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ECOBANK TRANSNATIONAL INCORPORATED (ETI) -
CONDENSED AUDITED CONSOLIDATED FINANCIAL STATEMENT FOR YEAR ENDED 31 DECEMBER 2018

ETI has released its condensed audited Consolidated Financial Statements for the year ended December 31, 2018 as per the attached.

Issued at Accra, this 28th
day of March, 2019.

- E N D –

att'd.

Distribution:
1. All LDMs
2. General Public
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*GA

ECOBANK TRANSNATIONAL INCORPORATED

Condensed audited Consolidated Financial Statements
For year ended 31 December 2018

Ecobank Transnational Incorporated
Condensed Audited Consolidated Financial Statements
For the period ended 31 December 2018

CONTENTS

Ecobank Transnational Incorporated

For the year ended 31 December 2018

Directors' report

Ecobank Transnational Incorporated ("ETI"), the parent company of the Ecobank Group, is a financial holding public limited liability company incorporated in Lomé, Togo on 3 October 1985 under a private sector initiative led by the Federation of West African Chambers of Commerce and Industry and the Economic Community of West African States (ECOWAS). Since December 11, 2017, the Commission Bancaire (Banking Commission) of the West African Monetary Union has specifically classified ETI as one of the financial holding companies under its' supervision.

Its principal activity is the creation and acquisition of operating units for the provision of banking, economic, financial and development services. The Ecobank Group is the leading Pan African bank with operations in 36 countries across the continent. The Group also has a licensed operation in Paris and representative offices in Addis Ababa, Beijing, Dubai, Johannesburg, and London.

Business review

In 2015, Ecobank outlined and adopted a new strategy captioned 'Roadmap to Leadership' which set out a framework on generating sustainable shareholder returns by building a customer centric organisation with a simplified business model anchored on improving risk culture, operational efficiency and service excellence. The deployment and execution of the strategy was designed to take place in two phases over a period of five years. The end of 2017 marked the end of the first phase, which placed emphasis on fixing the fundamentals. In 2018, ETI remained focused on the second phase of the strategy which is anchored on digital transformation.

The economic costs of increasing regulation, political risks, and risks associated with a heightened portfolio all contributed to a challenging operating environment. Further, Ecobank had to deal with a slow macroeconomic recovery particularly Nigeria, the largest market of the Group. Despite a challenging operational environment, Ecobank has made progress on the initiatives around technology, risk and controls, innovation, new loan formation and customer service.

Results

ETI made a profit after tax of US$ 322 million (GHC 1.5 billion) for the financial year ended 31 December 2018.

The detailed results for 2018 are set out in the consolidated financial statements. The Board of Directors approved the financial statements of the parent company and the Group for the year ended 31 December 2018 at its meeting of February 22, 2019.

Messrs Emmanuel Ikazoboh, Ade Ayeyemi and Gregory Davis were authorised to sign the accounts on behalf of the Board.

Dividend

After due consideration of the impending regulatory capital requirements accross the Group, and the need to build the Company's liquidity buffer, the Directors do not recommend the payment of dividends for the year ended December 31, 2018.

Capital

The Authorized Capital of the Company is US$1,276,664,511 as at 31 December 2018.

The ordinary shares of the company continue to be traded on the three West African stock exchanges, namely, the Bourse Régionale des Valeurs Mobilières (BRVM) in Abidjan, the Ghana Stock Exchange in Accra and the Nigerian Stock Exchange in Lagos.

Directors

The names of the Directors of the Company appear in the annual report.

As of 31 December, 2018, the Board was composed of fourteen (14) Directors: twelve (12) Non-Executive and two (2) Executive Directors.

During the year, Mrs. Aicha Agne Pouye was co-opted to the Board and will be presented for the ratification of their appointment at the Annual General Meeting of 2019.

The Board will propose a resolution for the renewal of the mandates of Mr. Ade Ayeyemi, Mr. Mfundo Nkuhlu and Dr. Catherine Ngahu at the Annual General Meeting of 2019.

In 2018, Ms. Dolika Banda retired from the Board on April 24, 2018 following the expiration of her mandate.

The Board of Directors met five (5) times during the year. Each of the Board Committees, namely the Audit & Compliance Committee, Finance & Regulatory Requirements Committee, Governance & Nomination Committee, Information Technology Committee , Risk Committee, and the Social, Ethics & Reputation Committee met four (4) times to deliberate on issues under their respective responsibilities.

Corporate governance and compliance

The Group's corporate governance practices continue to improve. More details are highlighted in the Corporate Governance Report in the full annual report. The Company continues to maintain corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices.

The Board is committed to improving the governance of the institution and is working closely with regulators and other stakeholders to strengthen this area.

Subsidiaries

In 2018, the number of ETI subsidiaries remained unchanged from 2017. The Group is focused on translating the achieved pan-African scale advantage to sustainable long-term value for stakeholders.

ETI has a majority equity interest in all its subsidiaries and provides them with management, operational, technical, business development, training and advisory services. The total number of ETI subsidiaries consolidated in this Annual Report is 53.

Post balance sheet events

There were no post balance sheet events that could materially affect either the reported state of affairs of the Company and the Group as at 31 December 2018, or the result for the year ended on the same date which have not been adequately provided foror disclosed.

Responsibilities of Directors

The Board of Directors is responsible for the preparation of the financial statements and other financial information included in this annual report, which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the results for that period.

These responsibilities include ensuring that:

• Adequate internal control procedures are instituted to safeguard assets and to prevent and detect fraud and other irregularities;

• Proper accounting records are maintained;

• Applicable accounting standards are followed;

• Suitable accounting policies are used and consistently applied; and

• The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Independent External Auditors

The Joint Auditors Deloitte & Touche, Nigeria and Grant Thornton, Côte d'Ivoire have indicated their willingness to continue in office.

A resolution will be presented at the 2019 Annual General Meeting to renew their mandates.

Dated 22 February 2019

By Order of the Board,

Madibinet Cisse
Company Secretary

Ecobank Transnational Incorporated
For the year ended 31 December 2018

Statement of directors' responsibilities

Responsibility for annual consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period that give a true and fair view of the financial position of the Group as at 31 December 2018 and the results of its operations, statement of cash flow, income statement and changes in equity for the period ended in compliance with International Financial Reporting Standards ("IFRS"). This responsibility includes ensuring that the Group:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group;

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

(c) prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The Directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS.

Nothing has come to the attention of the Directors to indicate that the group will not remain a going concern for at least twelve months from the date of this statement.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Due to the listing of Ecobank Transnational Incorporated (ETI) on the Nigerian Stock Exchange, the Financial Reporting Council (FRC) of Nigeria requires that the signatories to the financial statements should be registered members of the FRC. However, since ETI is not an incorporated entity in Nigeria, the signatories to the financial statements of our Nigerian entity, Ecobank Nigeria Limited, (whose results are consolidated in the Group financial statements) are registered with the FRCN and details shown below:

Designation	Name	FRC registration number
MD/CEO	Patrick Akinwuntan	FRC/2013/ICAN/00000002861
Acting Chief Financial Officer	Abiola Aderinola	FRC/2018/ICAN/00000017827

The Group CEO and Group CFO who are both signatories to the financial statements of ETI, were granted a waiver by the FRC of Nigeria allowing them to sign the ETI financial statements (without indicating their FRC registration numbers) together with the Chairman on behalf of the board.

Approval of annual consolidated financial statements

The annual consolidated financial statements were approved by the Board of Directors on 22 February 2019 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman

Ade Ayeyemi
Group Chief Executive Officer

Greg Davis
Group Chief Financial Officer

Deloitte.

Grant Thornton

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Ecobank Transnational Incorporated** and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Ecobank Transnational Incorporated** as at 31 December 2018, and its consolidated financial performance and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Loans and advances to customers constitute a significant portion of the total assets of Ecobank Transnational Incorporated. At 31 December 2018, gross loans and advances were US$9,807 million against which total loan impairment amount of US$ 638 million were recorded, thus leaving a net loan balance of US$9,169 million which represents about 41% of the total assets as at the reporting date (see note 21).	We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included: • Testing the opening balances to gain assurance on the transition from IAS 39 to IFRS 9; • Testing the design and operating effectiveness of key controls across the processes relevant to the Expected Credit Loss ('ECL') (allocation of assets

The basis of the impairment amount is summarised in the Accounting policies in the consolidated financial statements. The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss impairment amounts on loans and advances to customers. On 1 January 2018, the Group implemented IFRS 9. This new and complex standard requires the Group to recognise Expected Credit Losses ('ECL') on financial instruments, which involves exercise of significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include: i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters – • probabilities of default (PDs) - 12-month and lifetime, • loss given default, • exposure at default. iv. Completeness and accuracy of data used to calculate the ECL; The change from IAS 39 to IFRS 9 has led to an increased impairment charge of $299 million compared to that recognised under IAS 39 as at 31 December 2017. Because of the significance of these estimates, judgements and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and production of journal entries and disclosures); • Assessing the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment. • Challenging the criteria used to allocate asset to stage 1, 2 or 3 in accordance with IFRS 9; • Testing assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage; • Testing the assumptions, inputs and formulas used in a sample of ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models); • Testing the data used in the ECL calculation by reconciling to source systems; • Recalculating the risk ratios for a sample of performing loans in order to test credit monitoring; • Assessing the completeness and appropriateness of post model adjustments and recalculating a sample; • Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39. Based on our review, we found that the Group's impairment methodology, including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.

Valuation of goodwill
Goodwill carrying value of US$199.1 million was included in Intangible assets (Note 27) in the Group's statement of financial position as at 31 December 2018. This asset has been recognised in the consolidated statement of financial position as part of Intangible assets as a consequence of the acquisitive nature of the Group.
In line with the requirements of the applicable accounting standard, IAS 36, Impairment of Assets, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 27, there are a number of key sensitive judgements adopted by Management in determining the inputs into these models which include:
• Projected financial information;
• Operating margins;
• Exchange rate fluctuations; and
• The discount rates applied to the projected future cash flows.
 	
Accordingly, the impairment test of this asset is considered to be a key audit matter.
 	
The Management have developed a valuation model to enable a fair determination of the discounted cash flows for the significant Cash Generating Units (CGUs) to which the goodwill relates.
	We reviewed the Group's goodwill impairment assessment and calculations looking specifically into the valuation model, inputs and key assumptions made by the Management.
	
	Our audit procedures included:
	• Testing all relevant controls over the generation of the key inputs, e.g. financial forecasts, discount rate, revenue growth rate, etc. that go into the valuation calculation.
	• Engaging our internal specialists to assist with:
	  - Critically evaluating whether the model used by Management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36, Impairment of Assets.
	  - Validating the assumptions used to calculate the discount rates, projected cash flows and recalculating these rates.
	  - Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the Cash Generating Unit.
	  - Subjecting the key assumptions to sensitivity analyses.
	  - Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of Management's projections.
	  - Checking mathematical accuracy of the calculations.
	
	We found that the assumptions used by Management were reasonable and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be relevant and useful.

Valuation of investment properties The Group's interest in investment properties is made up of landed properties and buildings (see note 29). Investment properties are carried at fair value in line with the Group's accounting policies and in compliance with IAS 40, Investment Property. However, due to the non-current nature of the asset class, the materiality of the carrying amount to the consolidated financial statements, and determination of their fair value which involve the exercise of significant management judgement, and use of several key inputs and assumptions, we consider this to be a key audit matter. The Management have engaged some Specialists, mostly professional Estate Surveyors and Valuers, to assist with the determination of the fair value of the properties and produce report of the assets' fair valuation detailing the relevant assumptions used, key inputs and data that go into the valuation of the properties.	Our audit approach consisted of a combination of test of controls and specific tests of details. We focused on testing and reviewing details of Management's assumptions and controls over generation of key inputs that go into the fair value determination of the investment properties and the carrying amount of related indebtedness. Our audit procedures included: • Critically evaluating whether the model used by Management to arrive at the fair value estimate of the investment property complies with the requirements of IAS 40, *Investment Property*. • Validating the assumptions used to estimate the fair value and recalculating the valuation. • Analyzing future projected cash flows that underline the fair value determination used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and prevailing market data vis-à-vis historical patterns. • Subjecting the key assumptions to sensitivity analyses. We found that the assumptions used by Management were comparable with historical performance and expected future outlook and the estimated fair value determined was appropriate in the circumstances.
Valuation of unquoted investments	
The Group's investment securities include unlisted equities for which there are no liquid market. As contained in note 23, the assets are designated as investment securities (available-for-sale instruments under IAS 39) and are carried at fair value in line with the group's accounting policies and requirements of IFRS 9, *Financial*	We focused our attention on auditing the valuation of unlisted investment securities by looking specifically into the valuation model, inputs and key assumptions made by the Management. Our audit procedures included: • Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model.

Instruments. Given the non-availability of market prices for these securities, determination of their fair valuation by management involve exercise of significant assumptions and judgements regarding the cash flow forecasts, growth rate and discount rate utilised in the valuation model. This is why it is considered a key audit matter. The Directors have done a valuation to determine the fair value of the unquoted investment securities and details of the valuation work including all relevant assumptions used, key inputs and data that go into the estimate of the fair value of the unquoted investments was made available for our review.	• Critically evaluating whether the model used by Management to calculate the fair value of the unquoted securities complies with the requirements of *IFRS 9, Financial Instruments*. • Validating the assumptions used to calculate the discount rates used and recalculating these rates. • Subjecting the key assumptions to sensitivity analysis. • Obtaining direct confirmation of the existence and units of the different holdings with the investees' registrars and/or secretariats. • Checking mathematical accuracy of the valuation calculations. We found that the assumptions used by Management were comparable with the market, accord with best practice, key data and the discount rates used in estimating the fair value of the instruments were appropriate in the circumstances. We consider the disclosure relating to these instruments to be appropriate in the circumstances.

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibilities. The other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Deloitte. Grant Thornton

Auditors' responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Deloitte.

Grant Thornton

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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 benefits derivable from such communication.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
26 February 2019

For: Grant Thornton
Chartered Accountants
Abidjan, Cote d'Ivoire
26 February 2019

Engagement Partner: David Achugamonu
FRC/2013/ICAN/0000000840

Engagement Partner: Georges Yao-Yao

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
SG/ICAN
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Ecobank Group reports audited Full year 2018 result

- Profit before tax up by 51% to $436.0 million (up 57% to GHC 1,999.7 million)
- Operating profit before impairment losses up 0.4% to $702.4 million (up 4% at GHC 3,221.8 million)
- Revenue of $1,825.2 million down 0.3% compared to December 2017 (up 4% to GHC 8.4 billion)
- Total assets up 1% to $22.6 billion (up 10% to GHC 108.8 billion)
- Total equity down 17% $2.0 billion (down 9% to GHC 9.0 billion)

Financial Highlights	Year ended 31 December 2018		Year ended 31 December 2017		% Change	
Income Statement :	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Revenue	1,825,171	8,371,680	1,831,202	8,079,648	-0.3%	4%
Operating profit before impairment losses	702,404	3,221,781	699,651	3,087,008	0.4%	4%
Profit before income tax	435,977	1,999,735	288,340	1,272,217	51%	57%
Taxation	(108,129)	(495,965)	(60,757)	(268,073)	-78%	-85%
Profit for the year	328,649	1,507,444	228,534	1,008,340	44%	49%

Financial Highlights	As at 31 December 2018		As at 31 December 2017		% Change	
Statement of Financial Position :						
Total assets	22,582,196	108,846,186	22,431,604	99,017,586	1%	10%
Loans & advances to customers	9,168,669	44,192,985	9,357,864	41,307,483	-2%	7%
Deposits from customers	15,935,999	76,811,515	15,203,271	67,110,279	5%	14%
Total equity	1,812,491	8,736,208	2,172,083	9,588,009	-17%	-9%

Ade Ayeyemi, Group CEO said, "Our financial performance in 2018 was remarkable in many ways and reflected the meaningful and significant progress that we have made against the priorities that we set in our 'Roadmap to Leadership' strategy. We delivered a 51% growth in profit before tax to $436 million and generated a return on tangible equity of 21%. Our cost-of-risk of 2.4% was an improvement on 2017 and demonstrated the progress that we have made addressing credit quality issues and enhancing internal control processes.

"In Francophone and Anglophone West Africa regions we delivered sustainable growth and added value for shareholders. While in Nigeria, and the Central, Eastern and Southern Africa, regions we are spurred on by the gradual progress in their financial conditions. Our businesses continued to serve their customers diligently and with purpose and they all delivered profit growth in 2018, with Commercial Bank overturning the loss before tax they made in 2017.

"We continued to invest in the technology platforms to accelerate our shift from 'physical' to 'digital' and we are supporting our customers with digitally innovative products to enrich their engagements with Ecobank. To meet a key goal of expanding financial services to the unbanked, we have increased the number of Xpress Points, our agency network, to about 14,000 and we plan to grow this number. Our cash management and trade finance products, such as, Omni and e-Trade, are providing our customers with the convenience and efficiency of executing their cross-border transactions across Africa.

"Overall, we are excited about the prospects for the firm and for Africa. Yes, risks remain, and economic cycles will come and go, but we will remain steadfast in serving our customers well. I am proud of the work that Ecobankers have done in the last three years to stabilise the firm and position it for long-term success and I am extremely grateful to them."

The financial statements were approved for issue by the board of directors on 22 February 2019.

Emmanuel Ikazoboh	**Ade Ayeyemi**	**Greg Davis**
Group Chairman	**Group Chief Executive Officer**	**Group Chief Financial Officer**

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Condensed Audited Consolidated Income Statement

	Year ended 31 December 2018		Year ended 31 December 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Interest income	1,528,410	7,010,499	1,570,320	6,928,581	-3%	1%
Interest expense	(598,650)	(2,745,883)	(593,001)	(2,616,445)	1%	5%
Net interest income	**929,760**	**4,264,616**	**977,319**	**4,312,136**	**-5%**	**-1%**
Fee and commission income	507,434	2,327,494	469,520	2,071,621	8%	12%
Fee and commission expense	(62,993)	(288,936)	(69,140)	(305,060)	-9%	-5%
Net trading income	381,885	1,751,627	415,725	1,834,266	-8%	-5%
Other operating income	69,085	316,879	37,778	166,684	83%	90%
Non-interest revenue	**895,411**	**4,107,064**	**853,883**	**3,767,512**	**5%**	**9%**
Operating income	**1,825,171**	**8,371,680**	**1,831,202**	**8,079,648**	**0%**	**4%**
Staff expenses	(512,455)	(2,350,525)	(515,040)	(2,272,464)	-1%	3%
Depreciation and amortisation	(97,444)	(446,955)	(95,820)	(422,778)	2%	6%
Other operating expenses	(512,868)	(2,352,419)	(520,691)	(2,297,398)	-2%	2%
Operating expenses	**(1,122,767)**	**(5,149,899)**	**(1,131,551)**	**(4,992,640)**	**-1%**	**3%**
Operating profit before impairment losses and taxation	**702,404**	**3,221,781**	**699,651**	**3,087,008**	**0%**	**4%**
Impairment losses on :						
- loans and advances	(240,001)	(1,100,835)	(326,248)	(1,439,475)	-26%	-24%
- other financial assets	(23,914)	(109,689)	(84,806)	(374,182)	-72%	-71%
Impairment losses on financial assets	**(263,915)**	**(1,210,524)**	**(411,054)**	**(1,813,657)**	**-36%**	**-33%**
Operating profit after impairment losses	**438,489**	**2,011,257**	**288,597**	**1,273,351**	**52%**	**58%**
Share of loss of associates	(2,512)	(11,522)	(257)	(1,134)	-877%	-916%
Profit before tax	**435,977**	**1,999,735**	**288,340**	**1,272,217**	**51%**	**57%**
Taxation	(108,129)	(495,965)	(60,757)	(268,073)	78%	85%
Profit for the year from continuing operations	**327,848**	**1,503,770**	**227,583**	**1,004,144**	**44%**	**50%**
Profit for the year from discontinued operations	801	3,674	951	4,196	-16%	-12%
Profit for the year	**328,649**	**1,507,444**	**228,534**	**1,008,340**	**44%**	**49%**
Attributable to:						
Owners of the parent	**261,647**	**1,200,121**	**178,585**	**787,955**	**47%**	**52%**
- Continuing operations	261,214	1,198,135	178,071	785,689	47%	52%
- Discontinued operations	433	1,986	514	2,266	-16%	-12%
Non-controlling interests	**67,002**	**307,323**	**49,949**	**220,385**	**34%**	**39%**
- Continuing operations	66,634	305,635	49,512	218,455	35%	40%
- Discontinued operations	368	1,688	437	1,930	-16%	-13%
	328,649	**1,507,444**	**228,534**	**1,008,340**	**44%**	**49%**
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents / pesewas per share):						
- Basic (cents and pesewas)	1.06	4.87	0.72	3.19	47%	53%
- Diluted (cents and pesewas)	1.06	4.84	0.72	3.17	47%	53%

Condensed Audited Consolidated Statement of Comprehensive Income

	Year ended 31 December 2018		Year ended 31 December 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Profit for the year	**328,649**	**1,507,444**	**228,534**	**1,008,340**	**44%**	**49%**
Other comprehensive income:						
Items that will be subsequently reclassified to profit or loss:						
Exchange difference on translation of foreign operations	(295,361)	(484,180)	101,172	446,391	-392%	-208%
Fair value (loss) in investments securities (FVOCI)	(75,962)	(366,138)	-	-	n/a	n/a
Fair value gain on available for sale financial asset	-	-	43,970	194,005	n/a	n/a
Taxation relating to components of other comprehensive income that will be subsequently reclassed to profit or loss	2,695	12,990	(1,805)	(7,964)	249%	263%
Items that will not be reclassified to profit or loss:						
Property and equipment - net revaluation gain	(643)	(3,100)	6,255	27,598	-110%	-111%
Fair value in equity instruments designated at FVOCI	348	1,680	-	-	n/a	n/a
Remeasurements of defined benefit obligations	1,374	6,623	(6,064)	(26,755)	123%	125%
Taxation relating to components of other comprehensive income that will not be subsequently reclassed to profit or loss	(4,342)	(20,928)	(3,144)	(13,872)	**-38%**	-51%
Other comprehensive (loss) / profit for the year, net of taxation	**(371,891)**	**(853,053)**	**140,384**	**619,403**	**-365%**	**-238%**
Total comprehensive income for the year	**(43,242)**	**654,391**	**368,918**	**1,627,743**	**-112%**	**-60%**
Total comprehensive income attributable to:						
Owners of the parent	**(65,289)**	**431,194**	**304,611**	**1,344,007**	**-121%**	**-68%**
- Continuing operations	(65,226)	431,483	304,097	1,341,739	-121%	-68%
- Discontinued operations	(63)	(289)	514	2,268	-112%	-113%
Non-controlling interests	**22,047**	**223,197**	**64,307**	**283,736**	**-66%**	**-21%**
- Continuing operations	22,101	223,446	63,870	281,806	-65%	-21%
- Discontinued operations	(54)	(249)	437	1,930	-112%	-113%
	(43,242)	**654,391**	**368,918**	**1,627,743**	**-112%**	**-60%**

Condensed Audited Consolidated Statement of Financial Position

Assets	As at 31 December 2018		As at 31 December 2017		%Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Cash and balances with central banks	2,797,417	13,483,550	2,661,745	11,749,475	5%	15%
Trading financial assets	122,283	589,404	36,557	161,370	234%	265%
Derivative financial instruments	49,914	240,585	39,267	173,332	27%	39%
Loans and advances to banks	1,717,575	8,278,712	1,685,806	7,441,485	2%	11%
Loans and advances to customers	9,168,669	44,192,985	9,357,864	41,307,483	-2%	7%
Treasury bills and other eligible bills	1,828,251	8,812,170	1,718,977	7,587,908	6%	16%
Investment securities	4,568,262	22,019,023	4,405,240	19,445,610	4%	13%
Pledged assets	240,434	1,158,892	298,561	1,317,908	-19%	-12%
Others assets	739,168	3,562,789	760,724	3,357,988	-3%	6%
Investment in affiliates associates	6,147	29,630	9,964	43,983	-38%	-33%
Intangible assets	278,334	1,341,570	283,664	1,252,150	-2%	7%
Property and equipment	827,165	3,986,935	924,163	4,079,440	-10%	-2%
Investment properties	29,787	143,573	43,514	192,079	-32%	-25%
Deferred income tax assets	118,715	572,206	121,715	537,274	-2%	7%
	22,492,121	108,412,024	22,347,761	98,647,485	1%	10%
Assets held for sale and discontinued operations	90,075	434,162	83,843	370,101	7%	17%
Total Assets	22,582,196	108,846,186	22,431,604	99,017,586	1%	10%
Liabilities						
Deposits from banks	1,465,646	7,064,414	1,772,414	7,823,790	-17%	-10%
Deposits from customers	15,935,999	76,811,515	15,203,271	67,110,279	5%	14%
Derivative financial instruments	29,907	144,152	32,497	143,448	-8%	0%
Borrowed funds	2,059,690	9,927,706	1,728,756	7,631,075	19%	30%
Other liabilities	996,557	4,803,402	1,210,908	5,345,190	-18%	-10%
Provisions	52,979	255,359	52,450	231,525	1%	10%
Current income tax liabilities	52,076	251,006	58,107	256,496	-10%	-2%
Deferred income tax liabilities	55,099	265,577	64,269	283,696	-14%	-6%
Retirement benefit obligations	3,896	18,779	24,064	106,223	-84%	-82%
	20,651,849	99,541,910	20,146,736	88,931,722	3%	12%
Liabilities held for sale and discontinued operations	117,856	568,068	112,785	497,855	4%	14%
Total Liabilities	20,769,705	100,109,978	20,259,521	89,429,577	3%	12%
Equity						
Capital and reserves attributable to the equity holders of the parent entity						
Share capital and premium	2,113,957	4,536,378	2,113,957	4,536,378	0%	0%
Retained earnings and reserves	(577,005)	2,871,731	(233,213)	3,765,602	147%	-24%
Shareholders Equity	1,536,952	7,408,109	1,880,744	8,301,980	-18%	-11%
Non-controlling interests	275,539	1,328,099	291,339	1,286,029	-5%	3%
Total Equity	1,812,491	8,736,208	2,172,083	9,588,009	-17%	-9%
Total Liabilities and Equity	22,582,196	108,846,186	22,431,604	99,017,586	1%	10%

Condensed Audited Consolidated Statement of Changes in Equity

	Share Capital	Other Reserves	Retained Earnings	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 1 January 2017	**2,114,332**	**(767,254)**	**230,847**	**1,577,924**	**186,154**	**1,764,078**
Changes in Equity for 1 January to 31 Dec 2017:						
Foreign currency translation differences	-	86,814	-	86,814	14,358	101,172
Net changes in available for sale investments net of taxes	-	42,165	-	42,165	-	42,165
Net gains on revaluation of property	-	3,111	-	3,111	-	3,111
Remeasurements of post-employment benefit obligations	-	(6,064)	-	(6,064)	-	(6,064)
Profit for the year	-	-	178,585	178,585	49,949	228,534
Total comprehensive income for the year	**-**	**126,026**	**178,585**	**304,611**	**64,307**	**368,918**
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	(23,378)	(23,378)
Change in minority interest		-	-	-	64,256	64,256
Transfer to other group reserve	-	130,447	(130,447)	-		-
Transfer to share option reserve	-	344	(344)	-	-	-
Treasury shares	(375)	-	-	(375)	-	(375)
Transfer to general banking reserves	-	17,049	(17,049)	-	-	-
Transfer to statutory reserve	-	45,450	(45,450)	-	-	-
Convertible loans - equity component	-	(1,416)	-	(1,416)	-	(1,416)
At 31 December 2017 / 1 January 2018	**2,113,957**	**(449,355)**	**216,142**	**1,880,744**	**291,339**	**2,172,083**
Changes in Equity for 2018 :						
IFRS 9 day 1 adjustment	-	-	(278,503)	(278,503)	(20,797)	(299,300)
Restated opening balance 1 January 2018	**2,113,957**	**(449,355)**	**(62,361)**	**1,602,241**	**270,542**	**1,872,783**
Foreign currency translation differences	-	(258,408)	-	(258,408)	(36,953)	(295,361)
Net changes in debt investment securities net of taxes	-	(65,265)	-	(65,265)	(8,002)	(73,267)
Net changes in equity instruments, net of taxes	-	348	-	348	-	348
Net gains on revaluation of property	-	(4,985)	-	(4,985)	-	(4,985)
Remeasurements of post-employment benefit obligations		1,374	-	1,374	-	1,374
Profit for the year	-	-	261,647	261,647	67,002	328,649
Total comprehensive loss for the year	**-**	**(326,936)**	**261,647**	**(65,289)**	**22,047**	**(43,242)**
Dividend paid to NCI by affiliates relating to 2017	-	-	-	-	(17,050)	(17,050)
Transfer to share option reserve	-	219	(219)	-	-	-
Transfer from general banking reserves	-	(124,262)	124,262	-	-	-
Transfer to statutory reserve	-	45,376	(45,376)	-	-	-
Transfer to other group reserve	-	12,591	(12,591)	-	-	-
At 31 December 2018	**2,113,957**	**(842,367)**	**265,362**	**1,536,952**	**275,539**	**1,812,491**

Condensed Audited Consolidated Statement of Changes in Equity

	Share Capital	Other Reserves	Retained Earnings	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 1 January 2017	**4,538,034**	**2,558,411**	**(498,986)**	**6,597,459**	**778,328**	**7,375,787**
Changes in Equity for 1 January to 31 Dec 2017:						
Foreign currency translation differences	-	751,460	-	751,460	106,953	858,413
Net changes in available for sale investments net of taxes	-	186,040	-	186,040	-	186,040
Net gains on revaluation of property	-	13,726	-	13,726	-	13,726
Remeasurements of post-employment benefit obligations	-	(26,756)	-	(26,756)	-	(26,756)
Profit for the year	-	-	787,955	787,955	220,385	1,008,339
Total comprehensive income for the year	**-**	**924,470**	**787,955**	**1,712,425**	**327,338**	**2,039,763**
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	(103,150)	(103,150)
Change in minority interest	-	-	-	-	283,513	283,513
Treasury shares	(1,656)	-	-	(1,656)	-	(1,656)
Transfer to other group reserve	-	575,559	(575,559)	-	-	-
Transfer to share option reserve	-	1,518	(1,518)	-	-	-
Transfer to general banking reserves	-	75,224	(75,224)	-	-	-
Transfer to statutory reserve	-	200,535	(200,535)	-	-	-
Conversion of preference shares	-	-	-	-	-	-
Convertible loans - equity component	-	(6,248)	-	(6,248)	-	(6,248)
At 31 December 2017 / 1 January 2018	**4,536,378**	**4,329,469**	**(563,867)**	**8,301,980**	**1,286,029**	**9,588,009**
Changes in Equity for 2018 :						
IFRS 9 day 1 adjustment	-	-	(1,325,065)	(1,325,065)	(98,947)	(1,424,012)
Restated opening balance 1 January 2018	**4,536,378**	**4,329,469**	**(1,888,932)**	**6,976,915**	**1,187,082**	**8,163,997**
Foreign currency translation differences	-	(438,624)	-	(438,624)	(45,556)	(484,180)
Net changes in debt investment securities net of taxes	-	(314,578)	-	(314,578)	(38,570)	(353,148)
Net changes in equity instruments, net of taxes	-	1,680	-	1,680	-	1,680
Net gains on revaluation of property	-	(24,028)		(24,028)	-	(24,028)
Other comprehensive income	-	-	-	-	-	-
Remeasurements of post-employment benefit obligations	-	6,623	-	6,623	-	6,623
Profit for the year	-	-	1,200,121	1,200,121	307,323	1,507,444
Total comprehensive loss for the year	**-**	**(768,927)**	**1,200,121**	**431,194**	**223,197**	**654,391**
Dividend paid to NCI by affiliates relating to 2017	-	-	-	-	(82,181)	(82,181)
Transfer to share option reserve	-	1,058	(1,058)	-	-	-
Transfer from general banking reserves	-	(598,944)	598,944	-	-	-
Transfer to statutory reserve	-	218,712	(218,712)	-	-	-
Transfer to other group reserve	-	60,689	(60,689)	-	-	-
At 31 December 2018	**4,536,378**	**3,242,057**	**(370,326)**	**7,408,109**	**1,328,098**	**8,736,207**

Condensed Audited Consolidated Statement of Cash Flows

	Year ended 31 December 2018		Year ended 31 December 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Cash flows from operating activities						
Profit before tax	435,977	1,999,736	288,340	1,272,217	51%	57%
Adjusted for:						
Foreign exchange income	(46,917)	(215,199)	(37,498)	(165,447)	25%	30%
Net losses from investment securities	14	64	5	22	180%	191%
Fair value (gain)/loss on investment properties	1,077	4,940	827	3,651	30%	35%
Impairment losses on loans and advances	240,001	1,100,835	326,248	1,439,475	n/a	n/a
Impairment losses on other financial assets	23,914	109,689	84,806	374,182	-72%	-71%
Depreciation of property and equipment	77,541	355,664	80,557	355,435	-4%	0%
Net interest income	(929,760)	(4,264,616)	(977,319)	(4,312,136)	5%	1%
Amortisation of software and other intangibles	19,903	91,291	15,263	67,343	30%	36%
Profit on sale of property and equipment	(63)	(289)	(3,253)	(14,353)	98%	98%
Share of loss of associates	2,512	11,522	257	1,134	n/a	n/a
Income taxes paid	(118,862)	(545,195)	(77,608)	(342,425)	53%	59%
Changes in operating assets and liabilities						
Trading Financial assets	(85,726)	(393,207)	40,851	180,243	-310%	-318%
Derivative financial instruments	(10,647)	(48,836)	28,937	127,676	-137%	-138%
Treasury bills and other eligible bills	(51,142)	(234,580)	(542,527)	(2,393,742)	91%	90%
Loans and advances to banks	84,298	386,657	(156,834)	(691,987)	154%	156%
Loans and advances to customers	(105,569)	(484,222)	(244,255)	(1,077,704)	57%	55%
Pledged assets	58,127	266,616	219,644	969,115	-74%	-72%
Other assets	(7,782)	(35,696)	33,931	149,712	-123%	-124%
Mandatory reserve deposits with central bank	60,386	276,977	(163,158)	(719,888)	137%	138%
Other deposits from banks	(500,781)	(2,296,978)	-	-	n/a	n/a
Deposits from customers	732,728	3,360,871	1,706,551	7,529,661	-57%	-55%
Derivative liabilities	(2,590)	(11,880)	9,395	41,453	-128%	-129%
Provisions	529	2,426	23,668	104,428	-98%	-98%
Other liabilities	(214,351)	(983,183)	(131,727)	(581,207)	-63%	-69%
Interest received	1,528,410	7,010,499	1,570,320	6,928,581	-3%	1%
Interest paid	(598,650)	(2,745,883)	(593,001)	(2,616,445)	1%	5%
Net cashflow from operating activities	**592,577**	**2,718,023**	**1,502,420**	**6,628,994**	**-61%**	**-59%**
Cash flows from investing activities						
Purchase of software	(21,471)	(98,483)	(26,355)	(116,284)	n/a	n/a
Purchase of property and equipment	(200,945)	(921,693)	(256,194)	(1,130,381)	-22%	-18%
Proceeds from sale of property and equipment	222,163	1,019,016	147,896	652,548	50%	56%
Purchase of investment securities	(1,684,041)	(7,724,346)	(1,631,773)	(7,199,726)	3%	7%
Purchase of investment properties	(10,481)	(48,074)	(10,012)	(44,175)	-5%	-9%
Disposal of investment properties	22,604	103,680	1,324	5,844	1607%	1674%
Proceeds from sale and redemption of investment securities	1,314,559	6,029,609	809,340	3,570,978	62%	69%
Net cashflow used in investing activities	**(357,612)**	**(1,640,291)**	**(965,774)**	**(4,261,195)**	**-63%**	**-62%**
Cash flows from financing activities						
Repayment of borrowed funds	(110,022)	(504,648)	(533,110)	(2,352,194)	-79%	-79%
Proceeds from borrowed funds	440,958	2,022,583	410,980	1,814,330		
Dividends paid to non-controlling shareholders	(17,050)	(78,205)	(23,378)	(103,150)	-27%	-24%
Net cashflow from/(used in) financing activities	**313,886**	**1,439,730**	**(145,508)**	**(641,014)**	**-316%**	**-325%**
Net increase cash and cash equivalents	**548,851**	**2,517,462**	**391,138**	**1,726,785**	**40%**	**544%**
Cash and cash equivalents at start of the year	1,965,611	8,676,601	2,020,838	8,449,325	-3%	3%
Effects of exchange differences on cash and cash equivalents	(372,607)	(870,322)	(446,365)	(1,499,511)	17%	42%
Cash and cash equivalents at end of the year	**2,141,855**	**10,323,741**	**1,965,611**	**8,676,600**	**9%**	**19%**

CORPORATE ACTION		
Proposed Bonus	Nil	Nil
Proposed Dividend	Nil	Nil
Closure Date	n/a	n/a
Date of Payment	n/a	n/a
AGM Date	25th April 2019	24th April 2018
AGM Venue	Lome,Togo	Lome,Togo
Dividend per Share	Nil	Nil

Notes

1 General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, 'the Group') provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The Group had operations in 40 countries and employed over 16 386 people as at 31 December 2018 (31 December 2017: 15,930) .

Ecobank Transnational Incorporated is a limited liability company and is incorporated and domiciled in the Republic of Togo. The address of its registered office is as follows: 2365 Boulevard du Mono, Lomé, Togo. The company has a primary listing on the Ghana Stock Exchange, the Nigerian Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Cote D'Ivoire.

The consolidated financial statements for the year ended 31 December 2018 have been approved by the Board of Directors on 22 February 2019.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed elsewhere. These policies have been consistently applied to all the periods presented, unless otherwise stated. The notes also highlight new standards and interpretations issued at the time of preparation of the consolidated financial statements and their potential impact on the Group. The financial statements are for the Group consisting of Ecobank Transnational Incorporated and its subsidiaries.

2.1 Basis of presentation and measurement

The Group's consolidated financial statements for the year ended 31 December 2018 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the following:
- fair value through other comprehensive income and fair value through profit and loss, financial assets and financial liabilities (including derivative instruments) and investment properties measured at fair value
- assets held for sale - measured at fair value less cost of disposal; and
- the liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets and plan assets measured at fair value

The consolidated financial statements are presented in US Dollars, which is the group's presentation currency. The figures shown in the consolidated financial statements are stated in US Dollar thousands.

The consolidated financial statements comprise the consolidated statement of comprehensive income (shown as two statements), the statement of financial position, the statement of changes in equity, the statement of cash flows and the accompanying notes.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Included in cash and cash equivalents are highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2.2 New and amended standards adopted by the group

In the current year, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

I) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9) that replaces IAS 39. Financial Instruments: Recognition and Measurement (IAS 39) and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 was effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Group has adopted IFRS 9 as of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings. The Group does not currently apply hedge accounting and as such the adoption of IFRS 9 does not have any impact. The only significant impact on the Group's balance sheet or equity is as a result of the effect of applying the impairment requirements of IFRS 9. Overall, the Group has recorded a higher impairment allowance of $299 million resulting in a negative impact on equity due to the impact of IFRS 9 adoption.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period.

Classification and measurement

IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through other comprehensive income ('FVTOCI') and fair value through profit or loss ('FVTPL'). It includes the guidance on accounting for and presentation of financial liabilities and derecognition of financial instruments which was previously in IAS 39. Furthermore for non-derivative financial liabilities designated at fair value through profit or loss, it requires that the credit risk component of fair value gains and losses be separated and included in OCI rather than in the income statement. The Group does not currently have such instruments.

Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise expected credit losses ('ECL') on loans, debt securities and loan commitments not held at FVTPL based on unbiased forward-looking information. The measurement of expected loss involves increased complexity and judgment including estimation of lifetime probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk. This change has led to an increased impairment charge of $299 million compared to that recognised under IAS 39 as at 31 December 2017.

The increase in impairment charge is driven by:

• The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets carry a 12-month expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between three to twelve months;
• The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement under IAS 39;
• The inclusion of forecasted macroeconomic scenarios e.g. growth rates, unemployment in the determination of the ECL in components such as Probability of Default (PD); and
• The inclusion of expected credit losses on items that would not have been impaired under IAS 39, such as loan commitments and financial guarantees.

II) IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ('IFRS 15'), effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16, Leases).

Revenue under IFRS 15 needs to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. Adoption of the IFRS 15 did not have any significant impact on the Group. The Group has elected to adopt IFRS 15 using the cumulative effect method, under which the comparative information has not been restated.

2.3 New and amended standards/ interpretation issued not yet adopted by the group

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2018:

I) IFRS 16 Leases

The IASB published a new accounting standard on leases namely IFRS 16, Leases ('IFRS 16'). IFRS 16 takes effect on January 1, 2019 and will replace IAS 17, Leases ('IAS 17'). IFRS 16 is envisaged to improve the quality of financial reporting for companies with material off balance sheet leases. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group has not elected to early adopted this standard. Based on our preliminary assessment there will be an increase in the group balance sheet due to the recognition of RoU and the corresponding lease liability. There will also be a change to both the expense character (rent expenses replaced with depreciation and interest expense) and recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today). We are currently evaluating the quantitative impact of this new Standard on the Group's Financial Statements.

II) IFRS 17 Insurance Contracts

IFRS 17 , Insurance Contracts ('IFRS 17') was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts ('IFRS 4') as of 1 January 2021

The impact of this standard is currently being assessed.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in United States dollars, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the official exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVTOCI (available for sale in 2017) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVTOCI, are included in other comprehensive income

c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

ii) Income and expenses for each income statement are translated at average exchange rates; (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and

iii) All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'Foreign currency translation differences'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to 'Other comprehensive income'. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.
Following the approval from the ETI Board and effective 1 December 2018, management have adopted the Nigerian Autonomous Foreign Exchange Nigeria (NAFEX) rate (and moved away from the use of the official CBN rate) in translating the results and financial position of all its affiliates in Nigeria. The change has been necessitated by the consistent divergence of official rates in Nigeria and the developments in the Nigerian industry especially with the ETI's peers moving away from the use of the CBN official rate in 2018. The differences between the Official CBN rate and the NAFEX rate will continue to be monitored with the expectation that the Official CBN rate is adopted again when convergence takes place or when the volume of transactions in this window increases.

2.5 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

Notes

Notes

2 Summary of significant accounting policies (continued)

2.6 Determination of fair value

Fair value under IFRS 13, Fair Value Measurement ('IFRS 13') is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on exchanges (for example, NSE, BVRM, GSE) and quotes from approved bond market makers.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer or broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (for example, the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.7 Fee and commission income

2.7 (a) Fees and Commissions Income Policies applicable from January 1, 2018

The Group adopted IFRS 15 from 1 January 2018. Adoption of the standard has had no effect on financial information reported in the current or comparative periods. The Group applies IFRS 15 to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The Group recognises revenues to depict the transfer of promised service to customers in an amount that reflects the consideration the Group expects to be entitled in exchange for the service. Fees and commissions are generally recognised on an accrual basis when the service has been provided and considering the stage of completion. Fees charged for servicing a loan are recognised in revenue as the service is provided, which in most instances occurs monthly when the fees are levied. Loan syndication fees are recognised as part of fees and commissions income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. This is especially so as is the case in most instances for the Group where the nature of the service provided is such that the client benefits as the services are provided. Where this is not the case and where the nature of the service provided is such that the customer only benefits on completion such fees are recognised at a point in time and usually when control transfers. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Asset management fees related to investment funds are recognised over the period in which the service is provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan under interest income.

2.7 (b) Fees and Commissions Income Policies applicable before January 1, 2018

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Asset management fees related to investment funds are recognised over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2.8 Dividend income

Dividends are recognised in the consolidated income statement in 'Dividend income' when the entity's right to receive payment is established which is generally when the shareholders approve the dividend.

2.9 Net gains on trading financial assets

Net trading income comprises gains less losses related to trading assets and liabilities, and it includes all fair value changes, dividends and foreign exchange differences.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash flows from other assets or group of assets (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Share-based payments

The Group engages in equity settled share-based payment transactions in respect of services received from certain categories of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the consolidated income statement over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the consolidated income statement reflects the number of vested shares or share options.

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2 Summary of significant accounting policies (continued)

2.12 Cash and cash equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Repossessed collateral

Repossessed collateral are equities, landed properties or other investments repossessed from customers and used to settle the outstanding obligations. Such investments and other assets are classified in accordance with the intention of the Group in the asset class which they belong.

2.14 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

(a) A group company is the lessee

The Group enters into operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(b) A group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(c) Fees paid in connection with arranging leases

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. For operating leases, the letting fees are capitalized within the carrying amount of the related investment property, and depreciated over the life of the lease.

2.15 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group, are classified as investment properties. Investment properties comprise office buildings and Commercial Bank parks leased out under operating lease agreements.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has been incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the income statement.

2.16 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the group and they have a cost that can be measured reliably. Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices and are measured using the revaluation model. All other property and equipment used by the Group is stated at historical cost less depreciation. Subsequent to initial recognition, motor vehicles, furniture and equipment, installations and computer equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset. For assets revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Land and buildings are the class of items that are revalued on a regular basis. The other items are evaluated at cost

An independent valuation of the Group's land and buildings was performed by professionally qualified independent valuers to determine the fair value of the land and buildings as at 31 December 2018. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserve – property and equipment' in shareholders equity (Note 40). Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For these appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Buildings	25 - 50 years
- Leasehold improvements	25 years, or over the period of the lease if less than 25 years
- Furnitures , equipment Installations	3 - 5 years
- Motor vehicles	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Items of property and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the consolidated income statement. On derecognition any surplus in the revaluation reserve in respect of an individual item of property and equipment is transferred directly to retained earnings in the statement of changes in equity.

2 Summary of significant accounting policies (continued)

2.17 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstance indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

b) Computer software licences

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.
Costs associated with maintaining computer software programs are recognised as an expense incurred. Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding three years).

2.18 Income tax

a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on debt instruments at FVOCI).

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position. The Group does not offset income tax liabilities and current income tax assets.

b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base, fair value changes on investment securities (available for sale financial assets under IAS 39), tax loss carried forward, revaluation on property and equipment. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of investment securities (available for sale financial assets under IAS 39), which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Employee benefits

a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-retirement obligations

The Group also provides gratuity benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

e) Short term benefits

The Group seeks to ensure that the compensation arrangements for its employees are fair and provide adequate protection for current and retiring employees. Employee benefits are determined based on individual level and performance within defined salary bands for each employee grade. Individual position and job responsibilities will also be considered in determining employee benefits. Employees will be provided adequate medical benefits and insurance protection against disability and other unforeseen situations. Employees shall be provided with retirement benefits in accordance with the Separation and Termination policies. Details of employee benefits are available with Group or Country Human Resources

Notes
Notes

2 Summary of significant accounting policies (continued)

2.21 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contracts is discharged, cancelled or expired. The difference between the carrying amount of financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other operating income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.
The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.23 Fiduciary activities

Group companies commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. An assessment of control has been performed and this does not result in control for the group. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.24 Share capital

a) Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by Ecobank Transnational Incorporated's shareholders. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

c) Treasury shares

Where the company purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.25 Segment reporting

The Group's segmental reporting is in accordance with IFRS 8, Operating Segments ("IFRS 8"). Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified by the Group as the Chief Operating Decision Maker (CODM).

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Group has the following business segments: Corporate & Investment Banking, Commercial Banking and Consumer Banking.

2.26 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interests in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal group) but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the of the sale of the non-current assets held for sale (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) classified as held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.27 Discontinued operations:

As discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation, is part of single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with the with a view to resale. The Group presents discontinued operations in a separate line in the income statement.

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group´s operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the Income statement.

2.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8, Accounting policies ("IAS 8"), changes in accounting estimates and errors' applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2 Summary of significant accounting policies (continued)

2.29 Financial assets and liabilities

2.29.1 Financial assets - Classification and Measurement Policies applicable from January 1, 2018

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

a) A financial asset is measured at amortized cost if it meets both of the following conditions:

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

b) A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

(i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Debt instruments are those instruments that meet the definition of a financial liability from the holder's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Movements in the carrying amount of these assets are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Losses/Income from investment securities '. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

c) A debt instrument is measured at FVTPL

- Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in the Consolidated Income Statement as part of Net trading income. Realized and unrealized gains and losses are recognized as part of Net trading income in the Consolidated Income Statement.

d) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the holder'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. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect for strategic or long term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On adoption of the standard, the Group did designate some of it equity instruments as FVTOCI. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Consolidated Income Statement. For equity instruments measured at FVTPL, changes in fair value are recognized in the Consolidated Income Statement. Dividends received are recorded in Interest income in the Consolidated Income Statement. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Consolidated Income Statement on sale of the security (this only apply for equity instruments measured at FVTOCI).

e) Business model assessment

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group'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 Group 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. For example the liquidity portfolio of assets, which is held by Ecobank Ghana (subsidiary of the Group) 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 FVTPL. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Other factors considered in the determination of the business model include:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group may decide to sell financial instruments held with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:
(i) When the Group sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Group considers sale of financial assets that may occur in assets held with the sole objective of collecting cashflows to be infrequent if the sales is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

(ii) Where these sales are infrequent even if significant in value. A sale of financial assets is considered infrequent if the sale is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

(iii) Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.

(iv) When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.

Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the portfolio held with the sole objective of collecting cashflows category that will not constitute a change in business model:

- Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
- Selling the financial asset to manage credit concentration risk (infrequent).
- Selling the financial assets as a result of changes in tax laws or due to a regulatory requirement e.g. comply with liquidity requirements (infrequent).
- Other situations also depends upon the facts and circumstances which need to be judged by the management

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

f) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Principal may change over the life of the instruments due to repayments. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Notes

2 Summary of significant accounting policies (continued)

2.29.2 Financial assets - Classification and Measurement Policies applicable before January 1, 2018

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition. Financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading . Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives. They are recognised in the consolidated statement of financial position as ' Trading financial assets '.
Financial assets and financial liabilities are designated at fair value through profit or loss when:

(i) Doing so significantly reduces measurement inconsistencies that would arise if the related derivative were treated as held for trading and the underlying financial instruments were carried at amortised cost for such loans and advances to customers or banks and debt securities in issue;

(ii) Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit or loss; and

(iii) Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit or loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net trading income'.

Derivative financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement and are reported as 'Net trading income'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Other operating income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognizing.

Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Investment securities'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net trading income'.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks and financial assets in other assets. Interest on loans is included in the consolidated income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement as 'impairment losses for loans and advances', impairment on other financial assets.

c) Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the equity is recognised in the income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in profit or loss while for available-for-sale financial assets that are not monetary items the gain or loss that is recognised in other comprehensive income within consolidated statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement in 'Dividend income' ("Other operating income") when the Group's right to receive payment is established. Treasury bills and pledged assets are classified as available for sale financial

2.29.3 Financial liabilities - Policy applicable from January 1, 2018

The accounting for financial liabilities remains largely unchanged, except for financial liabilities designated at fair value through profit or loss (FVTPL). Gains and losses on such financial liabilities are now required to be presented in other comprehensive income (OCI), to the extent that they relate to changes in own credit risk. The Group did not hold any such assets at year end.

Derivative liabilities are classified as at FVTPL and are measured at fair value with the gains and losses arising from changes in their fair value included in the consolidated income statement and are reported as 'Net trading income'. These financial instruments are recognised in the consolidated statement of financial position as 'Derivative financial instruments.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks and customers, other deposits, financial liabilities in other liabilities, borrowed funds for which the fair value option is not applied, convertible bonds and subordinated debts.

2.29.4 Financial liabilities - Policy applicable before January 1, 2018

The Group's holding in financial liabilities is in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a) Derivative liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the consolidated statement of financial position as 'Derivative financial instruments'.

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the consolidated income statement and are reported as 'Net trading income'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks and customers, other deposits, financial liabilities in other liabilities, borrowed funds which the fair value option is not applied, convertible bonds and subordinated debts.

2 Summary of significant accounting policies (continued)

2.29.5 Impairment of financial assets - Policy applicable from January 1, 2018

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with lease receivables loan commitments and financial guarantee contracts. No impairment loss is recognized on equity investments.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
• debt investment securities that are determined to have low credit risk at the reporting date; and
• other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime. The Group generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Expected Credit Loss Impairment Model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:
(i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
(ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
(iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

a) Measurement

ECL are a probability-weighted estimate of credit losses. They are measured as follows:
• financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
• financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
• undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
• financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

b) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.
• If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
• If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

c) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
• observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in debt securities is credit-impaired, the Group considers the following factors.
• The market's assessment of creditworthiness as reflected in the bond yields.
• The rating agencies' assessments of creditworthiness.
• The issuer's ability to access the capital markets for new debt issuance.
• The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

d) Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:
- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve in Consolidated Statement of Comprehensive Income.

e) Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The average write-off period is between 1 year. However, in some cases this might be constrained by existing legal or regulatory requirements and thus could take much longer than the stated year. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

f) Definition of default

The Group considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:
Quantitative criteria
- The borrower is more than 90 days past due on its contractual payments .

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
· The borrower is in long-term forbearance
· The borrower is deceased
· The borrower is insolvent
· The borrower is in breach of financial covenant(s)
· An active market for that financial asset has disappeared because of financial difficulties
· Concessions have been made by the lender relating to the borrower's financial difficulty
· It is becoming probable that the borrower will enter bankruptcy
· Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

2 Summary of significant accounting policies (continued)

2.29.5 Impairment of financial assets - Policy applicable from January 1, 2018 (continued)

g) Explanation of inputs, assumptions and estimation techniques: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD)

ECL is measured on either a 12-month (12M) 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 PD, EAD, and LGD, defined as follows:

(i) The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default (2.29.6f above) and credit-impaired financial assets" (2.29.6c above)), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. This 12M PD is used to calculate 12-month ECLs. The Lifetime PD is used to calculate lifetime ECLs for stage 2 and 3 exposures.

(ii) EAD is based on the amounts the Group 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 Group 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.

(iii) Loss Given Default (LGD) represents the Group'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 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:

(i) For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

(ii) For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type:

(i) For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

(ii) For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.
The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a semi-annual basis.
There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

h) Significant Increase in Credit Risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk (SICR) 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. 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 on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product, industry, borrower, geographical region etc.

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative, Qualitative and Back stop indicators which are critical in allocating financial assets into stages. The quantitative models considers deterioration in the credit rating of obligor/counterparty based on the Group's internal rating system or external ratings while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc. A backstop is typically used to ensure that in the (unlikely) event that the quantitative indicators do not change and there is no trigger from the qualitative indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except where there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

i) Forward-looking information incorporated in the ECL models

The assessment of Expected Credit Losses incorporates the use of forward-looking information. The Group has identified the key economic variables impacting its credit risk and expected credit losses and performed historical analysis to determine the significance and impact of these economic variables on its credit risk and expected credit losses. Significant economic variables and the impact of these variables on credit losses vary by clusters and affiliates within the Group. The key drivers for credit risk for the Group are: commodity prices, oil export, foreign exchange rates and prime lending rate. The impact of these economic variables on the expected credit losses has been determined by performing principal component analysis to understand the significant variables and estimate the impact that changes in these variables have had historically on default rates and on the components on expected credit losses.
Forecasts of these economic variables (the "base economic scenario") are provided by Ecobank Group's Economics team (as well as from other credible external sources such as Business Monitor International (BMI), International Monetary Fund (IMF), World Bank, respective Central Banks etc) on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, the forecast of the forecast for the fifth year is held constant to reduce the impact of estimation uncertainty in the long run. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Economics team also provide other possible scenarios along with scenario weightings. The number scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario represents. The Group measures expected credit losses as a probability weighted expected credit losses. These probability-weighted expected credit losses are determined by running each of the scenarios through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). For the current reporting dates, the weighting attached to the Base case, Optimistic and Downturn scenarios were 55%, 25% and 20% respectively.

The assessment of SICR is performed using the changes in credit risk rating (as a proxy for lifetime PD) along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).
As with any economic forecasts, the projections and likelihood of occurrence are subject to high degree of inherent uncertainty and therefore the actual outcomes may significantly differ from those projected. The Group considers these forecasts to represent its best estimate of possible outcomes and has analysed the non-linearities an asymmetry within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of scenarios.

The economic scenarios used as at 31 December 2018 included the following key indicators for the years ended 31 December 2019 to 2020.

	2019	2020
Nigeria		
Oil exports		
Base	1.96m b/day	1.83m b/day
Upside	2.00m b/day	2.18m b/day
Downside	1.70m b/day	0.85m b/day
Prime lending rate		
Base	17.51	17.05
Upside	17.07	16.94
Downside	17.31	19.36
UEMOA/ CESA		
Commodity price index		
Base	428.53	428.53
Upside	614.08	671.17
Downside	242.98	183.88
AWA		
Prime lending rate		
Base	18.13	17.99
Upside	12.41	9.85
Downside	26.71	32.92
Average exchange rate		
Base	5.19	5.56
Upside	4.63	4.64
Downside	5.75	6.49

Summary of forward-looking information and associated sensitivity:

Aggregate Impairment							
		Nigeria	UEMOA	AWA	CESA	ETI and Others	Total
Gross Loans		2,544,197	4,053,889	1,193,947	1,760,674	254,502	9,807,209
Impairment		- 230,850	- 107,749	- 71,049	- 141,554	- 87,338	- 638,540
Commodity Price Index	5% Increase	- 230,850	- 107,966	- 71,049	- 141,840	- 87,336	- 639,041
	5% Decrease	- 230,850	- 107,533	- 71,049	- 141,271	- 87,336	- 638,039
Oil Exports	5% Increase	- 308,690	- 107,749	- 71,049	- 141,554	- 87,336	- 716,378
	5% Decrease	- 231,408	- 107,749	- 71,049	- 141,554	- 87,336	- 639,096
Prime lending rate	5% Increase	- 245,466	- 107,749	- 70,924	- 141,554	- 87,336	- 653,030
	5% Decrease	- 217,216	- 107,749	- 71,013	- 141,554	- 87,336	- 624,867
Average Exchange Rate	5% Increase	- 230,850	- 107,679	- 71,086	- 141,554	- 87,336	- 638,505
	5% Decrease	- 230,850	- 107,679	- 71,013	- 141,554	- 87,336	- 638,432

As can be see above a 5% move in the forward looking information used in the computation of ECL would result in the impairment for the group being lower by $13.7 million or higher by $77.8 million.

2 Summary of significant accounting policies (continued)

2.29.5 Impairment of financial assets - Policy applicable from January 1, 2018 (continued)

j) Expected Life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Judgment is required in determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices.

2.29.6 Impairment of financial assets - Policy applicable before January 1, 2018

a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
v) the disappearance of an active market for that financial asset because of financial difficulties; or
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

Notes

2 Summary of significant accounting policies (continued)

2.29.6 Impairment of financial assets - Policy applicable before January 1, 2018 (continued)

b) Assets classified as available-for-sale

The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. A decline in value by fifty percent of acquisition value over a period of two consecutive years is also designated as an impairment indicator. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again. Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

2.29.7 Interest income - Policy applicable from January 1, 2018

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the consolidated income statement using the effective interest method. The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired (as set out in Note 2.29.5) and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVTOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The effective interest method is a method of calculating the amortized 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 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 Group 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.

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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

For purchased or originated credit-impaired financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows to the amortised cost of the assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income.

2.29.8 Interest income - Policy applicable before January 1, 2018

Interest income on loans and advances at amortised cost, available-for-sale debt investments and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest rate method and recognised within 'interest income' and 'interest expense' in the consolidated income statement.

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 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 Group 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.

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.

2.29.9 Reclassification of financial assets - Policy applicable from January 1, 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

A change in the Group's business model will occurs only when the Group either begins or ceases to perform an activity that is significant to its operations such as:
- Significant internal restructuring or business combinations;
- Disposal of a business line i.e. disposal of a business segment
- Any other reason that might warrant a change in the Group's business model as determined by management based on facts and circumstances

The following are not considered to be changes in the business model:
- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is 'the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not be restated when reclassification occurs.

There were no changes to any of the Group's business models during the current period.

2.29.10 Reclassification of financial assets - Policy applicable before January 1, 2018

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2.29.11 Modification of financial assets - Policy applicable from January 1, 2018

The Group sometimes renegotiates or otherwise modifies the terms of loans provided to customers. This may be due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. The Group 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
- 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 cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss in the Other operating income item.

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below.

Notes

2 Summary of significant accounting policies (continued)

2.29.11 Modification of financial assets - Policy applicable from January 1, 2018 (continued)

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term
- Conversion of a loan from one currency to another currency

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

2.29.12 Modification of financial assets - Policy applicable before January 1, 2018

The Group sometimes renegotiates or otherwise modifies the terms of loans provided to customers. This may be due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets.

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. The Group 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.
- 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

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value. Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as ‘gains and losses arising from the derecognition of financial assets measured at amortized cost’.

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.
If the above analysis results in the conclusion that the modification is considered as not substantial, then the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognised in profit or loss. The adjusted carrying amount is then amortised over the remaining term of the (modified) liability using the original effective interest rate.

If the above analysis results in the conclusion that the modification is considered as not substantial, then the net present value of changes to the future contractual cash flows adjusts the carrying amount of the original debt with the difference immediately recognised in profit or loss. The adjusted carrying amount is then amortised over the remaining term of the (modified) liability using the original effective interest rate.

2.29.13 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.29.14 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as ‘Pledged Assets’, if the transferee has the right to sell or repledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

2.30 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs 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 guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.31 Offsetting financial instruments

In accordance with IAS 32, the Group reports financial assets and liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the trading activity.

Notes

3 Critical accounting estimates, and judgements in applying accounting policies

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Impairment losses on loans and advances (applicable from January 1, 2018)

The Group reviews its loan portfolios to assess impairment at least monthly. Where impairment has been identified, an allowance for impairment is recorded. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case loss allowance is measured at an amount equal to lifetime ECL. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Loss allowances on such low credit risk instrument are recognised at the equivalent of 12-month ECL.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of significant increase in credit risk, selection of appropriate macro-economic variables and other forward-looking information etc.

(i) Determining criteria for significant increase in credit risk and choosing appropriate models and assumptions for the measurement of ECL

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. In assessing SICR, the Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has been applied in this process.

(ii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL

The scenario weightings applied in the incorporation of the forward-looking information into the calculation of ECL are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The forward-looking information used in ECL are based on forecasts. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(iii) Establishing groups of similar financial assets for the purposes of measuring ECL

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to movement in the level of credit risk on the instrument since origination. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Impairment losses on loans and advances (applicable before January 1, 2018)

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

c) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

d) Impairment of available for-sale equity investments (applicable before January 1, 2018)

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

e) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.17. These calculations require the use of estimates. The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates. By adjusting the three main estimates (cashflows, growth rate and discount rates) by 10%, no impairment charge on goodwill will arise.

f) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

g) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2.29.1). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Ecobank Transnational Incorporated

Notes to the Condensed Audited Consolidated Statement of Comprehensive Income

		Year ended 31 December 2018		Year ended 31 December 2017	
		US$'000	GHC'000	US$'000	GHC'000
5	**Net interest income**				
	Interest income				
	Loans and advances to banks	101,498	465,550	51,358	226,602
	Loans and advances to customers	867,647	3,979,717	1,006,994	4,443,069
	Treasury bills and other eligible bills	224,086	1,027,836	195,453	862,380
	Investment securities	239,932	1,100,518	211,175	931,748
	Financial assets held for trading measured at FVTPL	78,461	359,884	101,235	446,670
	Others	16,786	76,994	4,105	18,112
		1,528,410	**7,010,499**	**1,570,320**	**6,928,581**
	Interest expense				
	Deposits from banks	97,766	448,432	103,191	455,300
	Due to customers	372,226	1,707,323	328,355	1,448,771
	Other borrowed funds	31,492	144,447	151,349	667,783
	Others	97,166	445,681	10,106	44,591
		598,650	**2,745,883**	**593,001**	**2,616,445**
6	**Net fee and commission income**				
	Fee and commission income:				
	Credit related fees and commissions	136,094	624,235	141,770	625,519
	Portfolio and other management fees	19,117	87,684	16,935	74,721
	Corporate finance fees	13,798	63,289	10,299	45,441
	Cash management and related fees	230,304	1,056,357	203,641	898,507
	Card management fees	87,041	399,239	79,901	352,540
	Brokerage fees and commissions	3,439	15,774	3,364	14,842
	Other fees	17,641	80,916	13,610	60,051
		507,434	**2,327,494**	**469,520**	**2,071,621**
	Fee and commission expense				
	Brokerage fees paid	1,314	6,027	1,317	5,810
	Other fees paid	61,679	282,909	67,823	299,250
		62,993	**288,936**	**69,140**	**305,060**
7	**Net trading income**				
	Foreign exchange	340,762	1,563,004	360,125	1,588,948
	Trading income on securities	41,123	188,623	55,600	245,318
		381,885	**1,751,627**	**415,725**	**1,834,266**
8	**Other operating income**				
	Lease income	2,226	10,210	2,603	11,483
	Dividend income	5,036	23,099	5,594	24,683
	Gains less losses from investment securities	(1,077)	(4,940)	(828)	(3,652)
	Other	62,900	288,510	30,409	134,170
		69,085	**316,879**	**37,778**	**166,684**
9	**Impairment losses on loans and advances and other financial assets**				
	Impairment losses on loans and advances	240,001	1,100,835	326,248	1,439,474
	Impairment charge on other financial assets	23,914	109,689	84,806	374,183
		263,915	**1,210,524**	**411,054**	**1,813,657**
10	**Taxation**				
	Current income tax	112,831	517,532	81,176	358,168
	Deferred income tax	(4,702)	(21,567)	(20,419)	(90,095)
		108,129	**495,965**	**60,757**	**268,073**
11	**Operating expenses**				
	Staff expenses	512,455	2,350,525	515,040	2,272,464
	Depreciation and amortisation	97,444	446,955	95,820	422,778
	Other operating exepnses	512,868	2,352,419	520,691	2,297,398
		1,122,767	**5,149,899**	**1,131,551**	**4,992,640**

Ecobank Transnational Incorporated

Notes to the Condensed Audited Consolidated Statement of Financial Position

		As at 31 December 2018		As at 31 December 2017	
		US$'000	GHC'000	US$'000	GHC'000
12	**Cash and balances with central banks**				
	Cash in hand	656,785	3,165,704	576,862	2,546,383
	Balances with central banks other than mandatory reserve deposits	1,011,451	4,875,194	895,316	3,952,104
	Included in cash and cash equivalents	**1,668,236**	**8,040,898**	**1,472,178**	**6,498,487**
	Mandatory reserve deposits with central banks	1,129,181	5,442,652	1,189,567	5,250,988
		2,797,417	**13,483,550**	**2,661,745**	**11,749,475**
13	**Trading financial assets**				
	Debt securities measured at FVTPL				
	- Government bonds	122,283	589,404	36,064	159,194
	Equity securities measured at FVTPL				
	- Listed	-	-	270	1,192
	-Unlisted	-	-	223	984
		122,283	**589,404**	**36,557**	**161,370**
14	**Derivative Financial Instruments**				
	Currency forward	24,632	118,727	29,267	129,190
	Currency swap	25,282	121,858	10,000	44,142
		49,914	**240,585**	**39,267**	**173,332**
15	**Loans and advances to banks**				
	Items in course of collection from other banks	46,884	225,981	65,771	290,326
	Deposits with other banks	1,152,337	5,554,264	1,036,270	4,574,304
	Placements with other banks	518,354	2,498,467	583,765	2,576,855
		1,717,575	**8,278,712**	**1,685,806**	**7,441,485**
16	**Loans and advances to customers**				
	Analysis by type:				
	Overdrafts	1,274,247	6,141,871	2,616,054	11,547,786
	Credit cards	3,101	14,947	3,800	16,775
	Term loans	8,421,947	40,593,785	7,167,729	31,639,790
	Mortgage loans	106,260	512,173	101,400	447,600
	Others	1,654	7,972	23,795	105,034
	Gross loans and advances	**9,807,209**	**47,270,748**	**9,912,778**	**43,756,985**
	Less: allowance for impairment	(638,540)	(3,077,763)	(554,914)	(2,449,502)
		9,168,669	**44,192,985**	**9,357,864**	**41,307,483**
17	**Treasury bills and other eligible bills**				
	Maturing within three months	396,384	1,910,571	338,252	1,493,112
	Maturing after three months	1,431,867	6,901,599	1,380,725	6,094,796
		1,828,251	**8,812,170**	**1,718,977**	**7,587,908**
18	**Investment securities**				
	Debt securities				
	- At FVTOCI listed	1,677,336	8,084,758	-	-
	- At FVTOCI unlisted	2,886,267	13,911,807	-	-
	Total	**4,563,603**	**21,996,565**	**-**	**-**
	- At FVTOCI unlisted	90	434		
	- At FVTPL listed	3,131	15,091		
	- At FVTPL unlisted	2,387	11,504		
		5,608	**27,029**	**-**	**-**
	Debt securities - available for sale				
	- listed	-	-	1,774,141	7,831,413
	- unlisted	-	-	2,461,171	10,864,102
		-	**-**	**4,235,312**	**18,695,515**
	Equity securities - available for sale				
	- listed	-	-	12,689	56,014
	- unlisted	-	-	158,773	700,855
		-	**-**	**171,462**	**756,869**
	Total securities available-for-sale before impairment	**4,569,211**	**22,023,594**	**4,406,774**	**19,452,384**
	Allowance for impairment	(949)	(4,571)	(1,534)	(6,774)
		4,568,262	**22,019,023**	**4,405,240**	**19,445,610**
19	**Pledged assets**				
	Treasury bills	164,122	791,069	74,128	327,215
	Government bonds	36,292	174,926	224,433	990,693
	Eurobonds	40,020	192,897	-	-
		240,434	**1,158,892**	**298,561**	**1,317,908**
20	**Deposits from banks**				
	Operating accounts with banks	1,075,102	5,181,992	881,089	3,889,303
	Deposits from other banks	390,544	1,882,422	891,325	3,934,487
		1,465,646	**7,064,414**	**1,772,414**	**7,823,790**
21	**Due to customers**				
	- Current accounts	9,910,388	47,768,070	9,067,104	40,024,010
	- Term deposits	3,381,078	16,296,796	3,486,002	15,387,910
	- Savings deposits	2,644,533	12,746,649	2,650,165	11,698,359
		15,935,999	**76,811,515**	**15,203,271**	**67,110,279**
22	**Cash and cash equivalents**				
	Cash and balances with central banks	1,668,236	8,040,898	1,472,178	6,498,488
	Treasury Bills and other eligible bills	396,384	1,910,571	338,252	1,493,112
	Deposits with other banks	1,152,337	5,554,264	1,036,270	4,574,305
	Deposits from other banks	(1,075,102)	(5,181,992)	(881,089)	(3,889,305)
		2,141,855	**10,323,741**	**1,965,611**	**8,676,600**

20 Contingent liabilities and commitments

Contingent liabilities in respect of bankers acceptance, guarantees, letters of credits and commitments to extend credit not provided for in the financial statements were US$ 5.6 billion (GHC 26.8 billion) (31 Dec 2017: US$ 3.9 billion (GHC 17.3 billion))

Note 21: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE

Ecobank groups its business in Africa into four geographical regions. These reportable operating segments are Nigeria, Francophone West Africa (UEMOA), Anglophone West Africa (AWA), Central, Eastern and Southern, Africa (CESA).

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the year ended 31 December 2018							
Net interest income	258,816	282,895	241,823	207,281	(61,055)	-	929,760
Net fees and commission income	54,338	129,069	78,654	148,602	33,778	-	444,441
Other income	130,586	98,600	73,711	93,635	54,438	-	450,970
Operating income	**443,740**	**510,564**	**394,188**	**449,518**	**27,161**	**-**	**1,825,171**
Impairment losses on financial assets	77,858	49,519	41,890	67,477	39,677	(12,506)	263,915
Total operating expenses	274,622	309,803	204,470	271,104	62,228	540	1,122,767
Operating profit after impairment losses	**91,260**	**151,242**	**147,828**	**110,937**	**(74,744)**	**11,966**	**438,489**
Share of profit from associates	**-**	**-**	**284**	**(217)**	**(2,579)**	**-**	**(2,512)**
Profit before tax	**91,260**	**151,242**	**148,112**	**110,720**	**(77,323)**	**11,966**	**435,977**
Balance Sheet Highlights as at 31 December 2018							
Total assets	5,431,151	8,818,980	3,232,902	5,393,881	(295,645)	928	22,582,196
Total Liabilities	4,714,677	8,227,131	2,859,106	4,881,086	(203,548)	291,253	20,769,705

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for theyear ended 31 December 2017							
Net interest income	332,442	259,765	219,012	193,060	(26,960)	-	977,319
Net fees and commission income	47,033	126,469	79,501	117,365	30,012	-	400,380
Other income	177,919	91,013	55,861	82,619	46,091	-	453,503
Operating income	**557,394**	**477,247**	**354,374**	**393,044**	**49,142**	**-**	**1,831,202**
Impairment losses on financial assets	205,453	81,055	57,701	56,308	31,100	(20,563)	411,054
Total operating expenses	285,182	284,720	191,901	287,509	82,536	(297)	1,131,551
Operating profit after impairment losses	**66,759**	**111,472**	**104,772**	**49,227**	**(64,493)**	**20,860**	**288,597**
Share of profit from associates	-	-	110	37	(404)	-	(257)
Profit before tax	**66,759**	**111,472**	**104,882**	**49,264**	**(64,897)**	**20,860**	**288,340**
Balance Sheet Highlights as at 31 December 2017							
Total assets	6,056,253	9,222,369	2,950,696	4,656,926	(461,243)	6,603	22,431,604
Total Liabilities	5,129,338	8,612,783	2,632,760	4,156,111	(552,218)	280,747	20,259,521

(1) ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, Ecobank Development Corp. (the Group's Investment Banking and Securities and Asset Management businesses), and also the impact of other affiliates and
(2) The Resolution Vehicle (RV), a structured entity that was set up in Nigeria to purchase and hold the challenged legacy assets from Ecobank Nigeria's core assets.

Note 22: BUSINESS FINANCIAL PERFORMANCE

In 000 of $

	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the year ended 31 December 2018						
Net interest income	464,160	163,358	240,217	62,025	(0)	929,760
Net fees and commission income	176,858	97,768	171,337	32,126	(33,648)	444,441
Other income	293,696	93,359	35,012	139,623	(110,720)	450,970
Operating income	**934,714**	**354,485**	**446,566**	**233,774**	**(144,368)**	**1,825,171**
Impairment losses on financial assets	194,270	60,931	13,237	37,562	(42,085)	263,915
Total operating expenses	472,747	264,324	371,422	126,171	111,897	1,122,767
Operating profit after impairment losses	**267,697**	**29,230**	**61,907**	**70,042**	**(214,180)**	**438,489**
Share of profit from associates	**66**	**-**	**-**	**(3,039)**	**461**	**(2,512)**
Profit before tax	**267,763**	**29,230**	**61,907**	**67,003**	**10,074**	**435,977**
Balance Sheet Highlights as at 31 December 2018						
Total assets	13,101,476	1,252,536	889,996	3,340,465	3,997,724	22,582,196
Total Liabilities	11,678,343	3,346,639	5,242,265	2,125,486	(1,623,027)	20,769,705

In 000 of $

	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the year ended 31 December 2017						
Net interest income	511,235	189,886	247,599	28,599	-	977,319
Net fees and commission income	165,264	86,033	166,068	14,052	(31,037)	400,380
Other income	293,590	85,069	32,847	224,917	(182,920)	453,503
Operating income	**970,089**	**360,988**	**446,514**	**267,568**	**(213,957)**	**1,831,202**
Impairment losses on financial assets	230,442	125,293	29,547	43,270	(17,498)	411,054
Total operating expenses	471,528	267,561	371,260	127,211	(106,008)	1,131,551
Operating profit after impairment losses	**268,119**	**(31,866)**	**45,707**	**97,087**	**(90,451)**	**288,597**
Share of profit from associates	**147**	**-**	**-**	**(404)**	**-**	**(257)**
Profit before tax	**268,266**	**(31,866)**	**45,707**	**96,683**	**(90,450)**	**288,340**
Balance Sheet Highlights as at 31 December 2017						
Total assets	14,863,433	1,521,689	953,747	10,325,345	(5,232,610)	22,431,604
Total Liabilities	11,548,925	3,066,252	5,145,046	2,881,070	(2,381,772)	20,259,521

Note 23: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE

Ecobank groups its business in Africa into four geographical regions. These reportable operating segments are Nigeria, Francophone West Africa (UEMOA), Anglophone West Africa (AWA), Central, Eastern and Southern, Africa (CESA).

In Millions of Cedis

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the year ended 31 December 2018							
Net interest income	1,187	1,298	1,109	951	(280)	-	4,265
Net fees and commission income	249	592	361	682	155	-	2,039
Other income	599	452	338	429	251	-	2,069
Operating income	**2,035**	**2,342**	**1,808**	**2,062**	**126**	**-**	**8,372**
Impairment losses on financial assets	357	227	192	310	182	(57)	1,211
Total operating expenses	1,260	1,421	938	1,243	288	-	5,150
Operating profit after impairment losses	**418**	**694**	**678**	**509**	**(344)**	**57**	**2,011**
Share of profit from associates	**-**	**-**	**1**	**(1)**	**(12)**	**-**	**(12)**
Profit before tax	**418**	**694**	**679**	**508**	**(356)**	**57**	**2,000**
Balance Sheet Highlights as at 31 December 2018							
Total assets	26,178	42,507	15,583	25,999	(1,421)	-	108,846
Total Liabilities	22,725	39,655	13,781	23,527	422	-	100,110

In Millions of Cedis

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the year ended 31 December 2017							
Net interest income	1,467	1,146	966	852	(119)	-	4,312
Net fees and commission income	208	558	351	518	132	-	1,767
Other income	785	402	246	365	203	-	2,001
Operating income	**2,460**	**2,106**	**1,563**	**1,735**	**216**	**-**	**8,080**
Impairment losses on financial assets	907	358	255	248	137	(91)	1,814
Total operating expenses	1,258	1,256	847	1,269	363	-	4,993
Operating profit after impairment losses	**295**	**492**	**461**	**218**	**(284)**	**91**	**1,273**
Share of profit from associates	-	-	-	-	(1)	-	(1)
Profit before tax	**295**	**492**	**461**	**218**	**(286)**	**91**	**1,271**
Balance Sheet Highlights as at 31 December 2017							
Total assets	26,734	40,709	13,025	20,557	(2,036)	29	99,018
Total Liabilities	22,642	38,019	11,622	18,346	(2,438)	1,239	89,430

(1) ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, Ecobank Development Corp. (the Group's Investment Banking and Securities and Asset Management businesses), and also the impact of other affiliates and
(2) The Resolution Vehicle (RV), a structured entity that was set up in Nigeria to purchase and hold the challenged legacy assets from Ecobank Nigeria's core assets.

Note 24: BUSINESS FINANCIAL PERFORMANCE

In Millions of Cedis

	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the year ended 31 December 2018						
Net interest income	2,129	749	1,102	284	1	4,265
Net fees and commission income	811	448	786	147	(153)	2,039
Other income	1,347	428	161	640	(507)	2,069
Operating income	**4,287**	**1,625**	**2,049**	**1,071**	**(660)**	**8,372**
Impairment losses on financial assets	891	279	61	172	(192)	1,211
Total operating expenses	2,168	1,212	1,704	579	(513)	5,150
Operating profit after impairment losses	**1,228**	**134**	**284**	**320**	**45**	**2,011**
Share of profit from associates	**-**	**-**	**-**	**(14)**	**2**	**(12)**
Profit before tax	**1,228**	**134**	**284**	**306**	**48**	**2,000**
Balance Sheet Highlights as at 31 December 2018						
Total assets	63,149	6,037	4,290	16,101	19,269	108,846
Total Liabilities	56,290	16,131	25,268	10,245	(7,824)	100,110

In Millions of Cedis

	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the year ended 31 December 2017						
Net interest income	2,345	871	1,136	71	(111)	4,312
Net fees and commission income	758	395	762	64	(212)	1,767
Other income	1,347	390	151	1,032	(919)	2,001
Operating income	**4,450**	**1,656**	**2,049**	**1,167**	**(1,242)**	**8,080**
Impairment losses on financial assets	1,057	575	136	198	(152)	1,814
Total operating expenses	2,163	1,227	1,703	583	(683)	4,993
Operating profit after impairment losses	**1,230**	**(146)**	**210**	**386**	**(407)**	**1,273**
Share of profit from associates	**1**	**-**	**-**	**(2)**	**(0)**	**(1)**
Profit before tax	**1,231**	**(146)**	**210**	**384**	**(408)**	**1,271**
Balance Sheet Highlights as at 31 December 2017						
Total assets	65,610	6,717	4,210	45,578	(23,097)	99,018
Total Liabilities	50,979	13,535	22,711	12,718	(10,514)	89,430

Five -year summary financials

At the year end	2018	2017	2016	2015	2014
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Total assets	22,582,196	22,431,604	20,510,974	23,553,919	24,243,562
Loans and advances to customers	9,168,669	9,357,864	9,259,374	11,200,349	12,311,642
Deposits from customers	15,935,999	15,203,271	13,496,720	16,427,553	17,436,970
Total equity	1,812,491	2,172,083	1,764,078	2,523,245	2,655,085
For the year					
Revenue	1,825,171	1,831,202	1,972,263	2,105,975	2,279,881
Profit / (loss) before tax	435,977	288,340	- 131,341	205,239	519,549
Profit / (loss) for the Year	328,649	228,534	- 204,958	107,464	394,770
Profit / (loss) attributable to owners of the parent	261,647	178,585	- 249,898	65,539	337,863
Earnings per share-basic(cents)	1.06	0.72	-1.01	0.28	1.69
Earnings per share-diluted (cents)	1.06	0.72	-1.01	0.28	1.6
Dividend per share (cents)	-	-	0.00	0.20	-
Return on average equity	17.8%	11.6%	-9.6%	4.2%	16.5%
Return on average assets	1.5%	1.1%	-0.9%	0.4%	1.70%
Cost-to-income ratio	61.5%	61.8%	62.7%	64.9%	65.4%

***** Results for 2014 to 2015 are shown for continuing operations.