East African Development Bank

Financial Statements

For the year ended 31 December 2023

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CORPORATE INFORMATION

Registered office and principal place of business

Plot 4 Nile Avenue
EADB Building
P. O. Box 7128
Kampala, Uganda

Country offices

Kenya	Rwanda	Tanzania
7th Floor, The Oval Office	Ground Floor, Glory House	349 Lugalo/ Urambo Street Upanga
Ring Road, Parklands Westland	Kacyiru	P.O. Box 9401
P.O Box 47685	P.O. Box 6225	Dar es Salaam
Nairobi, Kenya	Kigali, Rwanda	Tanzania

Bankers

Standard Chartered Bank London
The Co-operative Bank of Kenya Limited
KCB Bank Rwanda Plc
NCBA Bank Kenya Plc
Standard Chartered Bank New York
Standard Chartered Bank AG
Citibank Europe Plc UK Branch
Citibank – New York
Standard Chartered Bank Uganda Limited
Citibank Uganda Limited
Stanbic Bank Uganda Limited
Standard Chartered Bank Kenya Limited
Bank of Kigali
Standard Chartered Bank Tanzania Limited

Auditor

KPMG
Certified Public Accountants,
3rd Floor, Rwenzori Courts
Plot 2 & 4A, Nakasero Road
P.O. Box 3509
Kampala, Uganda

CORPORATE INFORMATION (CONTINUED)

Lawyers

Uganda
M/s Kampala Associated Advocates,
Plot 41 Nakasero Road,

P.O. BOX 9566,
KAMPALA.

Rwanda
M/s Trust Law Chambers
KG 569 ST, TLC House
Plot 4 Kacyiru
P. O. Box 6679 Kigali Rwanda

Tanzania
M/s IMMMA Advocates
IMMMA House, Plot No 357
102 United Nations Road, Upanga 11103,
PO Box 72484
Dar es Salaam, Tanzania

Kenya
M/s Kaplan & Stratton
Williamson House, 4th Ngong Avenue
P.O. Box 40111 – 00100, Nairobi,
Kenya

M/s Mohammed Muigai Advocates
MM Chambers, 4th Floor, K-Rep Centre
Wood Avenue, Off Lenana Road, Kilimani
P.O Box 61323-00200, Nairobi, Kenya

M/s Hamilton Harrison & Mathews
1st Floor, Delta Office Suites, Waiyaki Way
P.O. Box 30333-00100 Nairobi, Kenya

Company Secretary
The Legal Department,
East African Development Bank
Plot 4 Nile Avenue, P.O. Box 7128
Kampala Uganda

DIRECTORS' REPORT

1. Introduction

The Directors hereby submit their report together with the Bank's audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of East African Development Bank ("the Bank").

2. Incorporation

The Bank was created under the Treaty for the East African Co-operation of 1967, which was subsequently amended and re-enacted as the Treaty and Charter of the East African Development Bank ('The Bank's Charter") in 1980.

3. Mission and Vision

The Bank's Vision is to be a partner of choice in promoting sustainable social-economic development.

The Bank's Mission is to promote sustainable social economic development in East Africa by providing development finance, advisory and support services.

4. Principal activity

The principal activity of the Bank is development finance lending under the Bank's Charter. The Bank's principal activity is achieved through following:

(a) Provision of financial assistance through loans to promote the development of Member States;

(b) Provision of consulting, promotion, agency and other similar services for the region;

(c) Promotion of economic development in the Member States, in such fields as industry, tourism, agriculture, telecommunications and other fields of development;

(d) Joint financing operations and technical assistance to national development agencies of the Member States and use of such agencies as channels for financing specific projects; and

(e) Co-operation with other institutions and organizations, public or private, national or international, which are interested in the development of the Member States.

5. Business Objectives and Strategies

The Bank supports economic development in Member States through medium and long-term lending of financially viable and socially sustainable projects.

The Bank continued to operate on the basis of one year business plan in 2023 but at the same time a new 5 year strategic plan 2024-2028 was approved by the Board and will be operational starting 2024.

6. Governance

The Bank remains committed to principles of good governance contained in the Charter and endeavours to make continuous improvements in line with the best practices to remain relevant and effective.

Governance plays a key role in the management of the affairs of the Bank and in the overall execution of its mandate it has various structures and measures in place to promote and safeguard good governance.

The key elements of the governance structure comprise: the Governing Council which is the supreme organ of the Bank; the Board of Directors which reports to the Governing Council, and the Advisory Panel.

DIRECTORS' REPORT (continued)

6. Governance (continued)

Further information about each of these organs of the Bank is provided below:

a) Governing Council

The Governing Council is comprised of Ministers responsible for Finance in Member States and meets regularly to receive and consider reports from the Board of Directors. The following Governing Council Members served during the year:

	Name	Details
1	Hon. Matia Kasaija (Chairman)	Minister of Finance, Planning and Economic Development, Republic of Uganda
2	Hon. Dr. Mwigulu Nchemba	Minister of Finance and Planning, United Republic of Tanzania
3	Prof. Njuguna Ndung'u	Cabinet Secretary, The National Treasury and Planning, Republic of Kenya
4	Dr. Uzziel Ndagijimana	Minister of Finance and Economic Planning, Republic of Rwanda

b) Board of Directors and sub-committees

The Board of Directors is vested with all powers in the Bank and meets at least on quarterly basis to receive and consider reports from Management. The Board of Directors is comprised of Permanent Secretaries of the Ministries responsible for Finance in Member States, private sector representatives from Member States and the Director General. Non-Sovereign shareholders (class B shareholders) are represented to the Board by the African Development Bank.

The Board members who served during the year and to the date of this report were:

	Name	Details
1	Dr. Ramathan Ggoobi	Permanent Secretary and Secretary to the Treasury, Ministry of Finance, Planning and Economic Development, Republic of Uganda
2	Dr. Chris Kiptoo	Principal Secretary, the National Treasury, Republic of Kenya
3	Mr. Reuben Karemera (From 15th May 2023)	Deputy Accountant General in charge of Treasury Management in the Ministry of Finance and Economic Planning, Republic of Rwanda
4	Emmanuel Tutuba (Up to 7th January 2023)	Permanent Secretary, Ministry of Finance and Planning, United Republic of Tanzania
5	Dr. Natu Mwamba (From 7th January 2023)	Permanent Secretary, Ministry of Finance and Planning, United Republic of Tanzania
6	Dr Abdu Mukhtar	African Development Bank - Class B shareholders Representative
7	Mr Francis N. Karuiru	Private Sector Representative, Republic of Kenya
8	Mrs Khadija I. Simba	Private Sector Representative, United Republic of Tanzania
9	Mr Faustin Mbundu	Private Sector Representative, Republic of Rwanda
10	Mr James Tumusiime	Private Sector Representative, Republic of Uganda
11	Ms Vivienne Yeda	Director General, East African Development Bank

DIRECTORS' REPORT (continued)

6. Governance (continued)

b) Board of Directors and sub-committees (continued)

The Board has two committees namely the Board Human Resources Committee which is responsible for all staffing and related issues in the Bank and the Board Audit Committee which is responsible for all internal control issues.

The Board of Directors met 5 times during the year to deliberate on various issues including the Bank's financial performance, risk management reports and approval of projects while the Board Audit Committee held 3 meetings during the year and deliberated on Internal and external Audit reports.

c) Advisory Panel

The Advisory Panel is comprised of eminent personalities with extensive experience in international and development financing and they advise the Bank on best practices and effective strategies to pursue. The current members of the Advisory Panel are:

Members of the Advisory Panel

	Name	Details
1	Mr Mahesh Kotecha, CFA	President, Structured Credit International Corp. (SCIC), New York
2	Mr Toyoo Gyohten	President, Institute for International Monetary Affairs, Japan and Senior Adviser, Bank of Tokyo, Mitsubishi Limited
3	Mr Lars Ekengren	Former Deputy Director General, Swedish International Development Agency ("SIDA")
4	Mr Jannik Lindbaek	Former Executive Vice president and CEO of the International Finance Corporation ("IFC")

7. Capital and Shareholding

The Bank's authorised share capital is USD 2,160,000,000 comprising 160,000 shares with a par value of USD 13,500 each.

The authorised shares are classified into Class A shares (144,000) which are available for subscription to only member states and in equal proportion and Class B (16,000) which are available for subscription to members other than Member States.

Class A shareholders do not have option to exit the Bank but the Charter provide basis on which class B shareholders may exit/sale their shares. During the year the Bank continued to buy FMO and DEG shares where 235 shares were bought from the two class B shareholders. The sale of FMO and DEG shares is part of their strategy which, among other things, provides that once the investee institution is on good footing they exit and promote other initiatives.

The Bank's paid up capital by Class A and Class B shareholders as at 31 December 2023 and 2022, respectively, were as follows:

Name	2023			2022		
	Shares	Value	%	Shares	Value	%
Class A		**USD'000**			**USD'000**	
Government of Kenya	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of United Republic of Tanzania	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of Uganda	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of Rwanda	2,828	38,178	18.21%	2,253	30,416	14.83%
Total Class A	**14,228**	**192,078**	**91.59%**	**13,653**	**184,316**	**89.86%**

DIRECTORS' REPORT (continued)

7. Capital and Shareholding (continued)

Name	2023			2022		
	Shares	**Value**	**%**	**Shares**	**Value**	**%**
Class B		**USD'000**			**USD'000**	
African Development Bank	1,240	16,740	7.98%	1,240	16,740	8.17%
FMO – Netherlands Development Finance Company	-	-	0.00%	186	2,511	1.23%
DEG – Deutsche Investitions- und Entwicklungsgesellschaft	-	-	0.00%	49	662	0.32%
Yugoslavia Consortium	28	378	0.18%	28	378	0.18%
SBIC - Africa Holdings	24	324	0.16%	24	323	0.16%
NCBA Bank Kenya Ltd	5	67.5	0.032%	5	68	0.03%
Nordea Bank Sweden	5	67.5	0.032%	5	68	0.03%
Standard Chartered Bank London	2	27	0.013%	2	27	0.01%
Barclays Bank Plc., London	2	27	0.013%	2	27	0.01%
Total Class B	**1,306**	**17,631**	**8.41%**	**1,541**	**20,804**	**10.14%**
Total Class A & B	**15,534**	**209,709**	**100%**	**15,194**	**205,120**	**100.00%**

8. Financial Performance

Performance highlights

Performance indicator	Formula	2023	2022
Profit for the year (USD '000')	NA	13,052	6,594
Total assets (USD '000')	NA	454,382	415,535
Equity	NA	322,302	303,229
Return on Assets	(Profit/Total assets) *100%	2.87%	1.59%
Return on Equity	(Profit/Total equity) *100%	4.05%	2.17%
Operating expenses to Operating Income	(Operating expense/Net interest income + non-interest income) *100	30.50%	40.67%
Non-Performing Loans ratio	Non-performing (Stage 3) loans/Gross loans and advances) *100%	0.88%	3.86%
Total Capital ratio	(Total capital/Risk weighted assets including Off balance sheet items) *100	124%	77%
Earnings per share (USD)	Profit attributable to ordinary shares/ Weighted average number of ordinary shares outstanding during the year	850	443

The Bank continued to record profitable results and growth in assets.

Credit rating

The Moody's rating report released on 6th October 2023 re-affirmed the Bank's Baa3 rating with stable outlook sighting strong capital position and robust liquidity levels.

Similarly rating report by the GRC also released in August 2023 also maintained the Bank's long-term issuer and short-term credit ratings of BBB- and A3 respectively with stable outlook.

DIRECTORS' REPORT (continued)

9. Cash flow and Liquidity Management

Liquidity management continued to be one of the top Bank priorities. Detailed liquidity risk management report is contained on Note 39(c) of the financial statements.

During the year the Bank maintained adequate liquidity with actual liquidity ratio at the end of 2023 at 7.93 times compared to 8.11 times in 2022 which was above the target ratio of 1.33 times.

The Bank's cash and cash equivalents at the end of year amounted to USD 192.29 million and was above USD 162.89 million recorded in 2022 partly due to proceeds from borrowings.

10. Market overview

The Global economy in 2023 was challenging as central banks rallied to tame the high inflation resulting in substantial increase in interest rates which on the other hand rendered double blow to countries which were already bearing a burden of high debts. In addition, ongoing conflicts, including Russia and Ukraine war, continued to disrupt global supply chain and impacted growth prospects.

Despite these challenges there was a glimmer of hope as the global economy avoided recession that was widely expected at the beginning of the year.

Economies in all Bank's member States are projected to record healthy growth in 2023 with Kenya and Tanzania expected to record higher growths in 2023 compared to 2022 based on the data from the International Monetary Fund's World Outlook Report released in October 2023. Based on the same report, all the four member states are projected to register higher growth in 2024 compared to 2023. It is on the basis of these data that the Bank projects continued good performance as it supports both the public and private sector in the Member States' economies to realize the expected growth.

11. Future Plans

The Bank will continue to play a catalytic role in the development of the region.

The Bank will continue to engage both public and private sector in each Member State to broaden its outreach programs thereby supporting growth.

Good economic performance projected in the Member States will provide a good operating environment supportive of the Bank's growth aspirations.

12. Risk and Risk Management

Despite reflecting high concentration risk in the current portfolio, the bank takes pride in the strength of capital at its disposal and deep liquidity funding options.

The Bank is embarking on reversing the trend caused by the concentration risk by not only diversifying the portfolio but equally focusing on booking quality loans to entrench the risk management strategy in place hence eliminating a possible deterioration in portfolio quality.

Global financial crime watchdog, Financial Action Task Force (FATF) has retained several East African countries on the 'grey' list in its latest review of countries' commitment to fighting money laundering, terrorist financing, and arms proliferation financing. The Bank continues its heightened vetting of counterparts and customers onboarded for compliance purposes to all regulations.

As the Bank re-embarks on growth, it will continue to embrace Environmental Social and Corporate Governance (ESG) in its onboarding framework to ensure the growth is aligned to applicable Sustainable Development Goals (SDGs)

13. Solvency

The Board of Directors confirm that the financial statements have been prepared based on International Financial Reporting Standards (IFRS Accounting Standards) and that they have been prepared on a going concern basis. The Board confirm that the Bank has all necessary resources to continue operating on this basis for a foreseeable future.

DIRECTORS' REPORT (continued)

14. Resources

The Bank hold sufficient resources to advance its vision and mission.

Key among those resources is a dedicated and highly skilled human capital which has been the bedrock of the Bank's performance. The Bank will continue to implement different strategies to improve its employee value proposition and make the Bank a dream employer to all professionals.

Equally important are committed shareholders who not only continued to provide required capital, but also remained engaged and provided guidance throughout the year. The Bank's management and staff will continue to work tirelessly to deliver aspirations of the shareholders.

The Bank continued to earn trust of fund providers who provided needed funding as efforts continued to implement projects in Member States. The Bank's strong liquidity position is a testament of dependability of the fund providers. The Bank will not only make sure that repayments of maturing obligations are made on timely basis, but also further improve the financial performance to safeguard sustainability.

15. Employee Welfare

Cordial and harmonious working relationship continued during the year and this facilitated achievements recorded. The Bank continued to implement various initiatives to improve staff welfare.

The Bank operates a defined contribution retirement benefit scheme to which employees contribute 10% of their basic salary and the Bank contributes 10%, 12.5% or 15% of the employee's basic salary depending on the length of service. The scheme is independently managed by a professional fund manager who provides periodic reports to a committee nominated by staff.

The Bank provides medical insurance cover for employees, their spouses and up to four qualifying dependants through a reputable medical insurance provider. Continuous monitoring on the services offered by the insurance cover is undertaken to guarantee quality service is provided to staff. More details on employee welfare are included in note 41 of the accounts.

Various training opportunities were provided to staff during the year in order to improve their performance.

The Bank is an equal employer and staff are offered equal opportunities based on their merits and not based on gender, disability or any similar attributes in their jurisdictions/ countries of residence.

16. Related Party Transactions

The Bank's related party transactions are concluded at arm's length basis. Details of related party transactions at the end of the year are shown on Note 44.

17. Environmental, Social and Governance

The Bank takes a comprehensive approach towards Environmental, Social, and Governance (ESG) considerations, acknowledging the importance of these parameters in influencing sustainable economic development. At EADB, ESG is an all-inclusive framework that enables our stakeholders to gauge the Bank's risk management and opportunities, in relation to ESG criteria, affirming that sustainability transcends mere environmental concerns. As the region's apex Development Financial Institution (DFI), our commitment to ESG principles is evident by our focus on a wide array of related frameworks and policy guidelines pertaining to sensitive sectors and activities. The policies and all the related frameworks are designed to ensure that EADB's operations, positively impact the environment, the communities within its operations, and adhere to the highest standards of corporate governance.

Regarding the environment, the bank monitors and manages its environmental impacts and risk management practices. This encompasses both direct and indirect greenhouse gas emissions, responsible stewardship of natural resources, and the Bank's overall resilience against physical climate risks such as climate change, flooding, drought and fires.

DIRECTORS' REPORT (continued)

17. Environmental, Social and Governance (Continued)

Social considerations are equally paramount in EADB's ESG approach. We maintain proactive and considerate relationships with all stakeholders, as reflected in materiality analysis, which include policies and employee engagement initiatives. Additionally, we address the impact on the communities through various policies that extend to the clients and projects we finance, thereby ensuring that our social influence is both positive and far-reaching.

In terms of governance, we have a focus on robust leadership and effective management. Our priority is to ensure that leadership incentives are in harmony with our stakeholder expectations and rigorous internal controls, as outlined in the Charter and Fiduciary Policies, are in place. These measures promote transparency, accountability, and foster a governance culture that places a high premium on ethical conduct.

18. Stakeholders

The Bank values contribution and support of all its stakeholders and implement strategies to assess the stakeholder's expectations and how they will be met. Cordial relationship continued with all stakeholders during the year. The Bank will continue to actively engage with its stakeholders with the view to improve the value creation process.

19. Dividends

The Directors do not recommend the payment of dividends for the year 2023 (2022: Nil). This is in line with shareholders' strategy to build up the capital of the Bank.

20. Events after reporting date

There are no other events after the reporting period.

21. Auditor

The Bank's external auditor, KPMG Certified Public Accountants, being eligible for reappointment has expressed willingness to continue in office. The Bank's 2024 external auditors shall be appointed by the Governing Council in accordance with Article 26 (d) of the Bank's Charter.

By order of the Board

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Chairman – Board of Directors	**Director**
4 June 2024	4 June 2024
Date	**Date**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Bank's directors are responsible for the preparation of financial statements that give a true and fair view of East African Development Bank comprising the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Treaty and Charter of East African Development Bank ("the Bank's Charter").

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Bank to continue as going concern and have no reason to believe that the business will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the IFRS Accounting Standards, and in the manner required by the Treaty and Charter of East African Development Bank ("the Bank's Charter").

Approval of the financial statements

The financial statements of East African Development Bank, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 22 March 2024 and the Governing Council on 29 April 2024 and were signed on their behalf by:

Chairman – Board of Directors

Director General

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KPMG
Certified Public Accountant of Uganda
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Independent auditor's report

TO THE MEMBERS OF THE EAST AFRICAN DEVELOPMENT BANK

Report on the audit of the financial statements

Opinion

We have audited the financial statements of East African Development Bank (the Bank), as set out on pages 16 to 85 which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Treaty and Charter of East African Development Bank ("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 the 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 *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code)* together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were 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 these matters.

KPMG

Independent auditor's report

TO THE MEMBERS OF THE EAST AFRICAN DEVELOPMENT BANK

Report on the audit of the financial statements (Continued)

Key audit matters (Continued)

<table>
<tr><th colspan="2">Expected credit losses on loans and advances to customers</th></tr>
<tr><th colspan="2">Refer to Notes 2I(a)(ii),15, 38 and 39(b) of the financial statements</th></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Expected credit losses (ECL) on loans and advances to customers is considered a Key Audit Matter because the directors make complex and significant judgments over both timing of recognition of impairment and the estimation of the amount of any such impairment. The loans and advances are material to the Bank as they represent 25% of its total assets.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's determination of expected credit losses (ECL) are:

Model estimations

Inherently, judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD') and ultimately the Expected Credit Loss (ECL).

Economic scenarios

IFRS 9 Financial Instruments requires the Bank to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used such as the expected trend of the gross domestic product, growth of credit to the private sector and expected trend of consumer price index and the probability weightings applied to them and the associated impact on ECL.</td><td>Our audit procedures in this area included:

— Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the controls used in the determination of ECL. This includes assessing the design and implementation and operating effectiveness of the management review controls in the ECL process.

— Selecting a sample of facilities from the Bank's loan book and evaluated whether loan facilities sampled are correctly staged/classified by comparing the credit risk information for each facility against the bank's staging criteria for each stage.

— Evaluating the appropriateness of the SICR criteria used by assessing the qualitative factors such as the borrower's financial performance by reviewing latest financial reports submitted to the bank and correspondences between the borrower and the bank and quantitative factors such as days past due used in the staging process by checking the repayment history and the last repayment date.

— Obtaining a sample and evaluating key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts.

— Involving our FRM specialists to assess the;

▪ Key economic variables such as inflation, exchange rates, lending rates, total external debt stock per capita that are used to develop the forward-looking inputs;
▪ Loss given default by testing the accuracy of collateral values attached to the facilities sampled and agreeing the Forced Sale Values to valuation reports prepared by independent valuation experts as well as obtaining their time to realization;
▪ Exposure at default by assuming contractual rundown of the facilities in line with the respective contractual terms and performing a recomputation based on the outstanding loan balance and accrued interest and
▪ PD assumptions applied by obtaining historical registers of loans at quarterly snapshots covering twenty quarters which were agreed to the respective Management</td></tr>
</table>

TO THE MEMBERS OF THE EAST AFRICAN DEVELOPMENT BANK

Report on the audit of the financial statements (Continued)

Expected credit losses on loans and advances to customers

Refer to Notes 2I(a)(ii),15, 38 and 39(b) of the financial statements

Key audit matter	How the matter was addressed in our audit
Significant Increase in Credit Risk ('SICR') The criteria selected to identify a significant increase in credit risk and applying the appropriate staging is a key area of judgement within the Bank's ECL calculation as these criteria include application of quantitative factors such as days past due and qualitative factors such as financial performance, and internal and external market factors which determine whether a 12- month or lifetime expected credit loss is assessed.	Accounts and subsequently used a script to perform a re-computation and compared the results with the final audited ECL results. ECL is calculated as a probability weighted average of the ECL under three economic scenarios, base, best and worst scenarios which were tested by our FRM team for reasonableness. — Involving our Financial Risk Management (FRM) specialists in the review of the ECL methodology including PD, LGD, EAD modelling, and the ECL computation with respect to theoretical foundation, input data and mathematical accuracy. — Involving our FRM specialists to assess the key economic variables used to develop the forward-looking inputs such as exchange rates, lending rates, consumer price index inflation, Total external debt stock per capita as well as the overall reasonableness of the economic forecasts used by ▪ Inspecting of the Forward-Looking Information model data inputs for completeness and accuracy by comparing with externally published data as well as output for bias ▪ Testing the model's mathematical soundness by reperformance of PD and LGD calculations and recalculating the ECL on a sample of loans. ▪ Challenging key assumptions made by the bank in determining forward looking information by involving our internal financial modeling specialist to assess the completeness of the macro-economic variables considered, the relationship and correlation between the bank's probability of default parameters and the macro-economic variables, reasonableness of the overlays made to macro-economic variables to model the economic scenarios and probability weightings made to economic scenarios. — Assessing the adequacy of disclosures in financial statements, especially whether the disclosures appropriately disclose the key assumptions and judgements used in determining the expected credit losses in accordance with IFRS 7 Financial Instruments: Disclosures.

KPMG

Independent auditor's report

TO THE MEMBERS OF THE EAST AFRICAN DEVELOPMENT BANK

Report on the audit of the financial statements (Continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *East African Development Bank Financial Statements for the year ended 31 December 2023* but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Integrated Annual Report 2023, which is expected to be made available to us after that date.

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, 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.

Directors' responsibilities for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Bank's Charter and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 skepticism 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.

Independent auditor's report

TO THE MEMBERS OF THE EAST AFRICAN DEVELOPMENT BANK

Report on the audit of the financial statements (Continued)

Auditors' responsibilities for the audit of the financial statements (Continued)

— 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 a going concern.

— 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is CPA Stephen Ineget – P0401.

KPMG
Certified Public Accountants
3rd Floor, Rwenzori Courts
Plot 2 & 4A Nakasero road
P.O Box 3509
Kampala, Uganda

Date: 7 June **2024**

……………………………………
CPA Stephen Ineget

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD'000	2022 USD'000
Interest income	3	25,623	19,407
Interest expense	4	(6,305)	(4,108)
Net interest income		**19,318**	**15,299**
Fee and commission income	5	152	240
Other operating income	6	2,050	676
Other losses	7	(844)	(1,375)
Net fair value (losses)/gains on investment property	21	(292)	148
Net operating income		**20,384**	**14,988**
Net impairment losses on financial assets	15(b)	(1,114)	(2,298)
Operating income after impairment charges		**19,270**	**12,690**
Employee benefits expense	8	(3,119)	(3,260)
Depreciation and amortization	22 23, 24	(689)	(774)
Other operating expenses	9	(2,410)	(2,062)
Profit before income tax	10	**13,052**	**6,594**
Income tax expense	11	-	-
Profit for the year		**13,052**	**6,594**
Other comprehensive income	36	1,224	-
Total comprehensive income		**14,276**	**6,594**
Earnings per share – basic (Expressed in USD per share)	12	**850**	**443**

The notes set out on pages 21 to 85 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 USD'000	2022 USD'000
Assets			
Cash at bank	13	60,473	22,041
Placements with commercial banks	14	241,980	235,373
Loans and advances to customers	15	114,506	126,163
Assets available for sale	18	3,370	-
Equity investments at fair value through profit and loss	19	649	718
Other assets	20	1,816	427
Intangible assets	23	-	-
Property and equipment	22	8,646	11,842
Right of use assets	24	311	198
Investment property	21	22,631	18,773
Total assets		**454,382**	**415,535**
Liabilities			
Other liabilities	25	4,427	3,678
Derivative financial instruments	17	6	-
Borrowings	26	112,837	94,962
Lease liabilities	27	306	316
Special funds	28	3,990	3,990
Grants	29	3,035	1,881
Capital fund	31	7,479	7,479
Total liabilities		**132,080**	**112,306**
Capital and reserves			
Share capital	30	209,710	205,120
Share premium	30	7,024	6,530
Funds waiting allotment	32	71	69
Special reserve	33	12,906	12,785
Fair value reserve	34	-	-
Revaluation reserves	36	10,456	9,273
Retained earnings	37	82,135	69,452
Total shareholders' equity		**322,302**	**303,229**
Total equity and liabilities		**454,382**	**415,535**

The financial statements set out on pages 16 to 85 were approved and authorised for issue by the Board of Directors on ..22 March.. 2024 and the Governing Council on ..29 April.. 2024 and were signed on their behalf by:

Chairman – Board of Directors **Director General**

The notes set out on pages 21 to 85 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

Year ended 31 December 2023	Notes	Share Capital USD '000	Share premium USD '000	Special reserves USD '000	Funds awaiting allotment USD '000	Fair value reserve USD '000	Retained earnings USD '000	Revaluation reserve USD '000	Total equity USD '000
At start of year		**205,120**	**6,530**	**12,785**	**69**	**-**	**69,452**	**9,273**	**303,229**
Comprehensive income									
Profit for the year		-	-	-	-	-	13,052	-	**13,052**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**13,052**	**-**	**13,052**
Other comprehensive income									
Revaluation movement on land and buildings	36	-	-	-	-	-	-	1,224	**1,224**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**	**1,224**	**1,224**
Transactions with owners									
Additional capital allotted during the year	30,32	7,763	494	-	(8,257)	-	-	-	**-**
Cash received towards share capital	32	-	-	-	8,259	-	-	-	**8,259**
Transfer to special reserve	33	-	-	121	-	-	(121)	-	**-**
Transfer from the revaluation reserve	36	-	-	-	-	-	41	(41)	**-**
Transfer from fair value reserve	34	-	-			-	-	-	**-**
Share repurchase	30	(3,173)	-	-	-	-	-	-	**(3,173)**
Premium on par value	30	-	-	-	-	-	(289)		**(289)**
At end of year		**209,710**	**7,024**	**12,906**	**71**	**-**	**82,135**	**10,456**	**322,302**

The notes set out on pages 21 to 85 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

		Share Capital	Share premium	Special reserves	Funds awaiting allotment	Fair value reserve	Retained earnings	Revaluation reserve	Total equity
Year ended 31 December 2022	**Notes**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**	**USD '000**
At start of year		**194,914**	**3,874**	**12,683**	**80**	**263**	**62,804**	**9,314**	**283,932**
Comprehensive income									
Profit for the year		-	-	-	-	-	6,594	-	6,594
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**6,594**	**-**	**6,594**
Transactions with owners									
Additional capital allotted during the year	30,32	12,366	2,656	-	(15,022)	-	-	-	**-**
Cash received towards share capital	32	-	-	-	15,011	-	-	-	**15,011**
Transfer to special reserve	33	-	-	102	-	-	(102)	-	**-**
Transfer from the revaluation reserve	36	-	-	-	-	-	41	(41)	**-**
Transfer from fair value reserve	34	-	-	-	-	(263)	263	-	**-**
Share repurchase	30	(2,160)	-	-	-	-	-	-	**(2,160)**
Premium on par value	30	-	-	-	-	-	(148)	-	**(148)**
At end of year		**205,120**	**6,530**	**12,785**	**69**	**-**	**69,452**	**9,273**	**303,229**

The notes set out on pages 21 to 85 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD'000	2022 USD'000
Cash flows from operating activities			
Interest receipts		26,238	18,658
Interest payments	26	(4,670)	(1,937)
Interest paid on lease liabilities		(37)	(26)
Net fee and commission receipts		300	328
Other income received		2,008	479
Payments to employees and suppliers		(5,824)	(5,286)
Cash inflows from operating activities		**18,015**	**12,216**
Principal loan receipts		29,242	35,772
New loan disbursements		(26,443)	(5,995)
Net other receipts from customers		1,193	149
Settlement of other liabilities		(317)	(4,093)
Net cash flows generated from operating activities		**21,690**	**38,049**
Investing activities			
Purchase of Investment property	21	(142)	-
Purchase of property and equipment	22	(193)	(58)
Proceeds from sale of property and equipment		1	-
Placements with commercial banks		(15,854)	(15,634)
Net cash used in investing activities		**(16,188)**	**(15,692)**
Financing activities			
Settlement of medium- and long-term borrowings	26	(16,745)	(9,508)
Proceeds from borrowings	26	37,371	20,357
Payment of principal portion of the lease liability	27	(79)	(84)
Receipt from member states towards share capital	32	8,258	15,011
Share repurchase	30	(3,462)	(2,308)
Net cash generated from financing activities		**25,343**	**23,468**
Net increase in cash and cash equivalents		**30,845**	**45,825**
Cash and cash equivalent at start of year	35	162,888	118,560
Effect of exchange rates on cash held		(1,446)	(1,497)
At end of year	35	**192,287**	**162,888**

The notes set out on pages 21 to 85 form an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

East African Development Bank ("the Bank") was created under the Treaty for the East African Co-operation of 1967, which was subsequently amended and re-enacted as the Treaty and Charter of the East African Development Bank ('The Charter") in 1980 with its current membership comprising the four East African Countries of Uganda, Kenya, Tanzania and Rwanda with its head office in Kampala, Uganda. The Bank is primarily involved in development finance lending and the provision of related services as stipulated under its Charter.

The Bank's principal office address is:

Plot 4 Nile Avenue, EADB Building
P. O. Box 7128, Kampala, Uganda

For purposes of the Bank's Charter, the profit and loss account is represented by the statement of comprehensive income and the balance sheet is represented by the statement of financial position in these financial statements.

2. Material accounting policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years unless otherwise stated.

A. Basis of preparation

The Bank's financial statements are prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Treaty and Charter of East African Development Bank ("the Bank's Charter"). Additional information required by the Bank's Charter is included within the financial statements where appropriate. The financial statements are presented in the functional currency, United States Dollars ("USD"), rounded to the nearest thousand ("000"), and prepared on the historical cost basis, except where otherwise stated in the accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 38.

B. Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Bank

The following new or revised standards, amendments and interpretations are effective for the year ended 31 December 2023 and have been applied in preparing these financial statements where applicable.

Standards available for early adoption	Effective date
Definition of Accounting Estimate (Amendments to IAS 8)	01 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	01 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 January 2023
IFRS 17 Insurance Contracts	01 January 2023
International Tax Reforms - Pillar Two Model Rules – Amendments to IAS 12 Income Taxes	23 May 2023

The amendments did not have significant impact on the financial statements of the Bank.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

B. Changes in accounting policy and disclosures (continued)

(ii) New and amended standards and interpretations issued but not yet effective

The following new IFRS Accounting Standards together with their Interpretations had been published at the date of preparation of the accompanying Financial Statements but are not mandatory as of December 31, 2022. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the Bank has not proceeded with this option for any such new standards.

Standards available for early adoption	Effective date
Lease liability in a Sale and Leaseback (Amendments to IFRS 16)	01 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	01 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	01 January 2024
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	01 January 2024
IFRS S1** General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2** Climate-related Disclosures	01 January 2024
Lack of Exchangeability – Amendments to IAS 21	01 January 2025
IFRS 18 Presentation and Disclosure in Financial Statements	01 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	Available for optional adoption/ effective date deferred indefinitely. Early adoption continues to be permitted

The amendments are not expected to have a significant impact on the financial statements of the Bank.

C. Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the Bank operates ('the functional currency'). These financial statements are presented in United States Dollars (USD), which is the Bank's functional currency. Except as indicated, the financial information has been rounded off to the nearest thousand.

Assets and liabilities expressed in various currencies are translated into US Dollars at rates of exchange ruling at the statement of financial position date. Transactions during the year are converted at exchange rates ruling at the transaction date. The resulting differences from the conversion and translation of all transactions and balances are dealt with in the statement of profit or loss in the period in which they arise.

D. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Bank's Board of Directors.

E. Revenue recognition

(i) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

E. Revenue recognition(continued)

(i) Interest income and expense (continued)

expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense presented in the statement of profit or loss includes interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(i) Fees and commission income

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of effective interest rate ad are recognised over time as the related services are performed.

Other fees and commission income including account servicing fees are recognized at a point in time as the contractual service is performed per requirement of IRFS 15, Revenue from contracts with customers.

(ii) Dividend income

Dividend income is recognised when the right to receive dividends is established.

F. Property and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Revaluation surplus

In accordance with IAS 16, the nature of revaluation surplus results from valuation of assets with significant changes in fair value. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is done by professionally qualified valuers after every three to five years.

Changes in fair value are recognized in other comprehensive income and accumulated in equity under revaluation surplus.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

F. Property and equipment (continued)

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained eamings.

Management and Directors review the residual value and useful life of an asset at the year end and any change considered to be appropriate in accounting estimate is recorded through the statement of comprehensive income.

Depreciation is calculated to write off the cost of the property and equipment on a straight-line basis over the expected useful lives of the assets concerned. The rates for depreciation used are as follows:

Buildings	5%
Motor vehicles	25%
Office equipment	10% - 25%
Furniture	12.5%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining the result for the year.

G. Intangible assets

Computer software costs which are clearly identifiable and controlled by the Bank and have probable benefits exceeding the costs beyond one year are recognised as an intangible asset. Intangible assets are stated at cost net of accumulated amortization and impairment losses.

Subsequent expenditure on software is capitalized only when it increases the future economic benefits embodied in specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization is recognized in statement of profit or loss on a straight-line basis over an estimated useful life of software from the date that it is available for users. The estimated useful life of the software is four years.

H. Capital work-in-progress

Assets in the course of construction (capital work-in-progress) are not depreciated. Upon completion of the project the accumulated cost is transferred to an appropriate asset category where it is depreciated according to the policy.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

I. Financial assets and liabilities

Measurement methods

Amortized cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e., its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures 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 incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the Bank recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

The Bank applies IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) The Bank's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

I. Financial assets and liabilities (continued)

Measurement methods (continued)

Amortized cost and effective interest rate (continued)

(a) Financial Assets(continued)

(i) Classification and subsequent measurement(continued)

Debt instruments

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other Comprehensive Income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss.

  When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

An example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

I. Financial assets and liabilities (continued)

(a) Financial Assets (continued)

Classification and subsequent measurement (continued)

Business model (continued)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank

considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income.

The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established. Gains and losses on equity investments at FVPL are included in the other losses line in the statement of comprehensive income.

(ii) Impairment

The Bank assesses on a forward-looking basis the expected credit losses associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of expected credit loss (ECL) reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Significant Increase in Credit Risk (SICR)

At each reporting date, the Bank performs both qualitative and quantitative assessments whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

I. Financial assets and liabilities (continued)

(a) Financial Assets (continued)

(ii) Impairment (continued)

The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

- The common assessments for SICR are largely determined by the macroeconomic outlook, management judgement, and delinquency and monitoring.
- Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include a significant departure from the primary source of repayment, changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and legislative changes impacting certain portfolios.

(iii) Modification of loans

As a long-term lender, it is not unusual for the Bank to renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

Financial assets, or a portion thereof, are de-recognized when the contractual rights to receive the cash flows from the assets have expired, or when the Bank assesses that the possibility for such cash flow is remote especially when a loan remains in non-performing category for long period without being turned around successfully.

In most cases the Bank continues to follow up for repayments and when cashflows can be ascertained with reasonable degree of certainty then recognition of the expected cashflow is included in the financial statements. In other cases, recognition is made when actual collection happens.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

I. Financial assets and liabilities (continued)

(b) Financial liabilities

i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except loan commitments.

ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

iii) Modification of loans

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

J. Derivative instruments

The Bank uses derivative instruments in its portfolios for asset/liability management, and risk management. These instruments are mainly cross-currency swaps and interest rate swaps. The derivatives are used to manage exposure to currency risk which arises when the Bank issues loans in the local currencies of member states out of predominantly USD denominated borrowings. The interest component of the derivatives is reported as part of interest income and expense.

The Bank classifies all derivatives as held-for-trading and these are measured at fair value, with all changes in fair value recognised in profit or loss.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Where material, such derivatives are separated from the host contract and measured at fair value with unrealised gains and losses reported in profit or loss.

K. Impairment of non-financial assets

The carrying amounts of the Bank's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such a condition exists, the assets' recoverable amount is estimated, and an impairment loss recognised in the statement of comprehensive income whenever the carrying amount of an asset exceeds the recoverable amount.

L. Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

M. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

M. Leases (Continued)

i. Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component. The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following: – fixed payments, including in-substance fixed payments; – variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; – amounts expected to be payable under a residual value guarantee; and – the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. Bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

N. Offsetting

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and the Bank intends to either settle on a net basis or realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted by the accounting standard or for gains and losses arising from a group of similar transactions. During the year there was no offsetting transaction (2022: Nil).

O. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Bank expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

i) Retirement obligations

The Bank operates a defined contribution retirement benefit scheme to which employees contribute 10% of their basic salary and the Bank contributes 10%, 12.5% or 15% of the employees' basic salary depending on his/her length of service. The Bank complies with Member States regulations with respect to social security contributions where applicable. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation. The Bank's contributions to the scheme are charged to the statement of profit or loss in the year in which they are made. Costs relating to early retirement are charged to the statement of profit or loss in the year in which they are incurred.

ii) Service gratuity

The Director General is entitled to contract gratuity equivalent to 20% of the annual gross salary. Gratuity is accounted for on an accruals basis. An accrual for the amount payable is made each year and is charged to the statement of profit or loss.

iii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

P. Investment properties

Properties held for long-term rental yields that are not occupied by the Bank are classified as investment properties.

Certain properties of the Bank consist of a portion that is held for rental and a portion used for administrative purposes or occupied by Bank staff. In respect to such properties, portions that are held for rental yields or capital appreciation and can be leased or sold separately have been accounted for as investment property.

The properties held purely for rental yields have been classified under investment property. The Investment properties are recognised at fair value. When the use of property changes from owner occupied to investment property, the property is re-measured at fair value and reclassified as investment property. Any gain arising on revaluation is recognized through other comprehensive income. Any loss arising on revaluation is recognized through the surplus or deficit.

Notes to the financial statements (continued)

2. Principal accounting policies (continued)

Q. Grants

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, (revenue grant) it is recognised as income over periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, (capital grant) it is recognised in the statement of comprehensive income on a systematic basis over the expected useful life of the relevant asset.

R. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash with Banks held as demand and time deposits with original maturities of less than 90 days.

S. Contingent liabilities – Financial guarantees and loan commitments

Letters of credit acceptances and guarantees are accounted for as Off-Balance Sheet items and described as contingent liabilities. Financial guarantee contracts require the issuer to make pre-agreed payments to reimburse the holder for loss incurred because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to Banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other Banking facilities.

Financial guarantees are initially measured at fair value and subsequently measured at the higher of:

- The amount of loss allowance; and
- The premium received on initial recognitions less income recognized in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance assuming the customer draws on the loan. However, the drawdown from the loans commitments is subject to fulfilments of conditions agreed in the loan contract and therefore the provision takes into account such conditions.

T. Taxation

In accordance with Article 49 of the Bank's Charter, the Bank, its property, other assets, income and its operations and transactions are exempt from all taxation and custom duties within member countries.

U. Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The classifications have had an impact on the respective comparative balances in the statement of comprehensive income, statement of financial position and the statement of cashflows respectively.

V. Share capital

Class A and Class B Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Class A shareholders do not have option to exit the Bank, but the Charter provide basis on which class B shareholders may exit/sale their shares. The sale of Class B shares is represented by the share repurchase.

Notes to the financial statements (continued)

3. Interest income

	2023 USD '000	2022 USD '000
Interest income on loans to projects	11,729	12,146
Interest income on lease receivables	21	31
Interest income on deposits with other Banks	13,873	7,230
	25,623	**19,407**

All interest income is calculated using the effective interest income method

4. Interest expense

	2023 USD '000	2022 USD '000
Interest expense on borrowings	4,874	3,925
Interest expense on lines of credit	1,431	183
	6,305	**4,108**

All interest expense is calculated using the effective interest income method

5. Fee and commission income

	2023 USD '000	2022 USD '000
Management Fees	126	197
Other fees and commission income	26	43
	152	**240**

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Management fees	Management fees comprises fees paid by customers to cater for monitoring costs incurred by the bank in relation to their accounts. These fees are paid as a percentage of the amount outstanding on the loan.	Management fees is recognised over time as the bank monitors the loan.
Other fees and commission income	Other Fees and Commission Income is comprised of income earned in the form of restructuring fees, early loan repayment penalties, and others	Other fees and Commission income is recognised when the contractual terms are triggered for example when a customer's loan is restructured or prepaid.

Notes to the financial statements (continued)

6. Other operating income

	2023 USD '000	2022 USD '000
Rental income	498	441
Dividend income	15	-
Recovery of previously written off loans	1,387	38
Grant income (Note 29)	-	16
Profit on Sale of Fixed Assets	1	-
Write back of other liabilities	149	181
	2,050	**676**

7. Other losses

	2023 USD '000	2022 USD '000
Net foreign exchange losses	(838)	(1,497)
Net fair value losses on equity investments at fair value (Notes 17 and 19)	-	(33)
Net fair value (gain)/loss on derivative instruments (Note 17)	(6)	155
	(844)	**(1,375)**

8. Employee benefits expense

	2023 USD '000	2022 USD '000
Salaries and wages	2,038	2,335
Pension and gratuity (Note 41)	310	324
Other staff costs	771	601
	3,119	**3,260**

9. Other operating expenses

	2023 USD '000	2022 USD '000
Staff duty travel	176	87
Directors' expenses	119	67
Insurance	263	264
Advertising and publicity	159	207
Legal fees	487	338
Computer software expenses	138	140
Internal audit costs	29	24
Statutory audit fees	64	51
Consultancy fees	299	138
Utilities	65	56
Communication costs	99	103
Establishments expenses	358	337
Subscription to professional bodies	18	45
Provision on equity investments	-	90
Other administrative expenses	136	115
	2,410	**2,062**

Notes to the financial statements (continued)

10. Profit before income tax

	2023	2022
	USD '000	USD '000
Profit before income tax	13,052	6,594
Profit before income tax is stated after charging the following expenses by their nature:		
Directors' emoluments:		
- Fees and allowances	38	54
- Other Board expenses	49	13
Depreciation on property and equipment (note 22)	605	651
Depreciation of right-of-use asset (note 24)	84	118
Amortization of intangible assets (note 23)	-	5
Impairment losses charged on financial assets (note 15b)	1,114	2,298
Employee benefits expense (Note 8)	3,119	3,260
Auditor's remuneration	64	51
Operating expenses (note 9)	2,410	2,062

11. Taxation

In accordance with Article 49 of the Bank's Charter, the Bank, its property, other assets, income and its operations and transactions are exempt from all taxation and custom duties within Member States.

12. Earnings per share – basic and diluted

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares for the number of shares not yet issued but for which payments have been received by the Bank.

	2023	2022
	USD	USD
Net profit attributable to ordinary shareholders	13,052,000	6,594,000
Weighted average number of ordinary shares in issue and paid up during the year	15,348	14,878
Basic earnings per share	**850**	**443**
Diluted Earnings per share		
Dilutive number of ordinary shares	5	5
Total issued and dilutive shares	15,353	14,883
Diluted earnings per share	**850**	**443**

Dilutive shares represent the number of shares generated from the balance of funds awaiting allotment (Note 32).

Notes to the financial statements (continued)

13. Cash at bank

	2023 USD '000	2022 USD '000
Cash at bank	60,473	22,041

14. Placements with commercial banks

	2023 USD '000	2022 USD '000
Placements with banks in member states		
Principal	64,136	164,826
Interest receivable	549	951
Placements with other banks		
Principal	176,053	68,900
Interest receivable	1,242	696
	241,980	**235,373**
The above amount is analyzed as follows:		
Amounts due within 3 months of date of acquisition	131,813	140,847
Amounts due after 3 months of date of acquisition	110,167	94,526
	241,980	**235,373**

The weighted average effective interest rate on deposits due from banks was 5.41% (2022: **3.52%).**

15. Loans and advances to customers

	2023 USD '000	2022 USD '000
Loans to projects (Gross)		
Principal	114,977	132,465
Interest receivable	1,955	2,714
Deferred fee income from disbursed loans	(508)	(463)
Gross loans	**116,424**	**134,716**

Gross loans and leases receivable comprise the following:

	2023 USD '000	2022 USD '000
Loans to projects	116,189	134,372
Finance lease receivables	235	344
Total gross loans and receivables	**116,424**	**134,716**
Impairment losses on loans and advances (Note 15a)	(1,918)	(8,553)
Net carrying amounts	**114,506**	**126,163**

Notes to the financial statements (continued)

15 Loans and advances to customers (continued)

a) The table below is an analysis of the movement in the provision for impairment of loans and advances.

	2023 USD '000	2022 USD '000
Loss allowance at end of year	1,918	8,553
Less: provisions at start of the year as above	(8,553)	(6,712)
Increase in provision for expected credit losses	**(6,635)**	**1,841**
Direct write-offs	7,663	414
Total charge for the year	**1,028**	**2,255**

Distribution of loans and receivables by sector

	2023	2022
Agro, marine and food processing	12%	10%
Construction companies, building materials and real estate	4%	8%
Financial Institutions	20%	24%
Education, health and other community services	7%	13%
Transport and storage	53%	38%
Electricity and water	3%	6%
Hotels, tourism, leisure and entertainment	1%	1%
	100%	**100%**

The prior year comparative balance for deferred income relating to loan arrangement fees on running loans has been reclassified from other liabilities to loans and advances to customers in order to align to the requirement to measure financial assets at amortised cost using the effective interest rate in line with IFRS 9.

b) Expected credit losses on financial assets

	2023 USD '000	2022 USD '000
Impairment losses charged to profit or loss		
Impairment on loans and advances to customers (Note 15 a)	1,028	2,255
Impairment on other financial assets (Note 20)	86	43
	1,114	**2,298**

Notes to the financial statements (continued)

16. Segment information

Management has determined the operating segments based on information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance. The Board of Directors considers the business from both a geographic and product perspective. Geographically, the Board considers the performance in Kenya, Uganda, Tanzania and Rwanda. The reportable operating segments derive their revenue primarily from lending to foster development through various products such as project loans, leases and equity. The Board assesses the performance of the operating segments based on a measure of gross loans and advances to customers, portfolio quality, approvals, disbursements and profit. The measure excludes the effects of unrealised gains or losses on financial instruments. Interest expenditure is allocated to segments based on agreed formular reflecting total funds deployed. The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2023 and 2022 respectively is as follows:

Year ended 31 December 2023

Loan exposure by country	**Gross Balances USD'000**	**%**	**Net Balances USD'000**	**%**
Country				
Uganda	33,037	28%	32,360	28%
Kenya	7,158	6%	7,011	6%
Tanzania	72,839	63%	71,751	63%
Rwanda	3,390	3%	3,384	3%
Total	**116,424**	**100%**	**114,506**	**100%**

Exposure by product				
Long term loans	106,132	91%	104,239	91%
Medium term loans	5,125	4%	5,104	4%
Short term loans	5,167	4%	5,163	5%
Total	**116,424**	**100%**	**114,506**	**100%**

Year ended 31 December 2022

Loan exposure by country	**Gross Balances USD'000**	**%**	**Net Balances USD'000**	**%**
Country				
Uganda	33,746	25%	32,962	26%
Kenya	26,497	20%	19,813	16%
Tanzania	68,915	51%	67,847	54%
Rwanda	5,558	4%	5,541	4%
Total	**134,716**	**100%**	**126,163**	**100%**

Exposure by product				
Long term loans	127,890	95%	121,800	97%
Medium term loans	6,715	5%	4,266	3%
Short term loans	110	-	97	0%
Total	**134,715**	**100%**	**126,163**	**100%**

Notes to the financial statements (continued)

16. Segment information (continued)

Year ended 31 December 2023

Country	Performing portfolio	%	Non performing portfolio	%	Totals
Portfolio quality (Gross)	**USD'000**		**USD'000**		**USD'000**
Uganda	32,011	27.5%	1,026	0.9%	**33,037**
Kenya	7,158	6.1%	-	-	**7,158**
Tanzania	72,839	62.6%	-	-	**72,839**
Rwanda	3,390	2.9%	-	-	**3,390**
Totals	**115,398**	**99.1%**	**1,026**	**0.9%**	**116,424**
Portfolio quality (Net)					
Country					
Uganda	31,518	27.5%	842	0.7%	**32,360**
Kenya	7,011	6.1%	-	-	**7,011**
Tanzania	71,751	62.7%	-	-	**71,751**
Rwanda	3,384	3.0%	-	-	**3,384**
Totals	**113,664**	**99.3%**	**842**	**0.7%**	**114,506**

Year ended 31 December 2022

Country	Performing portfolio	%	Non-performing portfolio	%	Total
Portfolio quality (Gross)	**USD'000**		**USD'000**		**USD'000**
Uganda	33,746	25.0%	-	-	**33,746**
Kenya	21,294	15.8%	5,203	3.9%	**26,497**
Tanzania	68,915	51.2%	-	-	**68,915**
Rwanda	5,558	4.1%	-	-	**5,558**
Totals	**129,513**	**96.1%**	**5,203**	**3.9%**	**134,716**
Portfolio quality (Net)					
Country					
Uganda	32,962	26.1%	-	-	**32,962**
Kenya	17,042	13.5%	2,771	2.2%	**19,813**
Tanzania	67,847	53.8%	-	-	**67,847**
Rwanda	5,541	4.4%	-	-	**5,541**
Totals	**123,392**	**97.8%**	**2,771**	**2.2%**	**126,163**

Approvals and disbursements

	Approvals		**Disbursements**	
	USD'000	**USD'000**	**USD'000**	**USD'000**
By country	**2023**	**2022**	**2023**	**2022**
Uganda	9,291	7,860	5,648	5,437
Kenya	7,556	-	-	558
Tanzania	20,000	-	20,000	-
Rwanda	3,178	557	795	-
	40,025	**8,417**	**26,443**	**5,995**
By product				
Loans	40,025	8,417	26,443	5,995
Leases	-	-	-	-
	40,025	**8,417**	**26,443**	**5,995**

Notes to the financial statements (continued)

16 Segment information (continued)

Segment statement of profit or loss for year ended December 2023

	Uganda	Kenya	Tanzania	Rwanda	Head Office	Total
	USD'000	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Interest income	2,810	1,732	6,906	291	13,884	**25,623**
Interest expense	(1,046)	(160)	(2,374)	(111)	(2,614)	**(6,305)**
Net interest income	**1,764**	**1,572**	**4,532**	**180**	**11,270**	**19,318**
Fee and commission income	71	33	27	21	-	**152**
Other operating income	3	1,487	3	26	531	**2,050**
Other gains /(losses)	(21)	(3,847)	109	32	2,883	**(844)**
Net fair value gain/(loss) investment property	(102)	-	(190)	-	-	**(292)**
Net operating income	**1,715**	**(755)**	**4,481**	**259**	**14,684**	**20,384**
Net impairment losses on financial assets	(38)	(1,067)	(20)	11	-	**(1,114)**
Operating income after impairment charges	**1,677**	**(1,822)**	**4,461**	**270**	**14,684**	**19,270**
Employee benefits expense	(312)	(312)	(312)	(156)	(2,027)	**(3,119)**
Depreciation and amortization	-	(46)	(19)	(52)	(572)	**(689)**
Other operating expenses	(498)	(420)	(498)	(249)	(745)	**(2,410)**
Profit before income tax	**867**	**(2,600)**	**3,632**	**(187)**	**11,340**	**13,052**
Income tax expense	-	-	-	-	-	**-**
Profit for the year	**867**	**(2,600)**	**3,632**	**(187)**	**11,340**	**13,052**
Other comprehensive income	551	61	122	-	490	**1,224**
Total comprehensive income	**1,418**	**(2,539)**	**3,754**	**(187)**	**11,830**	**14,276**

Notes to the financial statements (continued)

16 Segment information (continued)

Segment statement of profit or loss for year ended December 2022

	Uganda USD'000	Kenya USD'000	Tanzania USD'000	Rwanda USD'000	Head Office USD'000	Total USD'000
Interest income	3,083	2,518	6,047	528	7,231	**19,407**
Interest expense	(1,029)	(786)	(2,121)	(172)	-	**(4,108)**
Net interest income	**2,054**	**1,732**	**3,926**	**356**	**7,231**	**15,299**
Fee and commission income	89	45	61	44	1	**240**
Other operating income	410	35	33	-	198	**676**
Other gains /(losses)	(570)	(2,012)	(16)	42	1,181	**(1,375)**
Net fair value gain/(loss) investment property	90	-	58	-	-	**148**
Net operating income	**2,073**	**(200)**	**4,062**	**442**	**8,611**	**14,988**
Credit impairment gain/(loss)	(160)	(1,917)	(368)	(11)	158	**(2,298)**
Operating income after impairment charges	**1,913**	**(2,074)**	**3,694**	**431**	**8,769**	**12,733**
Employee benefits expense	(269)	(138)	(194)	(78)	(2,581)	**(3,260)**
Depreciation and amortization	-	(78)	(19)	(56)	(621)	**(774)**
Other operating expenses	(421)	(378)	(421)	(210)	(632)	**(2,062)**
Profit before income tax	**1,223**	**(2,711)**	**3,060**	**87**	**4,935**	**6,594**
Income tax expense	-	-	-	-	-	-
Profit for the year	**1,223**	**(2,711)**	**3,060**	**87**	**4,935**	**6,594**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	**1,223**	**(2,711)**	**3,060**	**87**	**4,935**	**6,594**

Notes to the financial statements (continued)

16 Segment information (continued)

Segment statement of financial position for year ended December 2023

	Uganda USD'000	Kenya USD'000	Tanzania USD'000	Rwanda USD'000	Head office USD'000	Total USD'000
Assets						
Cash at bank	18,644	3,550	192	1,290	36,797	**60,473**
Placements	34,857	29,828	-	-	177,295	**241,980**
Loans and lease receivables	32,359	7,011	71,752	3,384	-	**114,506**
Assets available for sale	-	3,370	-	-	-	**3,370**
Equity investments	-	96	553	-	-	**649**
Other assets	94	-	59	20	1,643	**1,816**
Investment Property	13,685	824	3,946	-	4,176	**22,631**
Property and equipment	2,387	-	1,149	-	5,110	**8,646**
Right of Use Asset	-	93	-	218	-	**311**
Total assets	**66,389**	**12,765**	**77,790**	**4,912**	**292,526**	**454,382**
Liabilities						
Other liabilities	13	-	114	-	4,300	**4,427**
Derivative financial instrument	-	-	-	6	-	**6**
Borrowings	-	-	-	-	112,837	**112,837**
Lease liabilities	-	89	-	217	-	**306**
Special funds	-	-	-	-	3,990	**3,990**
Grants	-	-	150	-	2,885	**3,035**
Capital fund	-	-	-	-	7,479	**7,479**
Total liabilities	**13**	**89**	**264**	**223**	**131,491**	**132,080**
Capital and reserves						
Share capital	51,300	51,300	51,300	38,178	17,632	**209,710**
Share premium	-	-	-	-	7,024	**7,024**
Funds waiting allotment	-	-	-	-	71	**71**
Special reserve	-	-	-	-	12,906	**12,906**
Revaluation reserves	-	-	-	-	10,456	**10,456**
Retained earnings	15,076	(38,624)	26,226	(33,489)	112,946	**82,135**
Total shareholders' equity	**66,376**	**12,676**	**77,526**	**4,689**	**161,035**	**322,302**
Total equity and liabilities	**66,389**	**12,765**	**77,790**	**4,912**	**292,526**	**454,382**

Notes to the financial statements (continued)

16 Segment information (continued)

Segment statement of financial position for year ended December 2022

	Uganda	Kenya	Tanzania	Rwanda	Head office	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Assets						
Cash at bank	16,530	3,076	(2)	47	2,390	**22,041**
Placements	-	-	-	8,727	226,646	**235,373**
Loans and advances to customers	32,285	17,794	67,846	5,541	2,697	**126,163**
Equity investments	159	320	203	-	36	**718**
Other assets	109	49	38	70	161	**427**
Investment properties	15,014	-	3,759	-	-	**18,773**
Property and equipment	9,020	1,328	1,145	110	239	**11,842**
Right of use Asset	-	74	-	124	-	**198**
Total assets	**73,117**	**22,641**	**72,989**	**14,619**	**232,169**	**415,535**
Liabilities						
Other liabilities	93	1,252	-	36	2,297	**3,678**
Derivative financial instrument	-	-	-	-	-	**-**
Borrowings	24,205	15,258	6,843	48	48,608	**94,962**
Lease liabilities	-	155	-	161	-	**316**
Special funds	-	-	-	-	3,990	**3,990**
Grants	-	-	150	-	1,731	**1,881**
Capital fund	-	-	-	-	7,479	**7,479**
Total liabilities	**24,298**	**16,665**	**6,993**	**245**	**64,105**	**112,306**
Capital and reserves						
Share capital	51,300	51,300	51,300	30,416	20,804	**205,120**
Share premium	-	-	-	-	6,530	**6,530**
Funds waiting allotment	-	-	-	-	69	**69**
Special reserve	-	-	-	-	12,785	**12,785**
Revaluation reserves	-	-	-	-	9,273	**9,273**
Retained earnings	(2,481)	(45,324)	14,696	(16,042)	118,603	**69,452**
Total shareholders' equity	**48,819**	**5,976**	**65,996**	**14,374**	**168,064**	**303,229**
Total equity and liabilities	**73,117**	**22,641**	**72,989**	**14,619**	**232,169**	**415,535**

Notes to the financial statements (continued)

17. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The table below analyses the notional principal amounts and the positive (assets) and negative (liabilities) fair values of the Bank's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date. The fair values of derivative financial assets and financial liabilities (currency swap) at 31 December 2023 were as follows:

	2023 USD'000	2022 USD'000
Notional principal amounts	**2,000**	-
Fair value Assets	**2,000**	-
Fair value Liabilities	**2,006**	-

The table below shows the movement in fair value of financial assets during the year and fair value included in the profit or loss.

	2023 USD '000	2022 USD '000
Derivative asset/(Liability) at the start of the year	-	(141)
Fair value loss during the year	-	(14)
Fair value gain/(loss) realized during the year	(6)	155
	(6)	-

18. Assets available for sale

During the year the Bank de-recognized two loans, having made full provision. The loans were secured by landed properties which are now available for sale. These include apartment blocks and land in different locations. Valuation of the assets available for sale was independently done by professional valuers. It has been estimated that the sale process will take approximately one year and therefore the estimated sale values have been discounted to the present values at the time of reporting. The Bank is reasonably certain that the sale will take place within the estimated period.

	2023 USD '000	2022 USD '000
Assets available for sale	3,370	-
	3,370	-

19. Equity investments at fair value through profit and loss

The Bank advances financing in the form of equity in exceptional cases where the project is assessed to have a significant impact on the community and its development as well as where the equity participation is necessary for improving the capital structure of the company or where the sponsors are unable to raise additional equity to enable the borrower operate on a commercially sound footing. Usually these are companies, which have substantial development impact but whose cash flows cannot support continuous repayments for long term loans. These investments are reported at their fair values in accordance with the Bank's accounting policies.

The movement in equity investments during the year was as follows:

	2023 USD '000	2022 USD '000
At start of year	718	848
Less:		
Provisions	-	(90)
Foreign exchange loss	(69)	(21)
Fair value loss	-	(19)
At end of year	**649**	**718**

Notes to the financial statements (continued)

20. Other assets

	2023 USD '000	2022 USD '000
Prepayments	92	129
Value Added Tax receivable	435	421
Fees and commission receivable	19	18
Tenants rent receivable	71	56
Front End Fees	830	203
Settlement Account	699	19
Other receivables	243	185
	2,389	**1,031**
IFRS 9 impairment provision	(573)	(604)
	1,816	**427**

Other receivables includes staff debtors, interbranch transfers, settlement account for money markets, and salary advances.

The movement in the IFRS 9 impairment provision for other assets is included below;

	2023 USD '000	2022 USD '000
At start of year	604	604
Provisions for the year	86	43
Net foreign exchange movement	(117)	(43)
At end of year	**573**	**604**

The foreign exchange movements result from the impact of revaluation as the provisions are maintained in the currencies of the respective receivables.

21. Investment property

	2023 USD '000	2022 USD '000
At start of year	18,773	18,625
Additions	142	-
Transfers from property and equipment (Note 22)	4,008	-
Net fair value (losses)/gains	(292)	148
At end of year	**22,631**	**18,773**

An independent valuation of the Bank's land and buildings was performed by professional valuers Knight Frank Limited for locations in Uganda and Kenya and Africa Property Limited for locations in Tanzania, to determine the fair value of the land and buildings as at 31 December 2023 based on estimated open market values. Properties that are held by the Bank for generation of rental income have been classified under investment property. Land and buildings to the extent occupied by the Bank for administrative use are classified under property, plant and equipment (Note 22). During the year, properties with fair value of USD 4.008 million were transferred from property and equipment in line with their usage. The table below shows revenue, costs and capital commitments related to investment property:

	2023 USD '000	2022 USD '000
Rental income from investment property	498	441
Direct operating expenses: Rented properties	19	20
Direct operating expenses: Unrented properties	13	11
Approved capital commitment	1,300	500

The Bank signs annual lease agreements with its tenants. All future undiscounted lease payments amounting to USD 487,864 are due within 1 year.

Notes to the financial statements (continued)

21. Investment property (continued)

The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs for the year ended 31 December 2023 other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is determined annually by the Management team after discussion with and approval by the Board of Directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Investment properties were measured based on Fair value of the properties as was determined using the market approach valuation method. The valuations have been performed by an independent expert based on a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, they applied these to the property, taking into account size, location, aspect and other material factors.

As at the dates of fair valuation on 31 December 2023, the properties' fair values are based on valuations performed by Knight Frank Uganda Limited and Africa Property Limited, registered independent valuers who have valuation experience for similar office properties in Uganda, Kenya and Tanzania. A net loss from the fair valuation of the investment properties of USD 292,566 in 2023 was recognised in profit or loss.

The fair value measurements for all of the investment properties have been categorized as Level 2 fair value measurements.

Market approach valuation method

The following are the two market approach valuation methods used in measuring the fair values of the investment properties as well as the significant inputs used;

(i) Comparative method

In undertaking the valuation of the property, the valuers made their assessment on the basis of a collation and analysis of appropriate comparable transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, they then applied these to the property, taking into account size, location, aspect and other material factors.

(i) Depreciation replacement cost

The valuation was undertaken using the Depreciated Replacement Cost (DRC) method. The DRC method is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The DRC method is used for certain types of properties which are rarely, if ever, sold in the open market, except by way of a sale of the business of which they are a part (called the business in occupation), due to their uniqueness arising from the specialised nature and design of the buildings, their configuration, size, location or otherwise.

Fair Value was used as a basis of value in the valuation in line with IFRS Accounting Standards and the RICS Valuation Practice Guidance Application (VPGA 1), which give guidance on valuations for inclusion in financial statements. Both RICS Professional Valuation Standards and International Valuation Standards (IVS) indicate that the definition of Fair Value in IFRS is consistent with Market Value.

Notes to the financial statements (continued)

21. Investment property (continued)

Market approach valuation method (continued)

Land and buildings are usually traded in the market as a single unit -the land supports the buildings, and the buildings cannot be used independently of the land. Therefore, the valuation process did not differentiate between the two elements. Nevertheless, the IFRS Accounting Standards treats land and buildings as 'separable' which leads to a requirement for separate valuations of the two elements hence the apportionment when ascertaining Fair Values for financial reporting. However, it should be noted that whilst the split was possible as a hypothetical exercise, it was emphasized that the resultant figures were informal apportionments and that the individual figures did not themselves represent the Fair Value of the elements involved, since the true valuation could only be the figure taken as a whole.

Fair value measurements

Fair value measurements as per valuation reports	**2023**	**2022**
	USD'000	**USD '000**
Land	16,779	13,923
Buildings	5,852	4,850
Total	**22,631**	**18,773**

The fair value movement for the above is included below

	2023	**2022**
	USD'000	**USD'000**
Land		
At start of year	13,923	13,839
Valuation gain/(loss)	(137)	84
Transfers from Property and equipment	2,993	-
At end of year	**16,779**	**13,923**
Buildings		
At start of year	4,850	4,785
Additions	142	-
Valuation gain/(loss)	(155)	65
Transfers from Property and equipment	1,015	-
At end of year	**5,852**	**4,850**

Notes to the financial statements (continued)

22. Property and equipment

Fixed asset Movement Schedule year 2023	Land and buildings	Capital work in progress	Office equipment	Motor Vehicles	Furniture & fittings	Total
Costs	**USD 000'**	**USD 000'**	**USD 000'**	**USD 000'**	**USD 000'**	**USD 000'**
At 1 January 2022						
Cost or valuation	13,078	-	2,015	686	800	**16,579**
Additions	-	58	-	-	-	**58**
Transfers from WIP	-	(4)	4	-	-	**-**
At 31 December 2022	**13,078**	**54**	**2,019**	**686**	**800**	**16,637**
At 1 January 2023	13,078	54	2,019	686	800	**16,637**
Correction of opening balance	(81)	-	6	1	72	**(2)**
Corrected Opening balance	**12,997**	**54**	**2,025**	**687**	**872**	**16,635**
Revaluation gain	1,224	-	-	-	-	**1,224**
Additions	26	103	60	-	4	**193**
Disposals	-	-	(28)	-	(11)	**(39)**
Reclassification of assets to Investment property	(4,008)	-	-	-	-	**(4,008)**
Reversal of accumulated depreciation on revaluation	(1,910)	-	-	-	-	**(1,910)**
At 31 December 2023	**8,329**	**157**	**2,057**	**687**	**865**	**12,095**
Accumulated Depreciation						
At 1 January 2022						
Accumulated depreciation	(958)	-	(1,700)	(686)	(800)	**(4,144)**
Depreciation charge	(476)	-	(151)	-	(24)	**(651)**
At 31 December 2022	**(1,434)**	**-**	**(1,851)**	**(686)**	**(824)**	**(4,795)**
At 1 January 2023	(1,434)	-	(1,851)	(686)	(824)	**(4,795)**
Correction of opening balance	-	-	11	(1)	(8)	**2**
Corrected Opening balance	**(1,434)**	**-**	**(1,840)**	**(687)**	**(832)**	**(4,793)**
Depreciation reserve-Disposal	-	-	28	-	11	**39**
Depreciation charge	(476)	-	(104)	-	(25)	**(605)**
Reversal of accumulated depreciation on revaluation	1,910	-	-	-	-	**1,910**
At 31 December 2023	**-**	**-**	**(1,916)**	**(687)**	**(846)**	**(3,449)**
Net book amount						
At 31 December 2022	**11,644**	**54**	**168**	**-**	**(24)**	**11,842**
At 31 December 2023	**8,329**	**157**	**141**	**-**	**19**	**8,646**

Notes to the financial statements (continued)

22. Property and Equipment (Continued)

The fair value measurement for all land and buildings have been categorized as Level 2 fair value measurements.
An independent valuation of the Bank's land and buildings was performed by professional valuers Knight Frank Limited for locations in Uganda and Kenya and Africa Property Limited for locations in Tanzania, to determine the fair value of the land and buildings as at 31 December 2023 based on estimated open market values. Land and buildings to the extent occupied by the Bank for administrative use are classified under property and equipment while the rest are classified under Investment Property (Note 21). The details of the fair valuation methods used are disclosed in note 21. During the year, properties with fair value of USD 4.008 million were transferred from property and equipment to investment property in line with their usage.

If the land and building were carried at cost, the carrying amount is summarised below.

	2023 USD'000	2022 USD'000
Cost	4,615	4,615
Accumulated depreciation	(2,157)	(1,938)
Carrying amount	**2,458**	**2,677**

23. Intangible assets

	2023 USD'000	2022 USD'000
Cost		
At start of year	1,965	1,965
Additions during the year	-	-
	1,965	**1,965**
Amortization		
At start of year	(1,965)	(1,960)
Amortization charge for the year	-	(5)
	(1,965)	**(1,965)**
At end of year	**-**	**-**

24. Right-of-use assets

In respect of the change in accounting policy to IFRS 16 – Leases, the carrying amount of prepaid operating lease rentals at 1 January 2019 were reclassified as right-of-use assets specifically in respect to the Bank's rented office premises in Kenya and Rwanda. The average lease term is 2 years and 3 years, respectively. During the year, the Bank made adjustments after re-calculating the amounts based on the new leases and interest rates.

	2023 USD'000	2022 USD'000
Cost at start of year	677	677
Additions	11	-
Lease remeasurement (change in payment terms)	87	-
Correction of prior year error	(370)	-
Adjusted cost at end of year	**405**	**677**
Accumulated depreciation		
At the start of year	(479)	(361)
Depreciation charge for the year	(84)	(118)
Correction of prior error	469	
Accumulated depreciation at end of year	**(94)**	**(479)**
Net carrying amount at end of year	**311**	**198**

Notes to the financial statements (continued)

25. Other liabilities

	2023 USD'000	2022 USD'000
Advances from customers	156	204
Rent received in advance	42	33
Accrued expenses	911	616
Deferred fee income	298	204
Deposits from tenants	114	115
KFW line of credit	1,661	148
KFW Managed Fund-Annual Interest	961	859
Other creditors	284	1,499
	4,427	**3,678**

The prior year comparative balance for deferred income relating to loan arrangement fees on running loans has been reclassified from other liabilities to loans and advances to customers in order to align to the requirement to measure financial assets at amortised cost using the effective interest rate in line with IFRS 9.

26. Borrowings

	2023 USD'000	2022 USD'000
Lines of credit with multi-lateral development banks	101,198	86,780
Lines of credit with other financial Institutions	11,639	8,182
	112,837	**94,962**
Maturity analysis of borrowings		
Amounts payable within one year	15,544	37,540
Amounts payable after one year but within five years	87,526	38,791
Amounts payable after five years	41,464	36,100
	144,534	**112,431**
Borrowings movement analysis		
At start of year	94,962	84,631
Proceeds from borrowings	37,371	20,357
Interest incurred during the year	6,305	4,023
Principal payments within the year	(16,745)	(9,508)
Interest payments within the year	(4,670)	(1,937)
Foreign exchange differences	(4,386)	(2,604)
At end of year	**112,837**	**94,962**

The weighted average effective interest rate on borrowings was 7.00% (2022: 5.21%). The Bank has not given any security for the borrowings and has not defaulted on any of them. More information regarding the currency, maturity and contractual repricing rates for the Bank's borrowings are shown in Note 39. In the table below is a list of all lenders as well as the tenor, interest rates, currency and outstanding balances of the facilities the Bank held with each lender as at 31 December 2023 and 31 December 2022.

The KFW lines of credit relate to an agricultural financing programme and a financing program to improve access to sustainable and demand-driven financial services for the population and Micro, Small and Medium Enterprises (MSMEs) in rural areas under the German Financial Cooperation in Kenya and Uganda meant for on-lending to selected Partnering Financial Institutions (PFIs) in local currency short term, medium and long-term facilities.

Notes to the financial statements (continued)

26. Borrowings (continued)

Lender	Tenor	Rate Type	Interest Rate %	CCY	2023 USD'000	2022 USD'000
Nordic Development Fund	30	Fixed	0.75	EUR	3,328	3,498
European Investment Bank	7	Fixed	9.16	KES	-	-
Republic of Uganda-KFW	10	Fixed	6	UGX	5,230	5,295
Republic of Uganda-KFW	7	Fixed	6	UGX	-	1,511
European Investment Bank	6	Fixed	9.31	UGX	-	-
European Investment Bank	7	Fixed	9.41	KES	-	-
European Investment Bank	7	Fixed	9.39	KES	-	-
European Investment Bank	7	Fixed	8.26	RWF	-	-
Republic of Uganda-KFW	7	Fixed	6	UGX	1,159	1,497
Republic of Uganda-KFW	4	Fixed	6	UGX	-	440
European Investment Bank	7	Fixed	9.84	KES	-	184
Republic of Uganda-KFW	7	Fixed	6	UGX	1,053	4,916
Republic of Uganda-KFW	8	Fixed	6	UGX	-	1,637
Republic of Uganda-KFW	8	Fixed	6	UGX	12,902	1,098
Republic of Uganda-KFW	3	Fixed	6	UGX	1,617	1,174
Republic of Uganda-KFW	3	Fixed	6	UGX	1,084	1,169
European Investment Bank	7		2.46	USD	-	-
Opec Fund for International Development	7		3.27	USD	-	-
European Investment Bank	6		2.43	USD	-	-
African Development Bank	10	Libor_6m	3.77	USD	-	11,250
Arab Bank for Economic Development	10	SOFR_6M	3.99	USD	3,425	5,139
KFW-Agricultural Financing Kenya	13	Fixed	5	KES	757	960
KFW-Agricultural Financing Kenya	13	Fixed	5	KES	2,200	2,790
KFW-Agricultural Financing Kenya	12	Fixed	5	KES	1,519	1,927
Republic of Uganda-KFW	6	Fixed	7	UGX	1,155	938
Republic of Uganda-KFW	6	Fixed	7	UGX	926	268
Republic of Uganda-KFW	6	Fixed	6	UGX	409	1,066
Opec Fund for International Development	7	SWAP5YRS	3.16	USD	18,182	20,000
KFW-Agricultural Financing Kenya	11	Fixed	5	KES	1,224	1,553
NCBA BANK	3	Fixed	16.5*	KES	5,048	8,105
NCBA BANK	5	Fixed	16.5*	KES	6,390	
Arab Bank for Economic Development	8	Fixed	4.75	USD	20,000	10,000
Development Bank of Southern Africa	6	Fixed	8.73	USD	5,000	-
Development Bank of Southern Africa	6	Fixed	8.02	USD	15,000	-
Total Borrowings					**107,608**	**86,415**
Interest payable					5,229	8,547
					112,837	**94,962**

* Borrowing from NCBA was initially priced at NCBA's KES base rate plus a margin but later agreed to fix at 16.5%.

Notes to the financial statements (continued)

27. Lease liabilities

	2023 USD'000	2022 USD'000
Current	102	16
Non-current	204	300
	306	**316**

	2023	2022
Below is an analysis of the movements in lease liabilities:		
At start of year	316	388
Additions	11	-
Payments of principal portion of lease liability	(79)	(84)
Payments of interest portion of lease liability	(37)	(26)
Interest charge for the year (recognized in profit or loss)	33	38
Lease remeasurement	87	-
Net foreign exchange difference	(25)	-
At end of year	**306**	**316**

During the year the Bank recalculated is lease liability and updated its discount rate based and new leasing terms. The incremental borrowing rate applied was 16.5% and 8.37% for leases denominated in Kenya Shillings and United States Dollars respectively.

At 31 December 2023, the future minimum lease payments under non-cancellable operating leases were payable as follows:

	2023 USD'000	2022 USD'000
Below 6 months	78	69
6 - 12 months	63	69
1 - 5 Years	362	233
Over 5 Years	-	-
	503	**371**

Amounts recognised in the profit or loss

	2023 USD'000	2022 USD'000
Interest on lease liabilities	33	38
Depreciation on right of use asset	84	118

Amounts recognised in the statement of cashflows

	2023 USD'000	2022 USD'000
Payment of principal portion of the lease liability	79	84
Interest paid on lease liabilities	37	26
	116	**110**

Notes to the financial statements (continued)

28. Special funds

	2023	2022
	USD'000	USD'000
At start and end of year	3,990	3,990

This relates to the Norwegian/ EADB fund which was created out of a 1986/7 grant of NOK 30 million by the Norwegian Government to the Government of Uganda to provide loans for the rehabilitation of Ugandan industries. Under the grant agreement, the Bank was allowed to use a portion of interest paid on those loans to cover administrative expenses. Any balance of interest on loans and other interest earned on funds made available under the agreement was to accrue to a special fund to be managed by the Bank. The special fund was to be used for certain expenditure including; a) payments to consultants and experts, b) strengthening the Bank's administrative capacity, c) technical assistance, d) loans on concessionary terms, e) or any other purpose agreed by the government of Norway and the Bank. The agreement is silent on the use of principal repayments. Consultations are underway with the Norwegian Government to determine the utilisation/ disposition of the remaining balance. The principal repayments that were repaid from the loans disbursed under the fund created a liability since EADB is eventually expected to repay the amount unless agreed otherwise.

29. Grants

	SWISS/ EADB fund for technical assistance	Housing Finance Bank feasibility study grant	Share repurchase grant	Total
	USD'000	USD'000	USD'000	USD'000
Year ended 31 December 2023				
At start of year	-	150	1,731	**1,881**
Additions	-	-	1,154	**1,154**
At end of year	**-**	**150**	**2,885**	**3,035**
Year ended 31 December 2022				
At start of year	16	150	1,731	**1,897**
Grant utilisation	(16)	-	-	**(16)**
At end of year	**-**	**150**	**1,731**	**1,881**

Share repurchase grant

The share re-purchase grant was created during the year ended 31 December 2021 out of the discount offered by FMO and DEG from the real value of shares at the time of their exit. The difference between the market value and agreed settlement value is used to create grants which will be used to either support new Class A shareholder or create an SME fund as may be approved by the Governing Council. As per provisions of the share sale/purchase agreement an additional grant of USD 1.15 million was received during the year by waiver of last instalment after the Bank fulfilled all conditions set in the share sale/purchase agreement.

SWISS/ EADB Fund

The SWISS fund for technical assistance was established following a grant from the Swiss Government. The funds were to be utilized for EADB's institution building support, staff training, corporate strategy and restructuring study. The Bank began utilizing this grant for capacity building through offering scholarships and training for selected East African lawyers through the extractive industries seminars and medical training. The grant was fully utilized in 2022 so there was no transaction during the year ended 31 December 2023 (2022: USD 16,000).

Notes to the financial statements (continued)

29. Grants (continued)

Housing Finance Feasibility study grant

The grant represents funds received from the Government of Tanzania to fund the Housing Finance Bank feasibility study.

30. Share capital

	Paid up share capital Number	Callable share capital Number	Total Number	Paid up share capital USD'000	Callable share capital USD'000	Total USD'000
(1) Authorised share capital						
Class A						
At 1 January 2022	24,000	120,000	144,000	324,000	1,620,000	**1,944,000**
At 31 December 2022	24,000	120,000	144,000	324,000	1,620,000	**1,944,000**
At 31 December 2023	**24,000**	**120,000**	**144,000**	**324,000**	**1,620,000**	**1,944,000**
Class B						
At 1 January 2022	4,000	12,000	16,000	54,000	162,000	**216,000**
At 31 December 2022	4,000	12,000	16,000	54,000	162,000	**216,000**
At 31 December 2023	**4,000**	**12,000**	**16,000**	**54,000**	**162,000**	**216,000**
Totals Authorised (Class A&B) As at December 2022 &2023	**28,000**	**132,000**	**160,000**	**378,000**	**1,782,000**	**2,160,000**
(2) Issued share capital						
Class A						
At 1 January 2022	12,737	63,685	76,422	171,950	859,749	**1,031,699**
Issue of shares	916	4,580	5,496	12,366	61,830	**74,196**
At 31 December 2022	**13,653**	**68,265**	**81,918**	**184,316**	**921,579**	**1,105,895**
Issue of shares	575	2,875	3,450	7,763	38,813	**46,576**
At 31 December 2023	**14,228**	**71,140**	**85,368**	**192,079**	**960,392**	**1,152,471**
Class B						
At 1 January 2022	1,701	1,037	2,738	22,964	14,000	**36,964**
Issue of shares	-	-	-	-	-	**-**
Share repurchase at par	(160)	-	(160)	(2,160)	-	**(2,160)**
At 31 December 2022	**1,541**	**1,037**	**2,578**	**20,804**	**14,000**	**34,804**
Issue of shares	-	-	-	-	-	**-**
Share repurchase at par	(235)	-	(235)	(3,173)	-	**(3,173)**
At 31 December 2023	**1,306**	**1,037**	**2,343**	**17,631**	**14,000**	**31,631**
Total (CL A&B) 2023	**15,534**	**72,177**	**87,711**	**209,710**	**974,392**	**1,184,102**
Total (CL A&B) 2022	**15,194**	**69,302**	**84,496**	**205,120**	**935,579**	**1,140,699**

Notes to the financial statements (continued)

30. Share capital (Continued)

(3) Paid up capital	Class A Number	Class B Number	Total Number	Class A USD'000	Class B USD'000	Total USD'000
At 1 January 2022	12,737	1,701	14,438	171,950	22,964	**194,914**
Issue of shares	916	-	916	12,366	-	**12,366**
Share repurchase	-	(160)	(160)	-	(2,160)	**(2,160)**
At 31 December 2022	**13,653**	**1,541**	**15,194**	**184,316**	**20,804**	**205,120**
Issue of shares	575	-	575	7,763	-	**7,763**
Share repurchase	-	(235)	(235)	-	(3,173)	**(3,173)**
At 31 December 2023	**14,228**	**1,306**	**15,534**	**192,079**	**17,631**	**209,710**

Name		2023			2022	
	Shares	Value	%	Shares	Value	%
Class A		**USD'000**			**USD'000**	
Government of Kenya	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of United Republic of Tanzania	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of Uganda	3,800	51,300	24.46%	3,800	51,300	25.01%
Government of Rwanda	2,828	38,178	18.21%	2,253	30,416	14.83%
Total Class A	**14,228**	**192,078**	**91.59%**	**13,653**	**184,316**	**89.86%**
Class B						
African Development Bank	1,240	16,740	7.98%	1,240	16,740	8.17%
FMO – Netherlands Development Finance Company	-	-	-	186	2,511	1.22%
DEG – Deutsche Investitions- und Entwicklungsgesellschaft	-	-	-	49	662	0.33%
Yugoslavia Consortium	28	378	0.18%	28	378	0.18%
SBIC - Africa Holdings	24	324	0.16%	24	324	0.16%
NCBA Bank Kenya Ltd	5	67.5	0.032%	5	67.5	0.03%
Nordea Bank Sweden	5	67.5	0.032%	5	67.5	0.03%
Standard Chartered Bank London	2	27	0.013%	2	27	0.01%
Barclays Bank Plc., London	2	27	0.013%	2	27	0.01%
Total Class B	**1,306**	**17,631**	**8.41%**	**1,541**	**20,804**	**10.14%**
Total Class A & B	**15,534**	**209,709**	**100%**	**15,194**	**205,120**	**100%**

Authorised share capital

In 2015 the authorised capital stock was increased from USD 1,080,000,000 to USD 2,160,000,000 consisting of 80,000 additional shares being 100% increase in capital stock of the Bank with a par value of USD 13,500 each. This was to enable admission of new members into the Bank. In addition, a resolution was passed in 2013 approving African Development Bank (AfDB), a class B shareholder, to subscribe for a further 740 class B paid up shares and 1,037 class B callable shares at USD 13,500 each.

Notes to the financial statements (continued)

30. Share capital (Continued)

Class A

The authorised number of Class A ordinary shares is 144,000, (2022: 144,000) at a par value of USD 13,500 each. Class A ordinary shares are available for subscription to only member states and in equal proportion.

Class B

The authorised number of Class B ordinary shares is 16,000 (2022: 16,000) at a par value of USD 13,500 each. Class B ordinary shares are available for subscription to members other than member states. All issued Class B shares are fully paid up.

Share premium

Share premium arose on the shares issued to the Republic of Rwanda on admission at a value of USD 17,913 per share above par value of USD 13,500 per share translating into a premium of USD 4,413 per share. Additional shares issued and paid for by the Republic of Rwanda on the admission program in 2023 was 112 shares translating to a premium of USD 0.494 million compared to 602 additional shares in 2022 translating to a premium of USD 2.656 million. The cumulative number of shares issued and paid for by the Republic of Rwanda on the admission program is 1,592 which is equivalent to a premium of USD 7.02 million (2022: 1,480 shares equivalent to a premium of USD 6.53 million).

Callable capital

The capital stock of paid-in and callable Class A shares shall be available for subscription by member states in such proportion that, for every six shares subscribed, one share shall be fully paid-in with the remaining being callable. The Bank's Charter provides that the Bank may make calls on its callable share capital in the event that it is unable to repay borrowings and any other eligible payments due out of pre-existing resources. In March 2012, the Bank's Charter was amended to allow class B shareholders to subscribe to callable capital of the Bank. In 2013, the Governing Council passed a special waiver on article 4(2)b of the Bank's Charter which sets out that for every four shares subscribed every one share is fully paid in. Following the waiver, 1,037 class B callable shares were allotted to African Development Bank.

Dividends

In accordance with the Bank's Charter, Class B shareholders have priority in respect of distributions to members over Class A shareholders. Dividends are payable to shareholders based on the number of shares held by each member. The Bank has, however, not declared dividend (2022: NIL).

Share repurchase

Class A shareholders do not have option to exit the Bank but the Charter provide basis on which class B shareholders may exit/sale their shares. During the year the Bank continued buying shares from two class B shareholders (FMO & DEG) where 235 shares were bought (2022: 160 shares) at cost of USD 3,461,282 (2022: USD 2,307,518) including the final instalment offered as grant. This sale of FMO and DEG shares reduced the Class B paid up share capital to USD 17,631,000 from USD 20,803,500 in 2022.

	2023	**2022**
Number of shares	235	160
Value of shares	**USD'000**	**USD'000**
Amount paid for shares	3,462	2,308
Par value of shares paid for (at 13,500 per share)	3,173	2,160
Premium on par value	**289**	**148**

Notes to the financial statements (continued)

31. Capital fund

	2023	2022
	USD '000	USD '000
At start and end of year	**7,479**	**7,479**

This represents the balance of funds received from the Norwegian Government, in 1982 and 1987 for the Norwegian/ EADB fund on a grant basis. The Bank awaits feedback from the Norwegian Government on the disposition of the outstanding amount and therefore remains a liability to fund loans until a decision is made otherwise.

32. Funds awaiting allotment

	2023	2022
	USD'000	USD'000
At start of year	69	80
Cash received towards share capital	8,259	15,011
Share allotment within the year	(8,257)	(15,022)
At end of year	**71**	**69**

33. Special reserve

	2023	2022
	USD'000	USD'000
At start of year	12,785	12,683
Transfer of appraisal fees	121	102
At end of year	**12,906**	**12,785**

The transfer to the special reserve is made in accordance with Article 17 of the Bank's Charter, the reserve being credited with commissions earned during the year. The special reserve is non distributable and serves the purpose of enabling the Bank meet its liabilities on borrowings or guarantees chargeable.

34. Fair value reserve

The reserve represents an appropriation of unrealised fair value differences which are shown separately from retained earnings until realised. The movement in fair value reserve is shown below:

	2023	2022
	USD '000	USD '000
At start of year	-	263
Transfer in retained earnings	-	(263)
At end of year	-	-

35. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2023	2022
	USD '000	USD '000
Cash and bank balances (Note 13)	60,473	22,041
Balances due from banks originally maturing within 90 days	131,814	140,847
	192,287	**162,888**

Notes to the financial statements (continued)

36. Revaluation reserve

The revaluation surplus arose from the revaluation of land and buildings performed and is non distributable.

	2023 USD '000	2022 USD '000
At start of year	9,273	9,314
Revaluation gain during the year	1,224	-
Transfer of excess depreciation to retained earnings	(41)	(41)
At end of year	**10,456**	**9,273**

The transfer of excess depreciation relates to the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the original cost.

37. Retained earnings

Retained earnings comprises of brought forward accumulated earnings plus year end profits.

	2023 USD '000	2022 USD '000
At start of year	69,452	62,804
Profit for the year	13,052	6,594
Transfers	(369)	54
At end of year	**82,135**	**69,452**

38. Use of estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and 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.

This note provides an overview of the areas that involve a higher degree of judgement and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about the future economic conditions and credit behaviour of the customers which are used to derive the inputs of expected credit loss (ECL), namely probability of default, exposure at default (ED) and loss given default (LGD).

A number of judgements and assumptions are required in applying the accounting requirements for measuring ECL such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for measuring the ECL; and
- Determining the economic scenarios to be used.
- Assessing the appropriateness of management overlays where applicable

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Notes to the financial statements (continued)

38. Use of estimates and judgments (continued)

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

39. Financial risk management

(a) Introduction and overview

The Bank continues to be exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing such risks and the Bank's management of its capital.

Risk management framework

The Bank recognizes that development financing is a combination of servicing clients and managing resultant risks. The Bank assumes various kinds of risks in the process of providing financial products and services in the Member States.

The Bank's enterprise risk management (ERM) defines the bank-wide risk objectives, philosophy, approach, appetite/tolerance and control environment framework and includes both the broader risk areas and emerging risks. The Bank has a Board approved ERM policy which defines its risk management framework and it requires that all Bank employees assume a culture of recognizing an in-depth understanding of various risks that have bearing on the operations of the Bank and specific risks associated with each line of business.

The Objectives of the Bank's ERM policy are:

i) To establish management structure that adequately identifies, measures, monitors and controls inherent and emerging risks in the Bank's various products, operations and lines of business.
ii) To recognize the importance of sound risk management and the need for prudent risk taking.
iii) To communicate Board's risk appetite.
iv) To establish minimum risk management guidelines for the entire spectrum of risk taking in the Bank.
v) To establish scope of responsibilities

Risk Management at EADB starts from the top and is fully integrated into existing management process with structures established to ensure that each business area, management and staff have a clear understanding of risks inherent in their business area and that adequate systems and controls are in place to manage the risks.

The Board of directors have the overall responsibility of risk management and it delegated operational implementation to Management, but it sets the risk appetite statement, supporting policies and monitors their implementation. The Board retains responsibility for financial results of the Bank and for ensuring that required corporate governance structures, culture, practices and systems of internal control are in place and serving the purpose.

Management team is charged with day to day oversight of the risk management process, implementation and integrity of the risk management system. This is achieved through various committees including the Assets and Liabilities Management Committee (ALCO) and the Project Committee (PROCO).

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(a) Introduction and overview (continued)

Operational oversight, monitoring and policy control functions are delegated to the Risk and Compliance department.

The risk-taking departments are supposed to understand the inherent risks in their areas and manage them at that point while the internal audit department provides independent review of the Bank's risk management framework.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers, other Banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure such as individual obligor default risk and sector risk.

In the normal course of its business, the Bank is exposed to credit risk from loans and advances to customers and short term investments counterparties. The counterparties' credit risk exposure is managed through constant monitoring of the status of financial institutions where deposits are maintained. As a policy, the Bank places its deposits with strong commercial banks and internationally rated financial institutions. Credit risk is also minimized by the Bank's policy of diversification.

The Bank has investment policies and guidelines for the type of financial products and services and to manage exposure to individual projects and industries.

Management of credit risk

Management's Projects Committee is responsible for oversight of the Bank's credit risk, including, formulating credit policies, covering collateral requirements and credit assessments, risk grading and reporting.

It is also responsible for documentary, legal procedures and compliance with regulatory and statutory requirements undertaken in consultation with the Bank's legal Department, establishing the authorization structure for the approval and renewal of credit facilities with concurrence of the Board of Directors; reviewing and assessing credit risk. The Bank assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process, limiting concentrations of exposure to counterparties, products and industries (for loans and advances). New loan project requests are subject to Bank's risk grading in order to ensure that only viable projects are approved.

The Bank has a Portfolio team which is responsible for monitoring the credit quality of loans and ensuring appropriate corrective action is timely taken. The credit administration also provides advice, guidance and specialist skills to Operations Department to promote best practice in the management of credit risk. The Portfolio team prepares regular reports for Management and the Board's consideration on the performance of the loan portfolio.

The Operations Department is required to implement the Bank's credit policies and procedures and ensure that credit approval authorities are observed. The Operations Department is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Board approval. The Regular audits of the Operations Department and the Bank's credit processes are undertaken by Internal Audit.

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is the same approach used for the purposes of measuring Expected Credit Loss.

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

Credit risk grading

The Bank uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as sector and business risk, management/directors quality, financial resources, and level of collateral is fed into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers.

Expected credit loss measurement.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The bank considers financial assets to be credit impaired when the borrower is unlikely to pay its credit obligations to the Bank in full without recourse to recovery actions such as realising security or when the borrower has a risk classification of F or G.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- IFRS 9 framework requires that forward looking information be considered in measuring ECL.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The 3 stages are as detailed below:

Stage 1: includes financial instruments that have not experienced a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2: includes financial instruments that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance). Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount.

Change in credit quality since initial recognition

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets)

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

Recognition of expected credit losses

Staging	Characteristics	ECL determination	Revenue recognition
Stage 1	Not experienced significant increase in credit risk since initial recognition. Performing at initial recognition*	12 Months Expected Credit Losses	Interest revenue based on gross exposure
Stage 2	Underperforming Assets with significant increase in credit risk since initial recognition*	Lifetime expected credit losses	Interest revenue based on net carrying amount (net of impairment)
Stage 3	Have objective evidence of impairment at reporting date. Non-performing Credit impaired assets	Lifetime expected credit losses	Interest revenue based on net carrying amount (net of impairment)
**Except for purchased or originated credit impaired assets*			

The Bank has considered the following in determining the staging of facilities:

1. Qualitative factors
   - The client's risk rating
   - Internal and external market factors
2. Quantitative factors
   - The facilities arrears status
   - Number of restructures, if any
   - Reasons for restructure.
   - Change in client credit rating over the past 12 months.
3. The indicators of Significant Increase in Credit Risk (SICR) are:
   - If the facility has internally assigned credit rating of grade D or worse.
   - If the facility has been restructured due to cash flow difficulties.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Bank use a transition matrix approach in estimating the probabilities of default. According to this approach, the monthly migration matrix is multiplied out over a period of twelve months to get the 12M PD. Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking information incorporated in the ECL models

To incorporate forward looking information into the ECL calculations, macroeconomic overlays were applied to the probability of default. Overlays were estimated and applied for three different scenarios, base case scenario, downside scenario and optimistic scenario.

These macroeconomic overlays and the probability of each economic scenario occurring were set using management judgement.

The main factors considered while assessing the possible impact of the economic scenario are:
- expected trend of the gross domestic product (GDP),
- expected trend of the consumer price index; and
- growth of credit to private sector.

Analysis is then made to determine how such changes are likely going to affect the probabilities of default as well as loss given default.

Maximum exposure to credit risk — Financial instruments subject to impairment

The following tables contain analyses of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

Loans and advances to customers

	Kenya USD'000	Uganda USD'000	Tanzania USD'000	Rwanda USD'000	Total USD'000
At 31 December 2023					
Stage 1	7,184	32,220	73,112	3,390	**115,906**
Stage 2	-	-	-	-	-
Stage 3	-	1,026	-	-	**1,026**
Gross amount*	**7,184**	**33,246**	**73,112**	**3,390**	**116,932**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

	Kenya USD'000	Uganda USD'000	Tanzania USD'000	Rwanda USD'000	Total USD'000
At 31 December 2022					
Stage 1	12,269	24,293	69,125	5,558	**111,245**
Stage 2	9,059	9,672	-	-	**18,731**
Stage 3	5,203	-	-	-	**5,203**
Gross amount*	**26,531**	**33,965**	**69,125**	**5,558**	**135,179**

*Total loans have been disclosed exclusive of deferred loan processing fee income which was USD ('000s) 508 as at 31 December 2023 (2022: USD '000s 463).

Maximum exposure to credit risk — Financial instruments whose impairment was determined to be immaterial

In relation to other financial assets such as balances with other banks and other receivables, the Bank considers the following factors while assessing significant increase in credit risk: payment delays and past due information; and indicators of counterparty financial distress such as cash flow or liquidity issues. The key inputs in determining ECL are PD, LGD and EAD. Management performed an assessment of ECL as at 31 December 2023 and noted that the impact is not material to the financial statements.

The table below shows the other financial assets for which the impairment was determined to be immaterial.

On balance sheet financial assets	2023 USD'000	2022 USD'000
Cash at bank	60,473	22,041
Placements with commercial banks	241,980	235,373
Other assets receivable excluding non-financial assets	876	298
Total	**303,329**	**257,712**

Credit exposures relating to off-balance sheet items statement of financial position	2023 USD'000	2022 USD'000
Loan commitments	**4,945**	**361**

The ECL on the Loan commitments is included within the ECL on Loans and advances to customers.

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period.

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

The following tables explain the changes in the gross amount and the loss allowance between the beginning and the end of the annual period due to these factors:

Year ended 31 December 2023	Stage 1 12-Month ECL USD'000	Stage 2 Lifetime ECL USD'000	Stage 3 Lifetime ECL USD'000	Total USD'000
Loans and advances to customers				
Gross carrying amount as at 1 January 2023	**111,245**	**18,731**	**5,203**	**135,179**
Transfers				
Transfer from Stage 1	(135)	-	135	-
Transfer from Stage 2	8,643	(9,672)	1,029	-
Financial assets derecognised during the period other than write offs	(40,057)	-	(115)	**(40,172)**
Financial assets written off	-	(9,059)	(5,338)	**(14,397)**
New financial assets originated	26,443	-	-	**26,443**
Changes in interest accruals	9,767	-	112	**9,879**
Gross carrying amount as at 31 Dec 2023*	**115,906**	**-**	**1,026**	**116,932**

	12-Month ECL USD'000	Lifetime ECL USD'000	Lifetime ECL USD'000	Total USD'000
Provision for impairment				
As at 1 January 2023	**1,803**	**4,318**	**2,432**	**8,553**
New Financial Assets Originated	53	-	-	**53**
Transfers	114	(267)	153	-
Financial Assets written off	-	(4,118)	(2,449)	**(6,567)**
Movements for the period	(236)	67	48	**(121)**
As at 31 December 2023	**1,734**	**-**	**184**	**1,918**
Net carrying amount as at 31 December 2023	**114,172**	**-**	**842**	**115,014**

Year ended 31 December 2022	Stage 1 12-Month ECL USD'000	Stage 2 Lifetime ECL USD'000	Stage 3 Lifetime ECL USD'000	Total USD'000
Loans and receivables				
Gross carrying amount as at 1 January 2022	**147,649**	**13,481**	**5,399**	**166,529**
Transfers				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 2 to stage 1	-	-	-	-
Financial assets derecognised during the period other than write offs	(44,429)	(2,364)	(154)	**(46,947)**
Financial assets written off	-	-	(415)	**(415)**
New financial assets originated	5,995	-	-	**5,995**
Changes in interest accruals	2,030	7,614	373	**10,017**
Gross carrying amount as at 31 Dec 2022*	**111,245**	**18,731**	**5,203**	**135,179**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

Provision for impairment				
As at 1 January 2022	1,791	2,781	2,140	**6,712**
New Financial Assets Originated	108	-	-	**108**
Transfers	-	-	-	**-**
Financial Assets written off	-	-	(74)	**(74)**
Movements for the period	(96)	1,537	366	**1,807**
As at 31 December 2022	**1,803**	**4,318**	**2,432**	**8,553**
Net carrying amount as at 31 December 2022	**109,442**	**14,413**	**2,771**	**126,626**

*Gross carrying amount of loans has been disclosed exclusive of deferred loan processing fee income which was USD ('000s) 508 as at 31 December 2023 (2022: USD '000s 463).

Geographical concentration of financial assets

	Uganda	**Tanzania**	**Kenya**	**Rwanda**	**Overseas**	**Total**
Year ended December 2023	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Financial assets						
Bank balances	18,644	192	3,550	1,290	36,797	**60,473**
Placements with banks	34,857	-	29,828	-	177,295	**241,980**
Loans and advances	32,359	71,752	7,011	3,384	-	**114,506**
Assets available for sale	-	-	3,370	-	-	**3,370**
Equity investments	-	553	96	-	-	**649**
Other assets excluding non-financial assets	519	118	219	20	-	**876**
	86,379	**72,615**	**44,074**	**4,694**	**214,092**	**421,854**

	Uganda	**Tanzania**	**Kenya**	**Rwanda**	**Overseas**	**Total**
Year ended December 2022	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**	**USD'000**
Financial assets						
Bank balances	16,535	151	3,076	47	2,232	**22,041**
Placements with banks	48,805	16,571	100,400	-	69,597	**235,373**
Loans and advances	32,962	67,847	19,813	5,541	-	**126,163**
Other assets excluding non-financial assets	123	60	100	15	-	**298**
	98,425	**84,629**	**123,389**	**5,603**	**71,829**	**383,875**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

2023	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Loans and advances to Customers at amortised cost					
Grade 1-6: Strong	0-0.59	83,708	-	-	83,708
Grade 7-9: Satisfactory	0.06-11.34	32,198	-	-	32,198
Grade 10: Higher risk	11.35-99.9	-	-	-	-
Grade 11-12: Credit impaired	100	-	-	1,026	1,026
Gross carrying amount		**115,906**	**-**	**1,026**	**116,932**
Loss allowance		(1,734)	-	(184)	(1,918)
Carrying amount		**114,172**	**-**	**842**	**115,014**

2022	PD ranges	12-month ECL (Stage 1)	Lifetime ECL Not Credit Impaired (Stage 2)	Lifetime ECL Credit Impaired (Stage 3)	Total 31 December
Loans and advances to Customers at amortised cost					
Grade 1-6: Strong	0-0.59	5,885	-	-	5,885
Grade 7-9: Satisfactory	0.06-11.34	99,194	1,895	-	101,089
Grade 10: Higher risk	11.35-99.9	6,166	6,746	-	12,912
Grade 11-12: Credit impaired	100	-	10,090	5,203	15,293
Gross carrying amount		**111,245**	**18,731**	**5,203**	**135,179**
Loss allowance		(1,803)	(4,318)	(2,432)	(8,553)
Carrying amount		**109,442**	**14,413**	**2,771**	**126,626**

*Gross carrying amount of loans has been disclosed exclusive of deferred loan processing fee income which was USD ('000s) 508 as at 31 December 2023 (2022: USD '000s 463).

Write off policy

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Bank. Where loans or receivables have been written off, the Bank continues to engage in enforcement activity to recover the amounts due. Where securities are readily available for sale without resistance of the borrower, the same are booked as assets available for sale based on the standards. During the year a loan amounting to USD 13.03 million was written off (2022: USD 0.41 million) out of which assets available for sale amounting to USD 3.4 million was booked. All recoveries are made, apart from those on assets available for sale, are recognised in profit or loss.

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(b) Credit risk (continued)

Collateral and other credit enhancements

The Bank holds collateral against loans and advances to customers in the form of legal mortgages, sovereign guarantees, insurance guarantees and floating charge over assets. Estimates of fair value are based on the value of the collateral assessed at the time of borrowing.

An estimate of fair value of collateral and other security enhancements held against financial assets in stage 3 is shown below (amounts in USD '000'):

	Gross exposure USD'000	Impairment allowance USD'000	Carrying amount USD'000	Fair value of collateral held USD'000
At December 2023	1,030	(184)	846	7,351
At December 2022	5,203	(2,432)	2,771	4,012

Settlement risk: The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of the counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. Settlement limits form part of the credit approval/limit monitoring process described earlier.

(c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations on its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank has access to a diverse funding base. Funds are raised mainly from borrowings and share capital. This enhances funding flexibility, limits dependence on one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Bank strategy. In addition, the Bank has an Asset and Liability Committee that meet on a regular basis to monitor liquidity risk, review and approve liquidity policies and procedures.

The Bank maintains a minimum of 1.33 times coverage of designated liabilities for the next twelve months in liquid assets as per the liquidity policy. Designated liabilities consist of liabilities and budgeted commitments that are due in twelve months.

The liquidity policy ratio as at the end of the year is as follows:

	2023 USD '000	2022 USD '000
Cash and cash equivalents as per liquidity policy	281,374	242,448
Designated liabilities as per liquidity policy	(35,495)	(29,912)
Surplus per liquidity policy	**245,879**	**212,536**
Liquidity ratio	**7.93**	**8.11**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(c) Liquidity risk (continued)

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2023 to the contractual maturity date.

2023	Matured	< 6 Months	>6 Months <1 Year	> 1 Year < 5 Years	> 5 Years	Total	Amount per SFP
	USD '000	USD '000	USD '000		USD '000	USD '000	USD '000
Assets							
Cash at bank	60,473	-	-	-	-	**60,473**	**60,473**
Deposits due from commercial banks	-	242,659	4,223	-	-	**246,882**	**241,980**
Loans and advances excluding deferred income	-	24,808	15,691	94,029	15,818	**150,346**	**114,506**
Assets available for sale	-		3,370	-	-	**3,370**	**3,370**
Equity investments at fair value	-			649		**649**	**649**
Other assets receivable excluding non-financial assets	-	876	-	-	-	**876**	**1,816**
Total assets	**60,473**	**268,343**	**23,284**	**94,678**	**15,818**	**462,596**	**422,794**
Liabilities and shareholder funds							
Lease Liability	15	63	63	362	-	**503**	**306**
Other accounts payable	-	4,087	-	42	-	**4,129**	**4,427**
Medium- and long-term borrowing	-	6,987	8,557	87,526	41,464	**144,534**	**112,837**
Derivative financial instruments	-	6	-	-	-	**6**	**6**
Special funds	-	-	-	-	3,990	**3,990**	**3,990**
Grants	-	-	-	-	3,035	**3,035**	**3,035**
Capital fund	-	-	-	-	7,479	**7,479**	**7,479**
Total liabilities and shareholder funds	**15**	**11,143**	**8,620**	**87,930**	**55,968**	**163,676**	**132,080**
Net liquidity gap -31 Dec 2023	**60,458**	**257,200**	**14,664**	**6,748**	**(40,150)**	**298,920**	
Cumulative net liquidity gap -31 Dec 2023	**60,458**	**317,658**	**332,322**	**339,070**	**298,920**		

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(c) Liquidity risk (continued)

2022	Matured	< 6 Months	>6 Months <1 Year	> 1 Year < 5 Years	> 5 Years	Total	Amount per SFP
	USD '000	USD '000	USD '000		USD '000	USD '000	USD '000
Assets							
Cash at bank	22,041	-	-	-	-	**22,041**	**22,041**
Deposits due from commercial banks	4,041	233,202	-	-	-	**237,243**	**235,373**
Loans and advances excluding deferred income	245	28,261	23,271	99,815	22,005	**173,597**	**126,163**
Equity investments at fair value	-	-	-	718	-	**718**	**718**
Other assets receivable non-financial assets	298	-	-	-	-	**298**	**427**
Total assets	**26,625**	**261,463**	**23,271**	**100,533**	**22,005**	**433,897**	**384,722**
Liabilities							
Lease Liability	-	69	69	233	-	**371**	**316**
Other accounts payable	3,105	-	-	-	-	**3,105**	**3,678**
Medium- and long-term borrowing	-	17,008	20,532	38,791	36,100	**112,431**	**94,962**
Special funds	-	-	-	-	3,990	**3,990**	**3,990**
Grants	-	-	-	-	1,881	**1,881**	**1,881**
Capital fund	-	-	-	-	7,479	**7,479**	**7,479**
Total liabilities and shareholder funds	**3,105**	**17,077**	**20,601**	**39,024**	**49,450**	**129,257**	**112,306**
Net liquidity gap -31 Dec 2022	**23,520**	**244,386**	**2,670**	**61,509**	**(27,445)**	**304,640**	
Cumulative net liquidity gap -31 Dec 2022	**23,520**	**267,906**	**270,576**	**332,085**	**304,640**		

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(c) Liquidity risk (continued)

Off balance sheet items

The Bank's off-balance sheet items comprise loans commitments, letters of credit and capital commitments. The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that it commits to extend credit to customers, letters of credit and capital commitments are summarised in the table below;

	< 6 Months	> 6 Months < 1 Year	> 1 Year < 5 Years	> 5 Years	Total
	USD '000	USD '000	USD '000	USD'000	USD '000
Loan commitments - 2023	4,945	-	-	-	**4,945**
Loan commitments - 2022	361	-	-	-	**361**

(d) Interest rate risk

In broad terms the interest rate risk is the sensitivity of the Bank's financial performance to changes in the interest rates. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management initiatives are aimed at optimizing net interest income, given market interest rates levels consistent with the Bank's business strategies. In order to minimize interest risk, the Bank has a policy of natural hedge where the approved lending commitments are matched to specific lines of credit or source of funds, including adopting the funding interest rate characteristics (fixed or variable) to its on-lending activities.

As at 31 December 2023 if interest rates on interest bearing assets and liabilities had been lower by 200 bps, with all other variables held constant, the impact on statement of profit or loss would be a loss of USD 3.2 million (2022: loss of USD 3.0 million), which is 1.00% of the total shareholders' equity (2022: 0.98%). The bank is tax exempt and there is no impact of tax. Therefore, the impact of movement in interest rates on the profit or loss equals to the impact on equity. This is shown in the table below.

	2023	2022
	USD'000	USD'000
Total assets repricing within 6 months	365,125	327,293
Total liabilities repricing within 6 months	(43,667)	(30,753)
Interest gap	**321,458**	**296,540**
Impact of interest fall by 200 bps	(3,215)	(2,965)
Impact on total shareholders' equity	(1.00%)	(0.98%)

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(d) Interest rate risk (continued)

The table below summarizes the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear interest rate risk on off balance sheet items.

2023	Up to 1 month USD '000	1 - 3 months USD '000	3 - 6 months USD '000	6 - 12 months USD '000	1 - 5 years USD '000	Over 5 years USD '000	Non-interest bearing USD '000	Total USD '000
Assets								
Cash at bank	60,473	-	-	-	-	-	-	**60,473**
Placement with commercial banks	68,989	72,543	96,437	4,011	-	-	-	**241,980**
Loans and advances excluding deferred income	1,999	37,450	26,938	36,221	13,808	516	-	**116,932**
Assets available for sale	-	-	-	3,370	-	-	-	**3,370**
Equity investments	-	-	-	-	-	-	649	**649**
Other assets receivable non-financial assets	73	223	580	-	-	-	940	**1,816**
Total assets	**131,534**	**110,216**	**123,955**	**43,602**	**13,808**	**516**	**1,589**	**425,220**
Liabilities								
Lease liability	28	14	46	59	204	-	-	**351**
Other liabilities	37	1,843	2,207	-	42	-	298	**4,427**
Borrowings	14,173	899	24,937	4,022	42,053	26,753		**112,837**
Total liabilities and equity	**14,238**	**2,756**	**27,190**	**4,081**	**42,299**	**26,753**	**298**	**117,615**
Interest Gap at 31 Dec 2023	**117,296**	**107,460**	**96,765**	**39,521**	**(28,491)**	**(26,237)**	**1,291**	**307,605**
Cumulative Gap 31 Dec 2023	**117,296**	**224,756**	**321,521**	**361,042**	**332,551**	**306,314**	**307,605**	

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(d) Interest rate risk (continued)

2022	Up to 1 month USD '000	1 - 3 months USD '000	3 - 6 months USD '000	6 - 12 months USD '000	1 - 5 years USD '000	Over 5 years USD '000	Non-interest bearing USD '000	Total USD '000
Assets								
Cash at bank	-	-	-	-	-	-	22,041	**22,041**
Placement with commercial banks	88,132	103,362	43,879	-	-	-	-	**235,373**
Loans and advances excluding deferred income	387	9,636	76,081	12,412	23,400	13,263	-	**135,179**
Equity investments	-	-	-	-	-	-	718	**718**
Other assets receivable non-financial assets	298	-	-	-	-	-	129	**427**
Total assets	**88,817**	**112,998**	**119,960**	**12,412**	**23,400**	**13,263**	**22,888**	**393,738**
Liabilities and Equity								
Lease liability	-	-	51	70	195	-	-	**316**
Other liabilities	3,105	-	-	-	-	-	573	**3,678**
Borrowings	53	25,028	1,160	16,704	24,049	27,488	-	**94,482**
Total liabilities and equity	**3,158**	**25,028**	**1,211**	**16,774**	**24,244**	**27,488**	**573**	**98,476**
Interest gap at 31 Dec 2022	**85,659**	**87,970**	**118,749**	**(4,362)**	**(844)**	**(14,225)**	**22,315**	**295,262**
Cumulative Gap 31 Dec 2022	**85,659**	**173,629**	**292,378**	**288,016**	**287,172**	**272,947**	**295,262**	

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(e) Currency risk

The Bank does not actively engage in dealing and trading operations in currencies and so the Bank's exposure to currency risk mainly involves the risk of foreign exchange losses or gains arising on the retranslation of monetary assets, liabilities and off-balance sheet items denominated in foreign currency. To minimize currency risk in a multi-currency environment, the Bank matches its funding in one currency with assets in the same currency. Balances below show exposure at the end of December 2023 and 2022.

2023

ASSETS (Figures in USD)	UGX '000	KES '000	TZS '000	RWF '000	EUR '000	GBP '000	SEK '000	Total '000	Amount SFP (USD '000)
Cash at bank	16,848	3,533	16	1,281	1,841	10	-	**23,529**	**60,473**
Placements with commercial banks	-	-	-	-	554	-	-	**554**	**241,980**
Loans and advances excluding deferred income	11,950	4,535	0	795	2,648	-	-	**19,928**	**114,506**
Assets available for sale	0	3,370	-	-	-	-	-	**3,370**	**3,370**
Equity investments	0	96	553	-	-	-	-	**649**	**649**
Other assets	142	688	78	20	-	-	-	**928**	**1,816**
TOTAL ASSETS	**28,940**	**12,222**	**647**	**2,096**	**5,043**	**10**	**-**	**48,958**	**422,794**
LIABILITIES									
Lease liability	-	89	-	-	-	-	-	**89**	**306**
Other liabilities	250	127	6	2,011	(1)	48	-	**2,441**	**4,427**
Borrowings	29,121	18,492	-	-	4,992	-	-	**52,605**	**112,837**
TOTAL LIABILITIES	**29,371**	**18,794**	**6**	**2,011**	**4,991**	**48**	**-**	**55,135**	**117,675**
Net currency position Dec 2023	**(431)**	**(6,486)**	**641**	**85**	**52**	**(38)**	**-**	**(6,177)**	
Cumulative position Dec 2023	**(431)**	**(7,003)**	**(6,362)**	**(6,277)**	**(6,225)**	**(6,263)**	**-**		
Closing exchange rate Dec 2023	**3,780.0**	**156.50**	**2,515.0**	**1,258.6**	**0.90**	**0.78**	**10.18**		

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(e) Currency risk (continued)

2022

ASSETS (Figures in USD)	UGX '000	KES '000	TZS '000	RWF '000	EUR '000	GBP '000	SEK '000	Total '000	Amount SFP (USD '000)
Cash at bank	16,153	3,072	10	40	669	5	-	**19,949**	**22,041**
Placements with commercial banks	-	5,091	-	-	-	-	-	**5,091**	**235,373**
Loans and advances to customers	11,697	20,282	-	26	2,993	-	-	**34,998**	**126,163**
Equity investments	-	122	596	-	-	-	-	**718**	**718**
Other assets	123	229	60	15	-	-	-	**427**	**427**
TOTAL ASSETS	**27,973**	**28,796**	**666**	**81**	**3,662**	**5**	**-**	**61,183**	**384,722**
LIABILITIES									
Other liabilities	22	-	-	-	148	-	-	**170**	**3,678**
Lease liability	-	-	-	-	-	-	-	**-**	**316**
Borrowings	28,058	15,842	-	-	3,501	-	-	**47,401**	**94,962**
TOTAL LIABILITIES	**28,080**	**15,842**	**-**	**-**	**3,649**	**-**	**-**	**47,571**	**98,956**
Net currency position Dec 2022	**(107)**	**12,954**	**666**	**81**	**13**	**5**	**-**	**13,612**	
Cumulative position Dec 2022	**(107)**	**12,847**	**13,513**	**13,594**	**13,607**	**13,612**	**13,612**		
Closing exchange rate Dec 2022	**3,733.03**	**123.38**	**2,332.89**	**1,076.57**	**0.94**	**0.83**	**10.45**		

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(e) Currency risk (continued)

Sensitivity analysis

The Bank held more liabilities in other currencies than assets ('short' position) at the end of the year. With the short position, a 10% appreciation of USD against other currencies with position held at 31 December 2023 would have increased profit by USD 3.46 million (2022: reduction of USD 7.33 million) and positively impact shareholders equity by 1.07% (2022: negative impact of 2.42%). The bank is tax exempt and there is no impact of tax. Therefore, the impact of movement in currency exchange rates on the profit or loss equals to the impact on equity. This is assuming that all other variables, in particular interest rates remain constant. Reverse movements and impact would happen if depreciation of USD happened against other currencies.

	2023 USD'000	2022 USD'000
FX denominated assets	48,958	61,182
FX denominated liabilities	(55,221)	(47,571)
Net open position	**(6,263)**	**13,611**
Impact of a 10% appreciation of USD exchange rate	3,463	(7,334)
Impact on total shareholders' equity	1.07%	(2.42%)

(f) Fair value measurement

a) Fair value of financial instruments

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Fair value is determined using unadjusted quoted prices in an active market for identical assets and liabilities. Types of financial assets include: actively traded government and other agency securities, listed derivative instruments and listed equities. Types of financial liabilities include listed derivative instruments.
- Level 2 – Fair value is determined using valuation models with direct or indirect market observable inputs. Types of financial assets include: corporate and other government bonds and loans, and over-the-counter (OTC) derivatives. Types of financial liabilities include over-the-counter (OTC) derivatives.
- Level 3 – Fair value is determined using Valuation models using significant non- market observable inputs. Types of financial assets include: highly structured OTC derivatives with unobservable parameters and corporate bonds in illiquid markets. Types of financial liabilities include highly structured OTC derivatives with unobservable parameters.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. As at 31 December 2023 and 2022, fair values of the financial instruments held by the Bank were as follows:

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(f) Fair value measurement (continued)

a) Fair value of financial instruments (continued)

	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying Amount USD'000
31 December 2023				
Financial assets at fair value through profit or loss				
Derivative financial instruments	(6)	-	**(6)**	**(6)**
Equity investments at fair value through profit and loss	-	649	**649**	**649**
Total assets	**(6)**	**649**	**643**	**643**

31 December 2022	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying amount USD'000
Financial assets at fair value through profit or loss				
Derivative financial instruments	-	-	-	-
Equity investments at fair value through profit and loss	-	718	**718**	**718**
Total assets	**-**	**718**	**718**	**718**

Derivative financial instruments: The Bank uses widely recognised valuation models to determine the values of its derivative financial instruments such as currency swaps held at the end of the year. Observable market inputs such as exchange rates and interest rates are used in the valuation.

Equity Investments: Fair value of the unquoted ordinary shares has been estimated using the net asset value of the investments. Based on the published result of the investment, the directors compute the value of the investment based on the number of shares in issue and the value per share. The following table shows the valuation technique used in measuring the fair values of the Equity Investments as well as the significant unobservable inputs used.

Valuation technique	**Significant unobservable input**	**Interrelationship between key unobservable inputs and fair value measurement**
Net asset value of the investments: This valuation model involves obtaining the net assets of the investee at a given point in time and further computing the percentage shareholding through dividing the number of shares by the total shares of the entity. The value is then computed by multiplying the percentage shareholding by the net assets.	▪ Net assets of investees (2023: USD 121,560; 2022: USD 131,658) ▪ Total shareholding in investees (2023: 255,372,171 shares; 2022: 255,372,171 shares) ▪ The Bank's shareholding in the investees (2023: 1,631,812 shares; 2022: 1,631,812 shares)	The estimated fair value would increase (decrease) if: ▪ Net assets growth were higher (lower); ▪ total shareholding in investees reduced (increased); ▪ the Bank's shareholding in the investees increased (reduced).

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(f) Fair value measurement (continued)

a) Fair value of financial instruments (continued)

31 December 2023 At amortised cost	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying amount USD'000
Loans and advances excluding deferred income	123,387	-	**123,387**	**116,932**
Other assets excluding non-financial assets	876	-	**876**	**876**
Placements with commercial banks	241,980	-	**241,980**	**241,980**
Cash at bank	60,473	-	**60,473**	**60,473**
Total assets	**426,716**	-	**426,716**	**420,261**

31 December 2022 At amortised cost	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying amount USD'000
Loans and advances excluding deferred income	143,154	-	**143,154**	**135,179**
Other assets excluding non-financial assets	298	-	**298**	**298**
Placements with commercial banks	235,373	-	**235,373**	**235,373**
Cash at bank	22,041	-	**22,041**	**22,041**
Total assets	**400,866**	-	**400,866**	**392,891**

The fair values of the Bank's short-term financial assets and financial liabilities measured at amortised cost approximate their carrying amounts in the statement of financial position and are categorised under level 2 of the fair value hierarchy. The estimated fair value of long-term loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows for loans are discounted at the average lending rate for the year to determine fair value.

Liabilities as per balance sheet – at amortised cost

31 December 2023 At amortised cost	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying amount USD'000
Other liabilities	4,427	-	**4,427**	**4,427**
Borrowings	144,534	-	**144,534**	**112,837**
Lease liabilities	306	-	**306**	**306**
Special funds	3,990	-	**3,990**	**3,990**
Grants	3,035	-	**3,035**	**3,035**
Capital fund	7,479	-	**7,479**	**7,479**
Total Liabilities	**163,771**	-	**163,771**	**132,074**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(f) Fair value measurement (continued)

a) Fair value of financial instruments (continued)

31 December 2022	Level 2 USD'000	Level 3 USD'000	Total USD'000	Carrying amount USD'000
At amortised cost				
Other liabilities	3,678	-	**3,678**	**3,678**
Borrowings	112,431	-	**112,431**	**94,962**
Lease liabilities	316	-	**316**	**316**
Special funds	3,990	-	**3,990**	**3,990**
Grants	1,881	-	**1,881**	**1,881**
Capital fund	7,479	-	**7,479**	**7,479**
Total Liabilities	**129,775**	-	**129,775**	**112,306**

Reconciliation of level 3 financial assets

The bank holds shares in the following entities highlighted below:

- 931,812 shares (2022: 931,812 shares) in Azania Corporation at a share price of TZS 1,000 each (2022: TZS 1,000).
- 50,000 shares (2022: 50,000) in Central Depository and Settlement Corporation at a share price of KES 100 each (2022: KES 100)
- 650,000 preference shares (2022: 650,000 shares) in NCBA Bank Tanzania Limited at a share price of TZS 1,000 (2022: TZS 1,000)

The share price above was determined based on net assets and total number of shares for each of the entities. The value of net assets has been obtained from the audited financial statements as at 31 December 2022.

The bank has also invested in Catalyst EA Investment Limited and BPI but a full provision for outstanding amount has been recognised in the profit or loss. The outstanding amounts before provisions were:

- Catalyst EA Investment Limited USD 374,145 (2022: USD 374,145)
- BPI USD 19,405 (2022: USD 19,405)

The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

2023

Equity investments	Azania USD '000	CDSC USD '000	NCBA USD '000	BPI USD '000	Catalyst USD '000	Total USD '000
At start of year	**415**	**122**	**181**	-	-	**718**
Revaluation gain/(loss)	(30)	(26)	(13)	-	-	**(69)**
At end of year	**385**	**96**	**168**	-	-	**649**

2022

Equity investments	Azania USD '000	CDSC USD '000	NCBA USD '000	BPI USD '000	Catalyst USD '000	Total USD '000
At start of year	**413**	**162**	**183**	-	**90**	**848**
Provisions	-	-	-	-	(90)	**(90)**
Revaluation gain/(loss)	(6)	(13)	(2)	-	-	**(21)**
Fair value gain/ (loss)	8	(27)	-	-	-	**(19)**
At end of year	**415**	**122**	**181**	-	-	**718**

a) Fair value of non-financial instruments

Note that the Bank also holds non-financial assets at fair value. See note 21 for disclosures of the land and buildings that are measured at fair value.

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(g) Capital management

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

- To comply with the capital requirements set under the Bank's Charter;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Bank's capital requirements are strictly observed under Article 11 of the Bank's Charter which requires that the Bank's outstanding loans, equity investments and guarantees do not at any one time exceed three times the Bank's unimpaired subscribed capital plus reserves and surplus relating to its ordinary capital resources but excluding the special reserve. The Bank was well within this limit as of 31 December 2023. The ratio is computed as a ratio of loans, equities and lease receivables divided by shareholders equity less special reserves.

	2023 USD '000	2022 USD '000
Gross Loans and advances to customers	**116,932**	**135,179**
Shareholders' equity	322,302	303,229
Special reserve	(12,906)	(12,785)
	309,396	**290,444**
Ratio	**0.38**	**0.46**

The Capital adequacy ratio is calculated based on the Basel Accord as Capital divided by Risk Weighted Asset. The ratio of 124% (2022: 77%) is above the limit widely used by regulators of 15%.

The Weighted Risk is determined by applying the following weights on various asset categories: Loans with less than 90 days in arrears 70%-250%, loans with more than 90 days in arrears 100%-150%, line of credit to rated banks 20%-100%, line of credit to non-rated banks 100%, placements with rated banks 50%, placements with non-rated banks 100% , equity investments 300%-400% and other receivables 100%.

Capital structure

	2023 USD'000'	2022 USD'000'
Tier 1 Capital	311,846	293,956
Tier 2 Capital	10,456	9,273
Tier 3 Capital	-	-
	322,302	**303,229**
Total risk-weighted assets (including credit risk and Operational risk)	**260,734**	**395,909**
Capital adequacy ratio	**124%**	**77%**

The following table shows the breakdown of the Total risk-weighted assets (including credit risk and Operational risk)

	2023 USD'000'	2022 USD'000'
Direct Lending (Up-to-date Loans/below 90 days)	73,460	106,674
Lines of Credit	25,744	34,769
Short term Investments	87,559	181,800
Equity Investments	3,669	3,889
Past Due Loans (above 90 days)	1,545	5,621
Other receivables	36,863	31,242
Credit Risk Exposures	**228,840**	**363,995**
Net open position of FX denominated assets and liabilities	(6)	14
Operational Risk	31,900	31,900
Total risk-weighted assets (including credit risk and Operational risk)	**260,734**	**395,909**

Notes to the financial statements (continued)

39. Financial risk management (Continued)

(g) Capital management (continued)

The above balances are results of stress tests conducted under a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed taking into account both Bank specific events (e.g a rating downgrade) and market-related events.

Net debt reconciliation

Below is an analysis of net debt and the movements in net debt for each of the periods presented.

	2023 USD '000	2022 USD '000
Cash and cash equivalents (Note 35)	192,287	162,888
Borrowings (Notes 26)	(112,837)	(94,962)
Lease liabilities (Note 27)	(306)	(316)
Net debt	**79,144**	**67,610**

	Borrowings USD '000	Lease liabilities USD '000	Liquid assets USD '000	Total USD '000
At 1 January 2023	(94,962)	(316)	162,888	**67,610**
Additions	(37,371)	(11)	-	**(37,382)**
Repayments	22,884	116	-	**23,000**
Interest expense	-	(33)	-	**(33)**
Net foreign exchange difference	2,804	26	(1,446)	**1,384**
Remeasurement	-	(87)		**87**
Other adjustments/ movements	(6,192)	-	30,845	**24,653**
At 31 December 2023	**(112,837)**	**(305)**	**192,287**	**79,145**
At 1 January 2022	(84,631)	(388)	118,560	**33,541**
Acquisitions	(20,357)	-	-	**(20,357)**
Repayments	11,445	110	-	**11,555**
Net foreign exchange difference	2,605	-	(1,497)	**1,108**
Other adjustments/ movements	(4,024)	(38)	45,825	**41,763**
At 31 December 2022	**(94,962)**	**(316)**	**162,888**	**67,610**

Liquid assets comprise Cash and bank balances as well as balances due from banks originally maturing within 90 days. (Note 35)

40. Events after the balance sheet date

There were no events after the balance sheet date for the year ended 31 December 2023.

41. Employee retirement benefit plans and gratuity

	Note	2023 USD '000	2022 USD '000
Contribution to the retirement benefit plan	(i)	232	246
Contribution to the statutory pension scheme (NSSF)	(ii)	6	6
Gratuity	(iii)	72	72
		310	**324**

(i) The Bank operates a defined contribution retirement benefit scheme to which employees contribute 10% of their basic salary and the Bank contributes 10%, 12.5% or 15% of the employees' basic salary depending on his/her length of service. A Board of Trustees manages the scheme, the scheme administrator is Alexander Forbes, custodian Standard Chartered Bank Uganda and Fund manager Sanlam Investments Limited.

Notes to the financial statements (continued)

41. Employee retirement benefit plans and gratuity (Continued)

(ii) The Bank also makes contributions to a statutory pension scheme, the National Social Security Fund for its casual staff. The contributions and obligations under the scheme are limited to specific contributions legislated from time to time and the Bank's contribution is currently 10% of the employees' gross salary and Kenya Shillings 200 for Kenyan employees resident in Kenya.

(iii) Gratuity is paid to the Director General at 20% of annual gross salary at the end of each year.

Other staff benefits

The Bank promoted the welfare of its staff through various measures such as the car purchase loan scheme, education assistance loans, housing loans and a funded medical scheme. Costs associated with providing these benefits are expensed as and when incurred and reported under employee benefits expense (Note 8).

42. Capital commitments

There were no approved capital commitments outstanding at the end of year (2022: NIL).

43. Off balance sheet items and contingencies

The Bank conducts business involving guarantees, performance bonds and indemnities. The following are the commitments and contingencies outstanding as at year-end.

	2023 USD '000	2022 USD '000
Un-disbursed commitments	4,945	361

Nature of contingent liabilities

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period.

The Bank is a litigant in several cases which arise from normal day to day Banking activities. The Directors believe the Bank has strong grounds for success and are confident that they should get rulings in their favor in matters before court. In cases where the Bank may not be successful, Directors and management are confident that such cases would not significantly impact the Bank's operations either individually or in aggregate.

Management has also carried out an assessment of all the cases outstanding as at 31 December 2023 and did not find any that warranted a provision. This position is supported by independent professional legal advice.

44. Related party transactions

The Bank is owned by four East African Community member states of Kenya, Tanzania, Uganda and Rwanda who collectively own 92% of the total number of shares (2022: 90%) which is 100% of the ordinary class A shares. The remaining 8% (2022: 10%) is widely held by class B shareholders as disclosed in note 30.

A number of Banking transactions are entered into with related parties in the normal course of business. These include loans, deposits with Banks, borrowings and capital contributions by the member states. The volumes of related-party transactions and outstanding balances at year-end, for the year are as follows:

Loans and advances to related parties

	2023 USD '000	2022 USD '000
Green Hills Academy Ltd	-	26
Loan to Government of United Republic of Tanzania	63,302	55,127
Interest income earned on the above	5,668	4,008

Notes to the financial statements (continued)

44. Related party transactions (continued)

Placements held with banks that are shareholders of the Bank and related entities:

	2023 USD '000	2022 USD '000
NCBA Bank Limited	19,253	34,418
Standard Chartered Bank PLC	79,518	62,582
Interest income earned on the above	5,005	1,061
Borrowings payable by the Bank to shareholders		
African Development Bank	-	11,575
NCBA Bank Limited	11,639	8,181
Interest expense on borrowings as paid to shareholders	1,517	812

Government of United Republic of Tanzania is a Class A shareholder owning 24.46% of the shares in the Bank. Green Hills Academy Ltd is owned by a member of the Board of Directors of the Bank.

As at 31 December 2023, provision on loans and advances to related parties amounted to USD 896,901 (2022: USD 886,940) for Government of United Republic of Tanzania. The Green Hills Academy loan was fully repaid during the year. It carried provision of USD 3 in 2022. All related party loans were classified under stage one. None of the transactions incorporate special terms and conditions and no guarantees were given or received on these loans.

Key management compensation

Key management includes Directors (executives and non-executives). The compensation paid or payable to key management for employee services is shown below:

	2023 USD '000	2022 USD '000
Salaries and other employee benefits	456	379
Other short-term employee benefits - Gratuity	72	72
Other expenses	34	48
	562	**499**
Directors' emoluments		
- Fees and allowances	**128**	67
- Salaries and other employee benefits (included within key management compensation above)	**528**	451
- Other expenses	**656**	518

45. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be realised or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual maturities of the products:

Notes to the financial statements (continued)

45. Maturity analysis of assets and liabilities (continued)

31 December 2023	Within 12 months USD '000	After 12 months USD '000	Total USD '000
Assets			
Cash at bank	60,473	-	60,473
Placements with commercial banks	241,980	-	241,980
Loans and advances to customers	39,659	74,847	114,506
Assets available for sale	3,370	-	3,370
Equity investments		649	649
Other assets	1,816	-	1,816
Property and equipment	-	8,646	8,646
Right of use assets	-	311	311
Investment property	-	22,631	22,631
Total assets	**347,298**	**107,084**	**454,382**
Liabilities			
Other liabilities	4,385	42	4,427
Derivative financial instruments	6	-	6
Borrowings	44,031	68,806	112,837
Lease liabilities	102	204	306
Special funds	-	3,990	3,990
Grants	-	3,035	3,035
Capital fund	-	7,479	7,479
Total liabilities	**48,524**	**83,556**	**132,080**
Net:	**298,774**	**(23,528)**	**322,302**

Notes to the financial statements (continued)

45. Maturity analysis of assets and liabilities (continued)

31 December 2022	Within 12 months USD '000	After 12 months USD '000	Total USD '000
Assets			
Cash at bank	22,041	-	22,041
Placements with commercial banks	235,373	-	235,373
Loans and advances to customers	48,324	77,839	126,163
Equity investments	-	718	718
Other assets	427	-	427
Property and equipment	-	11,842	11,842
Right of use assets	-	198	198
Investment property	-	18,773	18,773
Total assets	**306,165**	**109,370**	**415,535**
Liabilities			
Other liabilities	3,645	33	3,678
Borrowings	43,425	51,537	94,962
Lease liabilities	121	195	316
Special funds	-	3,990	3,990
Grants	-	1,881	1,881
Capital fund	-	7,479	7,479
Total liabilities	**47,191**	**65,115**	**112,306**
Net:	**258,974**	**44,255**	**303,229**