Ecobank Group reports full year 2014 audited results

- Revenues up 14% to $2.3 billion (up 19% to NGN 379.3 billion)
- Profit before tax up 134% to $519.5 million (up 144 % to NGN86.4 billion)
- Profit after tax up 167% to $394.8 million (up by 179% to NGN65.7 billion)
- Total assets up 8% to $24.2 billion (up 25% to NGN4,501.8 billion)
- Total equity up 24% to $2.7 billion (up 45% to NGN 493.0 billion)

<table>
<thead>
<tr>
<th>Financial Highlights</th>
<th>31 December 2014</th>
<th>31 December 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>NGN'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Income Statement:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>2,279,881</td>
<td>379,322,749</td>
<td>2,003,456</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>519,549</td>
<td>86,441,599</td>
<td>221,778</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>394,770</td>
<td>65,681,133</td>
<td>147,773</td>
</tr>
<tr>
<td>Statement of Financial Position:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>24,243,562</td>
<td>4,501,787,027</td>
<td>22,532,453</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>12,311,642</td>
<td>2,286,148,803</td>
<td>11,421,605</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>17,436,970</td>
<td>3,237,870,959</td>
<td>16,489,904</td>
</tr>
<tr>
<td>Total equity</td>
<td>2,655,085</td>
<td>493,022,733</td>
<td>2,134,648</td>
</tr>
</tbody>
</table>

Commenting on these results, Group Chief Executive Officer Albert Essien said: “Our performance in 2014 was a great example of the benefit of our diversified business model. In what was a tough operating environment, we remained focused on the importance of serving the financial needs of our customers across Middle Africa.

We grew customer loans by $890 million or 8%, and deposits by $947 million or 6%, particularly in core current account deposits, despite the adverse impact of US dollar’s appreciation to our key functional currencies.

Revenues increased 14% from the prior year and were in line with our guidance. The focus on driving efficiencies in our businesses paid off, with operating expenses up 6%, and the cost-income ratio (CIR) improving to 65.4% versus 70.1% in the prior year. Additionally, all our geographic clusters increased revenues higher than operating expenses and improved their cost-income ratios.”

Essien concluded: “We further strengthened our capital base with Group-wide Tier 1 capital increasing approximately $981 million. Our Tier 1 capital ratio was 18.3% versus 13.0% in the prior year and total capital ratio was 20.4%.

Going forward, we remain confident in the prospects for growth in Africa and in our dedicated staff, and are positioning the company for long-term success to achieve outstanding results for all our stakeholders.”

The ETI Board of Directors propose a bonus share issue in respect of the 2014 financial year, subject to the approval of the shareholders at the next AGM scheduled for 19 June 2015. The bonus share will be distributed in the ratio of 1 new share for 15 existing shares of ETI.

By Order of the Board of Directors

Albert Essien
Group Chief Executive Officer

Laurence do Rego
Group Executive Director,Finance

www.ecobank.com
Ecobank Transnational Incorporated  
For the year ended 31 December 2014  
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 year that give a true and fair view of the state of financial affairs of the Group at the end of the year and of its profit or loss. This responsibility includes ensuring that the Group:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and its subsidiaries;
(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 annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards.

Nothing has come to the attention of the Directors to indicate that the company and its subsidiaries 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 company and its subsidiaries 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.

Approval of annual consolidated financial statements

The annual consolidated financial statements were approved by the board of directors on 1 April 2015 and signed on its behalf by:

Emmanuel Ikazoboh  
Chairman  
Board of Directors

Albert Essien  
Group Chief Executive Officer
REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSMATIONAL INCORPORATED

Report on the financial statements

We have audited the accompanying financial statements of Ecobank Transnational Incorporated and its subsidiaries ("the Group"). These financial statements comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

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

Auditor’s responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group at 31 December 2014 and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards.

Anthony Osuwa
For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria.
PWC/2013/ICAN/0000000980
7 April 2015

For: PricewaterhouseCoopers
Chartered Accountants
Abidjan, Côte d’Ivoire
7 April 2015

PricewaterhouseCoopers Chartered Accountants, 252E Muri Okunola Street, Victoria Island, Lagos, Nigeria
PricewaterhouseCoopers SA, Immeuble Alpha 2000, 20ème Etage, Rue Gouryas - Plateau, Abidjan Côte d’Ivoire
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 20,331 people (2013: 19,546) as at 31 December 2014.

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.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

The Group’s consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.

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 notes.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, all derivative contracts and investment properties, which have been measured at fair value and property and equipment which have been revalued.

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 disclosures on risks from financial instruments are presented in the financial risk management report.

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 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 disclosures on risks from financial instruments are presented in the financial risk management report.

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.

(a) Standards, amendment and interpretations effective on or after 1 January 2014 adopted by the Group

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standard Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Content</th>
<th>Applicable for financial years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amendments to IFRS 10, IFRS 12 and IAS 27</td>
<td>Investment entities</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Amendment to IAS 32</td>
<td>Offsetting financial assets and financial liabilities</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Amendment to IAS 36</td>
<td>Recoverable amount disclosures for non-financial assets</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>Amendment to IAS 39</td>
<td>Novation of derivatives and continuation of hedge accounting</td>
<td>1 January 2014</td>
</tr>
<tr>
<td>IFRIC 21</td>
<td>Levies</td>
<td>1 January 2014</td>
</tr>
</tbody>
</table>

i) Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.
Basis of preparation (continued)

ii) Amendment to IAS 32 - Offsetting financial assets and financial liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

iii) Amendment to IAS 36 - Recoverable amount disclosures for non-financial assets

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. These amendments require entities to disclose information about the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed, and to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. This has no impact on the Group since none of the recoverable amount for non-financial assets have been determined using fair value less costs of disposal approach.

iv) Amendment to IAS 39 - Novation of derivatives and continuation of hedge accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

v) IFRIC 21 - Levies

It sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

i) IFRS 9, ‘Financial instruments’ (effective 1 January 2018)

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014) which will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon the former's effective date. Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The first phase of this replacement project affects the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value, those measured at amortised cost and those measured at fair value through other comprehensive income (FVTOCI). The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The second phase of this replacement project is on impairment methodology. The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

The third phase of this replacement project on hedge accounting is yet to be finalized. The group is yet to assess IFRS 9’s full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

ii) IFRS 15 – Revenue from contracts with customers (effective 1 January 2017)

The Standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers to improve comparability within industries, across industries, and across capital markets. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The revenue standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The group is yet to assess IFRS 15’s full impact.

iii) Amendments to IAS 19 – Defined benefits plan: Employee contributions (effective 1 July 2014)

The amendment to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provide by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employee's period of service either using the plan’s contribution formula or on a straight-line basis, whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The group is yet to assess the full impact of this amendment.

iv) Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)

The amendments prohibits entities from using revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. Currently, the group uses straight-line method for depreciation and amortisation for its property, plant and equipment and intangible assets respectively. The application of this standard does not have any impact on the group.
Notes

Basis of preparation (continued)

v) Annual Improvements to IFRSs 2010 - 2012 cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the consideration is a financial asset or a financial liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

vi) IAS 24 - Related party disclosures (effective 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (‘the management entity’). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity’s employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

vii) IFRS 13 - Fair value measurement (effective 1 July 2014)

The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of acquiree’s identifiable net assets for components that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, otherwise they are recognised at fair value. Measurement of non-controlling interest is required at the date of acquisition. Subsequent increase in equity holding of the acquiree is seen to be transaction between equity holders acting in their capacity as owners of business.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date: any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. For receivables in cash, changes in fair value is transferred to the income statement. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group’s accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.
Basis of preparation (continued)

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit/(loss) of associates in profit or loss.’

2.3 Foreign currency translation

a) Functional and presentation currency

The consolidated 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’).

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the 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. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale 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.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, 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.

2.4 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.

2.5 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the consolidated statement of financial position and measured in accordance with their assigned category.

2.5.1 Financial assets

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. 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 unless they are designated and effective as hedging instruments. 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 recognized in the consolidated statement of financial position as ‘Financial assets held for trading.’
Summary of significant accounting policies (continued)

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 amortized 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
income from financial instruments designated at fair value’.

Derivative financial instruments included in this category are recognized 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 ‘Dividend income’, respectively. The instruments are derecognized
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 recognized in the consolidated statement of financial position as ‘Financial assets designated at fair value’. Fair
value changes relating to financial assets designated at fair value through profit or loss are recognized 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 recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured
subsequently at amortized 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 recognized in the consolidated income statement as ‘Impairment losses for
loans and advances’, impairment on other financial assets.

c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention
and ability to hold to maturity, other than:

(a) those that the Group upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group designates as available for sale; and

(c) those that meet the definition of loans and receivables.

These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest method.
Interest on held-to-maturity investments is included in the consolidated income statement and reported as ‘Interest income’. In the case of an impairment, the impairment loss is
reported as a deduction from the carrying value of the investment and recognized in the consolidated income statement as ‘Impairment losses for loans and advances’, impairment on other financial assets.

There were no held-to-maturity financial assets as at the reporting date.

d) 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 recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value
with gains and losses being recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is
derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the equity is recognized under 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
recognized in the consolidated statement of comprehensive income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement in
‘Dividend income’ when the Group’s right to receive payment is established. Treasury bills and pledged assets are classified as available for sale financial assets.
2.5.2 Financial liabilities

The Group’s holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortized cost. Financial liabilities are derecognized when extinguished.

a) Financial 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 recognized in the consolidated statement of financial position as ‘Financial liabilities held for trading’.

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’.

Financial liabilities for which the fair value option is applied are recognized in the consolidated statement of financial position as ‘Financial liabilities designated at fair value’. Fair value changes relating to such financial liabilities are passed through the statement of comprehensive income.

b) Other liabilities measured at amortized cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortized cost. Financial liabilities measured at amortized 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.

c) Determination of fair value

Fair value under 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) 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, GSSE) 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, broker, industry group, pricing service or regulator in a market, 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 recognized 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 determined using appropriate option pricing models or by the sensitivity of the 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 is 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.

d) Derecognition

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

2.6 Reclassification of financial assets

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 amortized 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.

On reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

2.7 Financial guarantees and loan commitments

‘Financial guarantees’ are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. ‘Loan commitments’ are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.
Summary of significant accounting policies (continued)

2.8 Classes of financial instrument

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Class (as determined by the Group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category (as defined by IAS 39)</td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>Financial assets held for trading</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>Cash and balances with central banks</td>
</tr>
<tr>
<td>Held-to-maturity Investments</td>
<td>None</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>Treasury bills and other eligible bills</td>
</tr>
<tr>
<td>Hedging derivatives</td>
<td>None</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>Class (as determined by the Group)</td>
</tr>
<tr>
<td>Category (as defined by IAS 39)</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>Derivative financial liabilities</td>
</tr>
<tr>
<td>Financial liabilities at amortized cost</td>
<td>Deposits from banks</td>
</tr>
<tr>
<td>Off balance sheet financial instruments</td>
<td>Other deposits</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>Deposits from customers</td>
</tr>
<tr>
<td>Guaran tees, acceptances and other financial facilities</td>
<td>Borrowed funds</td>
</tr>
<tr>
<td></td>
<td>Other liabilities, excluding non-financial liabilities</td>
</tr>
</tbody>
</table>

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.10 Interest income and expense

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 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.

2.11 Fee and commission income

Fees and commissions are generally recognized 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 recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized 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 recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-appointment basis. Asset management fees related to investment funds are recognized ratably 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 recognized when the performance criteria are fulfilled.

2.12 Dividend income

Dividends are recognized in the consolidated income statement in ‘Dividend income’ when the entity’s right to receive payment is established.

2.13 Impairment of financial assets

a) Assets carried at amortized 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:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- 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.
Summary of significant accounting policies (continued)

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 recognized 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 recognized 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. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

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 (hold to maturity and loans and receivables categories) are classified in ‘Net gains/(losses) on investment securities’. When a loan is uncollectible, it is written off against the related provision 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.

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 recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the consolidated income statement.

When a loan is uncollectible, it is written off against the related provision 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.

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 recognized (such as an improvement in the debtor’s credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement in impairment charge for credit losses.

2.14 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (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.
Summary of significant accounting policies (continued)

2.15 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 recognized 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 recognized in the consolidated income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognized regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

2.16 Cash and cash equivalents
Cash and cash equivalents comprise balances with less than three months’ maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

2.18 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 recognized 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 longterm 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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized 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.

2.19 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 consolidated group, are classified as investment properties. Investment properties comprise office buildings and Domestic 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.
Summary of significant accounting policies (continued)

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.

2.20 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditures are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

After recognition as an asset, an item of property and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be 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 item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal.

Land and buildings are the class of items that are revalued on a regular basis. The other items are evaluated at cost.

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.

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 recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent that it reverses a revaluation increase of the same asset previously recognized in profit or loss. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent that it reverses a revaluation increase of the same asset previously recognized in profit or loss. 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 recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent that it reverses a revaluation increase of the same asset previously recognized in profit or loss. 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 recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognized in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent that it reverses a revaluation increase of the same asset previously recognized in profit or loss.

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.

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.

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 - 40 years
- Leasehold improvements 25 years, or over the period of the lease if less than 25 years
- Furniture & equipment and 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.

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.

2.21 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 tested annually as well as whenever a trigger event has been observed for impairment 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 and carried at cost less accumulated impairment losses. 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 amortized on the basis of the expected useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. 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 recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives (not exceeding three years).
2.24  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

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.
Summary of significant accounting policies (continued)

2.25 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.

2.26 Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

There were no such borrowing costs capitalised as at the reporting date.

2.27 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.

2.28 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 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.

2.29 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 the Company’s shareholders. Dividends for the year that are declared after the reporting date are dealt with 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.

2.30 Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision maker.

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: Domestic and Corporate & Investment Banking.

Domestic Bank: Focuses on serving local companies, small and medium scale enterprises, government and government agencies and the retail market.

Corporate & Investment Bank: Corporate Bank focuses on providing one-stop banking services to multinationals and regional companies, financial institutions and international organisations across network of the group. Investment Bank constitutes the treasury, corporate finance and asset management business. This unit provides value-added solutions primarily to corporate clients and governments.

2.31 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 previous carrying amount and fair value less costs to sell.

Discontinued operations:
The Group presents discontinued operations in a separate line in the Income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale

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.

2.32 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, changes in accounting estimates and errors’ applies, comparative figures have been adjusted to conform with changes in presentation in the current year.
3 Financial risk management

The Group’s business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group’s risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Group’s aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group’s financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by the Group Risk Management under policies approved by the Board of Directors. Group Risk Management identifies, evaluates and hedges financial risks in close co-operation with the operating units of the Group. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Audit and Compliance is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate risk and other price risk.

2.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group by failing to pay amounts in full when due. Credit risk is the most important risk for the Group’s business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the risk management team, which reports regularly to the Board of Directors.

3.1.1 Credit risk measurement

(i) Probability of default: The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented into three rating classes. The Group’s rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

(ii) Exposure at default

EAD is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

The ratings of the major rating agency shown in the table above are mapped to the group’s rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The Group’s policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

(ii) Exposure at default

EAD is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default/loss severity

Loss given default or loss severity represents the Group’s expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

(iv) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor’s rating or their equivalents are used by Group Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet funding requirements at the same time.

3.1.2 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. The exposure to any one borrower including banks and other non bank financial institutions is further restricted by sub-limits covering on- and off-statement of financial position exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing those lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

• Mortgages over residential properties;
• Charges over business assets such as premises, inventory and accounts receivable;
• Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.
3.1.3 Impairment and provisioning policies

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements usually differs from the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The “Current” classification relate to assets classified as “Investment Grade” (no evident weakness) and “Non Investment Grade” (no significant weakness).

The “watchlist” classification relate to items for which we have evidence of a weakness in the financial or operating condition of the obligor which requires management's close attention.

The “Substandard” classification : there is a well-defined weakness in the financial or operating condition of the obligor which jeopardizes the timely repayment of its obligations.

The “Doubtful” classification : there are all of the weakness that are normally seen in a substandard credit with the additional characteristic that these weaknesses make full repayment unlikely.

“Loss”: These assets are considered uncollectible and of such little value that they should be fully written-off.

The impairment provision shown in the statement of financial position at year-end is derived from each of the three rating classes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of legal proceedings to enforce security;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.
### Audited Consolidated Statement of Comprehensive Income

<table>
<thead>
<tr>
<th>Year ended 31 December 2014</th>
<th>Year ended 31 December 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 31 December 2012</td>
<td>Year ended 31 December 2011</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Profit for the year from continuing operations</strong></td>
<td>(2 790)</td>
<td>4 358 000</td>
</tr>
<tr>
<td><strong>Loss for the year from discontinued operations</strong></td>
<td>(1 936 436)</td>
<td>2 134 648</td>
</tr>
<tr>
<td><strong>Profit or loss attributable to owners of the parent</strong></td>
<td>3 857 250</td>
<td>6 086 003</td>
</tr>
<tr>
<td><strong>Earnings per share</strong></td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

### Audited Consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at start of year</strong></td>
<td>3 857 250</td>
<td>6 086 003</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Deposits from banks</strong></td>
<td>2 790 000</td>
<td>4 358 000</td>
</tr>
<tr>
<td><strong>Deposits from customers</strong></td>
<td>1 239 683</td>
<td>2 940 604</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cashflow from investing activities</strong></td>
<td>(1 404 964)</td>
<td>168 167</td>
</tr>
<tr>
<td><strong>Net cashflow from operating activities</strong></td>
<td>1 474 486 790</td>
<td>3 524 052 206</td>
</tr>
<tr>
<td><strong>Net cashflow from financing activities</strong></td>
<td>(196 075 872)</td>
<td>22 398 867</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>1 240 507 926</td>
<td>3 291 433 581</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>14 281 254 069</td>
<td>3 291 433 581</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>12 101 502 843</td>
<td>3 291 433 581</td>
</tr>
</tbody>
</table>

### Corporate Action

**Proposed Bonus:** 1 for 15

**Proposed Dividends:**

- **Closure Date:** 25th in 20th June 2015
- **Date of Payment:** 25th in 20th June 2015
- **AGM Date:** 16th June 2015

**Dividend per share:** 30 325 345 000 / 3 524 052 206 = 8 600.41 GKN

---

*Note: The above financial statements and reports are presented in accordance with the applicable accounting standards and regulations.*
## Audited Consolidated Statement of Changes in Equity

### in US$'000

<table>
<thead>
<tr>
<th></th>
<th>Share Capital</th>
<th>PPE Revaluation</th>
<th>Available for Sale</th>
<th>Currency Translation</th>
<th>Other Reserves</th>
<th>Retained Earnings</th>
<th>Total equity and reserves attributable</th>
<th>Non-Controlling Interest</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2013</strong></td>
<td>1 409 001</td>
<td>63 624</td>
<td>(342)</td>
<td>(356 428)</td>
<td>260 141</td>
<td>636 152</td>
<td>2 008 188</td>
<td>167 723</td>
<td>2 175 917</td>
</tr>
<tr>
<td><strong>Changes in Equity for 2013:</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td></td>
<td>(56 353)</td>
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<td></td>
<td></td>
<td></td>
<td>(56 353)</td>
<td>442</td>
<td>(55 911)</td>
</tr>
<tr>
<td>Net changes in AFS investments, net of tax</td>
<td>1 976</td>
<td>(40 685)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(40 685)</td>
<td>(40 685)</td>
<td>(40 685)</td>
</tr>
<tr>
<td>Net gains on revaluation of property</td>
<td>1 976</td>
<td>(1 486)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1 486)</td>
<td>(1 486)</td>
<td>(1 486)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>1 976</td>
<td>(1 486)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>95 541</td>
<td>95 541</td>
<td>95 541</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>-</td>
<td>1 976</td>
<td>(40 685)</td>
<td>(56 353)</td>
<td>(1 486)</td>
<td></td>
<td>(9 541)</td>
<td>(9 541)</td>
<td>(9 541)</td>
</tr>
<tr>
<td>Dividend relating to 2012</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>(68 879)</td>
<td>(68 879)</td>
<td>(68 879)</td>
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<tr>
<td>Issued Share Capital</td>
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<td></td>
<td></td>
<td></td>
<td>(22 191)</td>
<td>(22 191)</td>
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<td>Adjustments to opening retained earnings</td>
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<td></td>
<td>(91 070)</td>
<td>(91 070)</td>
<td>(91 070)</td>
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<tr>
<td>Share options granted</td>
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<td></td>
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<tr>
<td>Convertible loans - equity component</td>
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<td>134</td>
<td>134</td>
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<tr>
<td>Transfer and Reclassification</td>
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<td>(82 085)</td>
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<td></td>
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<td>(1 009)</td>
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<td>Other equity transactions</td>
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<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>At 31 December 2013 / 1 January 2014</strong></td>
<td>1 409 001</td>
<td>65 691</td>
<td>(41 927)</td>
<td>(412 781)</td>
<td>340 875</td>
<td>874 798</td>
<td>1 936 436</td>
<td>198 212</td>
<td>2 134 648</td>
</tr>
<tr>
<td><strong>Changes in Equity for 2014:</strong></td>
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<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td></td>
<td>(39 405)</td>
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<td>(412 148)</td>
<td>(21 606)</td>
<td>(433 754)</td>
<td>(433 754)</td>
<td>(433 754)</td>
</tr>
<tr>
<td>Net changes in AFS investments, net of tax</td>
<td>71 998</td>
<td>(39 405)</td>
<td></td>
<td></td>
<td>(39 405)</td>
<td>71 998</td>
<td>(39 405)</td>
<td>71 998</td>
<td>71 998</td>
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<tr>
<td>Net gains on revaluation of property</td>
<td>691</td>
<td></td>
<td>(39 405)</td>
<td></td>
<td>337 863</td>
<td>691</td>
<td>337 863</td>
<td>337 863</td>
<td>337 863</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>71 998</td>
<td>(39 405)</td>
<td>(412 148)</td>
<td>691</td>
<td>337 863</td>
<td></td>
<td>56 907</td>
<td>394 770</td>
<td>394 770</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>-</td>
<td>71 998</td>
<td>(39 405)</td>
<td>(412 148)</td>
<td>691</td>
<td>337 863</td>
<td>(41 001)</td>
<td>35 301</td>
<td>(35 301)</td>
</tr>
<tr>
<td>Dividend relating to 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(29 252)</td>
<td>(29 252)</td>
<td>(29 252)</td>
</tr>
<tr>
<td>Issued Share Capital</td>
<td>208 376</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>208 376</td>
<td>208 376</td>
<td>208 376</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>1 932</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 932</td>
<td>1 932</td>
<td>1 932</td>
</tr>
<tr>
<td>Reclassification of share option reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(1 066)</td>
<td>(1 066)</td>
<td>(1 066)</td>
</tr>
<tr>
<td>Share option exercised</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>34</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Transfer and Reclassification</td>
<td>360 180</td>
<td>(363 017)</td>
<td></td>
<td></td>
<td>(363 017)</td>
<td>345 048</td>
<td>345 048</td>
<td>345 048</td>
<td>345 048</td>
</tr>
<tr>
<td><strong>At 31 December 2014</strong></td>
<td>1 979 523</td>
<td>137 599</td>
<td>(80 432)</td>
<td>(824 929)</td>
<td>688 385</td>
<td>550 680</td>
<td>2 450 825</td>
<td>204 260</td>
<td>2 655 085</td>
</tr>
<tr>
<td>Share Capital</td>
<td>PPE Revaluation Surplus</td>
<td>Available for Sale Fin. Assets reserves</td>
<td>Currency Translation Reserve</td>
<td>Other Reserves</td>
<td>Retained Earnings</td>
<td>Total equity and reserves attributable</td>
<td>Non-Controlling Interest</td>
<td>Total Equity</td>
<td></td>
</tr>
<tr>
<td>---------------</td>
<td>-------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------</td>
<td>---------------</td>
<td>-----------------</td>
<td>---------------------------------------</td>
<td>-------------------------</td>
<td>-------------</td>
<td></td>
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<tr>
<td>216,042,905</td>
<td>9,666,604</td>
<td>(247,267)</td>
<td>(47,446,525)</td>
<td>37,079,810</td>
<td>97,633,342</td>
<td>313,326,276</td>
<td>26,195,915</td>
<td>339,522,191</td>
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</tr>
</tbody>
</table>

Changes in Equity for 2013:

- Currency translation differences: (1,843,500)
- Net gains on revaluation of property: 315,257
- Post-employment benefit obligations: 315,257
- Profit for the year: 15,239,363
- Total Comprehensive Income: 6,994,616

Dividend relating to 2012: (10,986,616)

Issued Share Capital

Adjustments to opening retained earnings

Convertible loans - equity component: 21,374

Transfer and Reclassification: 13,093,108

At 31 December 2013 / 1 January 2014:

216,042,905 | 9,981,861 | (6,736,769) | (49,291,525) | 50,556,296 | 86,792,841 | 309,345,651 | 31,664,367 | 341,010,018 |

Changes in Equity for 2014:

- Currency translation differences: (19,133,178)
- Net gains on revaluation of property: 11,978,916
- Post-employment benefit obligations: 114,999
- Profit for the year: 56,213,062
- Total Comprehensive Income: 42,017,662

Dividend relating to 2013: (5,431,860)

Issued Share Capital: 38,693,280

Treasury shares: 358,825

Reclassification of share option reserve: (197,946)

Share option exercised: 6,313

Transfer and Reclassification: 67,408,710

Convertible loans - equity component: 66,881,824

At 31 December 2014:

321,983,148 | 21,960,777 | (13,292,906) | (68,424,763) | 116,072,198 | 77,799,179 | 455,093,694 | 37,928,039 | 493,021,733 |
DISCLOSURES

1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

2. The accounting policies applied in the preparation of these financial statements were consistent with those applied in the preparation of the annual consolidated financial statements of 31 December 2014.

3. 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$ 4.9 billion (NGN 905.2 billion) (31 Dec 2013: US$ 4.9 billion (NGN 775.9 billion))
### Ecobank Transnational Incorporated
#### Notes to the Financial Statements

#### Year ended 31 December 2014 Year ended 31 December 2013

<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
<th>NGN'000</th>
<th>US$'000</th>
<th>NGN'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Net interest income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>42 384</td>
<td>7 051 709</td>
<td>43 658</td>
<td>6 963 747</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1 348 196</td>
<td>224 310 559</td>
<td>1 158 470</td>
<td>184 783 109</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>183 749</td>
<td>30 571 846</td>
<td>234 244</td>
<td>37 363 367</td>
</tr>
<tr>
<td>Investment securities - available for sale</td>
<td>114 956</td>
<td>19 126 184</td>
<td>133 271</td>
<td>21 257 546</td>
</tr>
<tr>
<td>Trading securities</td>
<td>41 492</td>
<td>6 903 368</td>
<td>29 369</td>
<td>4 684 537</td>
</tr>
<tr>
<td>Others</td>
<td>851</td>
<td>141 588</td>
<td>744</td>
<td>118 641</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 731 628</td>
<td>288 105 254</td>
<td>1 599 756</td>
<td>255 170 947</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>34 312</td>
<td>5 708 755</td>
<td>8 767</td>
<td>1 398 417</td>
</tr>
<tr>
<td>Due to customers</td>
<td>428 947</td>
<td>71 367 473</td>
<td>433 271</td>
<td>69 222 486</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>158 568</td>
<td>26 382 224</td>
<td>98 454</td>
<td>15 704 025</td>
</tr>
<tr>
<td>Others</td>
<td>394</td>
<td>65 553</td>
<td>7 797</td>
<td>1 243 638</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>622 221</td>
<td>103 524 005</td>
<td>548 998</td>
<td>87 568 566</td>
</tr>
</tbody>
</table>

| **2 Net fee and commission income** |         |         |         |         |
| Fee and commission income:         |         |         |         |         |
| Credit related fees and commissions | 281 939 | 46 908 532 | 251 177 | 40 064 280 |
| Corporate finance fees             | 32 634 | 5 429 589 | 27 873 | 4 445 915 |
| Portfolio and other management fees | 7 579 | 1 260 938 | 7 813 | 1 246 296 |
| Brokerage fees and commissions     | 2 854 | 474 844 | 4 398 | 601 508 |
| Cash management and related fees   | 272 359 | 45 314 627 | 241 489 | 38 518 985 |
| Card management fees               | 79 886 | 13 291 297 | 64 056 | 10 217 327 |
| Other fees                         | 21 971 | 3 655 498 | 29 742 | 4 744 032 |
| **Total**                          | 699 222 | 116 335 325 | 626 548 | 99 938 343 |
| **Fee and commission expense**     |         |         |         |         |
| Brokerage fees paid                | 3 924 | 652 868 | 2 933 | 467 832 |
| Other fees paid                    | 34 578 | 5 753 029 | 22 469 | 3 583 944 |
| **Total**                          | 38 502 | 6 405 897 | 25 402 | 4 051 776 |

| **3 Net trading income**           |         |         |         |         |
| Foreign exchange                   | 382 183 | 63 586 958 | 228 999 | 36 526 753 |
| Other trading income on securities | 80 465 | 13 387 630 | 79 961 | 12 754 273 |
| **Total**                          | 462 648 | 76 974 588 | 308 960 | 49 281 026 |

| **4 Impairment losses on loans and advances and other financial assets** |         |         |         |         |
| Provision for loan impairment      | 441 088 | 73 387 472 | 485 245 | 77 399 570 |
| Provisions no longer required       | (211 776) | (35 234 931) | (122 617) | (19 558 168) |
| **Total**                           | 229 312 | 38 152 541 | 362 628 | 57 841 402 |

| **5 Impairment losses on other financial assets** |         |         |         |         |
| Impairment charge on other financial assets | 37 648 | 6 263 810 | 14 102 | 2 249 356 |

| **6 Operating expenses**            |         |         |         |         |
| Staff expenses                      | 649 094 | 107 995 201 | 639 459 | 101 997 687 |
| Depreciation and amortisation       | 126 685 | 21 077 635 | 134 898 | 21 517 063 |
| Other operating expenses            | 715 354 | 119 019 442 | 630 607 | 100 585 672 |
| **Total**                           | 1 491 133 | 248 092 278 | 1 404 964 | 224 100 422 |

<p>| <strong>As at</strong>                            |         |         |         |         |</p>
<table>
<thead>
<tr>
<th></th>
<th>US$'000</th>
<th>NGN'000</th>
<th>US$'000</th>
<th>NGN'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>7 Cash and balances with central banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>690 151</td>
<td>128 154 139</td>
<td>711 228</td>
<td>113 618 673</td>
</tr>
<tr>
<td>Balances with central banks other than mandatory reserve deposits</td>
<td>863 146</td>
<td>160 277 581</td>
<td>612 485</td>
<td>97 844 479</td>
</tr>
<tr>
<td>Included in cash and cash equivalents</td>
<td>1 553 297</td>
<td>288 431 720</td>
<td>1 323 713</td>
<td>211 463 152</td>
</tr>
<tr>
<td>Mandatory reserve deposits with central banks</td>
<td>1 993 246</td>
<td>370 125 850</td>
<td>1 554 155</td>
<td>248 276 261</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3 546 543</td>
<td>658 557 570</td>
<td>2 877 886</td>
<td>459 739 413</td>
</tr>
</tbody>
</table>

| **8 Loans and advances to banks**    |         |         |         |         |
| Items in course of collection from other banks | 70 404 | 13 073 319 | 82 154 | 13 124 102 |
| Deposits with other banks            | 1 000 838 | 185 845 608 | 716 036 | 114 386 751 |
| Placements with other banks          | 811 259 | 185 642 683 | 539 960 | 82 105 110 |
| **Total**                            | 1 882 501 | 349 561 610 | 1 312 150 | 209 615 963 |
## Ecobank Transnational Incorporated

### Notes to the Financial Statements

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2014</th>
<th>As at 31 December 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>NGN'000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Loans and advances to customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis by type:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdrafts</td>
<td>2 516 696</td>
<td>2 603 869</td>
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<tr>
<td>Credit cards</td>
<td>6 168</td>
<td>7 131</td>
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<tr>
<td>Term loans</td>
<td>9 993 120</td>
<td>9 187 039</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>117 559</td>
<td>191 467</td>
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<tr>
<td>Others</td>
<td>62 928</td>
<td>20 264</td>
</tr>
<tr>
<td>Gross loans and advances</td>
<td>12 696 471</td>
<td>12 009 770</td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>(384 829)</td>
<td>(388 165)</td>
</tr>
<tr>
<td>Total</td>
<td>12 311 642</td>
<td>11 421 605</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Investment securities - available for sale</td>
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<td></td>
</tr>
<tr>
<td>Debt securities - at fair value:</td>
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<td></td>
</tr>
<tr>
<td>- listed</td>
<td>559 785</td>
<td>730 632</td>
</tr>
<tr>
<td>- unlisted</td>
<td>694 356</td>
<td>938 689</td>
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<tr>
<td>Total</td>
<td>1 254 141</td>
<td>1 669 321</td>
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<tr>
<td>Equity securities - at fair value:</td>
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<td></td>
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<tr>
<td>- listed</td>
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<td>29 922</td>
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<tr>
<td>- unlisted</td>
<td>181 453</td>
<td>205 035</td>
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<td>Total</td>
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<tr>
<td>Total securities available-for-sale</td>
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<td>(10 789)</td>
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<tr>
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<td>1 893 489</td>
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<td>- Current accounts</td>
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<tr>
<td>- Term deposits</td>
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<tr>
<td>- Savings deposits</td>
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<td>2 612 321</td>
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<tr>
<td>Total</td>
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<td>16 489 904</td>
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<tr>
<td>12 Other deposits</td>
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<td></td>
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<tr>
<td>Other money-market deposits</td>
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<td>677 628</td>
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<td>Certificates of deposits</td>
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<td>332</td>
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<tr>
<td>Total</td>
<td>573 300</td>
<td>677 960</td>
</tr>
</tbody>
</table>

As at 31 December 2014: US$'000 and NGN'000

As at 31 December 2013: US$'000 and NGN'000

**Note:** The tables above provide the financial data for loans and advances, investment securities available for sale, due to customers, and other deposits as of 31 December 2014 and 31 December 2013, respectively.