192,454
Net Trading Income	52,858,633	48,666,373	53,043,275	3,352,645	29,051,412	186,972,338	13,615,271	200,587,609
Risk Mitigation Costs	(8,221,032)	(9,019,064)	(14,032,706)	-	(279,333)	(31,552,135)	(2,988,969)	(34,541,104)
Other Income	1,564,251	-	2,533,153	49,940	-	4,147,344	3,335,507	7,482,851
Depreciation and amortisation	-	-	-	-	-	-	(1,320,670)	(1,320,670)
Operating expenditure	(897,995)	(389,952)	(450,054)	(748,743)	(3,415,261)	(5,902,005)	(33,485,107)	(39,387,112)
Impairment allowance on loans	(11,012,333)	(1,103,071)	(7,233,548)	(638,737)	(1,910,725)	(21,898,414)	(1,258,541)	(23,156,955)
Impairment on other assets	(471,125)	-	-	(255,000)	-	(726,125)	(2,500,000)	(3,226,125)
Exchange Gains	-	-	-	-	-	-	22,886,898	22,886,898
PROFIT FOR THE YEAR	33,820,399	38,154,286	33,860,120	1,760,105	23,446,093	131,041,003	(1,715,611)	129,325,392

34. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

a) STATEMENT OF COMPREHENSIVE INCOME (Continued)

Year Ended 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	204,323,254	125,422,165	31,842,477	361,587,896
Interest expense and other borrowing costs	(116,941,399)	(70,024,156)	(18,227,206)	(205,192,741)
Net interest income	87,381,855	55,398,029	13,615,271	156,395,155
Fee and commission income	31,206,418	12,986,036	-	44,192,454
Risk mitigation costs	(23,385,321)	(7,905,473)	(3,250,310)	(34,541,104)
Other income	-	-	1,052,485	1,052,485
Interest on capital arrears	-	-	2,073,647	2,073,647
Other assets written-off	(2,500,000)	(726,125)		(3,226,125)
Other assets recovered	503,410	3,850,173	3,136	4,356,719
Operating expenses	(19,781,660)	(19,605,452)	-	(39,387,112)
Depreciation and amortisation	(662,813)	(657,857)		(1,320,670)
Impairment on assets	(20,359,633)	68,469	(1,258,541)	(21,549,705)
Impairment on off-balance sheet commitments	(744,814)	(862,436)	-	(1,607,250)
Foreign exchange gain	22,886,898	-	-	22,886,898
Profit for the year	74,544,340	42,545,364	12,235,688	129,325,392

Year Ended 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Gross interest income	178,408,979	95,166,425	2,438,538	276,013,942
Interest expense and other borrowing costs	(102,929,017)	(44,409,204)	(3,038,231)	(150,376,452)
Net interest income	75,479,962	50,757,221	(599,693)	125,637,490
Fee and commission income	50,243,362	6,560,917	-	56,804,279
Risk mitigation costs	(29,889,732)	(4,128,898)	(3,371,210)	(37,389,840)
Other income	-	-	935,801	935,801
Interest on capital arrears	-	-	552,498	552,498
Other assets recovered	6,029,262	5,057,702	-	11,086,964
Operating expenses	(15,312,618)	(14,241,090)	-	(29,553,708)
Depreciation and amortisation	(624,062)	(607,041)	-	(1,231,103)
Impairment on loans	(26,980,643)	1,657,311	-	(25,323,332)
Foreign exchange loss	10,345,372	-	-	10,345,372
Profit for the year	69,290,903	45,056,122	(2,482,604)	111,864,421

34. SEGMENT REPORTING (Continued)

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

b) REVENUE FROM MAJOR GROUPS

	2018 USD	2017 USD
Groups contributing 10% or more of revenue	223,371,145	146,206,289
All other customers	150,566,918	178,124,833
Total Revenue	373,938,063	324,331,122

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2018:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	56,296,236	-	1,089,622,142	1,145,918,378
Derivative financial instruments	54,042,940	-	-	54,042,940
Other receivables	-	-	117,136,030	117,136,030
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project loans	-	1,429,558,518	-	1,429,558,794
Equity investments at fair value other comprehensive income	-	51,521,730	-	51,521,730
Investment in Joint Ventures	-	386,994	-	386,994
Property and equipment	-	-	23,710,110	23,710,110
Intangible assets	-	-	1,853,744	1,853,744
Total assets	2,843,784,061	1,481,467,242	1,232,322,026	5,557,573,605
Liabilities:				
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	-	1,782,030,068	-	1,782,030,068
Collection account deposits	119,576,580	-	-	119,576,580
Provision for service and leave pay	-	-	7,828,640	7,828,640
Other payables	-	-	72,858,965	72,858,965
Total liabilities	2,502,830,181	1,782,030,068	80,687,605	4,365,547,854
Equity	-	-	1,192,025,751	1,192,025,751
	2,502,830,181	1,782,030,068	1,272,713,356	5,557,573,605

34. SEGMENT REPORTING (Continued)

c) STATEMENT OF FINANCIAL POSITION

As at 31 December 2017:	Trade finance USD	Project finance USD	Other USD	Total USD
Assets:				
Cash and balances held with other banks	82,400,556	-	1,150,579,871	1,232,980,427
Investment in Government securities - held to maturity	57,275,058	-	-	57,275,058
Other receivables	-	-	106,477,488	106,477,488
Trade finance loans	2,571,248,280	-	-	2,571,248,280
Project loans	-	1,235,120,149	-	1,235,120,149
Equity investments at cost	-	40,257,957	-	40,257,957
Investment in joint ventures	-	369,493	-	369,493
Property and equipment	-	-	19,631,950	19,631,950
Intangible assets	-	-	1,338,030	1,338,030
Total assets	2,710,923,894	1,275,747,599	1,278,027,339	5,264,698,832
Liabilities:				
Short term borrowings	2,314,562,283	-	-	2,314,562,283
Long term borrowings	-	1,708,289,548	-	1,708,289,548
Collection account deposits	127,796,131	-	-	127,796,131
Derivative financial instruments	4,797,549	-	-	4,797,549
Provision for service and leave pay	-	-	6,558,688	6,558,688
Other payables	-	-	81,658,467	81,658,467
Total liabilities	2,447,155,963	1,708,289,548	88,217,155	4,243,662,666
Equity	-	-	1,021,036,166	1,021,036,166
	2,447,155,963	1,708,289,548	1,109,253,321	5,264,698,832

35. CONTINGENT LIABILITIES AND COMMITMENTS

	2018 USD	2017 USD
(a) Approved capital expenditure		
Approved but not contracted	17,294,830	12,841,523
Approved and contracted	10,105,737	-
(b) Loans committed but not disbursed		
Project finance loans	263,569,643	181,024,180
Trade finance loans	265,445,719	513,906,227
	529,015,362	694,930,407

In line with normal banking operations, the Bank conducts business involving acceptances, guarantees and performances. The majority of these facilities are offset by corresponding obligations of third parties.

	2018 USD	2017 USD
Letters of credit – Project finance loans	280,000	7,223,037
- Trade finance loans	161,393,239	467,904,491
Guarantee	17,000,000	-
	178,673,239	475,127,528

(c) Operating lease arrangements

The Bank as a lessor

This relates to the Bank's building in Bujumbura of which part has been leased out. Rental income earned during the year was USD NIL (2017 – USD NIL). At the reporting date, the Bank had contracted with tenants for the following future lease receivables (2017: NIL)

Leases are negotiated for an average term of 2 years and rentals are reviewed every 2 years. The leases are cancelled with a penalty when the tenants do not give 3 months' notice to vacate the premises. The leases had not been renewed by 31 December, 2018.

The Bank as a lessee

At year end, the Bank had outstanding commitments under operating leases which fall due as follows:

	2018 USD	2017 USD
Within one year	350,021	446,962
In the second to fifth year inclusive	256,661	199,308
	606,682	646,270

Operating lease payments represent rentals payable by the Bank for use of its office premises. These leases are negotiated for an average term of 5 years.

35. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

(d) Pending litigation

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes provisions to cater for any adverse effects which the claims may have on its financial standing.

As at 31 December 2018, there were legal proceedings involving the Bank amounting to USD 38,789,873 (2017 – USD 25,100,000) that are yet to be determined. No provision has been made as, in the opinion of the Directors and the Bank's lawyers, it is unlikely that any significant loss will crystallise.

36. RELATED PARTY TRANSACTIONS

(a) Membership and governance

As a supranational development financial institution with a membership comprising:- Class A Shareholders- Twenty two COMESA /African States (the "Member States"), two non-African State and one institutional member;- Class B Shareholders – one non-African State and Fourteen institutional members,- subscription to the capital of the Bank is made by all its Members. All the powers of the Bank are vested in the Board of Governors, which consists of the Governors appointed by each Member of the Bank, who exercise the voting power of the appointing Member. The Board of Directors, which is composed of Nineteen (19) Directors elected by the Members is responsible for the conduct of the general operations of the Bank, and for this purpose, exercises all the powers delegated to it by the Board of Governors. The Bank makes loans to some of its Member States. The Bank also borrows funds from some of its Members. Such loans granted to Member States are approved by the Board of Directors.

The following are the details of the transactions and balances with related parties:-

(b) Loans to member states	2018 USD	2017 USD
Outstanding loans at 1 January	1,907,869,877	1,132,314,880
Loans disbursed during the year	453,571,429	844,696,940
Loans repaid during the year	(559,053,690)	(69,141,943)
Outstanding loan balances at 31 December	1,802,387,616	1,907,869,877

Loans to related parties are subject to commercial negotiations on the terms and conditions of varying interest rates and terms. Outstanding balances at year-end are secured by cash security deposits, sovereign undertakings/guarantees and insurance. The loans to Member States are performing and the Bank has not made any specific provision for doubtful debts relating to amounts owed by related parties (2017: Nil). General provisions have been raised as applicable.

36. RELATED PARTY TRANSACTIONS (Continued)

(c) Borrowings from members

	2018 USD	2017 USD
Outstanding borrowings at 1 January	266,009,640	321,797,391
Borrowings received during the year	8,513,580	122,903,638
Borrowings repaid during the year	(115,776,956)	(178,691,389)
Outstanding balances at 31 December	158,746,264	266,009,640

Borrowings from related parties are subject to commercial negotiations on the terms and conditions. The outstanding balances as at year-end are unsecured and there has been no guarantee provided by the Bank for any borrowings from members. The borrowings are for an average period of ten years.

(d) Income and expenses

	2018 USD	2017 USD
• Interest income from loans to Member States earned during the year	180,127,858	124,347,488
• Interest expense on borrowings from Member States incurred during the year	(9,367,901)	(8,275,603)
• Fees and commission earned from Member States during the year	20,406,465	43,171,393

(e) Other related parties

The remuneration of members of key management staff during the year was as follows:

	2018 USD	2017 USD
Salaries and other short-term benefits	4,520,153	2,854,882
Post employment benefits: Defined contribution: Provident Fund	705,313	636,269
Board of Directors and Board of Governors allowances	258,775	345,600
Other long-term employee benefits	279,153	183,911
	5,763,394	4,020,662

(f) Share capital

During the year, Class 'B' shares with a value of USD 2,212,308 (2017: USD 4,338,484) were issued to the TDB Staff Provident Fund and to TDB Directors and Select Stakeholder Provident Fund.

37. CURRENCY

The financial statements are presented in United States Dollars (USD). At the reporting date, the conversion rates between one USD and certain other currencies were as analysed below:

	2018	2017
British Pound	0.7885	0.7411
Euro	0.8745	0.8318
United Arab Emirates Dirham	3.6729	3.6730
Zambian Kwacha	11.9500	9.9500
Sudanese Pound	28.8370	19.7015
South Africa Rand	14.3717	12.3075
Ethiopian Birr	28.3273	27.3345
Mauritian Rupee	34.1500	33.5095
Kenya Shilling	101.8000	103.3000
Japanese Yen	110.4350	112.5400
Malawi Kwacha	728.7700	726.0702
Burundi Franc	1756.0000	1757.6050
Tanzania Shilling	2281.6000	2246.0000
Uganda Shilling	3726.2500	3635.7500

38. EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to, these financial statements.

39. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are as outlined below:

(a) INTRODUCTION

Risk is inherent in the Bank's activities, but is managed through a process of ongoing identification, measurement monitoring and reporting, subject to risk limits and other governance controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk (non–trading risks). It is also subject to country risk.

Risk management structure

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk appetite statement and risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive appetite statement and risk management framework for measuring, monitoring, controlling and mitigation of the Bank's risks. The policies are integrated in the overall management information systems of the Bank and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees and other stakeholders understand their roles and obligations.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) INTRODUCTION (Continued)

Risk management structure (Continued)

The Bank-Wide Integrated Risk Management Committee (BIRMC) is responsible for monitoring compliance with the Bank's risk management policies and procedures and review of the adequacy of the risk management framework in relation to the risks faced by the Bank. BIRMC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on prudential limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

The notes below provide detailed information on each of the above risks and the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) CREDIT RISK

The Bank defines credit risk as the risk that adverse changes in the credit quality of borrowers will negatively affect the Bank's financial performance and financial condition. Credit risk arises from both client-specific risk and country risk. The Bank, through its lending operations to private sector and public sector entities in its Member Countries, and to a lesser extent, treasury operations, is exposed to credit risk.

Credit Risk Appetite

The Bank adheres to a defined credit risk appetite which considers the maximum credit losses the Bank is prepared to absorb from its lending activities in pursuit of corporate objectives.

The credit risk appetite statement further defines risk-based lending mandates and limits to manage credit risk concentrations at single/group borrower, country and sector levels within expectations to minimise unexpected credit losses.

All limits were within approved risk appetite thresholds as at 31 December 2018

Risk Management Policies and Processes

The Bank manages credit risk through an integrated risk management policy framework and processes which place great emphasis on rigorous screening of borrowers at loan origination.

The risk management policies and processes are designed to identify, measure, manage and control credit risk throughout the whole project cycle. The lending process follows a formalised system of strict procedures and processes and committee-based decision-making processes.

39. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) CREDIT RISK (Continued)

Client-Specific Risk

The Bank uses credit assessment and risk profiling systems, including borrower risk rating models to evaluate the credit risk of the investment proposals both at loan origination and during the life of the loan.

The Bank seeks to mitigate credit risk in its lending operations and calls for risk mitigating measures such as security in the form of real estate collateral, personal and corporate guarantees. Such collateral is re-valued every three years or earlier should there be any evidence of diminution in value.

Country risk

The Bank considers country-specific political, social and economic events which may have an adverse impact on the credit quality of its borrowers. To mitigate such risks, the Bank uses prudent country exposure management policies. In addition, the Bank considers the economic, social and political profile of the country in which the investment project is domiciled before approval is granted. The investment proposal is also loaded with the risk premium that reflects the risk rating of the host country.

Notes 42 and 43 of the Financial Statements contain further country exposure analysis as at 31 December 2018 and 31 December 2017.

Credit-related commitment risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies. These are further disclosed under Note 35(b).

Credit quality

The following tables sets out information about the credit quality and credit risk exposure of financial assets measured at amortised cost (31 December 2018) and loans and receivables (31 December 2017). Unless specifically indicated, the amounts in the table represent gross carrying amounts. For loan commitments the amounts in the table represent the undrawn portion of amounts committed. Loan commitments are undisbursed facilities including letters of credit. Explanation of the terms 'Stage 1', 'Stage 2', 'Stage 3' and purchased originated credit impaired (POCI) assets is included in Note 2 (b) and 3 (j).

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Credit quality (Continued)

	31 December 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	Total
Project finance loans:	USD	USD	USD	USD	USD
Pass/Acceptable	1,254,771,124	-	-	1,254,771,124	1,094,560,380
Special mention	-	180,999,353	-	180,999,353	151,239,295
Substandard, Doubtful & Loss	-	-	24,147,841	24,147,841	21,485,839
	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,267,285,514
Loss Allowance	(1,584,648)	(4,627,035)	(24,147,841)	(30,359,524)	(32,165,365)
Carrying Amount	1,253,186,476	176,372,318	-	1,429,558,794	1,235,120,149
Trade finance loans:					
Pass/ acceptable	2,527,025,580	-	-	2,527,025,580	2,383,278,832
Special mention	-	211,163,777	-	211,163,777	191,252,509
Substandard, Doubtful & Loss	-	-	75,208,489	75,208,489	72,098,214
	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,646,629,555
Loss Allowance	(2,470,667)	(2,273,805)	(75,208,489)	(79,952,961)	(75,381,275)
Carrying Amount	2,524,554,913	208,889,972	-	2,733,444,885	2,571,248,280
Undisbursed commitments:					
Pass/ Acceptable	566,479,040	-	-	566,479,040	396,963,457
Special mention	-	2,457,056	-	2,457,056	15,411,903
	566,479,040	2,457,056	-	568,936,096	412,375,360
Loss Allowance	(1,517,384)	(27,252)	-	(1,544,636)	-
Carrying Amount	564,961,656	2,429,804	-	567,391,460	412,375,360
Letters of Credit:					
Pass/acceptable	19,121,521	-	-	19,121,521	47,948,322
Special mention	-	-	-	-	22,682,974
	19,121,521	-	-	19,121,521	70,631,296
Loss Allowance	(62,614)	-	-	(62,614)	-
Carrying Amount	19,058,907	-	-	19,058,907	70,631,296

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

	31 December 2018				31 December 2017
Total off-balance sheet items	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD	Total USD
Pass/ Acceptable	585,600,561	-	-	585,600,561	444,911,779
Special mention	-	2,457,056	-	2,457,056	38,094,877
	585,600,561	2,457,056	-	588,057,617	483,006,656
Loss Allowance	(1,579,998)	(27,252)	-	(1,607,250)	-
Carrying Amount	584,020,563	2,429,804	-	586,450,367	483,006,656

Maximum Exposure to Credit Risk before Collateral Held:

Credit Exposures	2018 USD	%	2017 USD	%
On – statement of financial position Items				
Cash and Balances held with other banks	1,145,918,378	21	1,232,980,427	23
Investment in Government securities	-	-	57,275,058	1
Other receivables	72,249,608	1	76,648,950	1
Derivative financial instruments	54,042,940	1	-	-
Loans and advances	4,273,316,164	77	3,913,915,069	75
-Project loans	1,459,918,318		1,267,285,514	
-Trade finance loans	2,813,397,846		2,646,629,555	
Sub Total	5,545,527,090	100	5,280,819,504	100
Off – statement of financial position Items				
Letters of Credit	161,673,239	23	475,127,528	41
Loan Commitments not disbursed	529,015,362	75	694,930,407	59
Guarantees and Performance Bonds	17,000,000	2	-	-
Sub Total	707,688,601	100	1,170,057,935	100
Total Credit Exposure	6,253,215,691		6,450,877,439	

The above figures represent the worst case scenario of credit exposure for the two years without taking into account any collateral held or other credit enhancements. Loan and advances and off-statement of financial position items took up 79.66% in 2018 (2017 – 78.8%) of the total maximum credit exposure.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Other than cash and bank balances amounting to USD 1,145,918,378 (2017 -USD 1,232,980,427) and Investment in government securities of USD NIL (2017-USD 57,275,058) all other credit risk exposures are secured by collateral in the form of cash liens, mortgages on land and buildings, securities charged over plant and machinery and third party guarantees.

As at 31 December 2018, the fair value of collateral held for impaired loans and advances was USD 251,217,197 (2017 – USD 256,464,924) and provided sufficient cover over the gross exposure of USD 100,614,870 (2017-USD 93,584,053) and over the net exposure of USD NIL (2017-USD 21,277,021) after deducting the impairment allowances.

Classification of Loans and advances

For year ended 31 December 2018: Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	4,043,912,116	(10,956,156)	4,032,955,960	97
Past due but not impaired	128,789,178	-	128,789,178	3
Impaired	100,614,870	(99,356,329)	1,258,541	0
Total	4,273,316,164	(110,312,485)	4,163,003,679	100

For year ended 31 December 2017 Category	Gross amount USD	Impairment allowance USD	Net amount USD	%
Neither past due nor impaired*	3,640,648,029	(35,239,608)	3,605,408,421	95
Past due but not impaired	179,682,987	-	179,682,987	4
Impaired	93,584,053	(72,307,032)	21,277,021	1
Total	3,913,915,069	(107,546,640)	3,806,368,429	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.

*The impairment allowance on neither past due nor impaired amounts relate to general provisions.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Classification of Loans and advances (Continued)

Ageing of arrears for past due loans and advances not impaired

	2018 USD	2017 USD
Below 30 Days	49,728,080	26,100,797
31 to 90 Days	4,326,490	31,394,293
91-180 Days	4,153,855	23,155,054
181-360 Days	40,221,656	58,044,357
Over 360 Days	30,359,097	40,988,486
Total arrears	128,789,178	179,682,987

Ageing of arrears for impaired loans and advances

	2018 USD	2017 USD
Below 30 Days	195,265	1,214,342
31-90 Days	301,917	-
91-180 Days	739,049	12,287,561
181-360 Days	2,989,861	11,574,262
Over 360 Days	74,751,873	54,684,000
Total arrears	78,977,965	79,760,165
Amounts not in arrears	21,636,905	13,823,888
Total	100,614,870	93,584,053

Loans and advances that are neither past due nor impaired

The Bank classifies loans and advances under this category for borrowers that are up to date with their principal and interest payments and conforming to all the agreed terms and conditions. Such borrowers are financially sound and demonstrate capacity to continue to service their debts in the future. The Bank classifies such loans as 'Low Risk-PTAR 1 and Satisfactory Risk-PTAR 2' in line with its Loan Classification Policy.

Past due but not impaired

Loans under this category are performing well but exhibit potential weaknesses which may, if not corrected in good time, weaken the borrower's capacity to repay. These weaknesses may also result in the Bank's interest not being adequately protected. Such weaknesses include temporary cash flow constraints and deteriorating economic conditions. The Bank classifies such loans as 'Fair Risk-PTAR 3 and Watch Risk- PTAR 4' in line with its Loan Classification Policy. Sovereign loans that are past due are not considered impaired unless otherwise approved by the Bank's Board of Directors.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Impaired loans and advances

The Bank, depending on the severity of default and deterioration of borrower's financial condition and collateral, classifies impaired loans into three categories 'Substandard-PTAR 5', 'Doubtful-PTAR 6' and 'Loss-PTAR 7'. Thus, impaired loans range from those that are not adequately protected by their current sound worth and paying capacity of the obligor to those that are considered uncollectible or of such little value that their continuance as bankable assets is not warranted.

Collateral Held

In addition to its rigorous credit risk assessments, the Bank seeks to protect its interests in the event of unpredictable and extreme factors that negatively affect the borrower's capacity to service the Bank's loan by calling for credit enhancement arrangements in need. In this regard, the Bank calls for security such as mortgage interest on property, registered securities over financed or third-party assets and guarantees. The security cover required is, at least, one and a third times the loan amount that is disbursed. Such security is subject to regular reviews and, if necessary, revaluation every three years.

The Bank does not hold security over deposits placed with other banks or financial institutions and government securities. However, the Bank places deposits with well vetted and financially sound counter-parties. In addition, the Bank places limits on counter-party exposures which are set, monitored and reviewed by the Bank-Wide Integrated Risk Management Committee.

For both periods ended 31 December 2018 and 31 December 2017, the Bank's collateral exceeded the outstanding gross portfolio.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Collateral held for loan portfolio

		2018 USD	2017 USD
(i)	Total portfolio:		
	Mortgages on properties	587,971,517	695,558,779
	Fixed charge on plant and equipment	786,375,582	816,158,207
	Cash security deposits	1,087,466,651	740,061,620
	Sovereign undertakings	381,906,582	912,363,601
	Insurance and Guarantees	2,979,738,078	2,082,965,110
	Other floating all asset debenture	63,678,563	45,878,563
	Total security cover	5,887,136,973	5,292,985,880
	Gross portfolio	(4,273,316,164)	(3,913,915,069)
	Net cover	1,613,820,809	1,379,070,811
(ii)	Loans not impaired:		
	Mortgages on properties	493,631,052	591,884,789
	Fixed charge on plant and equipment	661,389,974	709,434,599
	Cash security deposits	1,087,466,651	740,061,620
	Sovereign undertakings	381,906,582	912,363,601
	Insurance and Guarantees	2,947,846,954	2,036,897,784
	Other floating all asset debenture	63,678,563	45,878,563
	Total security cover	5,635,919,776	5,036,520,956
	Gross portfolio	(4,172,701,294)	(3,820,331,016)
	Net cover	1,463,218,482	1,216,189,940
(iii)	Impaired loans:		
	Mortgages on properties	94,340,465	103,673,990
	Fixed charge on plant and equipment	124,985,608	106,723,608
	Insurance and Guarantees	31,891,124	46,067,326
	Total security cover	251,217,197	256,464,924
	Gross portfolio	(100,614,870)	(93,584,053)
	Net cover	150,602,327	162,880,871

Inputs, assumptions and techniques used for estimating impairment

Significant Increase in Credit Risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

The Bank uses the following criteria for determining whether there has been a significant increase in credit risk:

- Qualitative indicators;
- Project finance and Trade Finance loans rated PTAR 3 and 4; and
- a backstop of 30 days past due

Credit Risk Classification

The Bank allocates each exposure to a credit risk classification using its Credit Risk Assessment System based on the exposures' risk attributes and their fair values accurately determined and reflected in the Bank's books as well as applying experienced credit judgement. The Bank uses these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using days past due, qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower. The Bank goes through a credit appraisal process and determines the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures are subject to on-going monitoring, which may result in an exposure being moved to a different credit risk classification.

The table below provides an indicative mapping of how the Group's internal credit grades relate to PD.

Trade Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.33%
Low risk	
Moderate risk	3.06%
High risk	
Substandard	100%

Project Finance loans

Grading:	12-month weighted average PD
Very Low risk	0.54%
Low risk	
Moderate risk	10.90%
High risk	
Substandard	100%
Bad & Doubtful	
Loss	

Determining Whether Credit Risk Has Increased Significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly varies by product and includes a backstop based on delinquency.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Determining Whether Credit Risk Has Increased Significantly

Currently, the Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being rated as PTAR 3 and PTAR 4 or being in arrears for a period of 30 to 89 days. The Bank will develop an internal rating model going forward and movement in the probability of default (PD) between the reporting period and initial recognition date/ the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk. In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors linked to the Bank's risk management processes indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank determines days past-due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Definition of Default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower has a risk classification of PTAR 5,6 and 7;or
- the borrower is more than 90 days past due on any material credit obligation to the Bank.

In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Bank has not rebutted the 90 days past due buck stop.

Incorporation of forward-looking Information

The Bank incorporates forward-looking information in its measurement of ECLs. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 50% probability of occurring, and two less likely scenarios, one upside and one downside, assigned a 20% and 30% probability of occurring respectively. The base case represents a most-likely outcome and is aligned with information used by the Bank for determining country lending limits as well as strategic planning. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the various jurisdictions in which the Bank operates, supranational organisations such as the World Bank and the International Monetary Fund and selected private sector and academic forecasters.

The Bank formulates a 'base case' view of the future direction of relevant economic variables in the various jurisdictions in which it operates, and a representative range of other possible forecast scenarios based on advice from the Bank's Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment – continued

Incorporation of forward-looking Information - continued

The macroeconomic variables applied are those used as part of determining the country risk ratings for different jurisdictions in which the bank lends. Using forecasted macroeconomic information, the country risk ratings are forecasted for a period of three (3) years and the aggregated changes in country risk ratings, year-on-year, starting with the base year (financial reporting year-end) are applied as the forward looking information.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

These key drivers include Political risk, Economic strength and performance, Transfer and currency risk, Governance, Debt sustainability vs Fiscal strength and Bank experience. Country risk ratings have been developed based on analysing these factors and the aggregate predicted changes in these ratings considered as the predictor of the future default rate. The economic scenarios used are approved by the Bank's Credit Committee.

Modified Financial Assets (Restructured Assets)

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. When the terms of a financial asset are modified, and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximise collection opportunities and minimise the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank Credit Committee regularly reviews reports on restructuring activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Inputs, assumptions and techniques used for estimating impairment - continued

Inputs into Measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

- Probability of Default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters are derived from internally developed statistical models and other historical data that leverage regulatory models. They are adjusted to reflect forward-looking information as described above.

PD estimates for loans and advances are estimates at a certain date, which are calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and are assessed at portfolio level for portfolios of assets that have similar characteristics. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, external market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this leads to a change in the estimate of the associated PD. Lifetime PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The Bank PD estimates for other exposures are estimates at a certain date, which are estimated based on external credit rating information and assessed using rating tools tailored to the various categories of counterparties and exposures.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on collateral available against exposures and the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral quality, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calibrated for different collateral types by applying haircuts to adjust the market value of collateral to best reflect the amounts recoverable. The collateral values to consider are calculated on a discounted cash flow basis using the effective interest.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and non-financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which is estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Product type; and
- Industry.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Amount arising from ECL

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 are shown in Note 17, and they represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018			
Project finance loans;	Stage 1 USD	Stage 2 USD	Stage 3 USD	Total USD
Balance at 1 January	1,964,474	6,539,709	21,485,839	29,990,022
Transfer to 12 months ECL	773,111	(773,111)	-	-
Transfer to Lifetime ECL not credit impaired	(65,570)	65,570	-	-
Transfer to Lifetime ECL credit impaired	-	(47,915)	47,915	-
Net re-measurement of Loss allowance	(958,225)	(1,071,756)	4,051,643	2,021,662
Financial assets derecognised	(129,142)	(85,462)	-	(214,604)
Financial assets written off	-	-	(1,437,556)	(1,437,556)
Balance at 31 December	1,584,648	4,627,035	24,147,841	30,359,524
Trade finance loans:				
Balance at 1 January	3,756,909	3,039,495	50,821,193	57,617,597
Transfer to 12 months ECL	1,055,331	(1,055,331)	-	-
Transfer to Lifetime ECL not credit impaired	(65,989)	65,989	-	-
Transfer to Lifetime ECL credit impaired	-	(569,898)	569,898	-
Net of financial assets originated and remeasurement of Loss allowance	(1,899,056)	(464,885)	25,075,938	-
				22,711,997
Financial assets derecognised	(376,620)	(13)	-	(376,633)
Balance at 31 December	2,470,575	1,015,357	76,467,029	79,952,961
Undisbursed commitments:				
Balance at 1 January	1,670,699	89,134	-	1,759,833
Net remeasurement of Loss allowance	(177,385)	-	-	(177,385)
Net financial assets originated or purchased	1,265,725	27,252	-	1,292,977
Financial assets derecognised	(1,241,655)	(89,134)	-	(1,330,789)
Balance at 31 December	1,517,384	27,252	-	1,544,636
Letters of credit:				
Balance at 1 January	333,710	131,186	-	464,896
Net remeasurement of Loss allowance	5,287	-	-	5,287
Net financial assets originated or purchased	34,641	-	-	34,641
Financial assets derecognized	(311,025)	(131,186)	-	(442,211)
Balance at 31 December	62,613	-	-	62,613

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Loss allowance (Continued)

The ECL on cash and balances with other banks, Trade and Project finance loans and loan commitments are presented in cash and balances with other banks, Trade and Project finance loans and other liabilities respectively in the statement of financial position.

Gross Loans and advances

The following tables show reconciliations from the opening to the closing balance of the loss allowance by Segment. Comparative amounts for 2017 represent the allowance account for credit losses and reflect the measurement basis under IAS 39.

	As at 31 December 2018				31 December 2017
	Stage 1	Stage 2	Stage 3	Total	
Project finance loans;	USD	USD	USD	USD	USD
Balance at 1 January	1,076,907,090	151,239,295	21,485,839	1,249,632,224	846,886,728
Transfer to 12 months ECL	34,455,556	(34,455,556)	-	-	-
Transfer to Lifetime ECL not credit impaired	(61,713,993)	61,713,993	-	-	-
Transfer to Lifetime ECL credit impaired	-	(3,823,196)	3,823,196	-	-
New financial assets originated	226,550,837	13,209,361	276,362	240,036,560	435,777,316
Financial assets derecognised	(21,428,366)	(6,884,544)	-	(28,312,910)	-
Financial assets written off	-	-	(1,437,556)	(1,437,556)	(15,378,530)
Balance at 31 December	1,254,771,124	180,999,353	24,147,841	1,459,918,318	1,267,285,514
Trade finance loans:					
Balance at 1 January	2,417,929,845	191,252,509	72,098,214	2,681,280,568	2,441,543,542
Transfer to 12 months ECL	75,155,108	(75,155,108)	-		
Transfer to Lifetime ECL not credit impaired	(32,424,801)	32,424,801	-	-	-
Transfer to Lifetime ECL credit impaired	-	(10,326,100)	10,326,100	-	-
Net remeasurement	224,260,830	72,971,480	(7,215,825)	290,016,485	205,086,013
Financial assets derecognised	(157,895,402)	(3,805)	-	(157,899,207)	-
Balance at 31 December	2,527,025,580	211,163,777	75,208,489	2,813,397,846	2,646,629,555
Undisbursed commitments:					
Balance at 1 January	396,963,457	15,411,903	-	412,375,360	-
Net financial assets originated or purchased	424,761,405	2,457,056	-	427,218,461	-
Financial assets derecognised	(255,245,822)	15,411,903	-	270,657,725	-
Balance at 31 December	566,479,040	2,457,056	-	568,936,096	-
Letters of credit:					
Balance at 1 January	47,948,322	22,682,974	-	70,631,296	-
Net financial assets originated or purchased	4,797,522	-	-	4,797,522	-
Financial assets derecognized	(4,254,323)	(22,682,974)	-	(66,937,297)	-
Balance at 31 December	19,121,521	-	-	19,121,521	-

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector

As at 31 December 2018

	Gross Exposure							
	On-statement Of financial Position USD	%	Off-statement Of financial Position USD	%	Cash collateral/ In transit USD	Insurance USD	Net Exposure	%
Agribusiness	1,074,418,460	25	199,350,368	28	(140,559,232)	(476,138,225)	657,071,371	25
Banking and Financial Services	198,917,764	5	204,013,500	29	(149)	(61,391,880)	341,539,235	13
Education	2,308,796	-	-	-	-	-	2,308,796	-
Hospitality	34,547,045	1	15,000,000	2	-	-	49,547,045	2
Manufacturing and Heavy Industries	223,670,818	5	3,763,300	1	-	-	227,434,118	8
Other	7,642,328	-	388,775	-	(204,720)	-	7,826,383	-
Health Services	11,985,131	-	15,000,000	2	-	-	26,985,131	1
Energy	192,794,558	5	145,128,143	20	-	(19,179,459)	318,743,242	13
Oil & Gas	1,412,473,215	33	33,422,949	5	(709,659,400)	(496,091,494)	240,145,270	9
Real Estate	38,024,424	1	-	-	-	-	38,024,424	1
Telecommunications	4,620,074	-	6,663,365	1	-	(4,047,378)	7,236,061	-
Infrastructure	589,779,418	14	83,300,000	12	-	(314,011,050)	359,068,368	13
Transport and Logistics	259,221,780	6	1,658,201	-	-	(61,200,000)	199,679,981	7
Wholesale Commodities	91,986,022	2	-	-	-	(19,000,000)	72,986,022	3
ICT	130,926,331	3	-	-	-	-	130,926,331	5
	4,273,316,164	100	707,688,601	100	(850,423,501)	(1,451,059,486)	2,679,521,778	100

**Off–statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Sector (continued)

As at 31 December 2017

	Gross Exposure							
	On-statement Of financial Position		Off-statement Of financial Position		Cash collateral/ In transit	Insurance	Net Exposure	
	USD	%	USD	%	USD	USD		%
Mining and Quarrying	8,567,631	-	-	-	-	-	8,567,631	-
Agribusiness	910,940,603	23	196,765,320	17	(80,878,832)	(399,656,043)	627,171,048	26
Banking and Financial Services	278,284,537	7	292,026,009	25	2,000,000	(170,427,487)	401,883,059	16
Education	4,037,391	-	-	-	-	-	4,037,391	-
Hospitality	37,182,259	1	15,244,864	1	-	-	52,427,123	2
Manufacturing and Heavy Industries	240,465,941	6	48,677,060	4	-	-	289,143,001	12
Other	73,715,613	2	185,841,241	16	(180,983,268)	(18,000,000)	60,573,586	2
Health Services	15,020,366	-	1,342,852	-	-	-	16,363,218	1
Energy	156,085,001	4	117,959,009	10	-	(24,589,200)	249,454,810	10
Petrochemicals	1,396,665,838	36	264,028,147	23	(720,675,589)	(691,975,775)	248,042,621	10
Real Estate	42,416,192	1	-	-	-	-	42,416,192	2
Telecommunications	91,667,804	3	2,115,912	-	-	(5,059,926)	88,723,790	4
Infrastructure	385,195,515	10	9,523,432	1	-	(280,000,000)	114,718,947	5
Transport and Logistics	273,670,379	7	36,534,089	3	-	(61,200,000)	249,004,468	10
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country

As at 31 December 2018

	Gross Exposure							
	On-statement of Financial Position USD	%	Off-statement -f Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Burundi	13,102,481	-	-	-	-	(4,047,378)	9,055,103	-
Congo DRC	12,958,133	-	-	-	-	-	12,958,133	-
Djibouti	48,980,244	2	-	-	-	-	48,980,244	3
Egypt	29,529,122	1	-	-	-	(19,000,000)	10,529,122	-
Ethiopia	184,184,481	4	108,576,800	15	(149)	-	292,761,132	11
Kenya	657,625,678	15	6,663,365	1	-	(280,000,000)	384,289,043	14
Malawi	439,317,346	10	125,364,368	18	(85,303,325)	(248,000,000)	231,378,389	9
Mauritius	138,937,939	3	78,725,000	11	-	-	217,662,939	8
Mozambique	4,736,869	-	48,133,750	7	-	-	52,870,619	3
Rwanda	460,312,576	11	28,466,575	3	(150,000,000)	(61,200,000)	277,579,151	10
Seychelles	4,318,402	-	-	-	(880)	-	4,317,522	-
Sudan	648,191,877	15	-	-	(214,546,597)	(228,138,225)	205,507,055	8
Tanzania	222,677,538	5	48,911,673	7	382,512	-	271,971,723	10
Uganda	166,941,115	4	118,147,070	17	-	(34,011,050)	251,077,135	9
Zambia	686,824,380	16	60,500,000	9	(955,062)	(496,091,494)	250,277,824	9
Zimbabwe	554,677,983	14	84,200,000	12	(400,000,000)	(80,571,339)	158,306,644	6
	4,273,316,164	100	707,688,601	100	(850,423,501)	(1,451,059,486)	2,679,521,778	100

**Off–statement of financial position items include loans approved but not disbursed, outstanding letters of credit and guarantees and performance bonds where applicable.

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Concentration of Risk by Country (Continued)

As at 31 December 2017

	Gross Exposure							
	Off-statement Of Financial Position USD	%	Off-statement Of Financial Position USD	%	Cash Collateral/ In transit USD	Insurance USD	Net Exposure USD	%
Burundi	13,064,427	-	-	-	-	(5,059,926)	8,004,501	-
Djibouti	6,505,141	-	1,342,852	-	-	-	7,847,993	-
DR Congo	46,012,291	2	17,500,000	1	-	-	63,512,291	3
Egypt	28,168,977	1	-	-	-	(18,000,000)	10,168,977	-
Ethiopia	123,554,893	3	224,006,841	19	2,000,000	-	349,561,734	14
Kenya	438,090,767	11	38,149,999	3	(1,000)	(280,000,000)	196,239,766	8
Malawi	248,075,222	6	251,900,000	22	(44,311,024)	(228,275,775)	227,388,423	10
Mauritius	128,562,888	3	286,087,668	24	(180,617,792)	(37,500,000)	196,532,764	8
Rwanda	432,130,450	11	29,458,931	3	(140,000,000)	(61,200,000)	260,389,381	11
Seychelles	5,698,688		-	-	(900)	-	5,697,788	-
Sudan	681,130,494	17	-	-	(263,299,240)	(239,848,875)	177,982,379	7
Tanzania	209,885,358	5	73,952,121	7	(3,939,083)	-	279,898,396	11
Uganda	257,938,242	7	18,702,239	2	-	(100,000,000)	176,640,481	7
Zambia	700,420,807	18	49,733,898	4	(368,650)	(550,000,000)	199,786,055	9
Zimbabwe	594,676,424	16	179,223,386	15	(350,000,000)	(131,023,855)	292,875,955	12
	3,913,915,069	100	1,170,057,935	100	(980,537,689)	(1,650,908,431)	2,452,526,884	100

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) CREDIT RISK (Continued)

Restructured loans

During the course of the Bank's normal course of business and lending activities, financial assets may be restructured or modified.

The following tables refer to restructured financial assets where the restructuring does not result in de-recognition

	2018 USD	2017 USD
Financial assets restructured during the year*		
Gross carrying amount before restructuring	56,600,390	20,220,515
Loss allowance before restructuring	(1,525,044)	-
Net amortised cost before restructuring	55,075,336	20,220,515
Net restructuring loss	(209,376)	-
Net amortised cost after restructuring	54,865,960	20,220,515

Financial assets restructured since initial recognition at a time when loss allowance was based on lifetime ECL.

Gross carrying amount of financial assets for which loss allowance has changed in the period from lifetime to 12-month ECL cost after restructuring.

*2018 loss allowance is based on lifetime Expected Credit Loss (ECL) under IFRS 9 while 2017 loss allowance is based on IAS 39 Incurred Loss.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Bank's liquidity policy ensures that it has resources to meet its net disbursement and debt service obligations and allows it flexibility in deciding the appropriate time to access capital markets.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from its lending partners and the capital markets for an extended period of time. To achieve this objective, the Bank operates on a prudential minimum level of liquidity, which is based on projected net cash requirements.

The prudential minimum level of liquidity is updated quarterly.

The liquidity position statement is presented under the most prudent consideration of maturity dates. Liabilities are classified according to the earliest possible repayment date, while assets are classified according to the latest possible repayment date.

The Bank-wide Integrated Risk Management Committee (BIRMC) is tasked with the responsibility of ensuring that all foreseeable funding commitments can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur.

BIRMC relies substantially on the Treasury Department to coordinate and ensure discipline, certify adequacy of liquidity under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2018	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	958,325,687	-	182,967,472	4,625,219	-	-	1,145,918,378
Other receivables	71,396,778	117,481	164,047	269,642	301,660	-	72,249,608
Derivative financial instruments	54,042,940	-	-	-	-	-	54,042,940
Trade finance loans	190,018,891	88,866,009	344,140,366	494,825,692	2,177,224,269	41,639,354	3,336,714,581
Project loans	55,099,605	59,790,767	58,900,733	169,856,644	1,359,940,100	642,159,604	2,345,747,453
Equity investment at fair value through other comprehensive income	-	-	-	-	51,521,730	-	51,521,730
Investment in joint venture	-	-	-	-	386,994	-	386,994
Total assets	1,328,883,901	148,774,257	586,172,618	669,577,197	3,589,374,753	683,798,958	7,006,581,684
LIABILITIES							
Short term borrowings	252,645,244	109,832,041	496,795,236	645,204,854	893,220,401	-	2,397,697,776
Long term borrowings	13,560,334	53,351,287	33,689,541	138,683,519	1,552,411,862	357,760,071	2,149,456,614
Collection Account	119,576,580	-	-	-	-	-	119,576,580
Other payables	64,311,909	226,454	333,016	664,306	4,750,909	5,520,749	75,807,343
Total liabilities	450,094,067	163,409,782	530,817,793	784,552,679	2,450,383,172	363,280,820	4,742,538,313
Net liquidity gap	878,789,834	(14,635,525)	55,354,825	(114,975,482)	1,138,991,581	320,518,138	2,264,043,371
Cumulative gap	878,789,834	864,154,309	919,509,134	804,533,652	1,943,525,233	2,264,043,371	2,264,043,371

The above table analyses financial assets and financial liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of financial assets and financial liabilities are as follows:

At 31 December 2017	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
ASSETS							
Cash and balances with other banks	1,232,980,427	-	-	-	-	-	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	57,275,058
Other receivables	75,847,285	105,758	156,449	235,275	304,184	-	76,648,951
Trade finance loans	100,611,075	225,648,773	336,334,051	1,565,962,488	848,586,613	1,820,500	3,078,963,500
Project loans	11,584,658	210,502,557	124,885,693	128,870,005	785,529,011	375,621,242	1,636,993,166
Equity investment at cost	-	-	-	-	40,257,957	-	40,257,957
Investment in joint venture	-	-	-	-	369,493	-	369,493
Total assets	1,478,298,503	436,257,088	461,376,193	1,695,067,768	1,675,047,258	377,441,742	6,123,488,552
LIABILITIES							
Short term borrowings	253,987,143	357,739,680	68,052,488	671,043,419	998,604,537	-	2,349,427,267
Long term borrowings	25,215,078	43,933,835	24,606,962	326,842,575	1,364,120,384	251,533,898	2,036,252,732
Derivative financial instruments	4,797,549	-	-	-	-	-	4,797,549
Collection Account	127,796,131	-	-	-	-	-	127,796,131
Other payables	73,424,114	304,117	452,983	828,345	4,438,719	2,158,568	81,606,846
Total liabilities	485,220,015	401,977,632	93,112,433	998,714,339	2,367,163,640	253,692,466	4,599,880,525
Net liquidity gap	993,078,488	34,279,456	368,263,760	696,353,429	(692,116,382)	123,749,276	1,523,608,027
Cumulative gap	993,078,488	1,027,357,944	1,395,621,704	2,091,975,133	1,399,858,751	1,523,608,027	1,523,608,027

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

Maturities of loan commitments and off-balance financial liabilities are as follows:

	Up to 1 month USD	2 to 3 months USD	4 to 6 months USD	6 to 12 months USD	1 to 5 years USD	Over 5 years USD	Total USD
At 31 December 2018							
Guarantees	-	17,000,000	-	-	-	-	17,000,000
Letters of credit	56,946,523	98,867,112	5,859,604	-	-	-	161,673,239
Loan commitments	52,901,536	105,803,072	158,704,609	211,606,145	-	-	529,015,362
Total	109,848,059	221,670,184	164,564,213	211,606,145	-	-	707,688,601
At 31 December 2017							
Letters of credit	64,183,515	172,281,800	86,207,002	133,562,349	18,892,862	-	475,127,528
Loan commitments	102,299,180	-	411,124,982	181,506,245	-	-	694,930,407
Total	166,482,695	172,281,800	497,331,984	315,068,594	18,892,862	-	1,170,057,935

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) LIQUIDITY RISK (Continued)

(i) Liquidity and funding management

The Bank's liquidity and funding policies require:

- Entering into lending contracts subject to availability of funds,
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto,
- Maintaining a diverse range of funding sources with back–up facilities,
- Investment in short term liquid instruments which can easily be sold in the market when the need arises,
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows,
- Maintaining liquidity and funding contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications.

(ii) Contingency Plans

The Bank carries out contingency funding planning at the beginning of the year. This details the following measures to combat liquidity crisis:

- Unutilised lines of credit, including standby facilities, from different counter-parties.
- Term deposits with counter-parties and prospects of withdrawal and rollovers.
- Investment portfolio and its defeasance period.
- Amount of short-term resources with a time period, required to raise such resources.
- Amount which can be raised from other counter parties based on the Bank's past relationships.

(d) MARKET RISK

The objective of the Bank's market risk management process is to manage and control market risk exposures in order to optimise return on risk. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with BIRMC. The Treasury Department is responsible for the development of detailed market risk management policies and for the day-to-day implementation of those policies.

The management of market risk is supplemented by the monitoring of sensitivity analysis of the key market risk variables. The Bank normally uses simulation models to measure the impact of changes in interest rates on net interest income. The key assumptions used in these models include loan volumes and pricing and changes in market conditions. Those assumptions are based on the best estimates of actual positions. The models cannot precisely predict the actual impact of changes in interest rates on income because these assumptions are highly uncertain.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The extent of exposure to interest rate risk is largely determined by the length of time for which the rate of interest is fixed for a financial instrument. The Bank's principal interest rate risk management objective is to generate a suitable overall net interest margin by matching the interest rate characteristic and re-pricing profile of assets with those of the underlying borrowings and equity sources respectively.

39. FINANCIAL RISK MANAGEMENT

(d) MARKET RISK (Continued)

(i) Interest rate risk continued (Continued)

The table below summarises the Bank's exposure to interest rate risk

At 31 December 2018:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	902,029,451	182,967,472	4,625,219	-	-	56,296,236	1,145,918,378
Other receivables	-	-	-	-	914,339	71,335,269	72,249,608
Derivative financial instruments	-	-	-	-		54,042,940	54,042,940
Trade finance loans	203,086,043	781,557,716	478,249,313	-	1,270,551,813	-	2,733,444,885
Project finance loans	72,530,429	1,247,295,494	-	-	109,732,871	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	-	-	-	-	-	51,521,730	51,521,730
Investment in Joint Venture	-	-	-	-	-	386,994	386,994
Total financial assets	1,177,645,923	2,211,820,682	482,874,532	-	1,381,199,023	233,583,169	5,487,123,329
FINANCIAL LIABILITIES							
Short term borrowings	436,539,339	1,628,889,926	315,290,536	-	2,533,800	-	2,383,253,601
Long term borrowings	280,695,902	801,334,166	-	-	700,000,000	-	1,782,030,068
Collection Accounts	-	-	-	-	-	119,576,580	119,576,580
Other payables	-	-	-	-	8,660,284	64,147,059	72,807,343
Total financial liabilities	717,235,241	2,430,224,092	315,290,536	-	711,194,084	183,723,639	4,357,667,592
Net interest rate exposure	460,410,682	(218,403,410)	167,583,996	-	670,004,939	49,859,530	1,129,455,737
Cumulative interest rate exposure	460,410,682	242,007,272	409,591,268	409,591,268	1,079,596,207	1,129,455,737	1,129,455,737

* Fixed interest and non-interest-bearing items are stated at amortised costs or their carrying amounts which approximate their fair values

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

The table below summarises the Bank's exposure to interest rate risk.

At 31 December 2017:	Up to 1 month USD	1 to 6 Months USD	6 to 12 months USD	1 to 5 years USD	*Fixed interest Rate USD	*Non-interest bearing USD	Total USD
FINANCIAL ASSETS							
Cash and balances with other banks	1,150,579,872	-	-	-	-	82,400,555	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	-	57,275,058
Other receivables	-	-	-	-	854,947	75,794,004	76,648,951
Trade finance loans	418,911,241	729,453,680	213,404,000	19,482,554	1,189,996,805	-	2,571,248,280
Project finance loans	345,717,665	775,878,035	-	-	97,559,575	15,964,874	1,235,120,149
Equity Investments cost	-	-	-	-	-	40,257,957	40,257,957
Investment in Joint Venture	-	-	-	-	-	369,493	369,493
Total financial assets	1,915,208,778	1,505,331,715	213,404,000	19,482,554	1,345,686,385	214,786,883	5,213,900,315
FINANCIAL LIABILITIES							
Short term borrowings	501,955,108	1,226,180,118	352,940,970	-	233,486,087	-	2,314,562,283
Long term borrowings	13,433,428	774,045,655	-	-	920,810,465	-	1,708,289,548
Collection Accounts	-	-	-	-	-	127,796,131	127,796,131
Derivative financial instruments						4,797,549	4,797,549
Other payables	-	-	-	-	7,532,183	74,074,663	81,606,846
Total financial liabilities	515,388,536	2,000,225,773	352,940,970	-	1,161,828,735	206,668,343	4,237,052,357
Net interest rate exposure	1,399,820,242	(494,894,058)	(139,536,970)	19,482,554	183,857,650	8,118,540	976,847,958
Cumulative interest rate exposure	1,399,820,242	(904,926,184)	765,389,214	(784,871,768)	968,729,418	976,847,958	976,847,958

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) MARKET RISK (Continued)

(i) Interest rate risk (Continued)

Interest rate risk - Sensitivity analysis

The Bank monitors the impact that an immediate hypothetical increase or decrease in interest rates of 100 basis points applied at the beginning of the year would have on net interest income.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at year end. The analysis was prepared using the following assumptions:

- Interest-bearing assets and liabilities outstanding as at 31 December 2018 were outstanding at those levels for the whole year,
- Interest-bearing assets and liabilities denominated in currencies other than USD experienced similar movements in interest rates, and
- All other variables are held constant.

If interest rates had been 100 basis points higher or lower with the above assumptions applying, the Bank's net profit for the year ended 31 December 2018 of USD 129,325,392 (2017: USD 111,864,421) would increase or decrease by USD 4,098,006 (2017 - USD 7,848,718) as follows:

Effect on the Bank's Net Profit:

The profit for the year ended 31 December 2018 would increase to USD 133,423,398 (2017: USD 119,713,139) or decrease to USD 125,227,386 (2017: USD 104,015,703).

The potential change is 3.2% (2017 – 7%) of the year's profit.

(ii) Currency risk

Currency risk is defined as the potential loss that could result from adverse changes in foreign exchange rates. Currency risks are minimised and, where possible, eliminated by requiring assets to be funded by liabilities that have matching currency characteristics.

Foreign currency positions are monitored on a quarterly basis. The single currency exposure, irrespective of short or long positions should not exceed the limit of 10% of the Bank's net worth.

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(ii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2018 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
FINANCIAL ASSETS											
Cash and balances with other banks	975,223,472	17,258	18,937,550	5,038	34,091,883	4,632,245	18,456,873	85,631,536	2,805,352	6,117,171	1,145,918,378
Other receivables	2,249,608	-	70,000,000	-	-	-	-	-	-	-	72,249,608
Derivative Financial Investment	1,088,955,690		(1,034,912,750)	-	-	-	-	-	-	-	54,042,940
Trade finance loans	1,591,736,052	-	1,141,708,833	-	-	-	-	-	-	-	2,733,444,885
Project finance loans	1,402,654,661	-	20,336,543	-	-	-	-	-	6,567,590	-	1,429,558,794
Equity Investments at fair value through other comprehensive income	51,521,730	-	-	-	-	-	-	-	-	-	51,521,730
Investment in joint Venture	386,994	-	-	-	-	-	-	-	-	-	386,994
Total financial assets	5,112,728,207	17,258	216,070,176	5,038	34,091,883	4,632,245	18,456,873	85,631,536	9,372,942	6,117,171	5,487,123,329
FINANCIAL LIABILITIES											
Short term borrowings	2,285,474,141	-	97,779,460	-	-	-	-	-	-	-	2,383,253,601
Long term borrowings	1,777,327,209	-	-	-	-	-	-	-	4,702,859	-	1,782,030,068
Collection account	205,749.05				33,461,879			85,519,973	(587,232)	976,211	119,576,580
Other payables	72,649,235	-	-	152,773	-	-	-	-	-	5,335	72,807,343
Total financial liabilities	4,135,656,334	-	97,779,460	152,773	33,461,879	-	-	85,519,973	4,115,627	981,546	4,357,667,592
NET POSITION	977,071,873	17,258	118,290,716	(147,735)	630,004	4,632,245	18,456,873	111,563	5,257,315	5,135,625	1,129,455,737

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

The Bank's financial assets and financial liabilities are reported in USD.

The Bank's currency position as at 31 December 2017 was as follows:

	USD	GBP	EURO	KES	SDG	UGX	AED	MWK	TZSH	OTHER	TOTAL
FINANCIAL ASSETS											
Cash and balances with other banks	1,014,605,073	425	77,072,156	16,975	82,400,265	4,401,265	4,888,870	44,420,987	3,953,925	1,220,486	1,232,980,427
Investment in Government securities	57,275,058	-	-	-	-	-	-	-	-	-	57,275,058
Other receivables	76,648,951	-	-	-	-	-	-	-	-	-	76,648,951
Trade finance loans	1,394,732,339	-	1,176,515,941	-	-	-	-	-	-	-	2,571,248,280
Project finance loans	1,202,942,585	-	23,423,835	-	-	-	-	-	8,753,729	-	1,235,120,149
Equity Investments at cos	40,257,957	-	-	-	-	-	-	-	-	-	40,257,957
Investment in joint venture	369,493	-	-	-	-	-	-	-	-	-	369,493
Total financial assets	3,786,831,455	425	1,277,011,932	16,975	82,400,556	4,401,265	4,888,870	44,420,987	12,707,654	1,220,486	5,213,900,315
FINANCIAL LIABILITIES											
Short term borrowings	2,183,627,303	-	130,934,980	-	-	-	-	-	-	-	2,314,562,283
Long term borrowings	1,700,730,044	-	-	-	-	-	-	-	7,559,504	-	1,708,289,548
Collection account	(1,632,500)	-	-	-	80,877,832	-		44,311,024	3,573,608	666,167	127,796,131
Derivative financial instruments	(1,087,446,834)	-	1,092,244,383	-	-	-	-	-	-	-	4,797,549
Other payables	81,449,473	-	-	151,023	-	-	-	-	-	6,350	81,606,846
Total financial liabilities	2,876,727,486	-	1,223,179,363	151,023	80,877,832	-	-	44,311,024	11,133,112	672,517	4,237,052,357
NET POSITION	910,103,970	425	53,832,569	(134,048)	1,522,433	4,401,265	4,888,870	109,963	1,574,542	547,679	976,847,958

39. FINANCIAL RISK MANAGEMENT (Continued)

d) MARKET RISK (Continued)

(iii) Currency Risk (Continued)

Currency risk - Sensitivity Analysis

The Bank is mainly exposed to Euros, Pound Sterling, Kenya Shillings, Tanzania Shillings, Sudanese Pounds, and Uganda Shilling. The following analysis details the Bank's sensitivity to a 10% increase and decrease in the value of the USD against the other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes cash and term deposits, securities, loans and borrowings in currencies other than United States Dollars. A positive number below indicates a decrease in profit and reserves when the USD strengthens by 10% against the other currencies in which the Bank has a net asset position. For a 10% weakening of the USD against the relevant currencies, there would be an equal opposite impact on the net profit.
The Bank has operations in and lends to customers in Zimbabwe but all the transactions are made in USD.

	GBP	EURO	KES	TSH	AED	SDG	UGX
2018	2,291	10,778,941	(1,110)	230	502,451	2,135	(11,150)
2017	287	6,913,644	(143)	72	124,440	15,708	(33,941)

40. CAPITAL MANAGEMENT

The Bank, being a supranational financial institution, is not subject to any regulatory supervision by a national body. The conduct of operations is vested with the Board of Directors which closely monitors directly or through its Audit Committee the Bank's performance, risk profile and capital adequacy.

Based on the need to protect against increased credit risks associated with projects and infrastructure financing in developing African economies, the Bank's capital management policy aims to maintain a capital adequacy ratio of at least 30 per cent. This ratio is computed in line with recommendations of the paper prepared by the Basel Committee on Banking Supervision entitled "International Convergence of Capital Measurement and Capital Standards" dated July 1988 as amended from time to time (Basel I paper) and the paper prepared by the Basel Committee entitled "International Convergence of Capital Measurement and Standards: A Revised Framework" dated June 2004 as amended from time to time (Basel II Paper).

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To have sufficient capital to support its development mandate;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to Member States and other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored monthly by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee. Currently, the Bank's capital is entirely Tier 1 capital which is: Paid-up share capital, retained earnings and other reserves.

40. CAPITAL MANAGEMENT (Continued)

Risk-weighted assets are measured by means of a hierarchy of seven risk weights classified to reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

A summary of the Bank's capital adequacy computations is provided below.

	2018 USD	2017 USD
RISK WEIGHTED ASSETS		
On-Statement of financial position assets	3,336,944,081	2,657,945,022
Off- Statement of financial position assets	32,334,648	95,025,505
Total risk weighted assets	3,369,278,729	2,752,970,527
CAPITAL		
Paid up capital	461,742,558	431,225,426
Retained earnings and reserves	730,283,193	589,810,739
Total capital	1,192,025,751	1,021,036,165
CAPITAL ADEQUACY RATIO	35.4%	37.1%

In addition to its paid-up capital, the Bank has access to additional capital in the form of callable capital. During the years, the Bank complied with its capital adequacy requirements. There were no events after the reporting date.

41. FINANCIAL INSTRUMENTS CATEGORIES

The table below sets out the Bank's analysis of financial instrument categories.

As at 31 December 2018:	Amortised Cost USD	At fair value through profit or loss USD	At fair value through other comprehensive income USD	Total carrying amount USD
Financial assets				
Cash and balances held with banks	1,145,918,378	-	-	1,145,918,378
Other receivables	72,249,608	-	-	72,249,608
Trade finance loans	2,733,444,885	-	-	2,733,444,885
Project finance loans	1,429,558,794	-	-	1,429,558,794
Equity investments at fair value through other comprehensive income	-	-	51,521,730	51,521,730
Investment in joint ventures	386,994	-	-	386,994
Derivative financial instruments	-	54,042,940	-	54,042,940
Total financial assets	5,381,558,659	54,042,940	51,521,730	5,487,123,329
Financial liabilities				
Collection account deposits	119,576,580	-	-	119,576,580
Short term borrowings	2,383,253,601	-	-	2,383,253,601
Long term borrowings	1,782,030,068	-	-	1,782,030,068
Other payables	72,807,343	-	-	72,807,343
Total financial liabilities	4,357,667,592	-	-	4,357,667,592

Note: The classification as at 31 December 2018 is based on IFRS 9.

41. FINANCIAL INSTRUMENTS CATEGORIES (Continued)

As at 31 December 2017:	Loans and receivables USD	At fair value through profit or loss USD	Available for sale USD	Hedging instruments USD	Held to Maturity USD	Total carrying amount USD
Financial assets						
Cash and balances held with banks	1,232,980,427	-	-	-	-	1,232,980,427
Investment in Government securities	-	-	-	-	57,275,058	57,275,058
Other receivables	76,648,951	-	-	-	-	76,648,951
Trade finance loans	2,571,248,280	-	-	-	-	2,571,248,280
Project finance loans	1,235,120,149	-	-	-	-	1,235,120,149
Equity investments at cost	-	-	40,257,957	-	-	40,257,957
Investment in joint ventures	-	-	369,493	-	-	369,493
Total financial assets	5,115,997,807	-	40,427,450	-	57,275,058	5,213,900,315
Financial liabilities						
Collection account deposits	127,796,131	-	-	-	-	127,796,131
Derivative financial instruments	-	4,797,549	-	-	-	4,797,549
Short term borrowings	2,314,562,283	-	-	-	-	2,314,562,283
Long term borrowings	1,708,289,548	-	-	-	-	1,708,289,548
Other payables	81,606,846	-	-	-	-	81,606,846
Total financial liabilities	4,232,254,808	4,797,549	-	-	-	4,237,052,357

Note: The classification as at 31 December 2017 is based on IAS 39.

42. TRADE FINANCE LOAN PORTFOLIO

	As at 31 December 2018			As at 31 December 2017		
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	10,053,966	53,966	10,000,000	2,530,000	2,530,000	-
Djibouti	5,338,371	29,200	5,309,171	4,948,151	548,684	4,399,467
Egypt	29,529,122	29,529,122	-	28,168,977	28,168,977	-
Ethiopia	110,056,653	31,343,679	78,712,974	58,307,075	8,306,721	50,000,354
Kenya	30,493,663	980,363	29,513,300	25,708,146	4,591,646	21,116,500
Malawi	439,317,346	173,701,598	265,615,748	241,879,726	118,177,171	123,702,555
Mauritius	10,852,025	10,852,025	-	43,647,842	43,647,842	-
Rwanda	196,309,241	1,309,241	195,000,000	140,150,914	-	140,150,914
Sudan	611,176,960	138,770,894	472,406,066	646,441,078	122,706,295	523,734,783
Tanzania	179,263,850	113,323,337	65,940,513	169,760,948	100,417,163	69,343,785
Uganda	78,938,128	37,321,450	41,616,678	177,230,606	69,237,311	107,993,295
Zambia	670,633,392	134,633,392	536,000,000	679,696,821	41,501,167	638,195,654
Zimbabwe	441,435,129	12,430,788	429,004,341	428,159,271	26,239,089	401,920,182
Gross Loans	2,813,397,846	684,279,055	2,129,118,791	2,646,629,555	566,072,066	2,080,557,489
Less: Impairment on trade finance loans (Note 17)	(79,952,961)	-	(79,952,961)	(75,381,275)	-	(75,381,275)
NET LOANS	2,733,444,885	684,279,055	2,049,165,830	2,571,248,280	566,072,066	2,005,176,214

43. PROJECT LOAN PORTFOLIO

						As at 31 December 2018			As at 31 December 2017	
Country	Amounts Disbursed USD	Interest Capitalized USD	Amounts Repaid USD	Interest Receivable USD	Balance Outstanding USD	Due within One year USD	Due after One year USD	Balance Outstanding USD	Due Within One year USD	Due after One year USD
Burundi	26,176,875	1,192,186	(15,240,573)	973,994	13,102,482	4,788,604	8,313,878	13,064,427	2,679,656	10,384,771
Congo DRC	2,835,000	-	-	69,168	2,904,168	2,388,540	41,253,333	43,482,291	2,228,958	41,253,333
Djibouti	44,200,000	-	(2,946,666)	2,388,540	43,641,874	600,730	2,303,438	1,556,990	64,843	1,492,147
Eritrea	403,652	-	(403,652)	-	-	-	-	-	-	-
Ethiopia	118,686,267	603,611	(48,551,941)	3,389,890	74,127,827	5,466,504	68,661,323	65,247,817	12,514,129	52,733,688
Kenya	968,413,563	1,532,900	(354,048,895)	11,234,446	627,132,014	67,539,019	559,592,995	412,382,620	51,480,420	360,902,200
Malawi	60,793,337	2,920	(60,796,257)	-	-	-	-	6,195,495	6,195,497	(2)
Mauritius	138,914,516	-	(11,566,112)	737,511	128,085,915	19,892,107	108,193,807	84,915,046	2,981,158	81,933,888
Mozambique	4,666,250	-	-	70,619	4,736,869	70,619	4,666,250	-	-	-
Rwanda	375,079,500	3,612,691	(118,071,523)	3,382,667	264,003,335	33,772,051	230,231,284	291,979,537	189,653,714	102,325,823
Seychelles	41,364,276	-	(37,046,094)	220	4,318,402	1,363,856	2,954,546	5,698,687	1,380,506	4,318,181
Sudan	45,106,624	17,056,064	(25,392,904)	245,132	37,014,916	245,132	36,769,784	34,689,416	20,549,806	14,139,610
Tanzania	204,861,005	682,910	(163,634,208)	1,503,981	43,413,688	11,762,367	31,651,321	40,124,412	15,513,281	24,611,131
Uganda	232,819,778	6,103,522	(156,882,191)	5,961,877	88,002,986	23,749,363	64,253,624	80,707,638	29,104,023	51,603,615
Zambia	131,225,914	25,086,069	(140,120,995)	-	16,190,988	7,601,691	8,589,297	20,723,986	8,574,675	12,149,311
Zimbabwe	324,592,236	709,656	(216,245,308)	4,186,270	113,242,854	42,434,812	70,808,043	166,517,152	42,665,433	123,851,719
Gross loans	2,720,138,793	56,582,529	(1,350,947,319)	34,144,315	1,459,918,318	221,675,395	1,238,242,923	1,267,285,514	385,586,099	881,699,415
Less: Impairment on project loans (note 17)					(30,359,524)	-	(30,359,524)	-	-	(32,165,365)
NET LOANS					1,429,558,794	221,675,395	1,238,242,923	1,235,120,149	385,586,099	849,534,050

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK

As at 31 December 2018:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2018 USD	Instalments paid as at 31.12.2018 USD
Belarus	1,205	1.49	27,313,735	21,850,988	5,462,747	5,462,747	5,462,747
Burundi	1,602	1.98	36,312,534	29,050,027	7,262,507	7,262,507	7,262,507
China	4,433	5.48	100,482,811	80,386,249	20,096,562	20,096,562	20,096,562
Comoros	173	0.21	3,921,391	3,137,113	784,278	784,278	784,278
Djibouti	380	0.47	8,613,460	6,890,768	1,722,692	1,722,692	1,722,692
Congo DRC	5,607	6.93	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Egypt	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Eritrea	240	0.30	5,440,080	4,352,064	1,088,016	1,088,016	709,306
Ethiopia	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Kenya	6,962	8.61	157,807,654	126,246,123	31,561,531	31,561,531	31,561,531
Madagascar	442	0.55	10,018,814	8,015,051	2,003,763	400,753	400,753
Malawi	1,721	2.13	39,009,907	31,207,926	7,801,981	7,801,981	7,801,981
Mauritius	3,293	4.07	74,642,431	59,713,945	14,928,486	14,928,486	14,928,486
Mozambique	2,252	2.78	51,046,084	40,836,869	10,209,215	6,208,944	4,208,806
Rwanda	1,957	2.42	44,359,319	35,487,455	8,871,864	8,871,864	8,871,864
Seychelles	351	0.43	7,956,117	6,364,894	1,591,223	1,591,223	1,591,223
Somalia	318	0.39	7,208,106	5,766,485	1,441,621	1,441,621	939,830
South Sudan	2,209	2.73	50,071,403	40,057,122	10,014,281	10,014,281	10,014,281
Sudan	5,277	6.52	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	444	0.55	10,064,148	8,051,318	2,012,830	1,211,324	810,572
Tanzania	6,735	8.33	152,662,245	122,129,796	30,532,449	30,532,449	30,532,449
Uganda	5,129	6.34	116,259,043	93,007,234	23,251,809	23,251,809	23,251,809
Zambia	5,989	7.40	135,752,663	108,602,130	27,150,533	27,150,533	27,150,533
Zimbabwe	6,337	7.83	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,911	4.83	88,650,637	70,920,510	17,730,127	17,730,127	17,730,127
	80,891	100	1,833,556,297	1,466,845,038	366,711,259	360,306,472	357,025,081

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

Class 'B' shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
As at 31December 2018:							
Total Shares Issued	220,584	100%	1,000,000,000				
African Development Bank	3,333	14.43	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Africa Reinsurance Corporation	780	3.38	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
BADEA – Arab Bank for Economic Development in Africa	960	4.16	4,352,084	4,352,084	4,352,084	5,649,196	10,001,280
Banco Nacional de Investmento	888	3.84	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.17	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	7.74	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,966	12.84	13,446,125	13,446,125	13,446,125	12,381,427	25,827,552
OPEC Fund for International Development (OFID)	2,054	8.89	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	15.39	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	3,066	13.27	13,899,467	13,899,467	13,899,467	7,893,485	21,792,952
Sacos Group Limited	121	0.52	548,544	548,544	548,544	454,304	1,002,848
Seychelles Pension Fund	1,029	4.45	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
TDB Directors and Select Stakeholders Provident Fund	87	0.38	394,408	394,408	394,408	145,292	539,700
TDB Staff Provident Fund	1,368	5.92	6,201,717	6,201,717	6,201,717	2,164,875	8,366,592
ZEP-RE (PTA Reinsurance company)	834	3.61	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	23,099	100	104,717,477	104,717,477	104,717,477	60,500,611	165,218,088

Class'B' shares were first issued in 2013 following approval by the Board of Governors in December 2012 to increase the Banks's authorized capital from USD 2.0 billion to USD 3.0 billion. This increase was achieved through the creation of new class 'B' shares of par value of USD 4,533.420375 each. Class 'B' shares do not have a callable portion and are payable at once.

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017:

Class 'A' shares	Shares Subscribed	Percentage of total	Value USD	Callable capital USD	Payable Capital USD	Instalments due as at 31.12.2017 USD	Instalments paid as at 31.12.2017 USD
Belarus	1,156	1.51	26,203,052	20,962,442	5,240,610	4,240,542	4,240,542
Burundi	1,500	1.96	34,000,500	27,200,400	6,800,100	6,800,100	6,800,100
China	4,150	5.42	94,068,050	75,254,440	18,813,610	18,813,610	18,813,610
Comoros	164	0.21	3,717,388	2,973,910	743,478	743,478	743,478
Djibouti	356	0.47	8,069,452	6,455,562	1,613,890	1,613,890	1,613,890
Congo DRC	5,340	6.98	121,041,780	96,833,424	24,208,356	24,208,356	21,878,078
Egypt	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Eritrea	240	0.31	5,440,080	4,352,064	1,088,016	1,088,016	664,089
Ethiopia	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Kenya	6,518	8.52	147,743,506	118,194,805	29,548,701	29,548,701	29,548,701
Malawi	1,611	2.11	36,516,537	29,213,230	7,303,307	7,303,307	7,303,307
Mauritius	3,083	4.03	69,882,361	55,905,889	13,976,472	13,976,472	13,976,472
Mozambique	2,220	2.90	50,320,740	40,256,592	10,064,148	4,063,740	4,063,740
Rwanda	1,838	2.40	41,661,946	33,329,557	8,332,389	8,332,389	8,332,389
Seychelles	329	0.43	7,457,443	5,965,954	1,491,489	1,491,489	1,491,489
Somalia	318	0.42	7,208,106	5,766,485	1,441,621	1,441,621	879,919
South Sudan	2,206	2.88	50,003,402	40,002,722	10,000,680	10,000,680	10,000,680
Sudan	5,277	6.90	119,613,759	95,691,007	23,922,752	23,922,752	23,922,752
eSwatini	442	0.58	10,018,814	8,015,050	2,003,764	801,505	400,753
Tanzania	6,306	8.24	142,938,102	114,350,482	28,587,620	28,587,620	28,587,620
Uganda	4,830	6.31	109,481,610	87,585,288	21,896,322	20,731,238	20,731,238
Zambia	5,607	7.33	127,093,869	101,675,095	25,418,774	25,418,774	25,418,774
Zimbabwe	6,337	8.28	143,640,779	114,912,623	28,728,156	28,728,156	28,728,156
African Development Bank	3,662	4.79	83,006,554	66,405,243	16,601,311	16,601,311	16,601,311
	76,526	100	1,734,614,842	1,387,691,874	346,922,968	337,555,149	333,838,490

44. STATEMENT OF SUBSCRIPTIONS TO THE CAPITAL STOCK (Continued)

As at 31 December 2017: Class 'B' Shares	Number of shares	Percentage of total	Payable capital USD	Instalments due as at year end USD	Paid up capital USD	Share premium USD	Total paid USD
Africa Reinsurance Corporation	780	3.63	3,536,068	3,536,068	3,536,068	1,832,411	5,368,479
African Development Bank	3,333	15.52	15,109,890	15,109,890	15,109,890	4,890,110	20,000,000
Banco Nacional de Investmento	888	4.13	4,025,677	4,025,677	4,025,677	1,488,038	5,513,715
Mauritian Eagle Insurance Company Limited	270	1.26	1,224,024	1,224,024	1,224,024	395,976	1,620,000
National Pension Fund–Mauritius	1,787	8.32	8,101,222	8,101,222	8,101,222	2,973,564	11,074,786
National Social Security Fund Uganda	2,880	13.41	13,056,251	13,056,251	13,056,251	11,875,353	24,931,604
OPEC Fund for International Development (OFID)	2,054	9.56	9,311,645	9,311,645	9,311,645	10,688,153	19,999,798
People's Republic of China	3,556	16.55	16,120,843	16,120,843	16,120,843	5,976,999	22,097,842
Rwanda Social Security Board	2,983	13.89	13,523,193	13,523,193	13,523,193	7,405,065	20,928,258
Seychelles Pension Fund	1,029	4.79	4,664,890	4,664,890	4,664,890	2,343,654	7,008,544
Sacos Group Limited	121	0.56	548,544	548,544	548,544	454,304	1,002,848
TDB Staff Provident Fund	920	4.28	4,170,745	4,170,745	4,170,745	1,349,255	5,520,000
TDB Directors and Select Stakeholders Provident Fund	47	0.22	213,071	213,071	213,071	72,469	285,540
ZEP-RE (PTA Reinsurance company)	834	3.88	3,780,873	3,780,873	3,780,873	1,223,127	5,004,000
	21,482	100	97,386,936	97,386,936	97,386,936	52,968,478	150,355,414

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