ECOBANK TRANSNATIONAL INCORPORATED

Audited Consolidated Financial Statements

31 December 2019
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</table>
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 financial position of the Group as at 31 December 2019 and the results of its operations, statement of cash flow, income statement and changes in equity for the year ended in compliance with International Financial Reporting Standards (“IFRS”). This responsibility includes ensuring that the Group:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group;
(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
(c) prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

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

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

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

Approval of annual consolidated financial statements

The annual consolidated financial statements were approved by the Board of Directors on 28 February 2020 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman

Ade Ayeyemi
Group Chief Executive Officer
INDEPENDENT AUDITORS’ REPORT
TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Report on the Consolidated Financial Statements

Opinion
We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ecobank Transnational Incorporated as at 31 December 2019, and its consolidated financial performance and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter
We draw attention to note 47 to the financial statements which explains prior year’s restatement regarding the accounting for relevant forward looking information ("FLI") with respect to a regulatory directive in Nigeria on reversal of interest charges on some customers’ loans, including the impacts of the change on the Group’s financial statements. Consequently, prior year figures have been restated accordingly. Our opinion is not qualified in respect of this matter.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How our audit addressed the key audit matter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of loans and advances to customers</td>
<td>We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included:</td>
</tr>
</tbody>
</table>

Loans and advances to customers constitute a significant portion of the total assets of Ecobank Transnational Incorporated. At 31 December 2019, gross loans and advances to customers were US$9,834 million (2018: US$9,807 million) against which total loan impairment amount of
US$557 million (2018: US$ 718 million) were recorded, thus leaving a net loan balance of US$9,277 million (2018: US$9,089 million) which represents about 39% (2018: 40%) of the total assets as at the reporting date (see note 21).

The basis of the impairment amount is summarised in the Accounting policies in the consolidated financial statements.

The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss impairment amounts on loans and advances to customers.

The Group has implemented IFRS 9, Financial Instruments since 1 January 2018. This complex standard requires the Group to recognise Expected Credit Losses ('ECL') on financial instruments, which involves exercise of significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group’s implementation of IFRS 9 include:

i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions.

ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria.

iii. Modelling for estimation of ECL parameters –
   - probabilities of default (PDs) - 12-month and lifetime,
   - loss given default,
   - exposure at default.

iv. Completeness and accuracy of data used to calculate the ECL;

Because of the significance of these estimates, judgements and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.

- Obtaining an understanding of the loan loss impairment calculation process within the group;
- Testing the design and determining implementation of key controls across the processes relevant to the Expected Credit Loss ('ECL') (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and processing of journal entries and disclosures);
- Assessing the ECL provision levels by stage to determine if they were reasonable considering the Group’s portfolio, risk profile, credit risk management practices and the macroeconomic environment.
- Challenging the criteria used to allocate asset to stage 1, 2 or 3 in accordance with IFRS 9;
- Testing the assumptions, inputs and formulae used in a sample of ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models);
- Testing the data used in the ECL calculation by reconciling to source systems;
- Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards.

Based on our review, we found that the Group’s impairment methodology, including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.
Valuation of goodwill

Goodwill carrying value of US$191.6 million (2018: US$199.1 million) was included in intangible assets (Note 27) in the Group's statement of financial position as at 31 December 2019. This asset has been recognised in the consolidated statement of financial position as part of intangible assets as a consequence of the acquisitive nature of the Group.

In line with the requirements of the applicable accounting standard, IAS 36, Impairment of Assets, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 27, there are a number of key sensitive judgements adopted by Management in determining the inputs into these models which include:

- Projected financial information;
- Growth rates;
- Estimated tax rates; and
- The discount rates applied to the projected future cash flows.

Accordingly, the impairment test of this asset is considered to be a key audit matter.

Management has developed a valuation model to enable a fair determination of the discounted cash flows for the significant Cash Generating Units (CGUs) to which the goodwill relates.

We reviewed the Group's goodwill impairment assessment and calculations looking specifically into the valuation model, inputs and key assumptions made by the Management.

Our audit procedures included:

- Testing all relevant controls over the generation of the key inputs, e.g. financial forecasts, discount rate, revenue growth rate, etc. that go into the valuation calculation.
- Engaging our internal valuation specialists to assist with:
  - Critically evaluating whether the model used by Management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36, Impairment of Assets.
  - Validating the assumptions used to calculate the discount rates, projected cash flows and recalculating these rates.
  - Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the Cash Generating Unit.
  - Subjecting the key assumptions to sensitivity analyses.
  - Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of Management's projections.
  - Checking mathematical accuracy of the calculations.

We found that the assumptions used by Management were reasonable and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be relevant and useful.
### Valuation of investment properties

The Group’s interest in investment properties is made up of landed properties and buildings (see note 30).

Investment properties are carried at fair value in line with the Group’s accounting policies and in compliance with IAS 40, Investment Property.

However, due to the non-current nature of the asset class, the materiality of the carrying amount to the consolidated financial statements, and determination of their fair value which involve the exercise of significant management judgement, and use of several key inputs and assumptions, we consider this to be a key audit matter.

Management has engaged some Specialists, mostly professional Estate Surveyors and Valuers, to assist with the determination of the fair value of the properties and produce report of the assets’ fair valuation detailing the relevant assumptions used, key inputs and data that go into the valuation of the properties.

Our audit approach consisted of a combination of test of controls and specific tests of details. We focused on testing and reviewing details of Management’s assumptions and controls over generation of key inputs that go into the fair value determination of the investment properties and the carrying amount of related indebtedness. We involved our internal valuation specialists in the audit of the valuation reports.

Our audit procedures included:

- Critically evaluating whether the model used by Management to arrive at the fair value estimate of the investment property complies with the requirements of IAS 40, Investment Property.
- Validating the assumptions used to estimate the fair value and recalculating the valuation.
- Analyzing future projected cash flows that underline the fair value determination used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and prevailing market data vis-à-vis historical patterns.
- Subjecting the key assumptions to sensitivity analyses.

We found that the assumptions used by Management were comparable with historical performance and expected future outlook and the estimated fair value determined was appropriate in the circumstances.

### Valuation of unquoted investments

The Group’s investment securities include unlisted equities for which there are no liquid market.

As contained in note 23, the assets are designated as investment securities and are carried at fair value in line with the group’s accounting policies and requirements of IFRS 9, Financial Instruments. Given the non-availability of market prices for these assets, We focused our attention on auditing the valuation of unlisted investment securities by looking specifically into the valuation model, inputs and key assumptions made by the Management.

Our audit procedures included:

- Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model.
securities, determination of their fair valuation by management involve exercise of significant assumptions and judgements regarding the cash flow forecasts, growth rate and discount rate utilised in the valuation model. This is why it is considered a key audit matter.

The Directors have done a valuation to determine the fair value of the unquoted investment securities and details of the valuation work including all relevant assumptions used, key inputs and data that go into the estimate of the fair value of the unquoted investments was made available for our review.

- Critically evaluating whether the model used by Management to calculate the fair value of the unquoted securities complies with the requirements of IFRS 9, Financial Instruments.
- Validating the assumptions used to calculate the discount rates used and recalculating these rates.
- Subjecting the key assumptions to sensitivity analysis.
- Obtaining direct confirmation of the existence and units of the different holdings with the investees’ registrars and/or secretariats.
- Checking mathematical accuracy of the valuation calculations.

We found that the assumptions used by Management were comparable with the market, in accordance with best practice, key data and the discount rates used in estimating the fair value of the instruments were appropriate in the circumstances. We consider the disclosure relating to these instruments to be appropriate in the circumstances.

**Application of hyperinflationary accounting in the preparation of the financial statements of the Group’s Zimbabwe operations**

The reporting and translation of the Zimbabwe operations has been significantly impacted by the recent Monetary Policy changes and general economic situation in Zimbabwe.

On 11 October 2019, the Public Accountants and Auditors Board (“PAAB”) issued an alert titled “pronouncement 01/2019 on the application of IAS 29: financial reporting in hyperinflationary economies, in Zimbabwe” covering the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after 1 July 2019.

This has resulted in the need for the Ecobank Group to apply the provisions of IAS 29: financial reporting in hyperinflationary economies to the historical financial statements of its operations in Zimbabwe for the year ended 31 December 2019. This came on the back of earlier monetary policy change that replaced the exchange rate parity between Zimbabwe dollar bills and US dollars to establish RTGS dollar as the official currency effective 20 February 2019.

We performed the following procedures:

- Assessed the factors around the availability of relevant economic price indices that would be applied in the conversion of historical financial statements of Ecobank Zimbabwe to produce a hyperinflationary financial statements that would be compliant with IAS 29 and regulatory pronouncement.
- Reviewed the directors’ selection of appropriate price indices applied to the conversion of historical financial statements into hyper-inflated financial statements.
- Recalculated the directors’ hyperinflation conversion factors used to convert the historical numbers.
- Assessed the appropriateness and adequacy of the Group’s disclosures in accordance with IFRS.
Due to the judgement involved in the selection of appropriate price indices used and the complexities of the calculations performed to produce a hyper-inflated financial statements of Ecobank Zimbabwe, this was considered a key audit matter.

Based on the procedures described above, the methodology used by the directors to prepare the hyperinflationary financial statements of the Zimbabwe operations was found to be appropriate.

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

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

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

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits such communication.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
9 March 2020

For: Grant Thornton
Chartered Accountants
Abidjan, Cote d’Ivoire
9 March 2020

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

Engagement Partner: Georges Yao-Yao

Institute of Chartered Accountants of Nigeria
Consolidated income statement

*(All amounts in thousands of US dollars unless otherwise stated)*

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
<th>Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Interest income</strong></td>
<td><strong>7</strong></td>
<td><strong>1,411,998</strong></td>
<td><strong>1,528,410</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Interest expense</strong></td>
<td><strong>7</strong></td>
<td><strong>(662,269)</strong></td>
<td><strong>(598,650)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net interest income</strong></td>
<td></td>
<td><strong>749,729</strong></td>
<td><strong>929,760</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Fee and commission income</strong></td>
<td><strong>8</strong></td>
<td><strong>459,866</strong></td>
<td><strong>507,434</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Fee and commission expense</strong></td>
<td><strong>8</strong></td>
<td><strong>(40,350)</strong></td>
<td><strong>(62,993)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net trading income</strong></td>
<td><strong>9</strong></td>
<td><strong>381,691</strong></td>
<td><strong>381,885</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net investment income</strong></td>
<td><strong>10</strong></td>
<td><strong>6,879</strong></td>
<td><strong>(14)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Other operating income</strong></td>
<td><strong>11</strong></td>
<td><strong>64,444</strong></td>
<td><strong>69,099</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Non-interest revenue</strong></td>
<td></td>
<td><strong>872,530</strong></td>
<td><strong>895,411</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Operating income</strong></td>
<td></td>
<td><strong>1,622,259</strong></td>
<td><strong>1,825,171</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Staff expenses</strong></td>
<td><strong>12</strong></td>
<td><strong>(490,311)</strong></td>
<td><strong>(512,455)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Depreciation and amortization</strong></td>
<td><strong>12</strong></td>
<td><strong>(108,504)</strong></td>
<td><strong>(97,444)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Other operating expenses</strong></td>
<td><strong>12</strong></td>
<td><strong>(474,566)</strong></td>
<td><strong>(512,868)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Operating expenses</strong></td>
<td></td>
<td><strong>(1,073,381)</strong></td>
<td><strong>(1,122,767)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Operating profit before impairment losses and taxation</strong></td>
<td></td>
<td><strong>548,878</strong></td>
<td><strong>702,404</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Impairment charges on loans and advances</strong></td>
<td><strong>13</strong></td>
<td><strong>(109,915)</strong></td>
<td><strong>(319,470)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Impairment charges on other financial assets</strong></td>
<td><strong>14</strong></td>
<td><strong>(23,642)</strong></td>
<td><strong>(23,914)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Impairment charges on financial assets</strong></td>
<td></td>
<td><strong>(133,557)</strong></td>
<td><strong>(343,384)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Operating profit after impairment losses</strong></td>
<td></td>
<td><strong>415,321</strong></td>
<td><strong>359,020</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Net monetary loss arising from hyperinflationary economy</strong></td>
<td><strong>2.4</strong></td>
<td><strong>(9,466)</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Share of post-tax results of associates</strong></td>
<td><strong>26</strong></td>
<td><strong>(776)</strong></td>
<td><strong>(2,512)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Profit before tax</strong></td>
<td></td>
<td><strong>405,079</strong></td>
<td><strong>356,508</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Taxation</strong></td>
<td><strong>15</strong></td>
<td><strong>(134,865)</strong></td>
<td><strong>(108,129)</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Profit after tax from continuing operations</strong></td>
<td></td>
<td><strong>270,214</strong></td>
<td><strong>248,379</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Profit after tax from discontinued operations</strong></td>
<td><strong>31</strong></td>
<td><strong>4,720</strong></td>
<td><strong>801</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Profit after tax</strong></td>
<td></td>
<td><strong>274,934</strong></td>
<td><strong>249,180</strong></td>
</tr>
</tbody>
</table>

**Profit after tax attributable to:**

<table>
<thead>
<tr>
<th>Owners of the parent</th>
<th>193,958</th>
<th>182,178</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continuing operations</td>
<td>191,409</td>
<td>181,745</td>
</tr>
<tr>
<td>- Discontinued operations</td>
<td>2,549</td>
<td>433</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-controlling interests</th>
<th>80,976</th>
<th>67,002</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Continuing operations</td>
<td>78,805</td>
<td>66,634</td>
</tr>
<tr>
<td>- Discontinued operations</td>
<td>2,171</td>
<td>368</td>
</tr>
</tbody>
</table>

| Total                     | 274,934 | 249,180 |

Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents per share):

- **Basic** 16 0.78 0.74
- **Diluted** 16 0.78 0.74

Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in United States cents per share):

- **Basic** 16 0.01 0.00
- **Diluted** 16 0.01 0.00

The accompanying notes are an integral part of these financial statements

(*) See Note 47: Prior period restatement
## Consolidated statement of comprehensive income
*(All amounts in thousands of US dollars unless otherwise stated)*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit after tax</td>
<td>274,934</td>
<td>249,180</td>
</tr>
</tbody>
</table>

### Other comprehensive income:

**Items that may be subsequently reclassified to profit or loss:**

- Exchange difference on translation of foreign operations: (243,219) (295,361)
- Impact of Hyperinflation: (35,542) -
- Fair value profit / (loss) on debt instruments at FVOCI: 41 65,924 (75,962)

- Taxation relating to components of other comprehensive income that may be subsequently reclassified to profit or loss: 41 (1,468) 2,695

**Items that will not be reclassified to profit or loss:**

- Property and equipment - net revaluation gain: 41 13,224 (643)
- Fair value in equity instruments designated at FVOCI: 41 (184) 348
- Remeasurements of defined benefit obligations: 41 902 1,374

- Taxation relating to components of other comprehensive income that will not be subsequently reclassified to profit or loss: 41 (1,083) (4,342)

**Other comprehensive loss for the year, net of tax:**

(214,305) (368,628)

**Total comprehensive Profit / (loss) for the year:**

73,488 (122,711)

**Total comprehensive Profit / (loss) attributable to:**

### Owners of the parent

- Continuing operations: (14,571) (144,758)
- Discontinued operations: 2,549 (144,695)

### Non-controlling interests

- Continuing operations: 88,059 22,047
- Discontinued operations: 85,888 (22,101)

### Total comprehensive Profit / (loss)

73,488 (122,711)

Items in the statement above are disclosed net of tax. The deferred income tax relating to each component of other comprehensive income is disclosed in Note 37.

The accompanying notes are an integral part of these financial statements.
## Consolidated statement of financial position

*(All amounts in thousands of US dollars unless otherwise stated)*

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Cash and balances with central banks</td>
<td>2,829,313</td>
<td>2,797,417</td>
</tr>
<tr>
<td>18</td>
<td>Trading financial assets</td>
<td>182,662</td>
<td>122,283</td>
</tr>
<tr>
<td>19</td>
<td>Derivative financial instruments</td>
<td>65,459</td>
<td>49,914</td>
</tr>
<tr>
<td>20</td>
<td>Loans and advances to banks</td>
<td>1,891,889</td>
<td>1,717,575</td>
</tr>
<tr>
<td>21</td>
<td>Loans and advances to customers</td>
<td>9,276,608</td>
<td>9,089,200</td>
</tr>
<tr>
<td>22</td>
<td>Treasury bills and other eligible bills</td>
<td>1,632,749</td>
<td>1,828,251</td>
</tr>
<tr>
<td>23</td>
<td>Investment securities</td>
<td>4,857,763</td>
<td>4,568,262</td>
</tr>
<tr>
<td>24</td>
<td>Pledged assets</td>
<td>351,478</td>
<td>240,434</td>
</tr>
<tr>
<td>25</td>
<td>Other assets</td>
<td>1,184,770</td>
<td>739,168</td>
</tr>
<tr>
<td>26</td>
<td>Investment in affiliate associates</td>
<td>309,747</td>
<td>278,334</td>
</tr>
<tr>
<td>27</td>
<td>Intangible assets</td>
<td>2,075,001</td>
<td>2,059,690</td>
</tr>
<tr>
<td>28</td>
<td>Property and equipment</td>
<td>831,182</td>
<td>827,165</td>
</tr>
<tr>
<td>29</td>
<td>Investment properties</td>
<td>21,710</td>
<td>29,787</td>
</tr>
<tr>
<td>37</td>
<td>Deferred income tax assets</td>
<td>116,424</td>
<td>118,715</td>
</tr>
</tbody>
</table>

 Assets held for sale and discontinued operations: 85,539 (90,075)

 **Total assets:** 23,641,184 (22,502,727)

## Liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>32</td>
<td>Deposits from banks</td>
<td>2,207,593</td>
<td>1,465,646</td>
</tr>
<tr>
<td>33</td>
<td>Deposits from customers</td>
<td>16,246,120</td>
<td>15,935,999</td>
</tr>
<tr>
<td>19</td>
<td>Derivative financial instruments</td>
<td>51,255</td>
<td>29,907</td>
</tr>
<tr>
<td>34</td>
<td>Borrowed funds</td>
<td>2,075,001</td>
<td>2,059,690</td>
</tr>
<tr>
<td>35</td>
<td>Other liabilities</td>
<td>845,970</td>
<td>996,557</td>
</tr>
<tr>
<td>36</td>
<td>Provisions</td>
<td>68,482</td>
<td>52,979</td>
</tr>
<tr>
<td>37</td>
<td>Current income tax liabilities</td>
<td>54,756</td>
<td>52,076</td>
</tr>
<tr>
<td>38</td>
<td>Deferred income tax liabilities</td>
<td>67,556</td>
<td>55,099</td>
</tr>
<tr>
<td>39</td>
<td>Retirement benefit obligations</td>
<td>31,082</td>
<td>31,082</td>
</tr>
</tbody>
</table>

 Liabilities held for sale and discontinued operations: 107,592 (117,856)

 **Total liabilities:** 21,755,407 (20,769,705)

## Equity

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018 Restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td>Share capital and premium</td>
<td>2,113,957</td>
<td>2,113,957</td>
</tr>
<tr>
<td>41</td>
<td>Retained earnings and reserves</td>
<td>(637,264)</td>
<td>(656,474)</td>
</tr>
</tbody>
</table>

 **Equity attributable to owners of the parents:** 1,476,693 (1,457,483)

 **Non-controlling interests:** 409,084 (275,539)

 **Total equity:** 1,885,777 (1,733,022)

 **Total liabilities and equity:** 23,641,184 (22,502,727)

The accompanying notes are an integral part of these financial statements.

The financial statements were approved for issue by the board of directors on 28 February 2020 and signed on its behalf by:

**Immanuel Ikazoboh**
Group Chairman
FRC/2013/ICAN/0000003157

**Ade Ayeyemi**
Group Chief Executive Officer
FRC/2020/003/00000020528

**Ayo Adepoju**
Group Chief Financial Officer
FRC/2017/ICAN/00000017517
### Consolidated statement of changes in equity

*(All amounts in thousands of US dollars unless otherwise stated)*

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital &amp; premium</th>
<th>Retained earnings / (Accumulated deficit)</th>
<th>Other reserves</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>At 31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,113,957</td>
<td>216,142</td>
<td>(449,355)</td>
<td>1,880,744</td>
<td></td>
<td>291,339</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IFRS 9 day 1 adjustment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(278,503)</td>
<td></td>
<td>(278,503)</td>
<td></td>
<td>(20,797)</td>
</tr>
<tr>
<td></td>
<td>Restated opening balance 1 January 2018</td>
<td>2,113,957</td>
<td>(62,361)</td>
<td>(449,355)</td>
<td>1,602,241</td>
<td>270,542</td>
</tr>
<tr>
<td>Net changes in debt instruments, net of taxes</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>(65,265)</td>
<td>(65,265)</td>
<td>(8,002)</td>
</tr>
<tr>
<td>Net changes in equity instruments, net of taxes</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>348</td>
<td>348</td>
<td>-</td>
</tr>
<tr>
<td>Foreign currency translation differences</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>(258,408)</td>
<td>(258,408)</td>
<td>(36,953)</td>
</tr>
<tr>
<td>Remeasurements of post-employment benefit obligations</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>1,374</td>
<td>1,374</td>
<td>-</td>
</tr>
<tr>
<td>Net gains on revaluation of property</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>(4,985)</td>
<td>(4,985)</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td></td>
<td>(326,936)</td>
<td>(326,936)</td>
<td>(44,955)</td>
<td>(44,955)</td>
<td>(371,891)</td>
</tr>
<tr>
<td>Restated Profit for the year</td>
<td></td>
<td>182,178</td>
<td>182,178</td>
<td>67,002</td>
<td>67,002</td>
<td>249,180</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td></td>
<td>182,178</td>
<td>(326,936)</td>
<td>(144,758)</td>
<td>22,047</td>
<td>(122,711)</td>
</tr>
<tr>
<td>Transfer to other group reserve</td>
<td>41</td>
<td>(12,591)</td>
<td></td>
<td>12,591</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividend relating to 2017</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>(17,050)</td>
<td>(17,050)</td>
<td>-</td>
</tr>
<tr>
<td>Change in minority interest</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from share option reserve</td>
<td>41</td>
<td>(219)</td>
<td></td>
<td>219</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to general banking reserves</td>
<td>41</td>
<td>124,262</td>
<td></td>
<td>(124,262)</td>
<td>(124,262)</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>41</td>
<td>(45,376)</td>
<td></td>
<td>45,376</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2018 (restated)</td>
<td></td>
<td>2,113,957</td>
<td>185,893</td>
<td>(842,367)</td>
<td>1,457,483</td>
<td>275,539</td>
</tr>
</tbody>
</table>
Consolidated statement of changes in equity

(All amounts in thousands of US dollars unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital &amp; premium</th>
<th>Retained earnings / (Accumulated deficit)</th>
<th>Other reserves</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Attributable to equity holders of the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,113,957</td>
<td>185,893</td>
<td>1,457,483</td>
<td>275,539</td>
<td>1,733,022</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Opening balance 1 January 2019 (restated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net changes in debt instruments, net of taxes</td>
<td>41</td>
<td>-</td>
<td>59,199</td>
<td>59,199</td>
<td>5,257</td>
</tr>
<tr>
<td></td>
<td>Net changes in equity instruments, net of taxes</td>
<td>41</td>
<td>-</td>
<td>(184)</td>
<td>(184)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Foreign currency translation differences</td>
<td>41</td>
<td>-</td>
<td>(243,219)</td>
<td>(243,219)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Impact of adopting IAS 29 at 1 January 2019</td>
<td>41</td>
<td>-</td>
<td>(35,542)</td>
<td>(35,542)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Remeasurements of post-employment benefit obligations</td>
<td>41</td>
<td>-</td>
<td>902</td>
<td>902</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Net gains on revaluation of property</td>
<td>41</td>
<td>-</td>
<td>10,315</td>
<td>10,315</td>
<td>1,826</td>
</tr>
<tr>
<td></td>
<td>Other comprehensive income for the year</td>
<td></td>
<td></td>
<td>(208,529)</td>
<td>(208,529)</td>
<td>7,083</td>
</tr>
<tr>
<td></td>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td>193,958</td>
<td>193,958</td>
</tr>
<tr>
<td></td>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td></td>
<td>193,958</td>
<td>(208,529)</td>
<td>14,571</td>
</tr>
<tr>
<td></td>
<td>Transfer to group reserves</td>
<td></td>
<td></td>
<td>-</td>
<td>36,382</td>
<td>36,382</td>
</tr>
<tr>
<td></td>
<td>Dividend relating to 2018</td>
<td>41</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(19,476)</td>
</tr>
<tr>
<td></td>
<td>Change in minority interest</td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Transfer to share option reserve</td>
<td>41</td>
<td>-</td>
<td>94</td>
<td>94</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Convertible bond - equity component</td>
<td>41</td>
<td>-</td>
<td>(2,695)</td>
<td>(2,695)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Transfer from general banking reserves</td>
<td>41</td>
<td>(28,124)</td>
<td>28,124</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Transfer to statutory reserve</td>
<td>41</td>
<td>(106,164)</td>
<td>106,164</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>At 31 December 2019</td>
<td>2,113,957</td>
<td>245,563</td>
<td>(882,827)</td>
<td>1,476,693</td>
<td>409,084</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements
### Consolidated statement of cash flows

*(All amounts in thousands of US dollars unless otherwise stated)*

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>405,079</td>
<td>356,508</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange income</td>
<td>(42,924)</td>
<td>(46,917)</td>
</tr>
<tr>
<td>Net investment security (gain) / loss</td>
<td>10</td>
<td>(6,879)</td>
</tr>
<tr>
<td>Fair value loss on investment properties</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Impairment losses on loans and advances</td>
<td>13</td>
<td>109,915</td>
</tr>
<tr>
<td>Impairment losses on other financial assets</td>
<td>14</td>
<td>23,642</td>
</tr>
<tr>
<td>Depreciation of property and equipment</td>
<td>12</td>
<td>88,144</td>
</tr>
<tr>
<td>Net interest income</td>
<td>(749,729)</td>
<td>(929,760)</td>
</tr>
<tr>
<td>Amortisation of software and other intangibles</td>
<td>12</td>
<td>20,360</td>
</tr>
<tr>
<td>Profit on sale of property and equipment</td>
<td>26</td>
<td>(1,279)</td>
</tr>
<tr>
<td>Share of post-tax results of associates</td>
<td></td>
<td>776</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(123,782)</td>
<td>(118,862)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trading financial assets</td>
<td>(60,379)</td>
<td>(85,726)</td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>(15,545)</td>
<td>(10,647)</td>
</tr>
<tr>
<td>- Treasury bills and other eligible bills</td>
<td>180,562</td>
<td>(51,142)</td>
</tr>
<tr>
<td>- Loans and advances to banks</td>
<td>(100,064)</td>
<td>84,298</td>
</tr>
<tr>
<td>- Loans and advances to customers</td>
<td>(26,449)</td>
<td>(105,569)</td>
</tr>
<tr>
<td>- Pledged assets</td>
<td>(111,044)</td>
<td>58,127</td>
</tr>
<tr>
<td>- Other assets</td>
<td>(445,602)</td>
<td>(7,782)</td>
</tr>
<tr>
<td>- Mandatory reserve deposits with central banks</td>
<td>(135,505)</td>
<td>60,386</td>
</tr>
<tr>
<td>- Other deposits from banks</td>
<td>1,204,157</td>
<td>(500,781)</td>
</tr>
<tr>
<td>- Deposits from customers</td>
<td>310,121</td>
<td>732,728</td>
</tr>
<tr>
<td>- Derivative liabilities</td>
<td>21,348</td>
<td>(2,590)</td>
</tr>
<tr>
<td>- Provisions</td>
<td>15,503</td>
<td>529</td>
</tr>
<tr>
<td>(150,587)</td>
<td>(214,351)</td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td>1,411,998</td>
<td>1,528,410</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(662,269)</td>
<td>(598,650)</td>
</tr>
<tr>
<td><strong>Net cashflow from operating activities</strong></td>
<td><strong>1,159,568</strong></td>
<td><strong>592,577</strong></td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities** | | |
| Purchase of software | 27 | (58,369) | (21,471) |
| Purchase of property and equipment | 28 | (406,367) | (200,945) |
| Proceeds from sale of property and equipment | | 292,304 | 222,163 |
| Purchase of investment securities | 23 | (2,911,125) | (1,684,041) |
| Purchase of investment properties | | (4,222) | (10,481) |
| Disposal of investment properties | | 12,047 | 22,604 |
| Proceeds from sale and redemption of investment securities | | 2,570,480 | 1,314,559 |
| **Net cashflow used in investing activities** | **(505,252)** | **(357,612)** |

| **Cash flows from financing activities** | | |
| Repayment of borrowed funds | 34 | (671,050) | (110,022) |
| Proceeds from borrowed funds | 34 | 561,252 | 440,958 |
| Payment of Lease liabilities | | 125,107 | - |
| Dividends paid to non-controlling shareholders | | (19,476) | (17,050) |
| **Net cashflow (used) / from financing activities** | **(4,167)** | **313,886** |

| **Net increase in cash and cash equivalents** | **650,149** | **548,851** |
| Cash and cash equivalents at start of year | 42 | 2,141,855 | 1,965,611 |
| Effects of exchange differences on cash and cash equivalents | | (232,238) | (372,607) |
| **Cash and cash equivalents at end of the year** | **2,559,766** | **2,141,855** |

The accompanying notes are an integral part of these financial statements.
Notes to the financial statements

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 14,878 people as at 31 December 2019 (31 December 2018: 16,386).

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 Régionale Des Valeurs Mobilières (Abidjan) Cote D’Ivoire.

The consolidated financial statements for the year ended 31 December 2019 have been approved by the Board of Directors on 28 February 2020.

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

2.1 Basis of presentation and measurement
The Group’s consolidated financial statements for the year ended 31 December 2019 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

- fair value through other comprehensive income and fair value through profit and loss, financial assets and financial liabilities (including derivative instruments) and investment properties measured at fair value
- assets held for sale - measured at fair value less cost of disposal; and
- the liability for defined benefit obligations recognized at the present value of the defined benefit obligation less the fair value of the plan assets and plan assets measured at fair value

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

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

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

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

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

2.2(a) New and amended standards adopted by the group

In the current period, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. These include:

(a) **IFRS 16: Leases**
    The International Accounting Standards Board (IASB) published a new accounting standard on leases namely International Financial Reporting Standard (IFRS) 16. IFRS 16 was effective January 1, 2019 and replaced International Accounting Standard (IAS) 17 on Leases. IFRS 16 is envisaged to improve the quality of financial reporting for companies with material off balance sheet leases.

    Under IFRS 16, the accounting treatment of leases by lessees has fundamentally changed. IFRS 16 eliminates the previous dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset (right of use (ROU)) on the other side of the balance sheet.

    Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

    The Group adopted IFRS 16 effective 1 January 2019. The Group had to change its accounting policies as a result of adopting IFRS 16 Leases. Refer to Note “2.2 (b) Change in accounting policy” below.

(b) **Amendment to IAS 19 Employee Benefits**
    The amendment relates to defined benefit plan changes, such as plan amendment, curtailment and settlement. The standard already required that in each of these changes, the company should remeasure its defined benefit plan liability. However, IAS 19 update prescribes that the company must use the same assumptions for calculating its current service cost and the net interest for the period after the change as it had used for the remeasurement itself (no original assumptions). IAS 19 update also clarified the impact of plan changes (amendment, curtailment or settlement) on asset ceiling. The impact on the group is not significant.

(c) **Amendment to IAS 23 Borrowing Costs**
    The amendment to IAS 23 clarified that if any specific borrowing remains outstanding after the related asset is ready, then this borrowing becomes a part of general borrowings. This means that in calculating the capitalization rate on general borrowings, companies should take into account specific borrowing on completed asset (if outstanding). The impact on the group is not significant.

(d) **Amendment to IAS 12 Income Taxes**
    The amendment to IAS 12 Income Taxes provides clarification on the recognition and measurement of current and deferred taxes on dividends. The impact on the group is not significant.

(e) **Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Operations**
    Both amendments are closely related and deal with the changes in a group composition. More specifically, if an entity obtains control of another entity that was joint operation (i.e. joint operation becomes subsidiary), then the parent is required to remeasure previously held interest in the subsidiary. If an entity obtains joint control of another entity that is a joint operation, then the investor is not required to remeasure previously held interest in the joint operation. The impact on the group is not significant.
2.2(b) Change in accounting policy
This note explains the impact of the adoption of IFRS 16 Leases on the Group’s financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adoption of IFRS 16 by the Group
The group adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the modified retrospective transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact to the Group has been a growth in the Group’s balance sheet as result of the recognition on balance sheet of the previously unrecognised lease liability as well as the ROU. There has also been a change to both the expense character (rent expenses replaced with depreciation and interest expense) and recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today). Both the changes to the balance sheet as well as the ones to the income statement are not material to the group.

For leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases, on adoption, the group recognised a ROU (the present value of the lease payments due) arising from existing leases as at 1 January 2019 at $70.017million (or 0.31% of the group’s assets). The Group also recognised lease liability (a financial liability representing its obligation to make future lease) as it is anticipated the contractual lease payments will be made over time. These liabilities were measured at the present value of the remaining lease payments, discounted using the respective affiliate’s incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.85%. These liabilities amounted to $70.017million (or 0.34% of the group’s liabilities).

On adoption, the Group elected to apply the following key decisions:

<table>
<thead>
<tr>
<th>Assets</th>
<th>31 December</th>
<th>Reclassification</th>
<th>Remeasurement</th>
<th>1 January</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td></td>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>827,165</td>
<td>-</td>
<td>70,017</td>
<td>897,182</td>
</tr>
<tr>
<td>Total assets</td>
<td>22,502,727</td>
<td>-</td>
<td>70,017</td>
<td>22,572,744</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>2,059,690</td>
<td>-</td>
<td>70,017</td>
<td>2,129,707</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>20,769,705</td>
<td>-</td>
<td>70,017</td>
<td>20,839,722</td>
</tr>
</tbody>
</table>

- There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.
- For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.
Notes to the financial statements

- In applying IFRS 16 for the first time, the group has used the following practical expedients and exemptions permitted by the standard:

  a) **Transition approach:** The group elected the modified retrospective approach as provided for in the standard. Under this approach, the right-of-use asset is recognised at the date of initial application (1 January 2019) at an amount equal to the lease liability (determined based on the remaining payments) adjusted for any accrued or prepaid amounts recognised under IAS 17. Comparative figures are not restated and as result no impact on equity was recorded at the date of initial application.

  b) **Lease definition on transition:** The Group applied the practical expedient to ‘grandfather’ previous assessment of which existing contracts are, or contain, leases. In doing this, IFRS 16 was applied to leases previously identified in accordance with IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. Additionally, the IFRS 16 definition of a lease is applied to assess whether contracts entered into after the date of initial application of the new standard are, or contain, leases.

  c) **Recognition exemptions:** On transition and subsequently, the Group has elected to apply the two recognition exemptions provided for under the standard. These are the short-term lease exemption and the low-value items exemptions. The election for short-term leases is made by class of underlying asset, whereas the election for leases of low-value assets is made on a lease-by-lease basis. Additionally, the Group also chose to apply the additional practical expedient for leases with a remaining term of 12 months or less on transition date.

  d) **Discount rate:** The use of a single discount rate to a portfolio of leases with reasonably similar characteristics

  e) **Onerous Leases:** Reliance on previous assessments on whether leases are onerous

  f) **Indirect costs:** The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

  g) **Extensions and terminations:** The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2019:

**IFRS 17 Insurance Contracts**

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

The impact of this standard is not material to the Group
Notes to the financial statements

2.4 Foreign currency translation

a) Functional and presentation currency

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

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

b) Transactions and balances

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

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

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

c) Group companies

The results and financial position of all group entities 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.
Notes to the financial statements

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

*d) Classification of Zimbabwe as hyper-inflationary economy*

IAS 29 “Financial Reporting in Hyperinflationary Economies” requires that the financial statements of entities whose functional currency is that of a hyperinflationary economy to be adjusted for the effects of changes in a suitable general price index and to be expressed in terms of the current unit of measurement at the closing date of the reporting period. Accordingly, the inflation produced from the date of acquisition or from the revaluation date, as applicable, must be computed in the non-monetary items.

The Zimbabwe economy was designated as hyperinflationary from 1 July 2019. As a result, application of IAS 29 ‘Financial Reporting in Hyperinflationary Economies’ has been applied to all Ecobank entities whose functional currency is the Zimbabwe dollar (Zim$).

IAS 29 requires that adjustments are applicable from the start of the relevant entity’s reporting period. For Ecobank that is from 1 January 2019. The application of IAS 29 includes:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the income statement for inflation during the reporting period;
- The income statement is translated at the period end foreign exchange rate instead of an average rate and ;
- Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

The main effects on the Group consolidated financial statements for 2019 are:

- Total assets decreased by $21.1 million driven by non-monetary assets;
- Opening retained profit decreased by $35.5 million reflecting the impact of adjusting the historical cost of non-monetary assets and liabilities from the date of their initial recognition to 1 January 2019 for the effect of inflation;
- Net revenue is reduced by $16.4 million;
- Operating profit is reduced by $18.2 million; and
- A net monetary loss of $9.5 million is recognised from the inflation and exchange rate movements in the year on the net monetary items held in Zimbabwean dollars.

The comparative figures in these consolidated financial statements presented in a stable currency are not adjusted for subsequent changes in the price level or exchange rates. This resulted in an initial difference, arising on the adoption of hyperinflation accounting, between the closing equity of the previous year and the opening equity of the current year. The company recognized this initial difference directly in other comprehensive income.

**2.5 Sale and repurchase agreements**

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

2.6 Determination of fair value

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

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

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

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

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

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

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

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

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

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

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

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

2.11 Share-based payments
The Group engages in equity settled share-based payment transactions in respect of services received from certain categories of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee
services received in respect of the shares or share options granted is recognised in the consolidated income statement over the period that the services are received, which is the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

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

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

2.13 Repossessed collateral and properties
Repossessed collateral are equities, landed properties or other investments repossessed from customers and used to settle the outstanding obligations. Such investments and other assets are classified in accordance with the intention of the Group in the asset class which they belong. Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in ‘other assets’ as inventory as it is held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. The corresponding loans are derecognised when the Group becomes the holder of the title deed. The properties acquired are initially recorded at cost, which is the lower of their fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. They are subsequently measured at the lower of the carrying amount or net realisable value. No depreciation is charged in respect of these properties. Any subsequent write-down of the acquired properties to net realisable value is recognised in the statement of comprehensive income, in ‘Other impairments’. Any subsequent increase in net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in ‘Other impairments’. Gains or losses on disposal of repossessed properties are reported in ‘Other operating income’ or ‘Operating expenses’, as the case may be.

2.14 Leases
The group leases various offices, branches, houses, ATM locations, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 65 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
Notes to the financial statements

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the affiliate’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, copiers and other small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.15 Investment properties

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

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

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

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

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

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

2.16 Property and equipment

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

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

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

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

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

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

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

### 2.17 Intangible assets

**a) Goodwill**

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

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

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

**b) Computer software licences**

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Costs associated with maintaining computer software programs are recognised as an expense incurred. Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

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

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

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

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

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

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

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

2.19 Provisions
Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses.
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Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.20 Employee benefits

a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

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

b) Other post-retirement obligations

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

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

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

e) **Short term benefits**
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

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

Borrowings are removed from the balance sheet when the obligation specified in the contracts is discharged, cancelled or expired. The difference between the carrying amount of financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other operating income.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 **Compound financial instruments**
Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.
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Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

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

2.24 Share capital

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

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

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

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

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

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

2.26 Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. 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. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group’s accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties, insurance assets and employee benefit assets, which continue to be measured in accordance with the Group’s accounting policies. Impairment losses on initial classification as held for
Notes to the financial statements

sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold. Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

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

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

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

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

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

2.29 Financial assets and liabilities

2.29.1 Financial assets - Classification and Measurement Policies applicable from 1 January 2018
Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

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

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

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

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

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

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

c) **A debt instrument is measured at FVTPL**

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

d) **Equity Instruments**

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

e) **Business model assessment**

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group’s objective is solely to collect the contractual cash flows from the assets or
Notes to the financial statements

is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example the liquidity portfolio of assets, which is held by Ecobank Ghana (subsidiary of the Group) as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

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

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

The Group may decide to sell financial instruments held with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

(i) When the Group sells financial assets to reduce credit risk or losses because of an increase in the assets’ credit risk. The Group considers sale of financial assets that may occur in assets held with the sole objective of collecting cashflows to be infrequent if the sales is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

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

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

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

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

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

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

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

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

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

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

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

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

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

The adoption of IFRS 9 has fundamentally changed the Group’s accounting for loan loss impairments by replacing IAS 39’s incurred loss approach with a forward-looking expected credit...
Notes to the financial statements

Loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with lease receivables loan commitments and financial guarantee contracts. No impairment loss is recognized on equity investments.

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date;
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

Expected Credit Loss Impairment Model

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

The Group adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:

(i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

(ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

(iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.
Notes to the financial statements

a) Measurement
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

b) Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

c) Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

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

In making an assessment of whether an investment in debt securities is credit-impaired, the Group considers the following factors:

- The market’s assessment of creditworthiness as reflected in the bond yields.
- The rating agencies’ assessments of creditworthiness.
- The issuer’s ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness

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

Loan allowances for ECL are presented in the statement of financial position as follows:

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

e) Write-off

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

f) Definition of default

The Group considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

- The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower’s financial difficulty
Notes to the financial statements

- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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

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

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

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

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

(ii) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

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

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

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
Notes to the financial statements

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

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

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

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

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

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

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a semi-annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

h) Significant Increase in Credit Risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk (SICR) for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product, industry, borrower, geographical region etc.

The Group adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative, Qualitative and Back stop indicators which are critical in allocating financial assets into stages. The quantitative models consider deterioration in the credit rating of obligor/counterparty based on the Group’s internal rating system or external ratings while qualitative factors considers information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc. A backstop is typically used to ensure that in the (unlikely) event that the quantitative indicators do not change and there is no trigger from the qualitative indicators, an account that has breached the 30 days past due criteria for SICR and 90
Notes to the financial statements

days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except where there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

i) **Forward-looking information incorporated in the ECL models**

The assessment of Expected Credit Losses incorporates the use of forward-looking information. The Group has identified the key economic variables impacting its credit risk and expected credit losses and performed historical analysis to determine the significance and impact of these economic variables on its credit risk and expected credit losses. Significant economic variables and the impact of these variables on credit losses vary by clusters and affiliates within the Group. The key drivers for credit risk for the Group are: commodity prices, oil export, foreign exchange rates and prime lending rate. The impact of these economic variables on the expected credit losses has been determined by performing principal component analysis to understand the significant variables and estimate the impact that changes in these variables have had historically on default rates and on the components on expected credit losses.

Forecasts of these economic variables (the “base economic scenario”) are provided by Ecobank Group’s Economics team (as well as from other credible external sources such as Business Monitor International (BMI), International Monetary Fund (IMF), World Bank, respective Central Banks etc) on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, the forecast of the forecast for the fifth year is held constant to reduce the impact of estimation uncertainty in the long run. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

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

The assessment of SICR is performed using the changes in credit risk rating (as a proxy for lifetime PD) along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

As with any economic forecasts, the projections and likelihood of occurrence are subject to high degree of inherent uncertainty and therefore the actual outcomes may significantly differ from those projected. The Group considers these forecasts to represent its best estimate of possible outcomes and has analysed the non-linearities an asymmetry within the Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of scenarios.
The economic scenarios used as at 31 December 2019 included the following key indicators for the years ended 31 December 2019 to 2020.

<table>
<thead>
<tr>
<th>Economic Scenario</th>
<th>Nigeria</th>
<th>UEMOA/CESA</th>
<th>AWA</th>
<th>CESA</th>
<th>ETI and Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Oil exports</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>1.96 m b/day</td>
<td>428.53</td>
<td>18.13</td>
<td>17.99</td>
<td>39,293</td>
<td>9,833,658</td>
</tr>
<tr>
<td>Upside</td>
<td>1.96 m b/day</td>
<td>614.08</td>
<td>12.41</td>
<td>9.85</td>
<td>39,293</td>
<td>(557,050)</td>
</tr>
<tr>
<td>Downside</td>
<td>1.96 m b/day</td>
<td>242.98</td>
<td>26.71</td>
<td>32.92</td>
<td>39,293</td>
<td>(556,587)</td>
</tr>
<tr>
<td><strong>Prime lending rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>17.51</td>
<td>16.94</td>
<td>19.36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upside</td>
<td>17.07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downside</td>
<td>17.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commodity price index</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base</td>
<td>5.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Upside</td>
<td>4.63</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downside</td>
<td>5.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary of forward-looking information and associated sensitivity:

As can be see above a 5% move in the forward looking information used in the computation of ECL would result in the impairment for the group being lower by $11.6 million or higher by $66.0 million.
Notes to the financial statements

j) **Expected Life**

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

2.29.7 **Interest income - Policy applicable from 1 January 2018**

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

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVTPL. Interest income on interest-bearing financial assets measured at FVTOCI under IFRS 9, similarly to interest-bearing financial assets classified as available-for-sale or held to maturity under IAS 39, are also recorded by using the EIR method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the effective life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

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

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.
A change in the Group’s business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations;
- Disposal of a business line i.e. disposal of a business segment
- Any other reason that might warrant a change in the Group’s business model as determined by management based on facts and circumstances

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions)
- A temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the ‘reclassification date’. Reclassification date is ‘the first day of the first reporting period following the change in business model.

Gains, losses or interest previously recognised are not be restated when reclassification occurs.

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

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

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

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

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

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

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. The Group does this by considering, among others, the following factors:

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

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

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

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

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

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

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

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

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

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

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

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

2.30 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

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

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

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

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

2.31 Offsetting financial instruments

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

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

2.32 Classes of financial instruments
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:

### Financial assets

<table>
<thead>
<tr>
<th>Category (as defined by IFRS9)</th>
<th>Class (as determined by the Group)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Value Through Profit or Loss (FVTPL)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortised Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair Value Through Other Comprehensive Income (FVTOCI)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Financial liabilities

<table>
<thead>
<tr>
<th>Category (as defined by IFRS9)</th>
<th>Class (as determined by the Group)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at amortised cost</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Off balance sheet financial instruments

<table>
<thead>
<tr>
<th>Category (as defined by IFRS9)</th>
<th>Class (as determined by the Group)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan commitments</td>
<td></td>
<td>39</td>
</tr>
<tr>
<td>Guarantees, acceptances and other financial facilities</td>
<td></td>
<td>39</td>
</tr>
</tbody>
</table>
Critical accounting estimates, and judgements in applying accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

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

c) Goodwill impairment

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

d) Taxes

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

e) Business model assessment

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

Beginning July 1, 2019, the Group has designated Zimbabwe as a hyper-inflationary economy in accordance with IAS 29, Financial Reporting in Hyper-Inflationary Economies, and has therefore employed the use of the hyper-inflationary accounting to consolidate and report its Zimbabwe operating subsidiary. The determination of whether an economy is hyper-inflationary requires the Group to make certain estimates and judgements, such as assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyperinflationary accounting in accordance with IAS 29 requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of operations of the Group. The selection of price indices is based on the Group’s assessment of various available price indices on the basis of reliability and relevance. Changes in any such estimates may significantly impact the carrying value of those nonmonetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive loss.
Notes to the financial statements

5 Financial Risk Management

This note explains the Group’s exposure to financial risks and how these risks could affect the Group’s future financial performance.

The Group has documented financial risk management policies. These policies set out the Group’s overall business strategies and its risk management philosophy. The Group’s overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) liquidity risk and use of derivative financial instruments. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group’s policy guidelines are complied with. Risk management is carried out by the Group Risk team under the policies approved by the Board of Directors.

The Group’s board of directors has overall responsibility for the establishment and oversight of the Group’s risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Group’s risk management policies. The committee reports regularly to the board of directors on its activities. The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

There has been no change to the Group’s exposure to these financial risks or the manner in which it manages and measures the risk other than those brought about by the adoption of IFRS 9 from 1 January 2018.

5.1 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Group’s customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities (‘trading exposures’) including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Group’s business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.
5.1.1 Credit quality analysis

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is incorporated into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers (where available). In addition, the expected credit models enable expert judgement from the Credit Risk Officer to be incorporated into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Credit risk grading

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness — such as unemployment and previous delinquency history — is also incorporated into the behavioural score. This score is mapped to a PD.

Wholesale

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Investment Securities

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD’s associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group’s rating method comprises 10 rating levels. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Group’s internal rating scale and mapping of external ratings are set out below:

<table>
<thead>
<tr>
<th>Credit rating</th>
<th>S &amp; P</th>
<th>AAA</th>
<th>AA</th>
<th>A</th>
<th>BBB</th>
<th>BB</th>
<th>B</th>
<th>CCC</th>
<th>CC</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of the grade</td>
<td>Investment Grade</td>
<td>Speculative Grade</td>
<td>Default</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classification</td>
<td>Performing</td>
<td>Watchlist</td>
<td>Substandard</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stages</td>
<td>Stage 1</td>
<td>Stage 2</td>
<td>Stage 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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
Notes to the financial statements

where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

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.

5.1.2 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 these 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.

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

a) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

b) If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer below for a description of how the Group determines when a significant increase in credit risk has occurred.

c) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer below for a description of how the Group defines credit-impaired and default.

d) Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

e) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.3 below includes an explanation of how the Group has incorporated this in its ECL models.

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

Further explanation is also provided of how the Group determines appropriate Groupings when ECL is measured on a collective basis.

The following diagram summarises the impairment requirements under IFRS 9 (other than POCI financial assets):

<table>
<thead>
<tr>
<th>Change in credit quality since initial recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage 1 (initial recognition)</td>
</tr>
<tr>
<td>Stage 2 (Significant increase in credit risk since initial recognition)</td>
</tr>
<tr>
<td>Stage 3 (Credit-impaired assets)</td>
</tr>
<tr>
<td>12 month expected credit losses</td>
</tr>
<tr>
<td>Lifetime expected credit losses</td>
</tr>
<tr>
<td>Lifetime expected credit losses</td>
</tr>
</tbody>
</table>

5.1.3 Significant increase in credit risk
The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met. The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the Group is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

a) Forward transitions:

Credit Ratings
The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades
are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Notch differences between the current rating grade and initial rating grade can be indicative of significant increase in credit risks.

The Group specifies the number of notch increases that will be viewed as a significant increase in credit risk since origination. This number is specified separately for both low and high risk accounts. The split between low and high risk accounts is also specified by the Group. Assuming the account is currently classified as Stage 1, if the current credit rating increases by more notches than the specified number since origination, the account is classified as Stage 2.

In addition, if the accounts current credit rating is worse than the default credit rating indicator, also specified by the Group, the account is classified as Stage 3.

These credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data

<table>
<thead>
<tr>
<th>Wholesale exposures</th>
<th>Retail exposures</th>
<th>All exposures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes</td>
<td>Internally collected data on customer behaviour — e.g. utilisation of credit card facilities</td>
<td>Payment record — this includes overdue status as well as a range of variables about payment ratios</td>
</tr>
<tr>
<td>Data from credit reference agencies, press articles, changes in external credit ratings</td>
<td>Affordability metrics</td>
<td>Utilisation of the granted limit</td>
</tr>
<tr>
<td>Quoted bond and credit default swap (CDS) prices for the borrower where available</td>
<td>External data from credit reference agencies including industry-standard credit scores</td>
<td>Requests for and granting of forbearance</td>
</tr>
<tr>
<td>Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities</td>
<td></td>
<td>Existing and forecast changes in business, financial and economic conditions</td>
</tr>
</tbody>
</table>

b) **Forward transitions: Days past due**

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption. Transition from Stage 2 to Stage 3 is based on the 90 days past due presumption. The table below summarises the Stage classification based on the days past due.
Notes to the financial statements

<table>
<thead>
<tr>
<th>Stage</th>
<th>Days Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0 to 29</td>
</tr>
<tr>
<td>2</td>
<td>30 to 89</td>
</tr>
<tr>
<td>3</td>
<td>90+</td>
</tr>
</tbody>
</table>

c) Forward transitions: Watchlist & Restructure

The Group classifies accounts that are included on their Watchlist or have been restructured as Stage 2 if the significant driver for the account being watchlisted or restructured is due to a significant increase in credit risk.

d) Forward transitions:

Classification

In addition to the days past due, the Group classifies accounts as either ‘Performing’, ‘Substandard’, ‘Doubtful’ or ‘Loss’. This classification is considered together with days past due in determining the Stage classification. The table below summarises the account classification and days past due.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Days Past Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing (Current + Watchlist)</td>
<td>0 to 89</td>
</tr>
<tr>
<td>Substandard</td>
<td>90 to 179</td>
</tr>
<tr>
<td>Doubtful</td>
<td>180 to 364</td>
</tr>
<tr>
<td>Loss</td>
<td>365+</td>
</tr>
</tbody>
</table>

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending.

"Current" : relate to assets classified as "Investment Grade" (no evident weakness).

"Watchlist": relate to items for which there is evidence of a weakness in the financial or operating condition of the obligor which requires management’s close attention.

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

"Doubtful" : 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.

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Group are homogeneous. In performing this Grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine Groupings are outlined below:

Retail – Groupings for collective measurement
- Loan to value ratio band
- Credit Rating band
- Product type (e.g. Residential/Buy to Let mortgage, Overdraft, Credit Card)
- Repayment type (e.g. Repayment/Interest only)

Wholesale – Groupings for collective measurement
- Collateral type
- Credit Rating band

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.
Notes to the financial statements

5.1.5 Maximum exposure to credit risk

5.1.5.1 Maximum exposure to credit risk – Financial instruments subject to ECL impairment

For ECL purposes, the bank’s financial asset is segmented into sub-portfolios are listed below:

- Loans and advances to customers
- Loans and advances to banks
- Investment securities - Debt instruments
- Other assets
- Off balance sheet exposures

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group’s maximum exposure to credit risk on these assets.

<table>
<thead>
<tr>
<th>US$’000</th>
<th>Loans and advances to customers</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECL staging</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>7,733,390</td>
<td>1,144,865</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(52,749)</td>
<td>(74,116)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>7,680,641</td>
<td>1,070,749</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US$’000</th>
<th>Loans and advances to customers</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECL staging</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>7,676,882</td>
<td>1,185,788</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(89,093)</td>
<td>(81,468)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>7,587,789</td>
<td>1,104,320</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US$’000</th>
<th>Loans and advances to banks</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECL staging</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>1,893,254</td>
<td>-</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(1,365)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>1,891,889</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US$’000</th>
<th>Loans and advances to banks</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECL staging</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>1,718,940</td>
<td>-</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(1,365)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>1,717,575</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US$’000</th>
<th>Investment securities - debt instruments</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECL staging</td>
<td>Stage 1</td>
<td>Stage 2</td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>4,695,831</td>
<td>-</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(1,031)</td>
<td>-</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>4,694,800</td>
<td>-</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### US$'000

**Investment securities - debt instruments**

<table>
<thead>
<tr>
<th></th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2018</td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>4,563,604</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,563,604</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(949)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(949)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>4,562,655</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,562,655</td>
</tr>
</tbody>
</table>

**Other assets**

<table>
<thead>
<tr>
<th></th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>1,311,133</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,311,133</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(126,363)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(126,363)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>1,184,770</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,184,770</td>
</tr>
</tbody>
</table>

#### US$'000

**31 December 2018**

<table>
<thead>
<tr>
<th></th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2018</td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross carrying amount</td>
<td>880,302</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>880,302</td>
</tr>
<tr>
<td>Loss allowance</td>
<td>(141,134)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(141,134)</td>
</tr>
<tr>
<td>Carrying amount</td>
<td>739,168</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>739,168</td>
</tr>
</tbody>
</table>

#### 5.1.5.2 Maximum exposure to credit risk – Financial instruments not subject to ECL impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Debt Securities</td>
<td>182,662</td>
<td>122,283</td>
</tr>
<tr>
<td>• Derivatives</td>
<td>65,459</td>
<td>49,914</td>
</tr>
<tr>
<td><strong>Financial assets designated at fair value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Debt securities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>• Loans and advances to customers</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
5.1.5.3 Maximum exposure to credit risk before collateral held

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks</td>
<td>2,192,427</td>
<td>2,140,632</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>1,632,749</td>
<td>1,828,251</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,891,889</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIB</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Overdrafts</td>
<td>1,017,539</td>
<td>830,063</td>
</tr>
<tr>
<td>- Term loans</td>
<td>5,927,930</td>
<td>6,103,161</td>
</tr>
<tr>
<td>- Others</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Overdrafts</td>
<td>342,028</td>
<td>234,516</td>
</tr>
<tr>
<td>- Credit cards</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Term loans</td>
<td>989,075</td>
<td>984,180</td>
</tr>
<tr>
<td>- Others</td>
<td>-</td>
<td>1,652</td>
</tr>
<tr>
<td>Consumer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Overdrafts</td>
<td>5,507</td>
<td>19,494</td>
</tr>
<tr>
<td>- Credit cards</td>
<td>1,974</td>
<td>1,740</td>
</tr>
<tr>
<td>- Term loans</td>
<td>851,994</td>
<td>806,233</td>
</tr>
<tr>
<td>- Mortgages</td>
<td>140,561</td>
<td>105,286</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Debt securities</td>
<td>182,662</td>
<td>122,283</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>65,459</td>
<td>49,914</td>
</tr>
<tr>
<td>Financial assets designated at fair value:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Debt securities</td>
<td>4,694,800</td>
<td>4,563,603</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>351,478</td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,028,312</td>
<td>574,044</td>
</tr>
<tr>
<td>Credit risk exposures relating to off-balance sheet items are as follows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial guarantees</td>
<td>3,204,627</td>
<td>4,340,213</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>452,255</td>
<td>1,221,440</td>
</tr>
</tbody>
</table>

The above table represents a worst case scenario of credit risk exposure of the Group at 31 December 2019 and 31 December 2018, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.
As shown above, 37% (2018: 42%) of the total maximum exposure is derived from loans and advances to banks and customers; 19% (2018: 18%) represents investments securities in debt securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loan and advances portfolio, debt securities and other assets based on the following:

- 77% (2018: 82%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 90% (2018: 67%) of loans and advances are backed by collateral;
- Investment in debt securities are largely government securities.

5.1.6 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. 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; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are also collateralised.

The Group’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group’s financial assets originated by the mortgage business has sufficiently low ‘loan to value’ (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group’s expected credit loss model. The carrying amount of such financial assets is USD106 million as at 31 December 2019.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown in note 5.1.9 (c) below:

5.1.7 Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a presents;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.
The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

<table>
<thead>
<tr>
<th>Loans and Advances to customers</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2019 (*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 1 to Stage 2</td>
<td>(4,100)</td>
<td>4,100</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 1 to Stage 3</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td></td>
<td>-</td>
<td></td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>11,337</td>
<td>98,578</td>
<td>-</td>
<td>109,915</td>
</tr>
<tr>
<td>Total net P&amp;L charge during the period</td>
<td>(4,100)</td>
<td>15,437</td>
<td>98,578</td>
<td>-</td>
<td>109,915</td>
</tr>
</tbody>
</table>

Other movements with no P&L impact
FX and other movements
Transfer from Stage 2 to Stage 3
Transfer from Stage 3 to Stage 2
Financial assets derecognised during the period
Write-offs

Loss allowance as at 31 December 2019 (**)  
84,993  41,872  430,185  -  557,050

Credit commitments (current)
### Loans and Advances to customers

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2018</td>
<td>52,937</td>
<td>129,623</td>
<td>650,246</td>
<td>-</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 1 to Stage 2</td>
<td>-</td>
<td>7,956</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 1 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>41,085</td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>(81,691)</td>
<td>(16,061)</td>
<td>406,677</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>8,842</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>1,703</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net P&amp;L charge during the period</strong></td>
<td>(130,732)</td>
<td>(8,105)</td>
<td>458,307</td>
<td>-</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX and other movements</td>
<td>166,888</td>
<td>(40,868)</td>
<td>(120,414)</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>818</td>
<td>(818)</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss allowance as at 31 December 2018 (*)</strong></td>
<td>89,093</td>
<td>81,468</td>
<td>547,448</td>
<td>-</td>
</tr>
</tbody>
</table>
Notes to the financial statements

Credit commitments (current) -

*Includes loss allowance on loan commitments of $12 million
**Includes loss allowance on loan commitments of $2 million (2018: $12 million)

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowances were as follows
- The write-off of loans with a total gross carrying amount of USD 164 million (2018: $205 million) resulted in the reduction of the Stage 3 loss allowance by the same amount.

<table>
<thead>
<tr>
<th>Investment securities - Debt instruments</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
</tr>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2019</td>
<td>949</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>82</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net P&amp;L charge during the period</td>
<td>82</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX and other movements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-offs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss allowance as at 31 December 2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities - Debt instruments</td>
<td>Stage 1</td>
<td>Stage 2</td>
<td>Stage 3</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2018</td>
<td>5,985</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>(5,036)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net P&amp;L charge during the period</strong></td>
<td>(5,036)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FX and other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss allowance as at 31 December 2018</td>
<td>949</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## Notes to the financial statements

### Other assets

<table>
<thead>
<tr>
<th></th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
</tr>
<tr>
<td></td>
<td>USD'000</td>
<td>USD'000</td>
<td>USD'000</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2019</td>
<td>-</td>
<td>141,134</td>
<td>-</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>-</td>
<td>23,642</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total net P&amp;L charge during the period</td>
<td>-</td>
<td>23,642</td>
<td>-</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FX and other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>(38,413)</td>
<td>-</td>
</tr>
<tr>
<td>Loss allowance as at 31 December 2019</td>
<td>-</td>
<td>126,363</td>
<td>-</td>
</tr>
</tbody>
</table>
### Other assets

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
</tbody>
</table>

Loss allowance as at 1 January 2018

Movements with P&L impact

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>-</td>
<td>23,914</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net P&amp;L charge during the period</strong></td>
<td>-</td>
<td>23,914</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Other movements with no P&L impact

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FX and other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>(2,897)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Loss allowance as at 31 December 2018

- 141,134 - - 141,134
Notes to the financial statements

<table>
<thead>
<tr>
<th>Loans and advances to Banks</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
<td>USD’000</td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2019</td>
<td>1,365</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,365</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net P&amp;L charge during the period</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FX and other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss allowance as at 31 December 2019</strong></td>
<td>1,365</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,365</td>
</tr>
</tbody>
</table>
**Notes to the financial statements**

### Loans and advances to Banks

<table>
<thead>
<tr>
<th></th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Purchased credit-impaired</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12-month ECL</td>
<td>Lifetime ECL</td>
<td>Lifetime ECL</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss allowance as at 1 January 2018</td>
<td>8,636</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,636</td>
</tr>
<tr>
<td>Movements with P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes in PDs/LGDs/EADs</td>
<td>(7,271)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,271)</td>
</tr>
<tr>
<td>Changes to model assumptions and methodologies</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Modification of contractual cash flows of financial assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Unwind of discount(a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net P&amp;L charge during the period</strong></td>
<td>(7,271)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,271)</td>
</tr>
<tr>
<td>Other movements with no P&amp;L impact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FX and other movements</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 2 to Stage 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from Stage 3 to Stage 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial assets derecognised during the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Loss allowance as at 31 December 2018</strong></td>
<td>1,365</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,365</td>
</tr>
</tbody>
</table>
5.1.8 Loans and advances exposure by internal rating

5.1.8 (a) Loans and advances to customers by facility risk rating

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans and advances</td>
<td>Loans and advances</td>
</tr>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>1</td>
<td>216,340</td>
<td>2%</td>
</tr>
<tr>
<td>2</td>
<td>39,335</td>
<td>0%</td>
</tr>
<tr>
<td>3</td>
<td>373,679</td>
<td>4%</td>
</tr>
<tr>
<td>4</td>
<td>344,178</td>
<td>4%</td>
</tr>
<tr>
<td>5</td>
<td>1,170,205</td>
<td>12%</td>
</tr>
<tr>
<td>6</td>
<td>4,562,817</td>
<td>46%</td>
</tr>
<tr>
<td>7</td>
<td>875,196</td>
<td>9%</td>
</tr>
<tr>
<td>8</td>
<td>1,779,892</td>
<td>18%</td>
</tr>
<tr>
<td>9</td>
<td>304,843</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>167,172</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td><strong>9,833,658</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### 5.1.8 (b) Loans and advances to customers by internal rating

<table>
<thead>
<tr>
<th>Group’s rating</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Loans and advances</td>
<td>Impairment provision</td>
</tr>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>1. Current</td>
<td>7,244,837</td>
<td>74%</td>
</tr>
<tr>
<td>1A. Watchlist</td>
<td>488,553</td>
<td>5%</td>
</tr>
<tr>
<td>II. Substandard</td>
<td>1,144,865</td>
<td>12%</td>
</tr>
<tr>
<td>III. Doubtful</td>
<td>487,797</td>
<td>5%</td>
</tr>
<tr>
<td>IV. Loss</td>
<td>467,606</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td><strong>9,833,658</strong></td>
<td><strong>100%</strong></td>
</tr>
<tr>
<td></td>
<td>3,656,882</td>
<td>2,321</td>
</tr>
</tbody>
</table>

Credit commitments "Current"
5.1.9 Loans and advances by status

Loans and advances are summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>Loans and advances to banks</th>
<th>Loans and advances to customers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$'000</td>
<td>US$'000</td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>1,893,254</td>
<td>7,733,390</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>-</td>
<td>1,144,865</td>
</tr>
<tr>
<td>Impaired</td>
<td>-</td>
<td>955,403</td>
</tr>
<tr>
<td><strong>Gross</strong></td>
<td><strong>1,893,254</strong></td>
<td><strong>9,833,658</strong></td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>(1,365)</td>
<td>(557,050)</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td><strong>1,891,889</strong></td>
<td><strong>9,276,608</strong></td>
</tr>
</tbody>
</table>

Other financial assets are neither past due nor impaired except for investment securities and other assets with impairment provision in Note 23 and Note 25 respectively.
5 Financial Risk Management

5.1 Credit Risk

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group in the Group Credit Policy and Procedure Manual (see the Note 5.1.3 Significant increase in credit risk).

### 31 December 2019

<table>
<thead>
<tr>
<th>Grades:</th>
<th>Loans and advances to customers</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CIB</td>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
</tr>
<tr>
<td>Current</td>
<td>652,029</td>
<td>4,755,442</td>
<td>-</td>
</tr>
<tr>
<td>Watchlist</td>
<td>55,596</td>
<td>275,417</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>707,625</td>
<td>5,030,859</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grades:</th>
<th>Loans and advances to customers</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CIB</td>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
</tr>
<tr>
<td>Current</td>
<td>724,694</td>
<td>4,872,075</td>
<td>-</td>
</tr>
<tr>
<td>Watchlist</td>
<td>20,515</td>
<td>199,848</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>745,209</td>
<td>5,071,923</td>
<td>-</td>
</tr>
</tbody>
</table>

All loans and advances to banks are neither past due nor impaired and all fall under the 'current' grad

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class of customers that were past due but not impaired were as follows:
### Notes to the financial statements

#### 31 December 2019

<table>
<thead>
<tr>
<th>Past due</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>Past due up to 30 days</td>
<td>34,852</td>
<td>688,868</td>
<td>-</td>
<td>4,190</td>
</tr>
<tr>
<td>Past due 30-60 days</td>
<td>6,954</td>
<td>23,595</td>
<td>-</td>
<td>2,152</td>
</tr>
<tr>
<td>Past due 60-90 days</td>
<td>7,306</td>
<td>138,403</td>
<td>-</td>
<td>34,613</td>
</tr>
<tr>
<td>Total</td>
<td>49,112</td>
<td>850,866</td>
<td>-</td>
<td>40,955</td>
</tr>
<tr>
<td>Fair value of collateral</td>
<td>44,948</td>
<td>191,622</td>
<td>-</td>
<td>33,173</td>
</tr>
<tr>
<td>Amount of (over)/under collateralisation</td>
<td>4,164</td>
<td>659,244</td>
<td>-</td>
<td>7,782</td>
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</tbody>
</table>

#### 31 December 2018

<table>
<thead>
<tr>
<th>Past due</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>Past due up to 30 days</td>
<td>16,366</td>
<td>278,392</td>
<td>-</td>
<td>2,953</td>
</tr>
<tr>
<td>Past due 30-60 days</td>
<td>5,084</td>
<td>86,755</td>
<td>-</td>
<td>566</td>
</tr>
<tr>
<td>Past due 60-90 days</td>
<td>37,497</td>
<td>622,827</td>
<td>-</td>
<td>9,686</td>
</tr>
<tr>
<td>Total</td>
<td>58,947</td>
<td>987,974</td>
<td>-</td>
<td>13,205</td>
</tr>
<tr>
<td>Fair value of collateral</td>
<td>34,477</td>
<td>769,632</td>
<td>-</td>
<td>8,809</td>
</tr>
<tr>
<td>Amount of (over)/under collateralisation</td>
<td>24,470</td>
<td>218,342</td>
<td>-</td>
<td>4,396</td>
</tr>
</tbody>
</table>

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price.
c) Loans and advances individually impaired

i) Loans and advances to customer

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

### 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>303,278</td>
<td>203,506</td>
<td>-</td>
<td>955,403</td>
</tr>
<tr>
<td>Impairment allowance</td>
<td>(6,533)</td>
<td>(126,558)</td>
<td>(88,379)</td>
<td>(430,185)</td>
</tr>
<tr>
<td>Gross</td>
<td>296,745</td>
<td>76,948</td>
<td>-</td>
<td>525,218</td>
</tr>
<tr>
<td>Fair value of collateral</td>
<td>(5,514)</td>
<td>(1,110,639)</td>
<td>(48,161)</td>
<td>(1,221,896)</td>
</tr>
<tr>
<td>Amount of (over) / under collateralisation</td>
<td>291,231</td>
<td>(1,033,691)</td>
<td>35,480</td>
<td>(696,678)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CIB Overdrafts</th>
<th>CIB Term loans</th>
<th>CIB Others</th>
<th>Commercial Overdrafts</th>
<th>Commercial Credit cards</th>
<th>Commercial Term Loans</th>
<th>Commercial Others</th>
<th>Consumer Overdrafts</th>
<th>Consumer Credit cards</th>
<th>Consumer Term Loans</th>
<th>Consumer Mortgages</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>303,278</td>
<td>203,506</td>
<td>-</td>
<td>41,975</td>
<td>1,422</td>
<td>38,751</td>
<td>2,633</td>
<td>12,700</td>
<td>45</td>
<td>32,220</td>
<td>1,972</td>
<td>955,403</td>
</tr>
<tr>
<td>Impairment allowance</td>
<td>(6,533)</td>
<td>(126,558)</td>
<td>(88,379)</td>
<td>(29,275)</td>
<td>(1,377)</td>
<td>(6,531)</td>
<td>(661)</td>
<td>(1,377)</td>
<td>(6,531)</td>
<td>(661)</td>
<td>(430,185)</td>
<td></td>
</tr>
<tr>
<td>Gross</td>
<td>296,745</td>
<td>76,948</td>
<td>-</td>
<td>41,975</td>
<td>1,422</td>
<td>38,751</td>
<td>2,633</td>
<td>12,700</td>
<td>45</td>
<td>32,220</td>
<td>1,972</td>
<td>525,218</td>
</tr>
<tr>
<td>Fair value of collateral</td>
<td>(5,514)</td>
<td>(1,110,639)</td>
<td>(48,161)</td>
<td>(3,830)</td>
<td>(6,386)</td>
<td>(1,513)</td>
<td></td>
<td>(1,221,896)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of (over) / under collateralisation</td>
<td>291,231</td>
<td>(1,033,691)</td>
<td>35,480</td>
<td>8,870</td>
<td>45</td>
<td>25,834</td>
<td>459</td>
<td></td>
<td>(696,678)</td>
<td></td>
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</tbody>
</table>

### 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>88,650</td>
<td>413,179</td>
<td>-</td>
<td>944,539</td>
</tr>
<tr>
<td>Impairment allowance</td>
<td>(19,127)</td>
<td>(260,488)</td>
<td>(56,895)</td>
<td>(547,448)</td>
</tr>
<tr>
<td>Gross</td>
<td>69,523</td>
<td>152,691</td>
<td>-</td>
<td>397,091</td>
</tr>
<tr>
<td>Fair value of collateral</td>
<td>(33,330)</td>
<td>(357,482)</td>
<td>(63,908)</td>
<td>(565,468)</td>
</tr>
<tr>
<td>Amount of (over) / under collateralisation</td>
<td>36,193</td>
<td>(204,791)</td>
<td>63 (2)</td>
<td>(168,377)</td>
</tr>
</tbody>
</table>
Notes to the financial statements

(d) Other assets with exposure to credit risks

<table>
<thead>
<tr>
<th></th>
<th>Balances with central banks</th>
<th>Trading financial assets</th>
<th>Derivative financial instruments</th>
<th>Treasury bills and other eligible bills</th>
<th>Investment securities</th>
<th>Pledged assets</th>
<th>Other assets less prepayments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>2,192,427</td>
<td>182,662</td>
<td>65,459</td>
<td>1,632,749</td>
<td>4,695,831</td>
<td>351,478</td>
<td>1,154,675</td>
<td>10,275,281</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>2,192,427</td>
<td>182,662</td>
<td>65,459</td>
<td>1,632,749</td>
<td>4,695,831</td>
<td>351,478</td>
<td>1,281,038</td>
<td>10,401,644</td>
</tr>
<tr>
<td>Gross</td>
<td>2,192,427</td>
<td>182,662</td>
<td>65,459</td>
<td>1,632,749</td>
<td>4,694,800</td>
<td>351,478</td>
<td>1,154,675</td>
<td>10,274,250</td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,031)</td>
<td>-</td>
<td>(126,363)</td>
<td>(127,394)</td>
</tr>
<tr>
<td>Net</td>
<td>2,192,427</td>
<td>182,662</td>
<td>65,459</td>
<td>1,632,749</td>
<td>4,694,800</td>
<td>351,478</td>
<td>1,154,675</td>
<td>10,274,250</td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>2,192,427</td>
<td>182,662</td>
<td>65,459</td>
<td>1,632,749</td>
<td>4,694,800</td>
<td>351,478</td>
<td>1,154,675</td>
<td>10,274,250</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balances with central banks</th>
<th>Financial assets held for trading</th>
<th>Derivative financial instruments</th>
<th>Treasury bills and other eligible bills</th>
<th>Investment debt securities</th>
<th>Pledged assets</th>
<th>Other assets less prepayments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neither past due nor impaired</td>
<td>2,140,632</td>
<td>122,283</td>
<td>49,914</td>
<td>1,828,251</td>
<td>4,564,552</td>
<td>240,434</td>
<td>574,044</td>
<td>9,520,110</td>
</tr>
<tr>
<td>Past due but not impaired</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Impaired</td>
<td>2,140,632</td>
<td>122,283</td>
<td>49,914</td>
<td>1,828,251</td>
<td>4,564,552</td>
<td>240,434</td>
<td>141,134</td>
<td>9,661,244</td>
</tr>
<tr>
<td>Gross</td>
<td>2,140,632</td>
<td>122,283</td>
<td>49,914</td>
<td>1,828,251</td>
<td>4,563,603</td>
<td>240,434</td>
<td>574,044</td>
<td>9,519,161</td>
</tr>
<tr>
<td>Less: allowance for impairment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(949)</td>
<td>-</td>
<td>(141,134)</td>
<td>(142,083)</td>
</tr>
<tr>
<td>Net</td>
<td>2,140,632</td>
<td>122,283</td>
<td>49,914</td>
<td>1,828,251</td>
<td>4,563,603</td>
<td>240,434</td>
<td>574,044</td>
<td>9,519,161</td>
</tr>
<tr>
<td>Carrying amounts</td>
<td>2,140,632</td>
<td>122,283</td>
<td>49,914</td>
<td>1,828,251</td>
<td>4,563,603</td>
<td>240,434</td>
<td>574,044</td>
<td>9,519,161</td>
</tr>
</tbody>
</table>
5.1.10 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group’s main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2019 and 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

<table>
<thead>
<tr>
<th>As at 31 December 2019</th>
<th>UEMOA</th>
<th>Nigeria</th>
<th>AWA</th>
<th>CESAR</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balances with central banks other than mandatory reserve deposits</td>
<td>296,699</td>
<td>84,258</td>
<td>54,117</td>
<td>323,277</td>
<td>169,390</td>
<td>927,741</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>-</td>
<td>150,125</td>
<td>2,600</td>
<td>29,937</td>
<td>-</td>
<td>182,662</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>34,971</td>
<td>-</td>
<td>30,488</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>500,319</td>
<td>418,629</td>
<td>340,523</td>
<td>515,488</td>
<td>116,930</td>
<td>1,891,889</td>
</tr>
<tr>
<td>Loans and advances to customers:</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CIB</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>246,874</td>
<td>328,949</td>
<td>349,777</td>
<td>91,939</td>
<td>-</td>
<td>1,017,539</td>
</tr>
<tr>
<td>– Term loans</td>
<td>2,313,860</td>
<td>1,922,679</td>
<td>1,351,013</td>
<td>340,378</td>
<td>-</td>
<td>5,927,930</td>
</tr>
<tr>
<td>– Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consumer</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>-</td>
<td>5,506</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,506</td>
</tr>
<tr>
<td>– Credit cards</td>
<td>-</td>
<td>1,422</td>
<td>321</td>
<td>231</td>
<td>-</td>
<td>1,974</td>
</tr>
<tr>
<td>– Term loans</td>
<td>397,946</td>
<td>40,979</td>
<td>301,429</td>
<td>111,640</td>
<td>-</td>
<td>851,994</td>
</tr>
<tr>
<td>– Mortgages</td>
<td>65,994</td>
<td>5,192</td>
<td>49,605</td>
<td>19,770</td>
<td>-</td>
<td>140,561</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td></td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>85,641</td>
<td>123,543</td>
<td>18,462</td>
<td>114,382</td>
<td>-</td>
<td>342,028</td>
</tr>
<tr>
<td>– Credit cards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Term loans</td>
<td>544,891</td>
<td>52,838</td>
<td>66,960</td>
<td>324,386</td>
<td>-</td>
<td>989,075</td>
</tr>
<tr>
<td>– Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>95,233</td>
<td>655,494</td>
<td>256,962</td>
<td>625,060</td>
<td>-</td>
<td>1,632,749</td>
</tr>
<tr>
<td>Investment securities – debt securities</td>
<td>3,117,442</td>
<td>144,453</td>
<td>787,821</td>
<td>644,509</td>
<td>575</td>
<td>4,694,800</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>351,478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>370,854</td>
<td>141,723</td>
<td>231,249</td>
<td>161,564</td>
<td>122,922</td>
<td>1,028,312</td>
</tr>
<tr>
<td>Total</td>
<td>8,035,753</td>
<td>4,462,239</td>
<td>3,810,839</td>
<td>3,333,049</td>
<td>409,817</td>
<td>20,051,697</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>115,552</td>
<td>59,489</td>
<td>14,582</td>
<td>-</td>
<td>1,158,111</td>
<td>1,347,734</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

<table>
<thead>
<tr>
<th>Description</th>
<th>UEMOA</th>
<th>Nigeria</th>
<th>AWA</th>
<th>CESA</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with central banks other than mandatory reserve deposits</td>
<td>111,827</td>
<td>83,338</td>
<td>698,344</td>
<td>117,942</td>
<td></td>
<td>1,011,451</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>8,675</td>
<td>96,421</td>
<td>17,187</td>
<td></td>
<td></td>
<td>122,283</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>24,202</td>
<td>25,000</td>
<td>712</td>
<td></td>
<td>49,914</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>468,977</td>
<td>395,817</td>
<td>230,511</td>
<td>352,527</td>
<td>269,743</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers: CIB</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Commercial</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>348,857</td>
<td>60,227</td>
<td>30,595</td>
<td>139,925</td>
<td>250,459</td>
<td>830,063</td>
</tr>
<tr>
<td>– Term loans</td>
<td>2,191,124</td>
<td>2,252,035</td>
<td>128,864</td>
<td>398,949</td>
<td>1,132,189</td>
<td>6,103,161</td>
</tr>
<tr>
<td>– Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>consumer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>74,642</td>
<td>68,791</td>
<td>31,565</td>
<td>59,518</td>
<td></td>
<td>234,516</td>
</tr>
<tr>
<td>– Credit cards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>– Term loans</td>
<td>564,610</td>
<td>82,684</td>
<td>66,065</td>
<td>211,244</td>
<td>59,577</td>
<td>984,180</td>
</tr>
<tr>
<td>– Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Treasury bills and other eligible bills</strong></td>
<td>122,186</td>
<td>640,347</td>
<td>256,327</td>
<td>807,857</td>
<td>1,534</td>
<td>1,828,251</td>
</tr>
<tr>
<td>Investment securities – debt securities</td>
<td>3,010,342</td>
<td>488,711</td>
<td>647,536</td>
<td>411,060</td>
<td>5,954</td>
<td>4,563,603</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>240,434</td>
<td>-</td>
<td>-</td>
<td></td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets</td>
<td>323,411</td>
<td>50,580</td>
<td>72,696</td>
<td>31,469</td>
<td>95,888</td>
<td>574,044</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,722,333</td>
<td>4,480,731</td>
<td>1,578,613</td>
<td>3,262,680</td>
<td>2,231,867</td>
<td>19,276,224</td>
</tr>
</tbody>
</table>

| Credit commitments                                                        | 897,275 | 1,685,985 | 813,500 | 635,412 | 1,529,481| 5,561,653 |
5.1.10 **Concentration of risks of financial assets with credit risk exposure**

**(b) Industry sectors**

The following table breaks down the Group’s main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

<table>
<thead>
<tr>
<th>Financial institutions</th>
<th>Wholesale &amp; retail trading</th>
<th>Manufacturing</th>
<th>Government</th>
<th>Mining &amp; construction</th>
<th>Services &amp; others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balances with central banks other than mandatory reserve deposits</td>
<td>927,741</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>927,741</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>2,600</td>
<td>-</td>
<td>180,062</td>
<td>-</td>
<td>-</td>
<td>182,662</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>30,488</td>
<td>-</td>
<td>-</td>
<td>34,971</td>
<td>65,459</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,748,164</td>
<td>-</td>
<td>20,464</td>
<td>123,261</td>
<td>1,891,889</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Overdrafts</td>
<td>30,671</td>
<td>216,019</td>
<td>84,197</td>
<td>157,347</td>
<td>441,800</td>
<td>1,365,073</td>
</tr>
<tr>
<td>– Credit cards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,974</td>
<td>1,974</td>
</tr>
<tr>
<td>– Term loans</td>
<td>250,042</td>
<td>1,333,225</td>
<td>920,689</td>
<td>1,406,321</td>
<td>3,046,791</td>
<td>7,768,999</td>
</tr>
<tr>
<td>– Mortgages</td>
<td>27</td>
<td>538</td>
<td>30,445</td>
<td>1,922</td>
<td>57,597</td>
<td>140,561</td>
</tr>
<tr>
<td>– Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>104,106</td>
<td>-</td>
<td>-</td>
<td>1,516,756</td>
<td>11,887</td>
<td>1,632,749</td>
</tr>
<tr>
<td>Investment securities – debt securities</td>
<td>1,174,262</td>
<td>-</td>
<td>-</td>
<td>3,497,659</td>
<td>57,597</td>
<td>4,694,800</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>207,944</td>
<td>-</td>
<td>61</td>
<td>820,307</td>
<td>1,028,312</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,476,045</td>
<td>1,549,782</td>
<td>1,035,331</td>
<td>7,132,070</td>
<td>4,554,706</td>
<td>20,051,697</td>
</tr>
<tr>
<td>Credit commitments</td>
<td>1,650,756</td>
<td>-</td>
<td>-</td>
<td>5,503,547</td>
<td>(2,900)</td>
<td>862,658</td>
</tr>
</tbody>
</table>

| **31 December 2018**   |                            |               |            |                       |                  |       |
| Balances with central banks other than mandatory reserve deposits | 1,011,451     | -             | -          | -                     | -                | 1,011,451 |
| Financial assets held for trading | -             | -             | 122,283    | -                     | -                | 122,283 |
| Derivative financial instruments | 25,712        | -             | -          | 22,879                | 49,914           |       |
| Loans and advances to banks | 1,409,847     | -             | -          | 307,728               | -                | 1,717,575 |
| Loans and advances to customers: |                        |               |            |                       |                  |       |
| – Overdrafts | 18,501        | 272,598       | 139,382    | 91,168                | 186,431          | 375,993 |
| – Credit cards | -             | -             | -          | -                     | 1,652            | 1,652  |
| – Term loans | 264,474       | 1,584,991     | 973,637    | 1,064,763             | 2,706,976        | 7,893,574 |
| – Mortgages | -             | 488           | 1,704      | 289                   | 97,718           | 105,296 |
| – Others | 1,740         | -             | -          | -                     | -                | 1,740  |
| Treasury bills and other eligible bills | 104,106       | -             | -          | 1,558,312             | 56,060           | 1,628,251 |
| Investment securities – debt securities | 533,011       | -             | -          | 3,891,321             | 139,272          | 4,563,604 |
| Pledged assets | -             | -             | -          | 351,478               | -                | 351,478 |
| Other assets | 207,944       | -             | 61         | 820,307               | 1,028,312        |       |
| **Total** | 3,768,859     | 1,859,930     | 1,114,724  | 6,976,328             | 4,070,931        | 19,276,225 |
| Credit commitments | 1,650,756     | -             | -          | 5,503,547             | (2,900)          | 862,658 |
5.2 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Group Risk Management and the Board’s Risk Committee. The Group Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval Board’s Risk Committee) and for the day to day implementation of those policies.

It will be worth noted that due to significant currency evolution, the year end exposure of foreign exchange and interest rate sensitivity analysis may be unrepresentative of the exposure during the year.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury. Regular reports are submitted to the Board of Directors and heads of each business unit. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the subsidiary’s banking assets and liabilities. Non-trading portfolios also consist mainly of foreign exchange risks arising from the Group’s investment securities.

The Group applies a ‘value at risk’ methodology (VAR) to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>560</td>
<td>873</td>
</tr>
<tr>
<td>Interest risk</td>
<td>1,247</td>
<td>1,530</td>
</tr>
</tbody>
</table>

5.2.1 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group’s exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group’s financial instruments at carrying amounts, categorised by currency.

The Group applies a ‘value at risk’ methodology (VAR) to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Average</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>560</td>
<td>873</td>
</tr>
<tr>
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<td>1,247</td>
<td>1,530</td>
</tr>
</tbody>
</table>

5.2.1 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group’s exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group’s financial instruments at carrying amounts, categorised by currency.
## Notes to the financial statements

### As at 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Dollar</th>
<th>Euro</th>
<th>CFA</th>
<th>Naira</th>
<th>Cedis</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>275,036</td>
<td>146,363</td>
<td>799,556</td>
<td>1,098,764</td>
<td>189,387</td>
<td>320,207</td>
<td>2,829,313</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>-</td>
<td>-</td>
<td>15,977</td>
<td>132,746</td>
<td>-</td>
<td>33,939</td>
<td>182,662</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>25,000</td>
<td>5,488</td>
<td>-</td>
<td>34,971</td>
<td>-</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>657,952</td>
<td>406,208</td>
<td>419,649</td>
<td>137,571</td>
<td>83,136</td>
<td>187,373</td>
<td>1,891,889</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2,074,862</td>
<td>483,047</td>
<td>4,612,136</td>
<td>729,239</td>
<td>876,361</td>
<td>500,963</td>
<td>9,276,608</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>102,061</td>
<td>-</td>
<td>655,494</td>
<td>-</td>
<td>540,390</td>
<td>1,632,749</td>
<td></td>
</tr>
<tr>
<td>Investment securities</td>
<td>402,330</td>
<td>-</td>
<td>3,583,278</td>
<td>194,267</td>
<td>419,394</td>
<td>258,494</td>
<td>4,857,763</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>12,000</td>
<td>-</td>
<td>339,478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>278,005</td>
<td>49,088</td>
<td>228,801</td>
<td>141,516</td>
<td>190,079</td>
<td>267,186</td>
<td>1,154,675</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>3,827,246</strong></td>
<td><strong>1,090,194</strong></td>
<td><strong>9,994,201</strong></td>
<td><strong>3,464,046</strong></td>
<td><strong>1,758,357</strong></td>
<td><strong>2,108,552</strong></td>
<td><strong>22,242,596</strong></td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>478,444</td>
<td>408,276</td>
<td>898,305</td>
<td>159,155</td>
<td>58,000</td>
<td>205,413</td>
<td>2,207,593</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>3,434,550</td>
<td>694,393</td>
<td>7,118,861</td>
<td>2,703,651</td>
<td>1,050,867</td>
<td>1,243,798</td>
<td>16,246,120</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>3,319</td>
<td>-</td>
<td>22,833</td>
<td>-</td>
<td>25,103</td>
<td>51,255</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>1,631,699</td>
<td>103,522</td>
<td>143,515</td>
<td>93,472</td>
<td>15,215</td>
<td>87,578</td>
<td>2,075,001</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>232,263</td>
<td>36,219</td>
<td>162,995</td>
<td>197,841</td>
<td>62,412</td>
<td>89,763</td>
<td>781,493</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>5,776,956</strong></td>
<td><strong>1,245,729</strong></td>
<td><strong>8,323,676</strong></td>
<td><strong>3,176,952</strong></td>
<td><strong>1,186,494</strong></td>
<td><strong>1,651,655</strong></td>
<td><strong>21,361,462</strong></td>
</tr>
<tr>
<td><strong>Net on-statement of financial position</strong></td>
<td>(1,949,710)</td>
<td>(155,535)</td>
<td>1,670,525</td>
<td>287,094</td>
<td>571,863</td>
<td>456,897</td>
<td>881,134</td>
</tr>
<tr>
<td><strong>Credit commitments</strong></td>
<td>1,619,239</td>
<td>354,429</td>
<td>657,390</td>
<td>899,000</td>
<td>13,155</td>
<td>113,669</td>
<td>3,656,882</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### As at 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Dollar</th>
<th>Euro</th>
<th>CFA</th>
<th>Naira</th>
<th>Cedis</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>687,311</td>
<td>176,598</td>
<td>551,507</td>
<td>919,242</td>
<td>146,866</td>
<td>315,893</td>
<td>2,797,417</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>-</td>
<td>-</td>
<td>8,754</td>
<td>96,421</td>
<td>-</td>
<td>17,108</td>
<td>122,283</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>25,000</td>
<td>430</td>
<td>-</td>
<td>24,202</td>
<td>-</td>
<td>282</td>
<td>49,914</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>630,575</td>
<td>359,483</td>
<td>407,401</td>
<td>121,740</td>
<td>104,623</td>
<td>93,753</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2,293,549</td>
<td>387,579</td>
<td>4,519,248</td>
<td>1,020,339</td>
<td>478,252</td>
<td>387,358</td>
<td>9,086,325</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>388,178</td>
<td>-</td>
<td>427,746</td>
<td>464,176</td>
<td>35,927</td>
<td>512,224</td>
<td>1,828,251</td>
</tr>
<tr>
<td>Investment securities - available-for-sale</td>
<td>144,192</td>
<td>-</td>
<td>3,143,329</td>
<td>604,669</td>
<td>482,783</td>
<td>193,289</td>
<td>4,568,262</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>240,434</td>
<td>-</td>
<td>-</td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets</td>
<td>96,452</td>
<td>19,188</td>
<td>188,654</td>
<td>83,905</td>
<td>54,037</td>
<td>131,808</td>
<td>574,044</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>4,265,257</td>
<td>943,278</td>
<td>9,246,639</td>
<td>3,575,128</td>
<td>1,302,488</td>
<td>1,651,715</td>
<td>20,984,505</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dollar</th>
<th>Euro</th>
<th>CFA</th>
<th>Naira</th>
<th>Cedis</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>310,569</td>
<td>465,482</td>
<td>444,541</td>
<td>102,286</td>
<td>9,749</td>
<td>133,019</td>
<td>1,465,646</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>3,544,731</td>
<td>509,571</td>
<td>7,135,663</td>
<td>2,613,041</td>
<td>964,232</td>
<td>1,168,761</td>
<td>15,955,999</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>-</td>
<td>4,640</td>
<td>-</td>
<td>25,267</td>
<td>29,907</td>
<td>49,907</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>1,584,275</td>
<td>124,328</td>
<td>169,396</td>
<td>84,969</td>
<td>436</td>
<td>96,286</td>
<td>2,059,690</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>309,788</td>
<td>20,037</td>
<td>204,751</td>
<td>211,757</td>
<td>115,086</td>
<td>77,984</td>
<td>939,403</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>5,749,363</td>
<td>1,119,418</td>
<td>7,954,351</td>
<td>3,016,693</td>
<td>3,089,503</td>
<td>3,050,317</td>
<td>20,430,645</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Dollar</th>
<th>Euro</th>
<th>CFA</th>
<th>Naira</th>
<th>Cedis</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net on-statement of financial position</strong></td>
<td>(1,484,106)</td>
<td>(176,140)</td>
<td>1,292,289</td>
<td>558,435</td>
<td>212,985</td>
<td>150,399</td>
<td>553,860</td>
</tr>
<tr>
<td><strong>Credit commitments</strong></td>
<td>1,054,309</td>
<td>703,559</td>
<td>499,681</td>
<td>1,680,384</td>
<td>313,753</td>
<td>3,109,967</td>
<td>5,561,653</td>
</tr>
</tbody>
</table>
Currency Sensitivity Analysis

ETI periodically performs sensitivity analysis to determine the impact on Group earnings resulting from a potential appreciation of the United States Dollars (USD) relative to the currencies to which the Group has major exposure namely; CFA Franc (FCFA), the Euro (EUR), the Nigerian Naira (NGN) and the Ghana Cedi (GHS). The results using data as of 31 December 2019 and 31 December 2018 are shown in the table below.

<table>
<thead>
<tr>
<th>Overall Impact</th>
<th>Projected Appreciation of the USD</th>
<th>Estimated Impact on Earnings ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2019</td>
<td>31 December 2018</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>{34}</td>
<td>{65}</td>
</tr>
</tbody>
</table>

Impact for NGN

<table>
<thead>
<tr>
<th>Projected Appreciation of the USD</th>
<th>Estimated Impact on Earnings ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>{21}</td>
<td>{41}</td>
</tr>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>{13}</td>
<td>{25}</td>
</tr>
</tbody>
</table>

Impact for CFA

<table>
<thead>
<tr>
<th>Projected Appreciation of the USD</th>
<th>Estimated Impact on Earnings ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>{80}</td>
<td>{152}</td>
</tr>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>{33}</td>
<td>{62}</td>
</tr>
</tbody>
</table>

Impact for EUR

<table>
<thead>
<tr>
<th>Projected Appreciation of the USD</th>
<th>Estimated Impact on Earnings ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>4</td>
<td>8</td>
</tr>
</tbody>
</table>

Impact for GHS

<table>
<thead>
<tr>
<th>Projected Appreciation of the USD</th>
<th>Estimated Impact on Earnings ($ Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>60</td>
<td>114</td>
</tr>
<tr>
<td>5%</td>
<td>10%</td>
</tr>
<tr>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The table below summarises the Group’s exposure to interest rate risks. It includes the Group’s financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group’s derivatives will be settled on a net basis.

<table>
<thead>
<tr>
<th>As at 31 December 2019</th>
<th>Up to 1 month</th>
<th>1-3 months</th>
<th>3-12 months</th>
<th>1-5 years</th>
<th>Over 5 years</th>
<th>Non-interest bearing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>1,002,082</td>
<td>6,305</td>
<td>25,017</td>
<td>-</td>
<td>-</td>
<td>1,795,909</td>
<td>2,829,313</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>38,145</td>
<td>32,338</td>
<td>112,179</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>182,662</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>5,488</td>
<td>-</td>
<td>59,971</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,179,898</td>
<td>242,690</td>
<td>469,302</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,891,890</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,574,323</td>
<td>1,357,250</td>
<td>2,089,842</td>
<td>2,958,640</td>
<td>1,296,553</td>
<td>-</td>
<td>9,276,608</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>42,381</td>
<td>322,189</td>
<td>1,078,543</td>
<td>180,332</td>
<td>9,304</td>
<td>-</td>
<td>1,632,749</td>
</tr>
<tr>
<td>Investment securities</td>
<td>46,539</td>
<td>68,442</td>
<td>595,835</td>
<td>2,701,259</td>
<td>1,445,687</td>
<td>-</td>
<td>4,857,762</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>76,679</td>
<td>81,418</td>
<td>134,192</td>
<td>-</td>
<td>59,189</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>281,437</td>
<td>57,728</td>
<td>19,830</td>
<td>54,569</td>
<td>-</td>
<td>736,072</td>
<td>1,149,636</td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td>4,246,972</td>
<td>2,168,360</td>
<td>4,584,711</td>
<td>5,894,800</td>
<td>2,810,733</td>
<td>2,531,981</td>
<td>22,237,557</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>898,293</td>
<td>-</td>
<td>12,539</td>
<td>-</td>
<td>-</td>
<td>1,296,758</td>
<td>2,207,590</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>7,892,319</td>
<td>1,083,018</td>
<td>1,086,277</td>
<td>1,049,545</td>
<td>359,010</td>
<td>4,737,951</td>
<td>16,246,120</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>15,430</td>
<td>10,000</td>
<td>25,825</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51,255</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>365,703</td>
<td>10,256</td>
<td>79,781</td>
<td>1,410,559</td>
<td>199,702</td>
<td>9,000</td>
<td>2,075,001</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>155,052</td>
<td>10,259</td>
<td>88,857</td>
<td>96,132</td>
<td>14,106</td>
<td>417,289</td>
<td>781,495</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td>9,326,797</td>
<td>1,113,533</td>
<td>1,293,079</td>
<td>2,556,236</td>
<td>572,818</td>
<td>6,498,998</td>
<td>21,361,461</td>
</tr>
<tr>
<td><strong>Total interest repricing gap</strong></td>
<td>(5,079,825)</td>
<td>1,054,827</td>
<td>3,291,632</td>
<td>3,338,564</td>
<td>2,237,915</td>
<td>(3,967,017)</td>
<td>876,096</td>
</tr>
</tbody>
</table>
Notes to the financial statements

As at 31 December 2018

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>965,080</td>
<td>-</td>
<td>12,539</td>
<td>-</td>
<td>-</td>
<td>1,819,798</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>79</td>
<td>-</td>
<td>121,990</td>
<td>-</td>
<td>-</td>
<td>214</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>15,430</td>
<td>10,000</td>
<td>24,484</td>
<td>-</td>
<td>-</td>
<td>49,914</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>550,772</td>
<td>423,877</td>
<td>661,781</td>
<td>81,145</td>
<td>-</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2,324,311</td>
<td>1,432,854</td>
<td>1,534,206</td>
<td>2,972,438</td>
<td>822,516</td>
<td>-</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>150,739</td>
<td>237,073</td>
<td>1,300,574</td>
<td>111,804</td>
<td>28,061</td>
<td>-</td>
</tr>
<tr>
<td>Investment securities</td>
<td>91,210</td>
<td>50,247</td>
<td>266,697</td>
<td>2,313,762</td>
<td>1,846,346</td>
<td>-</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>-</td>
<td>164,160</td>
<td>76,274</td>
<td>-</td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets</td>
<td>256,561</td>
<td>99,005</td>
<td>47,435</td>
<td>34,316</td>
<td>3,082</td>
<td>133,645</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>4,354,182</td>
<td>2,253,056</td>
<td>4,133,866</td>
<td>5,589,739</td>
<td>2,700,005</td>
<td>1,953,657</td>
</tr>
</tbody>
</table>

| Liabilities |  |  |  |  |  |  |
| Liabilities |  |  |  |  |  |  |
| Deposits from banks | 1,240,476 | 43,076 | 15,544 | - | - | 166,550 |
| Deposit from customers | 5,987,363 | 1,992,038 | 667,254 | 561,846 | 83,420 | 6,644,078 |
| Derivative financial instruments | 15,314 | 9,953 | 4,640 | - | - | 29,907 |
| Borrowed funds | 593,383 | 32,940 | 106,753 | 1,006,412 | 170,134 | 68 |
| Other liabilities | 141,915 | 64,263 | 184,476 | 69,164 | 13,803 | 465,782 |
| Total financial liabilities | 7,978,451 | 2,142,270 | 1,128,667 | 1,637,422 | 127,357 | 7,276,478 |
| Total interest repricing gap | (3,624,269) | 110,786 | 3,005,199 | 3,952,317 | 2,432,648 | (5,322,821) | 553,860 |
Notes to the financial statements

**Interest Rate Sensitivity Analysis**
The Group performs a periodic analysis of the sensitivity of its one-year projected earnings to an increase or decrease in market interest rates assuming a parallel shift in yield curves and a constant balance sheet position and the results using data as of 31 December 2019 and 31 December 2018 are shown below.

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>25 basis points Increase</th>
<th>50 basis points Increase</th>
<th>100 basis points Increase</th>
<th>25 basis points decrease</th>
<th>50 basis points decrease</th>
<th>100 basis points decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Change in Interest Rates</td>
<td>4.5</td>
<td>8.9</td>
<td>17.8</td>
<td>(4.5)</td>
<td>(8.9)</td>
<td>(17.8)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>25 basis points Increase</th>
<th>50 basis points Increase</th>
<th>100 basis points Increase</th>
<th>25 basis points decrease</th>
<th>50 basis points decrease</th>
<th>100 basis points decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Change in Interest Rates</td>
<td>3.8</td>
<td>7.7</td>
<td>15.3</td>
<td>(3.8)</td>
<td>(7.7)</td>
<td>(15.3)</td>
</tr>
</tbody>
</table>

**5.3 Liquidity risk**
Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

**5.3.1 Liquidity risk management process**
The Group’s liquidity management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:
- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.
5.3.2 Undiscounted cash flows

The table below presents the cash flows payable by the Group by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

<table>
<thead>
<tr>
<th>As at 31 December 2019</th>
<th>Up to 1 month</th>
<th>1-3 months</th>
<th>3-12 months</th>
<th>1-5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>1,748,025</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,264,686</td>
<td>3,012,711</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>5,905</td>
<td>34,977</td>
<td>147,125</td>
<td>1,056</td>
<td>68,759</td>
<td>257,822</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>20,427</td>
<td>45,032</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,603,529</td>
<td>404,680</td>
<td>238,222</td>
<td>-</td>
<td>-</td>
<td>2,246,431</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>3,363,696</td>
<td>1,628,089</td>
<td>1,871,518</td>
<td>3,641,301</td>
<td>1,401,980</td>
<td>11,906,584</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>181,080</td>
<td>404,854</td>
<td>1,113,704</td>
<td>66,444</td>
<td>-</td>
<td>1,766,282</td>
</tr>
<tr>
<td>Investment securities</td>
<td>1,089,572</td>
<td>46,899</td>
<td>716,138</td>
<td>2,209,469</td>
<td>1,452,255</td>
<td>5,514,333</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets</td>
<td>474,792</td>
<td>43,267</td>
<td>449,653</td>
<td>142,201</td>
<td>39,723</td>
<td>1,149,636</td>
</tr>
<tr>
<td><strong>Total assets (expected maturity dates)</strong></td>
<td>8,487,026</td>
<td>2,607,798</td>
<td>4,887,838</td>
<td>6,060,671</td>
<td>4,227,403</td>
<td>26,270,736</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>3,135,012</td>
<td>526,621</td>
<td>223,189</td>
<td>199,602</td>
<td>-</td>
<td>4,084,424</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>12,987,391</td>
<td>1,183,962</td>
<td>1,161,846</td>
<td>816,802</td>
<td>221,060</td>
<td>16,371,061</td>
</tr>
<tr>
<td>Other borrowed funds</td>
<td>145,114</td>
<td>38,584</td>
<td>167,677</td>
<td>2,515,933</td>
<td>54,640</td>
<td>2,921,948</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>672,660</td>
<td>373,110</td>
<td>1,189,981</td>
<td>26,452</td>
<td>565,847</td>
<td>2,828,050</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>568,362</td>
<td>10,259</td>
<td>88,657</td>
<td>96,132</td>
<td>14,106</td>
<td>777,516</td>
</tr>
<tr>
<td><strong>Total liabilities (contractual maturity dates)</strong></td>
<td>17,508,539</td>
<td>2,132,536</td>
<td>2,831,350</td>
<td>3,654,921</td>
<td>855,653</td>
<td>26,982,999</td>
</tr>
</tbody>
</table>

**Gap analysis**

(9,021,513) | 475,262 | 2,056,488 | 2,405,750 | 3,371,750 | (712,263) |

**Off-balance sheet items**

| Loan commitments | - | - | 307,533 | 144,722 | - | 452,255 |
| Guarantees, acceptances and other financial facilities | - | - | 2,179,146 | 1,025,481 | - | 3,204,627 |

**Total**

- - | 2,486,680 | 1,170,202 | - | 3,656,882 |
Notes to the financial statements

<table>
<thead>
<tr>
<th>As at 31 December 2018</th>
<th>Up to 1 month</th>
<th>1 - 3 months</th>
<th>3 - 12 months</th>
<th>1 - 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>1,630,386</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,129,181</td>
<td>2,759,567</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>31,324</td>
<td>9,388</td>
<td>17,888</td>
<td>-</td>
<td>-</td>
<td>58,600</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,332,720</td>
<td>236,644</td>
<td>428,077</td>
<td>-</td>
<td>-</td>
<td>1,997,441</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>2,844,648</td>
<td>1,656,397</td>
<td>1,433,571</td>
<td>3,271,303</td>
<td>986,141</td>
<td>10,192,060</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>273,288</td>
<td>616,385</td>
<td>1,255,971</td>
<td>125,154</td>
<td>11,045</td>
<td>2,281,843</td>
</tr>
<tr>
<td>Investment securities - available-for-sale</td>
<td>155,666</td>
<td>91,922</td>
<td>1,057,989</td>
<td>2,064,430</td>
<td>2,580,063</td>
<td>5,950,070</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>-</td>
<td>164,160</td>
<td>76,274</td>
<td>-</td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets</td>
<td>285,526</td>
<td>59,961</td>
<td>263,801</td>
<td>120,242</td>
<td>-</td>
<td>729,530</td>
</tr>
<tr>
<td><strong>Total assets (expected maturity dates)</strong></td>
<td><strong>6,556,667</strong></td>
<td><strong>2,670,697</strong></td>
<td><strong>4,646,901</strong></td>
<td><strong>5,765,893</strong></td>
<td><strong>4,709,138</strong></td>
<td><strong>24,349,296</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Liabilities</strong></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits from banks</td>
<td>1,123,556</td>
<td>427,701</td>
<td>503,241</td>
<td>48,415</td>
<td>-</td>
<td>2,102,913</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>11,529,945</td>
<td>1,369,249</td>
<td>1,537,889</td>
<td>868,209</td>
<td>1,469,385</td>
<td>16,774,677</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>282,899</td>
<td>64,213</td>
<td>389,601</td>
<td>1,818,516</td>
<td>33,676</td>
<td>2,588,905</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>672,659</td>
<td>129,567</td>
<td>876,309</td>
<td>102,847</td>
<td>49,183</td>
<td>1,830,565</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>29,907</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,907</td>
</tr>
<tr>
<td><strong>Total liabilities (contractual maturity dates)</strong></td>
<td><strong>13,638,966</strong></td>
<td><strong>1,990,730</strong></td>
<td><strong>3,307,040</strong></td>
<td><strong>2,837,987</strong></td>
<td><strong>1,552,244</strong></td>
<td><strong>23,326,967</strong></td>
</tr>
</tbody>
</table>

Gap analysis | (7,082,299) | 679,967 | 1,339,861 | 2,927,906 | 3,156,894 | 1,022,329 |

**Off-balance sheet items**

| Loan commitments | - | - | 830,864 | 390,576 | - | 1,221,440 |
| Guarantees, acceptances and other financial facilities | - | - | 2,952,356 | 1,387,857 | - | 4,340,213 |

- | - | 3,783,220 | 1,778,433 | - | 5,561,653 |

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection and treasury and other eligible bills; loans and advances to banks; loans and advances to customers and other assets. In the normal course of business, a proportion of customer loans and advances contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling investment securities.
5.4. Offsetting

As at 31 December 2019

<table>
<thead>
<tr>
<th>Gross amount</th>
<th>Gross amount set-off on SOFP</th>
<th>Net amount presented on SOFP</th>
<th>Related amount not set-off on SOFP</th>
<th>Net amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- forwards</td>
<td>40,459</td>
<td>-</td>
<td>40,459</td>
<td>-</td>
</tr>
<tr>
<td>- swaps</td>
<td>25,000</td>
<td>-</td>
<td>25,000</td>
<td>-</td>
</tr>
<tr>
<td>- options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- forwards</td>
<td>26,153</td>
<td>-</td>
<td>26,153</td>
<td>-</td>
</tr>
<tr>
<td>- swaps</td>
<td>25,102</td>
<td>-</td>
<td>25,102</td>
<td>-</td>
</tr>
<tr>
<td>- options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

As at 31 December 2018

<table>
<thead>
<tr>
<th>Gross amount</th>
<th>Gross amount set-off on SOFP</th>
<th>Net amount presented on SOFP</th>
<th>Related amount not set-off on SOFP</th>
<th>Net amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- forwards</td>
<td>24,632</td>
<td>-</td>
<td>24,632</td>
<td>-</td>
</tr>
<tr>
<td>- swaps</td>
<td>25,282</td>
<td>-</td>
<td>25,282</td>
<td>-</td>
</tr>
<tr>
<td>- options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- forwards</td>
<td>5,051</td>
<td>-</td>
<td>5,051</td>
<td>-</td>
</tr>
<tr>
<td>- swaps</td>
<td>24,856</td>
<td>-</td>
<td>24,856</td>
<td>-</td>
</tr>
<tr>
<td>- options</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

5.5 Fair value of financial assets and liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at fair value on the group’s consolidated statement of financial position.

<table>
<thead>
<tr>
<th>Financial assets:</th>
<th>Carrying value</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks</td>
<td>2,829,313</td>
<td>2,797,417</td>
</tr>
<tr>
<td>Loans and advances to banks (*)</td>
<td>1,891,889</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9,276,608</td>
<td>9,089,200</td>
</tr>
<tr>
<td>Other assets (excluding prepayments)</td>
<td>1,154,675</td>
<td>715,178</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial liabilities:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 Dec. 2019</td>
<td>31 Dec. 2018</td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>2,207,593</td>
<td>1,465,646</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>16,246,120</td>
<td>15,935,999</td>
</tr>
<tr>
<td>Other liabilities (excluding deferred income)</td>
<td>781,493</td>
<td>939,403</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>2,075,001</td>
<td>2,059,690</td>
</tr>
</tbody>
</table>

All the fair values are determined using the Level 2 fair value hierarchy

Management do not believe any greater disaggregation of the items shown in the table above other than the line items presented in the statement of financial position would provide any more meaningful information nor have an impact on the fair value amounts disclosed.

(i) Cash

The carrying amount of cash and balances with banks is a reasonable approximation of fair value

(ii) Loans and advances to banks
Notes to the financial statements

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Deposit from banks, due to customers and other deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(v) Other assets
The bulk of these financial assets have short term (less than 12 months) maturities and their amounts are a reasonable approximation of fair value.

(vi) Other liabilities
The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value because these are short term in nature with a maturity of less than one year.

(vii) Borrowed Funds
The estimated fair value of borrowed funds represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine the fair value. This will take into account closest similar instruments with similar coupons and maturities where available.

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Treasury and other eligible bills</td>
<td>879,087</td>
<td>753,662</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>166,724</td>
<td>15,938</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Investment securities</td>
<td>776,839</td>
<td>4,080,834</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>1,822,650</td>
<td>5,267,371</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>51,255</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>-</td>
<td>51,255</td>
</tr>
</tbody>
</table>
Notes to the financial statements

There are no movements between Level 1 and Level 2. The following table presents the changes in Level 3 instruments for the investment securities:

<table>
<thead>
<tr>
<th></th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 3</td>
<td>Level 3</td>
</tr>
<tr>
<td>Opening balance</td>
<td>90</td>
<td>60,165</td>
</tr>
<tr>
<td>Disposal</td>
<td>-</td>
<td>(60,075)</td>
</tr>
<tr>
<td>Transfer from level 3 to level 2</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gains &amp; losses recognised in other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td></td>
<td>90</td>
</tr>
<tr>
<td>Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The table below sets out information about significant unobservable value inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

<table>
<thead>
<tr>
<th>Type of financial instrument</th>
<th>Fair value as at 31 Dec 2019</th>
<th>Valuation technique</th>
<th>Significant unobservable input</th>
<th>Change in unobservable input by 10 basis point</th>
<th>Change in unobservable input by 50 basis point</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCEANIC HEALTH MANAGEMENT</td>
<td>90</td>
<td>Discounted cash flow</td>
<td>Weighted average cost of capital</td>
<td>91</td>
<td>95</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### (c) Financial instrument classification

<table>
<thead>
<tr>
<th></th>
<th>Amortised cost</th>
<th>FVTPL</th>
<th>FVTOCI - Debt Instruments</th>
<th>Equity Instruments at FVTPL</th>
<th>FVTOCI - Equity instruments</th>
<th>Liabilities at fair value through profit or loss</th>
<th>Liabilities at amortized cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>2,829,313</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,829,313</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>182,662</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>182,662</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>65,459</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65,459</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,891,889</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,891,889</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9,276,608</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,276,608</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>-</td>
<td>1,632,749</td>
<td>-</td>
<td>163,904</td>
<td>90</td>
<td>-</td>
<td>-</td>
<td>1,632,749</td>
</tr>
<tr>
<td>Investment securities - Equity instruments</td>
<td>-</td>
<td>-</td>
<td>163,904</td>
<td>90</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>163,994</td>
</tr>
<tr>
<td>Investment securities - Debt instruments</td>
<td>-</td>
<td>4,693,769</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,693,769</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>351,478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>351,478</td>
</tr>
<tr>
<td>Other assets, excluding prepayments</td>
<td>1,154,675</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,154,675</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,503,963</td>
<td>248,121</td>
<td>6,326,518</td>
<td>163,904</td>
<td>90</td>
<td>-</td>
<td>-</td>
<td>22,242,592</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,207,593</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>16,246,120</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51,255</td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,075,001</td>
</tr>
<tr>
<td>Other liabilities, excluding non-financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>781,493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21,361,46</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Amortised cost</th>
<th>FVTPL</th>
<th>FVTOCI - Debt Instruments</th>
<th>Equity Instruments at FVTPL</th>
<th>FVTOCI - Equity instruments</th>
<th>Liabilities at fair value through profit or loss</th>
<th>Liabilities at amortized cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>2,797,417</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,797,417</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>-</td>
<td>122,283</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>122,283</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
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<td>49,914</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>49,914</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>1,717,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,717,575</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9,089,200</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,089,200</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>-</td>
<td>-</td>
<td>1,828,251</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,828,251</td>
</tr>
<tr>
<td>Investment securities - Equity instruments</td>
<td>-</td>
<td>-</td>
<td>5,518</td>
<td>90</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,608</td>
</tr>
<tr>
<td>Investment securities - Debt instruments</td>
<td>-</td>
<td>-</td>
<td>4,563,603</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,563,603</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>240,434</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>240,434</td>
</tr>
<tr>
<td>Other assets, excluding prepayments</td>
<td>715,178</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>715,178</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,559,804</td>
<td>172,197</td>
<td>6,391,854</td>
<td>5,518</td>
<td>90</td>
<td>-</td>
<td>-</td>
<td>21,129,463</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits from banks</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,465,646</td>
<td>1,465,646</td>
<td></td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,935,999</td>
<td>15,935,999</td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,907</td>
<td>29,907</td>
<td></td>
</tr>
<tr>
<td>Borrowed funds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,059,690</td>
<td>2,059,690</td>
<td></td>
</tr>
<tr>
<td>Other liabilities, excluding non-financial liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>939,403</td>
<td>939,403</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,907</td>
<td>20,400,738</td>
<td>20,430,645</td>
</tr>
</tbody>
</table>

---

ECOBANK TRANSNATIONAL INCORPORATED  
Audited Consolidated Financial Statements  
For the year ended 31 December 2019  
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5 Financial Risk Management

The Group’s objectives in managing capital are:

- To comply with the capital requirements set by regulators in the markets where the Group’s entities operate and safeguard the Group’s ability to continue as a going concern;

- To maintain a strong capital base that supports the development of the business; and

- To sustain a sufficient level of returns for the Group’s shareholders.

On a consolidated basis, the Group is required to comply with Basel II/III capital requirements set by the BCEAO for banks headquartered in the UEMOA zone. On a standalone basis, banking subsidiaries are required to maintain minimum capital levels and minimum capital adequacy ratios which are determined by their national or regional regulators.

The Group’s capital is divided into two tiers:

- Tier 1 capital: share capital (net of treasury shares), retained earnings, reserves created by appropriations of retained earnings, and non-controlling interests allowed as Tier 1 capital by the regulator. Certain intangibles and goodwill are deducted in calculating Tier 1 capital; and

- Tier 2 capital: subordinated debt and other loss-absorbing instruments, certain revaluation reserves, and noncontrolling interests allowed as Tier 2 capital by the regulator.

Risk-weighted assets are calculated in accordance with regulatory guidelines. Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with each of the Group’s on- and off-balance sheet asset classes. Operational risk weighted assets are calculated by applying a scaling factor to the Group’s average gross income over the last three years. Market risk-weighted assets are calculated by applying factors to the Group’s trading exposures to foreign currencies, interest rates, and prices.

The table below summarises the composition of regulatory capital and the ratios of the Group. The Group has remained compliant with the minimum regulatory capital adequacy ratio requirements (7.25% Tier 1 CAR and 9.50% Total CAR in 2019).

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 Dec 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base II/III</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>2,113,957</td>
<td>2,113,957</td>
</tr>
<tr>
<td>Retained earnings and Reserves</td>
<td>385,595</td>
<td>(1,499,828)</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>99,767</td>
<td>478,232</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>478,232</td>
<td>264,364</td>
</tr>
<tr>
<td>IFRS 9 transition adjustment</td>
<td>(1,596,540)</td>
<td>200,531</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>203,171</td>
<td>182,899</td>
</tr>
<tr>
<td>Less: goodwill</td>
<td>(194,313)</td>
<td>(199,105)</td>
</tr>
<tr>
<td>Less: intangibles</td>
<td>(74,885)</td>
<td>(79,229)</td>
</tr>
<tr>
<td>Less: deferred tax assets not arising from temporary differences</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total qualifying Tier 1 capital</strong></td>
<td><strong>1,414,984</strong></td>
<td><strong>1,461,821</strong></td>
</tr>
</tbody>
</table>
Notes to the financial statements

<table>
<thead>
<tr>
<th></th>
<th>30 June Basel II/III</th>
<th>31 Dec Basel II/III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2 capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinated debt and other instruments</td>
<td>397,429</td>
<td>398,788</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>100,223</td>
<td>77,176</td>
</tr>
<tr>
<td>Minority interests included in Tier 2 capital</td>
<td>65,819</td>
<td>44,118</td>
</tr>
<tr>
<td><strong>Total qualifying Tier 2 capital</strong></td>
<td><strong>563,471</strong></td>
<td><strong>520,082</strong></td>
</tr>
<tr>
<td>Less investments in associates</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total regulatory capital</strong></td>
<td><strong>1,978,455</strong></td>
<td><strong>1,981,903</strong></td>
</tr>
<tr>
<td>Risk-weighted assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk weighted assets</td>
<td>12,248,402</td>
<td>12,319,621</td>
</tr>
<tr>
<td>Market risk weighted assets</td>
<td>314,920</td>
<td>268,212</td>
</tr>
<tr>
<td>Operational risk weighted assets</td>
<td>3,501,410</td>
<td>3,501,410</td>
</tr>
<tr>
<td><strong>Total risk-weighted assets</strong></td>
<td><strong>16,064,732</strong></td>
<td><strong>16,089,243</strong></td>
</tr>
<tr>
<td>Tier 1 Capital Adequacy Ratio</td>
<td>8.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Total Capital Adequacy Ratio</td>
<td>12.3%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

6 Segment Analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the group meet the definition of a reportable segment under IFRS 8.

The group operating segments are described below:

a) Corporate & Investment Bank: Focuses on providing one-stop banking services to multinationals, regional companies, government and government agencies, financial institutions and international organizations across the network. This unit provides also Treasury activities.

b) Commercial banking: Focuses on serving local corporates, small and medium corporates, SMEs, Schools, Churches and local NGOs and Public Sector

c) Consumer: Focuses on serving banking customers that are individuals.

All revenues are external revenues. Attributing revenue to geographical areas is based on affiliate geographical position and activities. The reconciling items are intercompany adjustments: mainly elimination of intra group dividend income and other intercompany assets and liabilities.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.
### Notes to the financial statements

The following table shows the Group's performance by business segments.

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Others</th>
<th>Total business segment</th>
<th>Consolidation adjustments</th>
<th>Ecobank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>395,196</td>
<td>155,217</td>
<td>211,917</td>
<td>(13,421)</td>
<td>748,909</td>
<td>820</td>
<td>749,729</td>
</tr>
<tr>
<td>Net fees and commission income</td>
<td>151,819</td>
<td>104,651</td>
<td>168,085</td>
<td>25,053</td>
<td>449,608</td>
<td>(30,092)</td>
<td>419,516</td>
</tr>
<tr>
<td>Other income</td>
<td>266,698</td>
<td>100,052</td>
<td>36,912</td>
<td>225,178</td>
<td>628,840</td>
<td>(175,826)</td>
<td>453,014</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>813,713</strong></td>
<td><strong>359,920</strong></td>
<td><strong>416,914</strong></td>
<td><strong>236,810</strong></td>
<td><strong>1,827,357</strong></td>
<td><strong>(205,098)</strong></td>
<td><strong>1,622,259</strong></td>
</tr>
<tr>
<td>Impairment losses on financial assets</td>
<td>(60,660)</td>
<td>(32,737)</td>
<td>(15,452)</td>
<td>(24,708)</td>
<td>(133,557)</td>
<td>-</td>
<td>(133,557)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(423,275)</td>
<td>(277,461)</td>
<td>(334,561)</td>
<td>(62,730)</td>
<td>(1,098,028)</td>
<td>24,647</td>
<td>(1,073,381)</td>
</tr>
<tr>
<td><strong>Operating profit after impairment losses</strong></td>
<td><strong>329,778</strong></td>
<td><strong>49,722</strong></td>
<td><strong>66,901</strong></td>
<td><strong>149,372</strong></td>
<td><strong>595,772</strong></td>
<td><strong>(180,451)</strong></td>
<td><strong>415,321</strong></td>
</tr>
<tr>
<td>Share of profit from associates</td>
<td>(156)</td>
<td>-</td>
<td>-</td>
<td>(620)</td>
<td>(776)</td>
<td>-</td>
<td>(776)</td>
</tr>
<tr>
<td>Net monetary loss arising from hyperinflationary economy</td>
<td>-</td>
<td>-</td>
<td>(9,466)</td>
<td>(9,466)</td>
<td>-</td>
<td>(9,466)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before tax from continuing operations</strong></td>
<td><strong>329,622</strong></td>
<td><strong>49,722</strong></td>
<td><strong>66,901</strong></td>
<td><strong>139,286</strong></td>
<td><strong>585,530</strong></td>
<td><strong>(180,451)</strong></td>
<td><strong>405,079</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>13,898,717</strong></td>
<td><strong>1,750,062</strong></td>
<td><strong>1,003,741</strong></td>
<td><strong>4,013,305</strong></td>
<td><strong>20,665,825</strong></td>
<td><strong>2,975,359</strong></td>
<td><strong>23,641,184</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>12,957,810</strong></td>
<td><strong>3,813,213</strong></td>
<td><strong>5,505,945</strong></td>
<td><strong>1,942,446</strong></td>
<td><strong>24,219,414</strong></td>
<td><strong>(2,571,599)</strong></td>
<td><strong>21,647,815</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2018</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Others</th>
<th>Total business segment</th>
<th>Consolidation adjustments</th>
<th>Ecobank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>464,160</td>
<td>163,358</td>
<td>240,217</td>
<td>62,025</td>
<td>929,760</td>
<td>-</td>
<td>929,760</td>
</tr>
<tr>
<td>Net fees and commission income</td>
<td>176,858</td>
<td>97,768</td>
<td>171,337</td>
<td>32,126</td>
<td>478,089</td>
<td>(33,648)</td>
<td>444,441</td>
</tr>
<tr>
<td>Other income</td>
<td>293,696</td>
<td>93,359</td>
<td>35,012</td>
<td>139,623</td>
<td>561,690</td>
<td>(110,720)</td>
<td>450,970</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>934,714</strong></td>
<td><strong>354,485</strong></td>
<td><strong>446,566</strong></td>
<td><strong>233,774</strong></td>
<td><strong>1,969,539</strong></td>
<td><strong>(144,368)</strong></td>
<td><strong>1,825,171</strong></td>
</tr>
<tr>
<td>Impairment losses on financial assets</td>
<td>(273,739)</td>
<td>(60,931)</td>
<td>(13,452)</td>
<td>(37,562)</td>
<td>(385,469)</td>
<td>42,085</td>
<td>(343,384)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(472,747)</td>
<td>(264,324)</td>
<td>(371,422)</td>
<td>(126,171)</td>
<td>(1,234,663)</td>
<td>111,896</td>
<td>(1,122,767)</td>
</tr>
<tr>
<td><strong>Operating profit / (loss) after impairment losses</strong></td>
<td><strong>188,228</strong></td>
<td><strong>97,254</strong></td>
<td><strong>213,093</strong></td>
<td><strong>70,042</strong></td>
<td><strong>349,407</strong></td>
<td><strong>9,613</strong></td>
<td><strong>359,020</strong></td>
</tr>
<tr>
<td>Share of profit from associates</td>
<td>66</td>
<td>-</td>
<td>-</td>
<td>(3,039)</td>
<td>(2,973)</td>
<td>461</td>
<td>(2,512)</td>
</tr>
<tr>
<td><strong>Profit before tax from continuing operations</strong></td>
<td><strong>188,294</strong></td>
<td><strong>97,254</strong></td>
<td><strong>213,093</strong></td>
<td><strong>67,003</strong></td>
<td><strong>346,434</strong></td>
<td><strong>10,074</strong></td>
<td><strong>356,508</strong></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>13,022,007</strong></td>
<td><strong>1,252,536</strong></td>
<td><strong>889,996</strong></td>
<td><strong>3,340,465</strong></td>
<td><strong>18,505,004</strong></td>
<td><strong>3,997,723</strong></td>
<td><strong>22,502,727</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>11,678,343</strong></td>
<td><strong>3,346,639</strong></td>
<td><strong>5,242,265</strong></td>
<td><strong>2,125,486</strong></td>
<td><strong>22,392,733</strong></td>
<td><strong>(1,623,028)</strong></td>
<td><strong>20,769,705</strong></td>
</tr>
</tbody>
</table>

The reconciling items are intercompany adjustments mainly elimination of intra group dividend income, intercompany assets and liabilities and other adjustments for consolidation.
6.1 Entity-wide disclosures

The group is also further organised under the following geographical clusters:

i) Union Économique et Monétaire Ouest Africaine (UEMOA) region comprises all subsidiaries within the UEMOA monetary zone. Countries in this zone share a common currency except Cape Verde. This region currently includes subsidiaries in Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea Bissau and any other related entities.

ii) Nigeria region is made up of Ecobank Nigeria and other related entities.

iii) Anglophone West Africa (AWA) region comprises all subsidiaries in West African countries not included in the common monetary zone described as UEMOA. This region currently includes subsidiaries in Ghana, Guinea, Liberia, Sierra Leone and Gambia and any other related entities.

iv) CESA Central, Eastern and Southern region comprises all subsidiaries within the CEMAC (Central African Economic and Monetary Community), EAC (East African Community) and SADC (Southern African Development Community) monetary zone. Countries in this zone share a common currency except Sao Tome. These countries are: Cameroon, Chad, Central Africa, Congo Brazzaville, Gabon, Sao Tome and Equatorial Guinea, Burundi, Kenya, Rwanda, Tanzania, Uganda and South Sudan, Democratic Republic of Congo, Malawi, Zambia, Zimbabwe and Mozambique and any other related entities.

Transactions between the business segments are carried out at arm’s length. The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the consolidated income statement. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group’s cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. The Group’s management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Group Executive Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Management Committee. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.
Notes to the financial statements

Segment results of operations
The segment information provided to the Group Executive Board for the reportable segments for the period ended 31 December 2019 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>UEMOA</th>
<th>Nigeria</th>
<th>AWA</th>
<th>CESA</th>
<th>Others and conso adjustment</th>
<th>Subtotal entities</th>
<th>Ecobank Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net interest income</td>
<td>290,809</td>
<td>102,690</td>
<td>264,184</td>
<td>193,921</td>
<td>(101,875)</td>
<td>749,729</td>
<td>749,729</td>
</tr>
<tr>
<td>Non interest income</td>
<td>217,500</td>
<td>153,040</td>
<td>172,076</td>
<td>259,890</td>
<td>79,490</td>
<td>872,530</td>
<td>872,530</td>
</tr>
<tr>
<td>Operating income</td>
<td>508,309</td>
<td>255,730</td>
<td>436,260</td>
<td>453,811</td>
<td>(22,385)</td>
<td>1,622,259</td>
<td>1,622,259</td>
</tr>
<tr>
<td>Impairment losses on financial assets</td>
<td>(32,477)</td>
<td>(6,713)</td>
<td>(53,979)</td>
<td>(2,899)</td>
<td>37,553</td>
<td>(133,557)</td>
<td>(133,557)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(302,148)</td>
<td>(242,760)</td>
<td>(204,710)</td>
<td>(259,194)</td>
<td>64,569</td>
<td>(1,073,381)</td>
<td>(1,073,381)</td>
</tr>
<tr>
<td>Operating profit (loss)</td>
<td>173,684</td>
<td>6,257</td>
<td>177,634</td>
<td>191,718</td>
<td>(126,164)</td>
<td>415,321</td>
<td>415,321</td>
</tr>
<tr>
<td>Share of profit (loss) from associates</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>(159)</td>
<td>(620)</td>
<td>(776)</td>
<td>(776)</td>
</tr>
<tr>
<td>Net monetary loss arising from hyperinflationary economy</td>
<td>-</td>
<td>-</td>
<td>(9,466)</td>
<td></td>
<td></td>
<td>(9,466)</td>
<td>(9,466)</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>173,684</td>
<td>6,257</td>
<td>177,634</td>
<td>182,093</td>
<td>(134,592)</td>
<td>405,079</td>
<td>405,079</td>
</tr>
<tr>
<td>Taxation</td>
<td>(27,011)</td>
<td>(3,080)</td>
<td>(53,655)</td>
<td>(60,335)</td>
<td>9,302</td>
<td>(134,865)</td>
<td>(134,865)</td>
</tr>
<tr>
<td>Profit (loss) after tax</td>
<td>146,673</td>
<td>3,177</td>
<td>123,822</td>
<td>121,758</td>
<td>(120,656)</td>
<td>274,934</td>
<td>274,934</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,960,332</td>
<td>5,932,641</td>
<td>3,595,125</td>
<td>5,597,660</td>
<td>(444,574)</td>
<td>23,641,184</td>
<td>23,641,184</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,263,104</td>
<td>5,439,475</td>
<td>3,122,567</td>
<td>5,080,545</td>
<td>(150,284)</td>
<td>21,755,407</td>
<td>21,755,407</td>
</tr>
</tbody>
</table>

At 31 December 2018

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net interest income</td>
<td>282,989</td>
<td>235,044</td>
<td>241,823</td>
<td>207,283</td>
<td>(63,752)</td>
<td>929,760</td>
<td>929,760</td>
</tr>
<tr>
<td>Non interest income</td>
<td>245,329</td>
<td>190,749</td>
<td>158,092</td>
<td>243,571</td>
<td>54,815</td>
<td>895,411</td>
<td>895,411</td>
</tr>
<tr>
<td>Operating income</td>
<td>528,318</td>
<td>425,793</td>
<td>399,915</td>
<td>450,854</td>
<td>(8,937)</td>
<td>1,825,171</td>
<td>1,825,171</td>
</tr>
<tr>
<td>Impairment losses on financial assets</td>
<td>(49,519)</td>
<td>(144,814)</td>
<td>(43,199)</td>
<td>(67,478)</td>
<td>(25,869)</td>
<td>(343,384)</td>
<td>(343,384)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(315,989)</td>
<td>(284,428)</td>
<td>(209,094)</td>
<td>(272,466)</td>
<td>(40,250)</td>
<td>(1,122,767)</td>
<td>(1,122,767)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>162,810</td>
<td>(3,449)</td>
<td>147,622</td>
<td>110,910</td>
<td>(75,056)</td>
<td>359,020</td>
<td>359,020</td>
</tr>
<tr>
<td>Share of profit from associates</td>
<td>-</td>
<td>-</td>
<td>284</td>
<td>(217)</td>
<td>(2,519)</td>
<td>(2,512)</td>
<td>(2,512)</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>162,810</td>
<td>(3,449)</td>
<td>147,906</td>
<td>110,693</td>
<td>(77,635)</td>
<td>356,508</td>
<td>356,508</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>151,077</td>
<td>(4,923)</td>
<td>101,511</td>
<td>68,076</td>
<td>(82,804)</td>
<td>249,180</td>
<td>249,180</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,860,612</td>
<td>5,533,739</td>
<td>3,259,219</td>
<td>5,410,441</td>
<td>(560,284)</td>
<td>22,502,727</td>
<td>22,502,727</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>8,256,466</td>
<td>4,880,603</td>
<td>2,875,898</td>
<td>4,884,858</td>
<td>(128,120)</td>
<td>20,769,705</td>
<td>20,769,705</td>
</tr>
</tbody>
</table>
## Notes to the financial statements

### Notes

(All amounts in thousands US dollar unless otherwise stated)

#### 7 Net interest income

<table>
<thead>
<tr>
<th>Interest income</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to banks</td>
<td>109,085</td>
<td>101,498</td>
</tr>
<tr>
<td>Loans and advances to customers:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Corporate</td>
<td>504,633</td>
<td>635,575</td>
</tr>
<tr>
<td>- Commercial</td>
<td>121,090</td>
<td>98,147</td>
</tr>
<tr>
<td>- Consumer</td>
<td>102,189</td>
<td>133,925</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>195,266</td>
<td>224,086</td>
</tr>
<tr>
<td>Investment securities</td>
<td>332,265</td>
<td>239,932</td>
</tr>
<tr>
<td>Trading financial assets</td>
<td>37,739</td>
<td>78,461</td>
</tr>
<tr>
<td>Others</td>
<td>9,731</td>
<td>16,786</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td><strong>1,411,998</strong></td>
<td><strong>1,528,410</strong></td>
</tr>
</tbody>
</table>

**Interest expense**

| Deposits from banks | 115,320 | 97,766 |
| Due to customers: |           |            |
| - Corporate | 161,341 | 182,292 |
| - Commercial | 53,993 | 50,690 |
| - Consumer | 136,389 | 139,244 |
| Borrowed funds | 174,208 | 31,492 |
| Interest expense for lease liabilities | 6,458 | - |
| Others | 14,560 | 97,166 |
| **Total interest expense** | **662,269** | **598,650** |

#### 8 Net fee and commission income

<table>
<thead>
<tr>
<th>Fee and commission income</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit related fees and commissions</td>
<td>134,470</td>
<td>136,094</td>
</tr>
<tr>
<td>Corporate finance fees</td>
<td>13,951</td>
<td>13,798</td>
</tr>
<tr>
<td>Portfolio and other management fees</td>
<td>21,243</td>
<td>19,117</td>
</tr>
<tr>
<td>Brokerage fees and commissions</td>
<td>5,383</td>
<td>3,439</td>
</tr>
<tr>
<td>Cash management and related fees</td>
<td>198,499</td>
<td>230,304</td>
</tr>
<tr>
<td>Card management fees</td>
<td>79,430</td>
<td>87,041</td>
</tr>
<tr>
<td>Other fees</td>
<td>6,890</td>
<td>17,641</td>
</tr>
<tr>
<td><strong>Total fee and commission income</strong></td>
<td><strong>459,866</strong></td>
<td><strong>507,434</strong></td>
</tr>
</tbody>
</table>

**Fee and commission expense**

| Brokerage fees paid | 1,459 | 1,314 |
| Other fees paid | 38,891 | 61,679 |
| **Total fee and commission expense** | **40,350** | **62,993** |
Notes to the financial statements

The Group provides custody, trustee, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Analysis of Net fees and commissions by Region

<table>
<thead>
<tr>
<th></th>
<th>UEMOA</th>
<th>NIGERIA</th>
<th>AWA</th>
<th>CESÁ</th>
<th>Other and consolidation adjustment</th>
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31 December 2018

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<td>-</td>
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### Notes to the financial statements

#### Analysis of Net fees and commissions by Business unit

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<td>4,192</td>
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<td>4,192</td>
<td>5,260</td>
<td>40,350</td>
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<td><strong>Net Fees and Commission</strong></td>
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<td>92,364</td>
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<td>(5,042)</td>
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<table>
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<th>CONSUMER</th>
<th>Other and consolidation adjustment</th>
<th>Total</th>
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<td>-</td>
<td>-</td>
<td>13,798</td>
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<td>97,768</td>
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<td>(1,523)</td>
<td>444,441</td>
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*Cash management and related fees is the sum of: Funds transfer commissions, Euro commissions, Rapid transfer, Current account servicing, Draft issuance commissions, Western Union commissions, Internet and SMS banking commissions, Mobile money revenues, Other cash management commissions, Money Gram Commissions, RIA Commissions, WARI Commissions, Bancassurance Commissions, Cash management from affiliates*
Notes to the financial statements

9 Net trading income

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<th>2018</th>
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<td>Foreign exchange</td>
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<td>Trading income on securities</td>
<td>86,133</td>
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<td></td>
<td><strong>381,691</strong></td>
<td><strong>381,885</strong></td>
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10 Net investment income

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<th>2018</th>
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<tr>
<td>Net gains / (losses) from investment securities</td>
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11 Other operating income

i) Lease income

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<td>Motor vehicles</td>
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<tr>
<td></td>
<td><strong>4,173</strong></td>
<td><strong>2,226</strong></td>
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ii) Dividend income

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<td>Other equity securities</td>
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<td><strong>7,935</strong></td>
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Others

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<td>Profit on sale of property and equipment</td>
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<td>Others</td>
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Total other operating income

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<td><strong>69,099</strong></td>
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12 Operating expenses

a) Staff expenses

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<td>Social security costs</td>
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<td>Pension costs:</td>
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<td>- defined contribution plans</td>
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<td>17,037</td>
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<td>- other post-retirement benefits</td>
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<td><strong>490,311</strong></td>
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b) Depreciation and amortisation

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<td>77,541</td>
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<td>Depreciation of right-of-use assets (Note 28)</td>
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<td>Amortisation of software and other intangibles (Note 27)</td>
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<td><strong>108,504</strong></td>
<td><strong>97,444</strong></td>
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c) Other operating expenses

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<td>Directors’ emoluments</td>
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<td>Restructuring costs</td>
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<td>Social responsibility</td>
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<td>Rent and utilities</td>
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<td>Insurance</td>
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## Notes to the financial statements

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<td><strong>1,122,767</strong></td>
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### 13 Impairment losses on loans and advances

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<th>2018</th>
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</tr>
<tr>
<td></td>
<td>715,329</td>
<td>638,216</td>
</tr>
<tr>
<td></td>
<td>129,605</td>
<td>251,909</td>
</tr>
<tr>
<td><strong>Provisions no longer required (Note 21)</strong></td>
<td><strong>(735,019)</strong></td>
<td><strong>(570,655)</strong></td>
</tr>
<tr>
<td></td>
<td>(616,751)</td>
<td>(179,909)</td>
</tr>
<tr>
<td></td>
<td>(118,268)</td>
<td>(390,746)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>109,915</strong></td>
<td><strong>319,470</strong></td>
</tr>
</tbody>
</table>

### 14 Impairment losses on other financial assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment charge on other financial assets (Note 25)</td>
<td>23,642</td>
<td>23,914</td>
</tr>
</tbody>
</table>
Notes to the financial statements

Taxation

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax</td>
<td>126,462</td>
<td>112,831</td>
</tr>
<tr>
<td>Deferred income tax (Note 37)</td>
<td>8,403</td>
<td>(4,702)</td>
</tr>
<tr>
<td></td>
<td><strong>134,865</strong></td>
<td><strong>108,129</strong></td>
</tr>
</tbody>
</table>

The income tax rate applicable to the majority of income of the subsidiaries ranged from 25% to 45%

Further information about deferred income tax is presented in Note 37. The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>405,079</td>
<td>435,977</td>
</tr>
<tr>
<td>Tax calculated at local tax rates applicable to profits in the respective countrie</td>
<td>145,652</td>
<td>115,154</td>
</tr>
<tr>
<td>Tax impact on income not subject to tax</td>
<td>(27,480)</td>
<td>(13,700)</td>
</tr>
<tr>
<td>Tax impact on expenses not deductible for tax purposes:</td>
<td>17,966</td>
<td>7,099</td>
</tr>
<tr>
<td>Utilisation of previously unrecognised tax losses</td>
<td>(1,273)</td>
<td>(424)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td><strong>134,865</strong></td>
<td><strong>108,129</strong></td>
</tr>
</tbody>
</table>

Under the Headquarters Agreement between Ecobank Transnational Incorporated (ETI, “the Company”) and the Republic of Togo signed in October 1985, ETI is exempt from tax on all its income arising from operations in Togo.

16 Earnings per share

*Basic*

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue outstanding during the period.

<table>
<thead>
<tr>
<th></th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to equity holders of the Company from continuing operations</td>
<td>191,409</td>
<td>181,745.2</td>
</tr>
<tr>
<td>Profit attributable to equity holders of the Company from discontinued operations</td>
<td>2,549</td>
<td>433</td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (in thousands)</td>
<td>24,592,619</td>
<td>24,592,619</td>
</tr>
<tr>
<td>Basic earnings per share (expressed in US cents per share) from continuing operations</td>
<td>0.78</td>
<td>0.74</td>
</tr>
<tr>
<td>Basic earnings per share (expressed in US cents per share) from discontinued operations</td>
<td>0.01</td>
<td>0.00</td>
</tr>
</tbody>
</table>

*Diluted*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debts and share options granted to employees. The dilution impact of share options granted are immaterial in the computation of dilutive earnings per share.
Notes to the financial statements

The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company’s shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

<table>
<thead>
<tr>
<th></th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to equity holders of the company from continuing operations</td>
<td>191,409</td>
<td>261,214</td>
</tr>
<tr>
<td>Interest expense on dilutive convertible loans</td>
<td>-</td>
<td>752</td>
</tr>
<tr>
<td></td>
<td><strong>191,409</strong></td>
<td><strong>261,966</strong></td>
</tr>
<tr>
<td>Profit attributable to equity holders of the company from discontinued operations</td>
<td>2,549</td>
<td>433</td>
</tr>
<tr>
<td>Interest expense on dilutive convertible loans</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>2,549</strong></td>
<td><strong>433</strong></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue (in thousands)</td>
<td>24,592,619</td>
<td>24,819,484</td>
</tr>
<tr>
<td>Adjustment for dilutive convertible loans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares for diluted earnings per share (in thousands)</td>
<td>24,592,619</td>
<td>24,819,484</td>
</tr>
<tr>
<td>Dilutive earnings per share (expressed in US cents per share) from continuing operations</td>
<td>0.78</td>
<td>0.74</td>
</tr>
<tr>
<td>Dilutive earnings per share (expressed in US cents per share) from discontinued operations</td>
<td>0.01</td>
<td>0.00</td>
</tr>
</tbody>
</table>

17 Cash and balances with central banks

<table>
<thead>
<tr>
<th></th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>636,886</td>
<td>656,785</td>
</tr>
<tr>
<td>Balances with central banks other than mandatory reserve deposits</td>
<td>927,741</td>
<td>1,011,451</td>
</tr>
<tr>
<td>Included in cash and cash equivalents (Note 42)</td>
<td>1,564,627</td>
<td>1,668,236</td>
</tr>
<tr>
<td>Mandatory reserve deposits with central banks</td>
<td>1,264,686</td>
<td>1,129,181</td>
</tr>
<tr>
<td></td>
<td><strong>2,829,313</strong></td>
<td><strong>2,797,417</strong></td>
</tr>
</tbody>
</table>

Mandatory reserve deposits are not available for use in the group’s day-to-day operations. All balances are current.

Trading financial assets / Financial assets held for trading

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Government bonds</td>
<td>182,662</td>
<td>122,283</td>
</tr>
<tr>
<td>Total</td>
<td><strong>182,662</strong></td>
<td><strong>122,283</strong></td>
</tr>
</tbody>
</table>
Notes to the financial statements

Current | 182,662 | 122,283  
Non current | - | -  
| **Total** | **182,662** | **122,283**

19 Derivative financial instruments

The Group uses the following derivative instruments for non-hedging purposes.

Currency forwards represents commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or buy or sell foreign currency or financial institution on a future date at a specified price. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rate (for example, fixed rate for floating rate). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market.

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th></th>
<th>31 December 2018</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Derivatives</strong></td>
<td><strong>Notional Amount</strong></td>
<td><strong>Notional Amount</strong></td>
<td><strong>Assets</strong></td>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Fair Value</strong></td>
<td><strong>Fair Value</strong></td>
<td><strong>Assets</strong></td>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Amount</strong></td>
<td><strong>Assets</strong></td>
<td><strong>Liabilities</strong></td>
<td><strong>Amount</strong></td>
</tr>
<tr>
<td>Currency forwards</td>
<td>147,232</td>
<td>40,459</td>
<td>26,153</td>
<td>64,043</td>
</tr>
<tr>
<td>Currency swaps</td>
<td>288,450</td>
<td>25,000</td>
<td>25,102</td>
<td>288,213</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>435,682</td>
<td>65,459</td>
<td>51,255</td>
<td>352,256</td>
</tr>
</tbody>
</table>

The Group has not designated at initial recognition any financial liability as at fair value through profit or loss. All derivative financial instruments are current.

**Loans and advances to banks**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items in course of collection from other banks</td>
<td>64,238</td>
<td>46,884</td>
</tr>
<tr>
<td>Deposits with other banks (Note 42)</td>
<td>1,226,587</td>
<td>1,152,337</td>
</tr>
<tr>
<td>Placements with other banks</td>
<td>601,064</td>
<td>518,354</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,891,889</strong></td>
<td><strong>1,717,575</strong></td>
</tr>
</tbody>
</table>

All loans and advances to banks are current.
## Loans and advances to customers

### a) Analysis by type:

<table>
<thead>
<tr>
<th>Type</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Overdrafts</td>
<td>1,060,015</td>
<td>892,806</td>
<td>430,407</td>
<td>294,653</td>
</tr>
<tr>
<td>Credit cards</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Term loans</td>
<td>6,085,231</td>
<td>6,473,076</td>
<td>1,178,417</td>
<td>1,182,134</td>
</tr>
<tr>
<td>Mortgage loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,654</td>
</tr>
<tr>
<td>Gross loans and advances</td>
<td>7,145,246</td>
<td>7,365,882</td>
<td>1,608,824</td>
<td>1,478,441</td>
</tr>
<tr>
<td></td>
<td>6,945,469</td>
<td>6,936,099</td>
<td>1,331,103</td>
<td>1,220,348</td>
</tr>
</tbody>
</table>

### b) Analysis by security:

<table>
<thead>
<tr>
<th>Security</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secured against real estate</td>
<td>2,122,400</td>
<td>1,079,901</td>
<td>627,441</td>
<td>579,504</td>
</tr>
<tr>
<td>Otherwise secured</td>
<td>3,879,607</td>
<td>5,141,114</td>
<td>900,941</td>
<td>823,003</td>
</tr>
<tr>
<td>Unsecured</td>
<td>1,143,239</td>
<td>1,144,867</td>
<td>80,441</td>
<td>75,934</td>
</tr>
<tr>
<td>Gross loans and advances</td>
<td>7,145,246</td>
<td>7,365,882</td>
<td>1,608,824</td>
<td>1,478,441</td>
</tr>
<tr>
<td>Current</td>
<td>6,096,868</td>
<td>6,092,890</td>
<td>3,736,790</td>
<td>3,714,319</td>
</tr>
<tr>
<td>Non current</td>
<td>9,833,658</td>
<td>9,807,209</td>
<td>9,833,658</td>
<td>9,807,209</td>
</tr>
</tbody>
</table>

### c) Analysis by performance:

<table>
<thead>
<tr>
<th>Performance</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-impaired</td>
<td>6,638,462</td>
<td>6,887,316</td>
<td>1,244,985</td>
<td>1,097,378</td>
</tr>
<tr>
<td>Impaired</td>
<td>506,784</td>
<td>478,566</td>
<td>363,839</td>
<td>381,063</td>
</tr>
<tr>
<td>Gross loans and advances</td>
<td>7,145,246</td>
<td>7,365,882</td>
<td>1,608,824</td>
<td>1,478,441</td>
</tr>
<tr>
<td>Total</td>
<td>9,833,658</td>
<td>9,807,209</td>
<td>9,833,658</td>
<td>9,807,209</td>
</tr>
</tbody>
</table>
d) Movements in loans and advances

Reconciliation of loans and advances by class is as follows:

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>At 1 January</td>
<td>892,806</td>
<td>6,473,076</td>
<td>-</td>
<td>294,653</td>
</tr>
<tr>
<td>Disbursed during the period</td>
<td>1,187,282</td>
<td>3,168,186</td>
<td>31,394</td>
<td>279,768</td>
</tr>
<tr>
<td>Paid off during the period</td>
<td>(765,770)</td>
<td>(3,551,171)</td>
<td>(31,912)</td>
<td>(168,108)</td>
</tr>
<tr>
<td>Amounts written off as</td>
<td>1,182,134</td>
<td>1,654</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(123,320)</td>
<td>304,196</td>
<td>518</td>
<td>(17,835)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(130,983)</td>
<td>(145,283)</td>
<td>-</td>
<td>41,929</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>1,060,015</td>
<td>6,085,231</td>
<td>-</td>
<td>430,407</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2018</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term loans</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>At 1 January</td>
<td>1,994,010</td>
<td>5,158,304</td>
<td>23,795</td>
<td>494,008</td>
</tr>
<tr>
<td>Disbursed during the year</td>
<td>1,479,039</td>
<td>2,193,034</td>
<td>10,462</td>
<td>113,269</td>
</tr>
<tr>
<td>Paid off during the year</td>
<td>(2,425,892)</td>
<td>(849,381)</td>
<td>(32,824)</td>
<td>(375,682)</td>
</tr>
<tr>
<td>Amounts written off as</td>
<td>(564)</td>
<td>(225,408)</td>
<td>-</td>
<td>(23,636)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(89,483)</td>
<td>47,834</td>
<td>-</td>
<td>(42,665)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(64,304)</td>
<td>148,693</td>
<td>(1,433)</td>
<td>129,359</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>892,806</td>
<td>6,473,076</td>
<td>-</td>
<td>294,653</td>
</tr>
</tbody>
</table>
### Allowance for impairment
Reconciliation of allowance account for losses on loans and advances by class is as follows

#### At 31 December 2019

<table>
<thead>
<tr>
<th>Class</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>Specific impairment (stage 3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>19,127</td>
<td>260,488</td>
<td>-</td>
<td>56,895</td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>22,745</td>
<td>311,601</td>
<td>1,070</td>
<td>20,483</td>
</tr>
<tr>
<td>Provisions no longer required</td>
<td>(29,056)</td>
<td>(207,526)</td>
<td>(24,511)</td>
<td>(42,199)</td>
</tr>
<tr>
<td>Loans written off during the period</td>
<td>-</td>
<td>(163,773)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(6,283)</td>
<td>(70,130)</td>
<td>23,441</td>
<td>53,200</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(4,102)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>6,533</td>
<td>126,558</td>
<td>-</td>
<td>88,379</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class</th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>Collective impairment (stage 1 and 2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January</td>
<td>43,616</td>
<td>106,552</td>
<td>-</td>
<td>3,242</td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>1,067</td>
<td>(3,447)</td>
<td>679</td>
<td>51,592</td>
</tr>
<tr>
<td>Provisions no longer required</td>
<td>(2,121)</td>
<td>(12,358)</td>
<td>(1,619)</td>
<td>(41,915)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(1,491)</td>
<td>12,476</td>
<td>(22,501)</td>
<td>(3,279)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(5,128)</td>
<td>(72,480)</td>
<td>23,441</td>
<td>(9,640)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>35,943</td>
<td>30,743</td>
<td>-</td>
<td>18,471</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Class</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total allowance for impairment</td>
<td>42,476</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### At 31 December 2018

**Specific impairment (stage 3)**

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>At 1 January</td>
<td>22,499</td>
<td>158,836</td>
<td>210</td>
<td>43,334</td>
</tr>
<tr>
<td>IFRS 9 Day 1 impact</td>
<td>2,586</td>
<td>-</td>
<td>-</td>
<td>2,789</td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>62,451</td>
<td>285,537</td>
<td>13,263</td>
<td>11,884</td>
</tr>
<tr>
<td>Provisions no longer required</td>
<td>(20,772)</td>
<td>(85,060)</td>
<td>(2,000)</td>
<td>-</td>
</tr>
<tr>
<td>Loans written off during the period</td>
<td>(23,694)</td>
<td>(248,984)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(23,568)</td>
<td>153,511</td>
<td>(11,473)</td>
<td>4</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(375)</td>
<td>(3,352)</td>
<td>-</td>
<td>(1,116)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>19,127</td>
<td>260,488</td>
<td>-</td>
<td>56,895</td>
</tr>
</tbody>
</table>

#### At 31 December 2018

**Collective impairment (stage 1 and 2)**

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overdrafts</td>
<td>Term</td>
<td>Others</td>
<td>Overdrafts</td>
</tr>
<tr>
<td>At 1 January</td>
<td>22,556</td>
<td>89,553</td>
<td>27</td>
<td>18,108</td>
</tr>
<tr>
<td>IFRS 9 Day 1 impact</td>
<td>44,676</td>
<td>197,827</td>
<td>324</td>
<td>37,481</td>
</tr>
<tr>
<td>Provision for loan impairment</td>
<td>49,926</td>
<td>24,219</td>
<td>2,010</td>
<td>-</td>
</tr>
<tr>
<td>Provisions no longer required</td>
<td>-</td>
<td>(103,214)</td>
<td>(249)</td>
<td>213,532</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(76,404)</td>
<td>(110,225)</td>
<td>(2,112)</td>
<td>275</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>2,862</td>
<td>8,392</td>
<td>-</td>
<td>3,242</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>43,616</td>
<td>106,552</td>
<td>-</td>
<td>3,242</td>
</tr>
<tr>
<td>Total allowance for impairment</td>
<td>62,743</td>
<td>367,040</td>
<td>-</td>
<td>60,137</td>
</tr>
</tbody>
</table>
Notes to the financial statements

Notes

(All amounts in thousands US dollar unless otherwise stated)

21 Loans and advances to customers (continued)

f) Investment in finance leases

Loans and advances to customers include finance lease receivables analysed below.

Gross investment in finance leases, receivable

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than 1 year</td>
<td>495</td>
<td>568</td>
</tr>
<tr>
<td>Later than 1 year and no later than 5 years</td>
<td>8,694</td>
<td>17,579</td>
</tr>
<tr>
<td></td>
<td><strong>9,189</strong></td>
<td><strong>18,147</strong></td>
</tr>
</tbody>
</table>

Unearned future finance income on finance leases

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10)</td>
<td>(13)</td>
</tr>
<tr>
<td>Net investment in finance leases</td>
<td><strong>9,179</strong></td>
<td><strong>18,134</strong></td>
</tr>
</tbody>
</table>

Analysis by industry on gross loans

The net investment in finance lease may be analysed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No later than 1 year</td>
<td>495</td>
<td>568</td>
</tr>
<tr>
<td>Later than 1 year and no later than 5 years</td>
<td>8,684</td>
<td>17,566</td>
</tr>
<tr>
<td></td>
<td><strong>9,179</strong></td>
<td><strong>18,134</strong></td>
</tr>
</tbody>
</table>

22 Treasury bills and other eligible bills

Maturing within three months (Note 42)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturing within three months</td>
<td>381,444</td>
<td>396,384</td>
</tr>
<tr>
<td>Maturing after three months</td>
<td>1,251,305</td>
<td>1,431,867</td>
</tr>
<tr>
<td></td>
<td><strong>1,632,749</strong></td>
<td><strong>1,828,251</strong></td>
</tr>
</tbody>
</table>

Current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturing within three months</td>
<td>381,444</td>
<td>396,384</td>
</tr>
<tr>
<td>Maturing after three months</td>
<td>1,251,305</td>
<td>1,431,867</td>
</tr>
<tr>
<td></td>
<td><strong>1,632,749</strong></td>
<td><strong>1,828,251</strong></td>
</tr>
</tbody>
</table>

Non current

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturing within three months</td>
<td>381,444</td>
<td>396,384</td>
</tr>
<tr>
<td>Maturing after three months</td>
<td>1,251,305</td>
<td>1,431,867</td>
</tr>
<tr>
<td></td>
<td><strong>1,632,749</strong></td>
<td><strong>1,828,251</strong></td>
</tr>
</tbody>
</table>

Treasury bills and other eligible bills are debt securities issued by the government of various countries in which the Group operates.

23 Investment securities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- AT FVTOCI listed</td>
<td>1,901,387</td>
<td>1,677,336</td>
</tr>
<tr>
<td>- AT FVTOCI unlisted</td>
<td>2,793,413</td>
<td>2,886,267</td>
</tr>
<tr>
<td>Total</td>
<td>4,694,800</td>
<td>4,563,603</td>
</tr>
<tr>
<td>Equity securities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- AT FVTOCI unlisted</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>- AT FVTPL listed</td>
<td>2,169</td>
<td>3,131</td>
</tr>
<tr>
<td>- AT FVTPL unlisted</td>
<td>161,735</td>
<td>2,387</td>
</tr>
<tr>
<td>Total</td>
<td>163,994</td>
<td>5,608</td>
</tr>
<tr>
<td>Total investment securities before impairment</td>
<td>4,858,794</td>
<td>4,569,211</td>
</tr>
<tr>
<td>Allowance for impairment</td>
<td>(1,031)</td>
<td>(949)</td>
</tr>
<tr>
<td>Total investment securities</td>
<td>4,857,763</td>
<td>4,568,262</td>
</tr>
<tr>
<td>Current</td>
<td>718,487</td>
<td>357,041</td>
</tr>
<tr>
<td>Non current</td>
<td>4,139,276</td>
<td>4,211,221</td>
</tr>
<tr>
<td></td>
<td><strong>4,857,763</strong></td>
<td><strong>4,568,262</strong></td>
</tr>
</tbody>
</table>

The movement in investment securities may be summarised as follows:

At 1 January           | 4,568,262 | 4,405,240 |
Additions              | 2,911,125 | 1,684,041 |
Disposals (sale and redemption) | (2,570,480) | (1,314,559) |
Losses from impairment of investment securities | 23 | 585 |
Gains/(loss) from changes in fair value  | 60,667 | (67,960) |
Exchange differences   | (111,834) | (139,085) |
At 31 December         | **4,857,763** | **4,568,262** |
24 **Pledged assets**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury bills</td>
<td>292,288</td>
<td>164,122</td>
</tr>
<tr>
<td>Government bonds</td>
<td>47,190</td>
<td>36,292</td>
</tr>
<tr>
<td>Eurobonds</td>
<td>12,000</td>
<td>40,020</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>351,478</strong></td>
<td><strong>240,434</strong></td>
</tr>
</tbody>
</table>

Pledged assets have been stated at fair values.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>106,597</td>
<td>36,274</td>
</tr>
<tr>
<td>Non-current</td>
<td>244,881</td>
<td>204,160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>351,478</strong></td>
<td><strong>240,434</strong></td>
</tr>
</tbody>
</table>

25 **Other assets**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees receivable</td>
<td>9,302</td>
<td>9,850</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>738,616</td>
<td>599,818</td>
</tr>
<tr>
<td>Prepayments</td>
<td>156,458</td>
<td>165,124</td>
</tr>
<tr>
<td>Repossessed assets</td>
<td>170,389</td>
<td>-</td>
</tr>
<tr>
<td>Sundry receivables</td>
<td>236,386</td>
<td>105,510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,311,133</strong></td>
<td><strong>880,302</strong></td>
</tr>
</tbody>
</table>

Impairment charges on receivable balances:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(126,363)</td>
<td>(141,134)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,184,770</strong></td>
<td><strong>739,168</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>1,078,996</td>
<td>700,405</td>
</tr>
<tr>
<td>Non-current</td>
<td>105,774</td>
<td>38,763</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,184,770</strong></td>
<td><strong>739,168</strong></td>
</tr>
</tbody>
</table>

The movement in impairment allowance on other assets may be summarised as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>141,134</td>
<td>111,796</td>
</tr>
<tr>
<td>IFRS 9 Day 1 Impact</td>
<td>-</td>
<td>8,321</td>
</tr>
<tr>
<td>Increase in impairment</td>
<td>23,642</td>
<td>23,914</td>
</tr>
<tr>
<td>Write-off</td>
<td>(38,413)</td>
<td>(2,897)</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td><strong>126,363</strong></td>
<td><strong>141,134</strong></td>
</tr>
</tbody>
</table>

26 **Investment in associates**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>6,147</td>
<td>9,964</td>
</tr>
<tr>
<td>Share of results</td>
<td>(776)</td>
<td>(2,512)</td>
</tr>
<tr>
<td>Derecognition of Old Mutual Life Insurance</td>
<td>(1,657)</td>
<td>-</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(50)</td>
<td>(1,305)</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td><strong>3,664</strong></td>
<td><strong>6,147</strong></td>
</tr>
</tbody>
</table>

Investment in associates balances are non-current.
### Notes to the financial statements

**At 31 December 2019**

<table>
<thead>
<tr>
<th></th>
<th>OLD MUTUAL General insurance</th>
<th>EB-ACCION Cameroon</th>
<th>Accion Microfinance Bank Ltd (Nigeria)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>18,078</td>
<td>12,863</td>
<td>30,761</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>88</td>
<td>515</td>
<td>3,238</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>18,166</td>
<td>13,378</td>
<td>33,999</td>
</tr>
<tr>
<td>Liabilities</td>
<td>9,297</td>
<td>11,968</td>
<td>19,249</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>9,297</td>
<td>11,968</td>
<td>19,249</td>
</tr>
<tr>
<td>Revenues</td>
<td>2,604</td>
<td>2,709</td>
<td>15,503</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>383</td>
<td>(320)</td>
<td>2,895</td>
</tr>
</tbody>
</table>

**At 31 December 2018**

<table>
<thead>
<tr>
<th></th>
<th>OLD MUTUAL Life insurance</th>
<th>OLD MUTUAL General insurance</th>
<th>EB-ACCION Ghana</th>
<th>EB-ACCION Cameroon</th>
<th>EB-ACCION Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>18,625</td>
<td>21,306</td>
<td>15,982</td>
<td>12,078</td>
<td>28,263</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>133</td>
<td>141</td>
<td>424</td>
<td>711</td>
<td>2,097</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>18,758</td>
<td>21,447</td>
<td>16,406</td>
<td>12,789</td>
<td>30,360</td>
</tr>
<tr>
<td>Liabilities</td>
<td>12,772</td>
<td>16,056</td>
<td>14,173</td>
<td>12,313</td>
<td>11,082</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>12,772</td>
<td>16,056</td>
<td>14,173</td>
<td>12,313</td>
<td>11,082</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,074</td>
<td>3,985</td>
<td>7,314</td>
<td>176</td>
<td>15,583</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>(5,205)</td>
<td>(5,105)</td>
<td>623</td>
<td>124</td>
<td>3,588</td>
</tr>
</tbody>
</table>
Notes to the financial statements

None of the associates are listed. There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. These associates are strategic to the Group. The ACCION entities are microfinance banks while Old Mutual entity is in general insurance business.

<table>
<thead>
<tr>
<th>principal place of business/ Country of incorporation</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net assets of associates</td>
<td>Share Holding (Direct and Indirect)</td>
</tr>
<tr>
<td>EB-ACCION Ghana</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td>1,410</td>
<td>49.87%</td>
</tr>
<tr>
<td>Accion Microfinance Bank Ltd (Nigeria)</td>
<td>14,750</td>
<td>21.73%</td>
</tr>
<tr>
<td>OLD MUTUAL Life insurance</td>
<td>8,869</td>
<td>30.00%</td>
</tr>
<tr>
<td>OLD MUTUAL General insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>5,985</td>
<td>29.00%</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### Reconciliation of summarised financial information to the carrying amount of its interests in associates

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>OLD MUTUAL Life insurance</th>
<th>OLD MUTUAL General insurance</th>
<th>EB-ACCION Ghana</th>
<th>EB-ACCION Cameroon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net assets</td>
<td>The entity is no longer an associate affiliate for Ecobank. As a result of a share capital increase of the entity and consequently a reduction of the ETI shareholding.</td>
<td>5,391</td>
<td>19,278</td>
<td></td>
<td>477</td>
</tr>
<tr>
<td>Profit / (loss) for the period</td>
<td></td>
<td>383</td>
<td>2,895</td>
<td></td>
<td>(320)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td></td>
<td>3,095</td>
<td>(7,424)</td>
<td></td>
<td>1,254</td>
</tr>
<tr>
<td>Closing net assets</td>
<td></td>
<td>8,869</td>
<td>14,750</td>
<td></td>
<td>1,410</td>
</tr>
<tr>
<td>Interest in associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,661</td>
</tr>
<tr>
<td>Notional goodwill</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>703</td>
</tr>
<tr>
<td>Carrying value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2018</th>
<th>OLD MUTUAL Life insurance</th>
<th>OLD MUTUAL General insurance</th>
<th>EB-ACCION Ghana</th>
<th>EB-ACCION Cameroon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net assets</td>
<td></td>
<td>9,314</td>
<td>12,772</td>
<td>13,268</td>
<td>2,685</td>
</tr>
<tr>
<td>Profit / (loss) for the year</td>
<td></td>
<td>(5,205)</td>
<td>(5,105)</td>
<td>3,588</td>
<td>623</td>
</tr>
<tr>
<td>Exchange differences</td>
<td></td>
<td>1,877</td>
<td>(2,276)</td>
<td>2,422</td>
<td>(1,075)</td>
</tr>
<tr>
<td>Closing net assets</td>
<td></td>
<td>5,985</td>
<td>5,391</td>
<td>19,278</td>
<td>2,232</td>
</tr>
<tr>
<td>Interest in associates</td>
<td></td>
<td>1,736</td>
<td>1,617</td>
<td>4,189</td>
<td>888</td>
</tr>
<tr>
<td>Notional goodwill</td>
<td></td>
<td>239</td>
<td>(0)</td>
<td>4,144</td>
<td>(1,155)</td>
</tr>
<tr>
<td>Carrying value</td>
<td></td>
<td>1,497</td>
<td>1,618</td>
<td>45</td>
<td>2,043</td>
</tr>
</tbody>
</table>
Notes to the financial statements

27 Intangible assets

Goodwill

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>199,105</td>
<td>232,683</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(7,471)</td>
<td>(33,578)</td>
</tr>
<tr>
<td>At 31 December</td>
<td>191,634</td>
<td>199,105</td>
</tr>
</tbody>
</table>

Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2019 (2018 : nil).

Software costs

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>79,229</td>
<td>50,981</td>
</tr>
<tr>
<td>Purchase</td>
<td>58,369</td>
<td>21,471</td>
</tr>
<tr>
<td>Amortisation (Note 12)</td>
<td>(20,360)</td>
<td>(19,903)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>1,102</td>
<td>26,680</td>
</tr>
<tr>
<td>At 31 December</td>
<td>118,340</td>
<td>79,229</td>
</tr>
</tbody>
</table>

Total intangible assets

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>309,974</td>
<td>278,334</td>
</tr>
</tbody>
</table>

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash-generating units (CGUs). The recoverable amounts of the CGUs have been determined based on the value-in-use calculations; using cash flow projections based on the financial budgets approved by senior management covering a period of three years.

The goodwill is arising on acquisitions of the following subsidiaries:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecobank Nigeria (Oceanic Bank)</td>
<td>168,645</td>
<td>168,886</td>
</tr>
<tr>
<td>Ecobank Ghana (The Trust Bank)</td>
<td>7,298</td>
<td>8,384</td>
</tr>
<tr>
<td>Ecobank Rwanda</td>
<td>4,116</td>
<td>4,319</td>
</tr>
<tr>
<td>Ecobank Zimbabwe</td>
<td>390</td>
<td>6,550</td>
</tr>
<tr>
<td>SOFIPE</td>
<td>4,396</td>
<td>4,481</td>
</tr>
<tr>
<td>Ecobank Chad</td>
<td>2,621</td>
<td>2,671</td>
</tr>
<tr>
<td>Ecobank Central Africa</td>
<td>1,613</td>
<td>1,644</td>
</tr>
<tr>
<td>Ecobank Burundi</td>
<td>997</td>
<td>1,037</td>
</tr>
<tr>
<td>Ecobank Sierra Leone (ProCredit)</td>
<td>425</td>
<td>492</td>
</tr>
<tr>
<td>Ecobank Malawi</td>
<td>133</td>
<td>134</td>
</tr>
<tr>
<td>Ecobank Burkina Faso</td>
<td>497</td>
<td>507</td>
</tr>
<tr>
<td>Pan African Savings and Loans (*)</td>
<td>503</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>191,634</strong></td>
<td><strong>199,105</strong></td>
</tr>
</tbody>
</table>

(*) Goodwill on acquisition date of Pan African Savings and Loans (Ghana) was 541 k USD. The balance as at 31 December 2019 was as a result of exchange rate movement.

The calculation of value-in-use was based on the following key assumptions:
Notes to the financial statements

Summary of key inputs

<table>
<thead>
<tr>
<th>Entities</th>
<th>Discount factor</th>
<th>Long term growth rate</th>
<th>Discount factor</th>
<th>Long term growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecobank Nigeria (Oceanic Bank)</td>
<td>2.10%</td>
<td>0.50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Ghana (The Trust Bank)</td>
<td>7.20%</td>
<td>6.10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Rwanda</td>
<td>7.35%</td>
<td>6.05%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Zimbabwe</td>
<td>0.40%</td>
<td>1.90%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOFIPE</td>
<td>6.60%</td>
<td></td>
<td>6.10%</td>
<td></td>
</tr>
<tr>
<td>Ecobank Chad</td>
<td>12.69%</td>
<td>-0.20%</td>
<td>11.32%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Ecobank Central Africa</td>
<td>5.00%</td>
<td>4.42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Burundi</td>
<td>1.10%</td>
<td>-0.05%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Sierra Leone (ProCredit)</td>
<td>3.65%</td>
<td>5.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Malawi</td>
<td>3.75%</td>
<td>3.25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ecobank Burkina Faso</td>
<td>6.60%</td>
<td>6.10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pan African Savings and Loans</td>
<td>7.20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. The cash flows were projected based on the Group’s approved budget. The cash flows were based on past experiences and were adjusted to reflect expected future performances of the company taking into consideration the country’s gross domestic product.

2. A terminal growth rate of between -0.05% and 6.1% was applied in determining the terminal cash flows depending on the country the entity is domiciled.

3. Discount rates of averaging 12.69%, representing post-tax weighted average cost of capital (WACC), was applied in determining the value in use. The growth rate used to extrapolate terminal cash flows for goodwill impairment testing is consistent with long term average growth rate for industry and countries.

4. The Group expects that through this acquisition, it would create synergy that enhances its ability to tap into opportunities in the respective countries where the entities are domiciled;

5. The key assumptions described above and summarised below may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.
28 Property and equipment

<table>
<thead>
<tr>
<th></th>
<th>Motor Vehicles</th>
<th>Land &amp; Buildings</th>
<th>Furniture &amp; Equipment</th>
<th>Installations</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost or Valuation</td>
<td>72,834</td>
<td>677,911</td>
<td>415,347</td>
<td>160,909</td>
<td>162,841</td>
<td>1,489,842</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>54,342</td>
<td>118,316</td>
<td>293,210</td>
<td>99,811</td>
<td></td>
<td>565,679</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>18,492</td>
<td>555,595</td>
<td>122,137</td>
<td>61,098</td>
<td>162,841</td>
<td>924,163</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 January</td>
<td>18,492</td>
<td>559,595</td>
<td>122,137</td>
<td>61,098</td>
<td>162,841</td>
<td>924,163</td>
</tr>
<tr>
<td>Additions</td>
<td>4,417</td>
<td>83,500</td>
<td>92,260</td>
<td>6,864</td>
<td>13,904</td>
<td>200,945</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>(643)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(643)</td>
</tr>
<tr>
<td>Disposals - cost</td>
<td>(116,132)</td>
<td>(73,796)</td>
<td>(465,752)</td>
<td>(365,676)</td>
<td>(15,150)</td>
<td>(1,036,506)</td>
</tr>
<tr>
<td>Disposals - accumulated depreciation</td>
<td>65,022</td>
<td>6,243</td>
<td>383,888</td>
<td>359,204</td>
<td>(77)</td>
<td>814,280</td>
</tr>
<tr>
<td>Reclassifications - cost</td>
<td>(516)</td>
<td>249</td>
<td>1,586</td>
<td>375</td>
<td>(2,323)</td>
<td>(629)</td>
</tr>
<tr>
<td>Reclassifications - accumulated depreciation</td>
<td>43</td>
<td>(50)</td>
<td>647</td>
<td>262</td>
<td>(273)</td>
<td>629</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(7,600)</td>
<td>(15,487)</td>
<td>(41,851)</td>
<td>(12,603)</td>
<td>-</td>
<td>(77,541)</td>
</tr>
<tr>
<td>Exchange rate adjustments</td>
<td>46,547</td>
<td>(49,770)</td>
<td>27,785</td>
<td>(2,879)</td>
<td>(19,216)</td>
<td>2,467</td>
</tr>
<tr>
<td><strong>31 December 2018</strong></td>
<td>10,273</td>
<td>509,841</td>
<td>120,700</td>
<td>46,645</td>
<td>139,706</td>
<td>827,165</td>
</tr>
<tr>
<td><strong>At 31 December 2018/1 January 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost or Valuation</td>
<td>51,384</td>
<td>625,641</td>
<td>423,800</td>
<td>152,502</td>
<td>139,706</td>
<td>1,393,033</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>41,111</td>
<td>115,800</td>
<td>303,100</td>
<td>105,857</td>
<td>-</td>
<td>565,868</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>10,273</td>
<td>509,841</td>
<td>120,700</td>
<td>46,645</td>
<td>139,706</td>
<td>827,165</td>
</tr>
<tr>
<td><strong>Year ended 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 January</td>
<td>10,273</td>
<td>509,841</td>
<td>120,700</td>
<td>46,645</td>
<td>139,706</td>
<td>827,165</td>
</tr>
<tr>
<td>Additions</td>
<td>5,822</td>
<td>237,111</td>
<td>98,590</td>
<td>57,716</td>
<td>7,128</td>
<td>406,367</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>11,398</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,398</td>
</tr>
<tr>
<td>Disposals - cost</td>
<td>(6,207)</td>
<td>(170,995)</td>
<td>(94,363)</td>
<td>(49,199)</td>
<td>(26,695)</td>
<td>(347,459)</td>
</tr>
<tr>
<td>Disposals - accumulated depreciation</td>
<td>6,077</td>
<td>21,764</td>
<td>23,559</td>
<td>3,648</td>
<td>107</td>
<td>55,155</td>
</tr>
<tr>
<td>Reclassifications - cost</td>
<td>(9)</td>
<td>(6,586)</td>
<td>(131)</td>
<td>6,669</td>
<td>57</td>
<td>-</td>
</tr>
<tr>
<td>Reclassifications - accumulated depreciation</td>
<td>(9)</td>
<td>(6,586)</td>
<td>(131)</td>
<td>6,669</td>
<td>57</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation charge</td>
<td>(5,535)</td>
<td>(20,621)</td>
<td>(30,579)</td>
<td>(10,171)</td>
<td>-</td>
<td>(66,906)</td>
</tr>
<tr>
<td>Exchange rate adjustments</td>
<td>(367)</td>
<td>(36,364)</td>
<td>(8,415)</td>
<td>(7,580)</td>
<td>(1,812)</td>
<td>(54,538)</td>
</tr>
<tr>
<td><strong>31 December 2019</strong></td>
<td>10,045</td>
<td>538,962</td>
<td>109,230</td>
<td>54,397</td>
<td>118,548</td>
<td>831,182</td>
</tr>
<tr>
<td><strong>At 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>50,624</td>
<td>681,250</td>
<td>421,302</td>
<td>156,762</td>
<td>118,548</td>
<td>1,428,486</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>40,579</td>
<td>142,288</td>
<td>312,072</td>
<td>102,365</td>
<td>-</td>
<td>597,304</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td>10,045</td>
<td>538,962</td>
<td>109,230</td>
<td>54,397</td>
<td>118,548</td>
<td>831,182</td>
</tr>
</tbody>
</table>
Property and equipment

(Continued)

Land and buildings are measured using the revaluation model. The valuation of land and buildings has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset). There has been no change in the valuation techniques used in the valuation of the land and buildings. The valuation of the Group’s land and buildings was performed by independent valuers to determine the fair value of the land and buildings as at 31 December 2019. The fair values are derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For this, appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in ‘revaluation reserve – property and equipment’ in shareholders equity (Note 40).

If land and buildings were stated at historical costs, the amounts would be as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>1,295,536</td>
<td>889,169</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>284,632</td>
<td>217,726</td>
</tr>
<tr>
<td><strong>Net book amount</strong></td>
<td><strong>1,010,904</strong></td>
<td><strong>671,443</strong></td>
</tr>
</tbody>
</table>

![Table](https://www.example.com/etable.png)

**Property and equipment**

<table>
<thead>
<tr>
<th></th>
<th>Motor Vehicles</th>
<th>Land &amp; Buildings</th>
<th>Furniture &amp; Equipment</th>
<th>Installations</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td><strong>924,163</strong></td>
</tr>
<tr>
<td><strong>Year ended 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>92,260</td>
<td>6,864</td>
<td>13,904</td>
<td>200,945</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>(643)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(643)</td>
</tr>
<tr>
<td>Disposals - cost</td>
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<td>(465,752)</td>
<td>(365,676)</td>
<td>(15,150)</td>
<td>(1,036,506)</td>
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<td>383,888</td>
<td>359,204</td>
<td>(77)</td>
<td>814,280</td>
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<tr>
<td>Reclassifications - cost</td>
<td>(516)</td>
<td>249</td>
<td>1,586</td>
<td>375</td>
<td>(2,323)</td>
<td>(629)</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

<table>
<thead>
<tr>
<th>Reclassifications - accumulated depreciation</th>
<th>43</th>
<th>(50)</th>
<th>647</th>
<th>262</th>
<th>(273)</th>
<th>629</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation charge</td>
<td>(7,600)</td>
<td>(15,487)</td>
<td>(41,851)</td>
<td>(12,603)</td>
<td>-</td>
<td>(77,541)</td>
</tr>
<tr>
<td>Exchange rate adjustments</td>
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<td>(49,770)</td>
<td>27,785</td>
<td>(2,879)</td>
<td>(19,216)</td>
<td>2,467</td>
</tr>
</tbody>
</table>

31 December 2018

| 10,273 | 509,841 | 120,700 | 46,645 | 139,706 | 827,165 |

At 31 December 2018/1 January 2019

| Cost or Valuation | 51,384 | 625,641 | 423,800 | 152,502 | 139,706 | 1,393,033 |
| Accumulated depreciation | 41,111 | 115,800 | 303,100 | 105,857 | - | 565,868 |

Net book amount

| 10,273 | 509,841 | 120,700 | 46,645 | 139,706 | 827,165 |

Year ended 31 December 2019

| 1 January | 10,273 | 509,841 | 120,700 | 46,645 | 139,706 | 827,165 |
| Additions | 5,822 | 237,111 | 98,590 | 57,716 | 7,128 | 406,367 |
| Revaluation | - | 11,398 | - | - | - | 11,398 |
| Disposals - cost | (6,207) | (170,995) | (94,363) | (49,199) | (26,695) | (347,459) |
| Disposals - accumulated depreciation | 6,077 | 21,764 | 23,559 | 3,648 | 107 | 55,155 |
| Reclassifications - cost | (9) | (6,586) | (131) | 6,669 | 57 | - |
| Reclassifications - accumulated depreciation | (9) | (6,586) | (131) | 6,669 | 57 | - |
| Depreciation charge | (5,535) | (20,621) | (30,579) | (10,171) | - | (66,906) |
| Exchange rate adjustments | (367) | (36,364) | (8,415) | (7,580) | (1,812) | (54,538) |

31 December 2019

| 10,045 | 538,962 | 109,230 | 54,397 | 118,548 | 831,182 |

At 31 December 2019

| Cost | 50,624 | 681,250 | 421,302 | 156,762 | 118,548 | 1,428,486 |
| Accumulated depreciation | 40,579 | 142,288 | 312,072 | 102,365 | - | 597,304 |

Net book amount

| 10,045 | 538,962 | 109,230 | 54,397 | 118,548 | 831,182 |
Notes to the financial statements

28 Property and equipment (Continued)

Land and buildings are measured using the revaluation model. The valuation of land and buildings has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset). There has been no change in the valuation techniques used in the valuation of the land and buildings. The valuation of the Group’s land and buildings was performed by independent valuers to determine the fair value of the land and buildings as at 31 December 2019. The fair values are derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For this, appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserve – property and equipment' in shareholders equity (Note 40).

If land and buildings were stated at historical costs, the amounts would be as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>1,295,536</td>
<td>889,169</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>284,632</td>
<td>217,726</td>
</tr>
<tr>
<td>Net book amount</td>
<td>1,010,904</td>
<td>671,443</td>
</tr>
</tbody>
</table>

29 Right-of-use assets

Property, plant and equipment comprise leased assets that do not meet the definition of investment property. They are right-of-use assets, included in the Property, plant and equipment line items, over the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicles</td>
<td>778</td>
</tr>
<tr>
<td>Land &amp; Buildings</td>
<td>86,672</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>2,254</td>
</tr>
<tr>
<td>Installations</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td><strong>89,745</strong></td>
</tr>
</tbody>
</table>

Additional information on the right-of-use assets by class of assets is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Motor Vehicles</th>
<th>Land &amp; Buildings</th>
<th>Furniture &amp; Equipment</th>
<th>Installations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>953</td>
<td>109,837</td>
<td>2,684</td>
<td>60</td>
<td>113,534</td>
</tr>
<tr>
<td>Depreciations</td>
<td>(175)</td>
<td>(23,165)</td>
<td>(430)</td>
<td>(19)</td>
<td>(23,789)</td>
</tr>
<tr>
<td>Exchange rate adjustments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>778</td>
<td>86,672</td>
<td>2,254</td>
<td>41</td>
<td>89,745</td>
</tr>
</tbody>
</table>

30 Investment property

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January</td>
<td>29,787</td>
<td>43,514</td>
</tr>
<tr>
<td>Additions</td>
<td>4,222</td>
<td>10,481</td>
</tr>
<tr>
<td>Fair value gains</td>
<td>-</td>
<td>(1,077)</td>
</tr>
<tr>
<td>Disposal</td>
<td>(12,047)</td>
<td>(22,604)</td>
</tr>
<tr>
<td>Exchange rate adjustments</td>
<td>(252)</td>
<td>(527)</td>
</tr>
<tr>
<td>At 31 December</td>
<td><strong>21,710</strong></td>
<td><strong>29,787</strong></td>
</tr>
</tbody>
</table>

The following amounts have been recognised in the income statement:

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental income</td>
<td>407</td>
<td>349</td>
</tr>
<tr>
<td>Direct operating expenses arising from investment properties that generate rental income</td>
<td>(78)</td>
<td>(77)</td>
</tr>
<tr>
<td></td>
<td><strong>329</strong></td>
<td><strong>272</strong></td>
</tr>
</tbody>
</table>
Notes to the financial statements

Investment properties are carried at fair value. The valuation of investment properties has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset or liability). There has been no change in the valuation techniques used in the valuation of the investment properties. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value are derived using the sales comparison approach where the main inputs in the determination of the fair value are recent land sales or asking prices for similarly sized plots in the immediate vicinity of the investment property. In certain cases, due to the unavailability of similar large land size traded in the immediate property market, the valuers subdivided the entire land area into smaller plots; allowing for circulation and infrastructure and applying an adjusted sales price per plot to arrive at a gross sales price that was further discounted at 30% to reflect what a single purchaser will be willing to pay. In certain circumstances further adjustments are also done on the basis of quality of title and location.

31 Assets Held for sale and discontinued operations

The assets and liabilities of Union Bank of Cameroon (UBC) have been classified as held for sale in line with IFRS 5 (Non current assets held for sale and discontinued operations). UBC was acquired as part of the Oceanic transaction in 2011 but was deemed as non-core to ETI’s operations. Regulatory approval has been obtained for the sale and it is expected to be completed during 2020. UBC is classified under ‘others’ in the segment reporting. The assets and performance reviewed by the CODM does not include assets held for sale.

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Assets held for sale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>2,991</td>
<td>4,125</td>
</tr>
<tr>
<td>Treasury bills and other eligible bills</td>
<td>40,811</td>
<td>56,252</td>
</tr>
<tr>
<td>Loans and advances to banks</td>
<td>234</td>
<td>885</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8,311</td>
<td>10,382</td>
</tr>
<tr>
<td>Investment securities</td>
<td>30,520</td>
<td>15,840</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>13</td>
<td>24</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>1,322</td>
<td>1,531</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,338</td>
<td>1,036</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>85,539</strong></td>
<td><strong>90,075</strong></td>
</tr>
</tbody>
</table>

b) Liabilities classified as held for sale

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to customers</td>
<td>98,615</td>
<td>97,322</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>7,801</td>
<td>19,460</td>
</tr>
<tr>
<td>Retirement benefit obligation</td>
<td>989</td>
<td>883</td>
</tr>
<tr>
<td>Deferred income tax liabilities</td>
<td>187</td>
<td>191</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>107,592</strong></td>
<td><strong>117,856</strong></td>
</tr>
</tbody>
</table>

c) Profit from discontinued operations

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>8,624</td>
<td>7,330</td>
</tr>
<tr>
<td>Costs</td>
<td>(3,904)</td>
<td>(6,529)</td>
</tr>
<tr>
<td>Profit before tax of discontinued operations</td>
<td>4,720</td>
<td>801</td>
</tr>
<tr>
<td>Profit from discontinued operations after tax</td>
<td>4,720</td>
<td>801</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit attributable to:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the parent</td>
<td>2,549</td>
<td>433</td>
</tr>
<tr>
<td>Non controlling interests</td>
<td>2,171</td>
<td>368</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,720</strong></td>
<td><strong>801</strong></td>
</tr>
</tbody>
</table>

Cash and Flow statement

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow used in operating activities</td>
<td>(307)</td>
<td>(6,345)</td>
</tr>
<tr>
<td>Cashflow from investing activities</td>
<td>(28)</td>
<td>2,387</td>
</tr>
<tr>
<td><strong>Total cashflows</strong></td>
<td><strong>(335)</strong></td>
<td><strong>(3,958)</strong></td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### 32 Deposits from other banks

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating accounts with banks</td>
<td>612,892</td>
<td>1,075,102</td>
</tr>
<tr>
<td>Other deposits from banks</td>
<td>1,594,701</td>
<td>390,544</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,207,593</strong></td>
<td><strong>1,465,646</strong></td>
</tr>
</tbody>
</table>

All deposits from banks are current and have variable interest rates.

#### 33 Deposit from customers

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CIB</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current accounts</td>
<td>5,078,619</td>
<td>5,365,450</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>2,105,570</td>
<td>1,981,644</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,184,189</strong></td>
<td><strong>7,347,094</strong></td>
</tr>
<tr>
<td><strong>Commercial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current accounts</td>
<td>2,840,124</td>
<td>2,717,251</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>628,759</td>
<td>563,376</td>
</tr>
<tr>
<td>- Savings deposits</td>
<td>87,930</td>
<td>66,013</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,556,813</strong></td>
<td><strong>3,346,640</strong></td>
</tr>
<tr>
<td><strong>Consumer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Current accounts</td>
<td>1,899,004</td>
<td>1,827,687</td>
</tr>
<tr>
<td>- Term deposits</td>
<td>840,588</td>
<td>836,058</td>
</tr>
<tr>
<td>- Savings deposits</td>
<td>2,765,526</td>
<td>2,578,520</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,505,118</strong></td>
<td><strong>5,242,265</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,246,120</strong></td>
<td><strong>15,935,999</strong></td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>14,837,565</td>
<td>15,287,496</td>
</tr>
<tr>
<td><strong>Non-current</strong></td>
<td>1,408,555</td>
<td>648,503</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,246,120</strong></td>
<td><strong>15,935,999</strong></td>
</tr>
</tbody>
</table>
Notes to the financial statements

Customer deposits carry variable interest rates.

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current account</td>
<td>Term deposits</td>
<td>Current account</td>
<td>Term deposits</td>
</tr>
<tr>
<td>At 1 January</td>
<td>5,365,450</td>
<td>1,981,644</td>
<td>2,717,251</td>
<td>563,376</td>
</tr>
<tr>
<td>Additions</td>
<td>1,840,743</td>
<td>627,362</td>
<td>793,207</td>
<td>178,835</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>(1,717,592)</td>
<td>(389,064)</td>
<td>(835,629)</td>
<td>(184,909)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(409,982)</td>
<td>(114,372)</td>
<td>165,295</td>
<td>71,457</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>5,078,619</td>
<td>2,105,570</td>
<td>2,840,124</td>
<td>628,759</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>CIB</th>
<th>Commercial</th>
<th>Consumer</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current account</td>
<td>Term deposits</td>
<td>Current account</td>
<td>Term deposits</td>
</tr>
<tr>
<td>At 1 January</td>
<td>4,970,428</td>
<td>2,021,545</td>
<td>2,390,924</td>
<td>610,225</td>
</tr>
<tr>
<td>Additions</td>
<td>1,786,981</td>
<td>601,085</td>
<td>1,378,651</td>
<td>88,038</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>(1,499,115)</td>
<td>(700,824)</td>
<td>(1,089,224)</td>
<td>(78,926)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>107,156</td>
<td>59,838</td>
<td>36,900</td>
<td>(55,961)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>5,365,450</td>
<td>1,981,644</td>
<td>2,717,251</td>
<td>563,376</td>
</tr>
</tbody>
</table>
### Notes to the financial statements

#### (All amounts in thousands US dollar unless otherwise stated)

<table>
<thead>
<tr>
<th>34 Borrowed funds</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Eurobond ETI</td>
<td>500,900</td>
<td>-</td>
</tr>
<tr>
<td>b African Development Bank (AfDB)</td>
<td>318,475</td>
<td>317,199</td>
</tr>
<tr>
<td>c Eurobond Nigeria</td>
<td>-</td>
<td>256,575</td>
</tr>
<tr>
<td>d Deutsche Bank</td>
<td>249,587</td>
<td>249,160</td>
</tr>
<tr>
<td>e TMFG Services UK Limited</td>
<td>-</td>
<td>199,004</td>
</tr>
<tr>
<td>f FMO</td>
<td>180,004</td>
<td>199,585</td>
</tr>
<tr>
<td>g Qatar National Bank</td>
<td>152,643</td>
<td>151,943</td>
</tr>
<tr>
<td>h Bank of Industry of Nigeria (BOI)</td>
<td>59,741</td>
<td>79,763</td>
</tr>
<tr>
<td>i PIC (Public Investment Corporation)</td>
<td>-</td>
<td>88,959</td>
</tr>
<tr>
<td>j A/B Syndicated Subordinated Term Facility</td>
<td>79,652</td>
<td>76,958</td>
</tr>
<tr>
<td>k European Investment Bank</td>
<td>21,056</td>
<td>36,201</td>
</tr>
<tr>
<td>l Societe de Promotion et Participation pour la Coopération Economique (PROPARCO)</td>
<td>26,691</td>
<td>38,639</td>
</tr>
<tr>
<td>m Nigeria Sovereign Investment Authority -- NSIA</td>
<td>71,284</td>
<td>56,807</td>
</tr>
<tr>
<td>n Opec Fund for International Development (OFID)</td>
<td>-</td>
<td>8,571</td>
</tr>
<tr>
<td>o Central Bank of Nigeria</td>
<td>40,779</td>
<td>-</td>
</tr>
<tr>
<td>p Caisse Régionale de Refinancement Hypothécaire (CRRH)</td>
<td>5,762</td>
<td>7,146</td>
</tr>
<tr>
<td>q Belgium Investment Company for Developing countries (BIO)</td>
<td>-</td>
<td>3,347</td>
</tr>
<tr>
<td>r Government Bonds (Ivory Coast)</td>
<td>2,296</td>
<td>4,586</td>
</tr>
<tr>
<td>Lease liability</td>
<td>125,107</td>
<td>-</td>
</tr>
<tr>
<td>Other loans</td>
<td>241,024</td>
<td>285,247</td>
</tr>
</tbody>
</table>

#### Current:

| 500,626 | 471,203 |

#### Non-current:

| 1,574,375 | 1,588,487 |

The total borrowed funds as at 31 December 2019 were N2,075,001,203 (31 December 2018: N2,059,690,262).

**Notes:**

- **a)** Eurobonds: Ecobank Transnational Incorporated (ETI) successfully tapped the international capital markets for USD 500 million 9.5% Senior Unsecured Bonds issued in June 2019. The proceeds will be used for ETI’s general corporate purposes and will further strengthen the liquidity of ETI. The transaction is in line with ETI’s strategic objectives and forms part of the proactive management of its balance sheet to diversify funding sources and extend the average debt maturity profile. Each Note bears interest from (and including) the Issue Date at the rate of 9.50% per cent per annum payable semi annually in arrear on 18 October and 18 April in each year. Maturity Date is is 18 April 2024.

- **b)** African Development Bank (AfDB) granted another line of credit of USD 310,000,000.00 for on-lending to some affiliates. The funds were disbursed to ETI in two tranches of USD 210,000,000.00 on December 20, 2016 and USD 100,000,000.00 on August 24, 2018. The applicable interest rate is 4.50% per annum plus a fixed base rate 1.97% and 6 month LIBOR. This facility would be repaid in 2 equal installments, the first installment being in February, 2020 and second installment in June 2020.

- **c)** Eurobond issued by Ecobank Nigeria represents Subordinated Tier 2 Note of $250 million Fixed Rate Limited Recourse Participation Notes maturing in 2021. The note has a tenure of 7 years while interest of 8.5% on the notes will be payable semi-annually in arrear in each year commencing 14 August 2014.

- **d)** Deutsche AG as a facility agent granted a facility of USD 250million to ETI being PIC’s convertible bond on September 5, 2017 for a 5 year tenure maturing on September 5, 2022. Qatar National Bank also granted as Convertible Bond of USD 148.89million together with Convertible Bond Investment Company Mauritius’ participation to the tune of USD 1.11million on October 19, 2017 for a tenure of 5 years thus maturing on October 19, 2022.

- **e)** TMF Global Services UK Limited as facility agent granted a term facility of USD 200million to ETI on November 12, 2018 for a one year tenure maturing on November 12, 2019. The applicable rate is 5.50% per annum plus 3 months LIBOR. The borrowing had been prepaid on May 15, 2019.

- **f)** FMO granted term facilities for on-lending to some affiliates. The funds were disbursed to ETI on August 30, 2018 in 4 tranches respectively: Facility A1 EUR Tranche of EUR 42,000,000 with an applicable rate of 4.65% per annum plus EURIBOR. This facility would be repaid in 12 equal semi-annual installments starting 10 July 2019 and last installment on 10 January 2025. Facility A2 USD Tranche of USD 50,000,000 with an applicable rate of 4.85% per annum plus 6 month LIBOR. This facility would also be repaid in 12 equal semi-annual installments starting 10 July 2019 and last installment being on 10 January 2025. Facility A3 USD Tranche of USD 38,500,000 with an applicable rate of 4.50% per annum plus 6 month LIBOR. This facility would be repaid in 8 equal semi-annual installments starting 10 July 2019 and last installment on 10 January 2023. Facility B USD Tranche of USD 61,500,000 with an applicable rate of 4.50% per annum plus 6 month LIBOR. This facility would as well be repaid in 8 equal semi-annual installments starting 10 July 2019 and last installment on 10 January 2023.

- **g)** Qatar National Bank as Convertible Bond also granted USD 148.89million together with Convertible Bond Investment Company Mauritius’ participation to the tune of USD 1.11million on October 19, 2017 for a tenure of 5 years thus maturing on October 19, 2022.
Notes to the financial statements

h) The Bank of Industry (BOI) loan to Ecobank Nigeria represents CBN (Central Bank of Nigeria) intervention funds on-lent to some of the Bank’s customers in the manufacturing sector through Bank of Industry (BOI). The fund is administered at an all-in interest rate of 7% per annum payable on a quarterly basis. The maximum tenor of the facility is 15 years.

i) Public Investment Corporation (PIC) granted ETI a USD 98,841,206.79 facility for a 3 year tenure, on December 29, 2016, with a Margin of 4% per annum plus 3 months Libor, annual revolving deposit. USD 10 million pledged out of the Principal giving us a net amount of USD 88,841,206.79 as at December 2018, this borrowing had been paid down upon maturity in December 2019.

j) The US$75million A/B Syndicated Subordinated Term Facility was obtained by Ecobank Nigeria in 2015 from FMO. It is repayable by Eight (8) Quarterly instalment payments commencing on April 15, 2020 after a moratorium period of five (5) years with interest rate at LIBOR plus 6.5%. The maturity date is January 15, 2022.

k) European Investment Bank (III) granted a third facility to ETI for on-lending to some affiliates. The sum received on July 6, 2015 was USD 40,000,000.00 out of USD 100,000,000.00 as per the contract. The applicable rate is 1.57% plus Floating rate plus 6 months LIBOR for a tenure of 7 years and 3 years moratorium.

l) The funds received were on-lent to affiliates as per the following list: eprocess, Ecobank Tanzania, Rwanda & ETI Holding. The final repayment date will be July 6, 2022.

m) Societe De Promotion et De Participation Pour La Cooperation Economique S.A. (PROPARCO1) is repayable in eleven (11) equal semi annual instalments starting from 2014 to 2019. Interest is payable semi-annually at either a fixed rate or a floating rate determined at the instance of the lender. (PROPARCO2) During the year 2013, ETI obtained additional US$50 million loan from Proparco. The loan is repayable in 17 instalments starting from 2016 to 2024. Interest is payable semi-annually at a floating rate LIBOR 6 Month.

n) Nigeria Sovereign Investment Authority (NSIA) granted some on-lending facilities to ETI: USD 31,153,614.75 on October 4, 2018 maturing on April 4, 2020 with an applicable rate of 5.75% per annum, USD 25,752,013.89 on December 7, 2018 maturing on January 20, 2020 with an applicable rate of 5.75% per annum, USD 20,824,916.67 on December 7, 2018 matured on November 7, 2019 with an applicable rate of 5.75% per annum and USD 12,000,000.00 on September 12, 2019 maturing on March 20, 2020 with an applicable rate of 5.75% per annum. All these funds were on-lent to Ecobank Nigeria.

o) Opec Fund for International Development (OFID) Loan of USD 30 million was a convertible and subordinated loan repayable in seven (7) equal semi-annual installments since 2016. The subsidiaries that benefitted from this loan are: Ecobank Senegal, Cameroon, Kenya and Cote d’Ivoire. This borrowing had been paid down upon maturity in July 2019.

p) Central Bank of Nigeria loan represents 7-year intervention funds for on-lending to a customer of the Bank in the agricultural sector. The funds are administered at a maximum interest rate of 9% per annum.

q) Caisse Régionale de Refinancement Hypothécaire loan to Ecobank Côte d’Ivoire and Ecobank Senegal are is repayable over (10) years in 20 equal semi-annual instalments which started from 2014. Interest is payable semi-annually at an annual rate of 6%. The loan is maturing in 2023.

r) Proparco I & Belgium Investment Company for Developing Countries (Bio) Loan was not for on-lending to affiliates. Proparco I and Bio rate is 4.9% plus 6month libor. It started from July 2012 payable in eleven equal semi-annual instalments. The loan was used to support technological development and program development of its affiliates. The borrowing had been paid down in October 2019.

s) Government Bonds (Ivory Coast) are bonds issued by Ecobank Côte d’Ivoire with an interest rate of 6.5%. The borrowing is maturing in 2020.
## Analysis of the convertible loans

The convertible loans are presented in the consolidated statement of financial position as follows:

<table>
<thead>
<tr>
<th>Name of Institution</th>
<th>Contract interest rate</th>
<th>Effective interest rate</th>
<th>Tenor (Years)</th>
<th>Face value</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opec Fund for International Development (b)</td>
<td>4.75% + 6 months Libor</td>
<td>7.57%</td>
<td>8</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Deutsche AG (see note e)</td>
<td>6.46% + 3 month Libor</td>
<td>9.37%</td>
<td>5</td>
<td>250,000</td>
<td>249,587</td>
</tr>
<tr>
<td>Qatar National Bank (see note e)</td>
<td>6.46% + 3 month Libor</td>
<td>9.35%</td>
<td>5</td>
<td>148,890</td>
<td>152,643</td>
</tr>
<tr>
<td>CBICMU (see note e)</td>
<td>6.46% + 3 month Libor</td>
<td>16.51%</td>
<td>5</td>
<td>1,110</td>
<td>965</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>430,000</td>
<td>403,195</td>
</tr>
</tbody>
</table>

| Initial recognition: | | | | | |
| Face value of convertible bond issued | 430,000 | 417,629 | |
| Equity conversion component net of deferred tax liability (Note 39) | - | (7,779) | |

| Liability component | 430,000 | 409,850 |

| Summary of subordinated loans | 2019 | 2018 |
| European Investment Bank (II) | - | - |
| Opec Fund for International Development | - | 8,571 |

Interest on the convertible loan is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2019 amounted to US$403.1 million (2018: $410.8 million). The actual interest paid in 2019 was US$35.4 million (2018: $32.2 million).

## Lease liabilities

| Maturity analysis - contractual undiscounted cash flows | 2019 | 2019 |
| Less than one year | 36,791 | 36,791 |
| One to five years | 18,516 | 18,516 |
| More than five years | 69,800 | 69,800 |
| **Total undiscounted lease liabilities at 31 December** | **125,107** | **125,107** |

| Lease liabilities included in borrowings at 31 December | | |
| Current | 36,791 | |
| Non-current | 88,316 | |
| **Total lease liabilities** | **125,107** | **125,107** |

| Borrowed funds Movement | 2019 | 2018 |
| At 1 January | 2,059,690 | 1,728,756 |
| Additions | 686,359 | 440,958 |
| Repayments | (671,050) | (110,024) |
| **At 31 December** | **2,074,999** | **2,059,690** |
Notes to the financial statements

Debt Covenants.

The company has obtained waivers - and, in some cases, has amended certain financial covenants - in respect of continuing technical breaches of certain financial covenants stipulated in its existing loan agreements that require the company at a group level to maintain (either on an ongoing basis or periodically satisfy as at particular dates) certain financial ratios. The financial ratios that were breached relate solely to the maintenance of some combination (as specified in each facility) of a prescribed non-performing loan ratio, non-performing loan coverage ratio, total capital adequacy ratio, Tier 1 capital adequacy ratio, Tier 1 capital / total capital, open exposure ratio, and / or government assets ratio.

None of the technical breaches related to a default under any of the company’s existing loan agreements during the reporting period of any payment of principal, interest, sinking fund or redemption amount. None of the technical breaches resulted in any of the lenders demanding accelerated repayment, nor in the renegotiation of the maturity period of any of the loans. Some of the waivers (or, as the case may be, amendments) were obtained after the end of the reporting period but cover the reporting period.

As at 31 December 2019, the waivers cover technical breaches in respect of historical periods (including the 2018 financial year) and a period from the date of the waiver and were executed as follows: (1) the finance contract entered into between the company, as borrower, and the European Investment Bank, as lender. As at 31 December 2019, there was US$20,666,666 outstanding and the facility is scheduled to mature on 6 July 2022. The waiver expires on 31 December 2020; and (2) the term facilities agreement between the company, as borrower, and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO). As at 31 December 2019, US$133,333,333 and EUR38,500,000 were outstanding under the facility and the facility is scheduled to mature on 10 January 2025. The waiver expired on 31 March 2019.

If, prior to maturity, the company is unable to comply with any relevant financial covenant going-forward, the company plans to obtain additional waivers or amendments to the relevant loan agreements prior to the expiration period of the waivers.

### 35 Other liabilities

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued income</td>
<td>64,477</td>
<td>57,154</td>
</tr>
<tr>
<td>Unclaimed dividend</td>
<td>4,144</td>
<td>3,567</td>
</tr>
<tr>
<td>Accruals</td>
<td>202,518</td>
<td>380,403</td>
</tr>
<tr>
<td>Obligations under customers' letters of credit</td>
<td>68,482</td>
<td>28,896</td>
</tr>
<tr>
<td>Bankers draft</td>
<td>27,929</td>
<td>61,303</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>51,830</td>
<td>143,447</td>
</tr>
<tr>
<td>Others</td>
<td>426,590</td>
<td>321,787</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>845,970</strong></td>
<td><strong>996,557</strong></td>
</tr>
</tbody>
</table>

Other liabilities are expected to be settled within no more than 12 months after the reporting date.

### 36 Provisions

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>52,979</td>
<td>52,450</td>
</tr>
<tr>
<td>Additional provisions charged to income statement</td>
<td>27,013</td>
<td>18,203</td>
</tr>
<tr>
<td>Provision no longer required</td>
<td>(501)</td>
<td>402</td>
</tr>
<tr>
<td>Utilised during the year</td>
<td>(14,493)</td>
<td>(17,033)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>3,484</td>
<td>(1,043)</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td><strong>68,482</strong></td>
<td><strong>52,979</strong></td>
</tr>
</tbody>
</table>

Provisions represent amounts provided for in respect of various litigations pending in court. Based on professional advice, the amounts for pending litigations have been set aside to cover the expected losses to the Group on the determination of these litigations.
Deferred income taxes

Deferred income taxes are calculated using substantively enacted tax rate of each subsidiary.

The movement on the deferred income tax account is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>(63,616)</td>
<td>(57,446)</td>
</tr>
<tr>
<td>Income statement charge</td>
<td>8,403</td>
<td>(4,702)</td>
</tr>
<tr>
<td>Investment securities directly in OCI:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- fair value remeasurement</td>
<td>1,852</td>
<td>(2,695)</td>
</tr>
<tr>
<td>Revaluation of property and equipment (directly in OCI)</td>
<td>9,444</td>
<td>(4,342)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(4,951)</td>
<td>5,569</td>
</tr>
<tr>
<td><strong>At 31 December</strong></td>
<td><strong>(48,868)</strong></td>
<td><strong>(63,616)</strong></td>
</tr>
</tbody>
</table>

Deferred income tax assets and liabilities are attributable to the following items:

**Deferred income tax liabilities**

- Accelerated tax depreciation: 2,832 (1,030)
- Investment securities: 1,819 (1,927)
- Revaluation of property and equipment: 43,573 (34,444)
- Provision for loan impairment (recovery): 9,189 (14,387)
- Other temporary differences: 10,143 (3,311)

**Deferred income tax assets**

- Pensions and other post retirement benefits: 547 (272)
- Provisions for loan impairment: 10,323 (19,081)
- Other provisions: 10,684 (16,606)
- Tax loss carried forward: 40,612 (37,282)
- Other temporary differences: 48,800 (37,728)
- On unutilised capital allowances: 831 (844)
- On revaluation PPE: - (315)
- Investment securities: 4,627 (6,587)

**Deferred tax liabilities**

- To be recovered within 12 months: 62,960 (53,805)
- To be recovered after more than 12 months: 4,596 (1,294)

**Deferred tax assets**

- To be recovered within 12 months: 86,818 (96,507)
- To be recovered after more than 12 months: 29,606 (22,208)

The deferred tax charge in the income statement comprises the following temporary differences:

- Accelerated tax depreciation: 1,802 (671)
- Provision for loan impairment (recovery): (5,198) 53
- Pensions and other post retirement benefits: (275) (70)
- Allowances for loan losses: 8,758 1,444
- Other provisions: 5,922 (6,213)
- Tax losses carry forward: (3,330) 5,954
- Other temporary differences: 6,832 216
- Exchange differences: (6,108) (5,415)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

Income tax effects relating to components of other comprehensive income:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value gains/(loss) on investment securities</td>
<td>60,483</td>
<td>(1,468)</td>
<td>59,015</td>
<td>(143,922)</td>
<td>2,695</td>
<td>(141,227)</td>
</tr>
<tr>
<td>Revaluation gains/(loss) on property and equipment</td>
<td>11,398</td>
<td>(1,083)</td>
<td>10,315</td>
<td>(643)</td>
<td>(4,342)</td>
<td>(4,985)</td>
</tr>
<tr>
<td>Total</td>
<td>71,881</td>
<td>(2,551)</td>
<td>69,330</td>
<td>(144,565)</td>
<td>(1,647)</td>
<td>(146,212)</td>
</tr>
</tbody>
</table>

### 38 Retirement benefit obligations

**Other post-retirement benefits**

Apart from the pension schemes, the Group operates a post-employment gratuity payment scheme. The method of accounting and the frequency of valuations are as described in Note 2.20. The Group operates a post-employment gratuity payment scheme. The amounts recognised in the statement of financial position are as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of funded obligations</td>
<td>22,444</td>
<td>39,168</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>(15,077)</td>
<td>(48,667)</td>
</tr>
<tr>
<td>Total</td>
<td>7,367</td>
<td>(9,499)</td>
</tr>
<tr>
<td>Present value of unfunded obligations</td>
<td>23,715</td>
<td>13,395</td>
</tr>
<tr>
<td>Liability in the statement of financial position</td>
<td>31,082</td>
<td>3,896</td>
</tr>
</tbody>
</table>
In 2019, the movement in the defined benefit obligation over the year is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Present value of</td>
<td>Fair value of</td>
</tr>
<tr>
<td></td>
<td>obligation</td>
<td>plan assets</td>
</tr>
<tr>
<td>At 1 January</td>
<td>52,563</td>
<td>(48,667)</td>
</tr>
<tr>
<td>Current service cost</td>
<td>4,708</td>
<td>-</td>
</tr>
<tr>
<td>Interest expense and income</td>
<td>2,628</td>
<td>754</td>
</tr>
<tr>
<td></td>
<td>7,336</td>
<td>754</td>
</tr>
<tr>
<td>Remeasurements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets</td>
<td>-</td>
<td>(3,407)</td>
</tr>
<tr>
<td>Actuarial (gain)/losses</td>
<td>(3,154)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(3,154)</td>
<td>(3,407)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>(5,222)</td>
<td>2,546</td>
</tr>
<tr>
<td>Contributions</td>
<td>4,936</td>
<td>3,600</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(4,500)</td>
<td>30,097</td>
</tr>
<tr>
<td>At 31 December</td>
<td>51,959</td>
<td>(15,077)</td>
</tr>
</tbody>
</table>

The defined benefit obligation and plan assets are composed by regions/countries as follows:

- 5,800
## Present value obligation

<table>
<thead>
<tr>
<th></th>
<th>Nigeria</th>
<th>ETI</th>
<th>UEMOA/CEMAC</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td>4,936</td>
<td>23,715</td>
<td>15,614</td>
<td>1,894</td>
<td>46,159</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>21,334</td>
<td>13,395</td>
<td>13,978</td>
<td>3,856</td>
<td>52,563</td>
</tr>
</tbody>
</table>

## Fair value of plan assets

<table>
<thead>
<tr>
<th></th>
<th>Nigeria</th>
<th>ETI</th>
<th>UEMOA/CEMAC</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td>-</td>
<td>-</td>
<td>(15,077)</td>
<td>-</td>
<td>(15,077)</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>(30,097)</td>
<td>-</td>
<td>-</td>
<td>(18,570)</td>
<td>- (48,667)</td>
</tr>
</tbody>
</table>

## Total liability

<table>
<thead>
<tr>
<th></th>
<th>Nigeria</th>
<th>ETI</th>
<th>UEMOA/CEMAC</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2019</td>
<td>4,936</td>
<td>23,715</td>
<td>537</td>
<td>1,894</td>
<td>31,082</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>(8,763)</td>
<td>13,395</td>
<td>(4,592)</td>
<td>-</td>
<td>3,896</td>
</tr>
</tbody>
</table>

## Income tax effects relating to components of other comprehensive income

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>4,708</td>
<td>3,325</td>
</tr>
<tr>
<td>Net interest cost</td>
<td>2,628</td>
<td>3,432</td>
</tr>
<tr>
<td>Total included in staff costs</td>
<td><strong>7,336</strong></td>
<td><strong>6,757</strong></td>
</tr>
</tbody>
</table>

## Other Comprehensive Income

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial gain /losses on obligations</td>
<td>781</td>
<td>1,143</td>
</tr>
<tr>
<td>Actuarial gain /losses on plan assets</td>
<td>121</td>
<td>231</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>901</td>
<td>1,374</td>
</tr>
</tbody>
</table>
As the plan assets include significant investments in government bonds, the Group is also exposed to interest rate risks and impact of changes monetary policies on bond yields. The defined benefit plan does not have any significant impact on the group’s cash flows. The net actuarial gain on the fair value of plan assets arose as a result of the actual returns on the assets being greater than the calculated expected return on assets.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

**Plan assets are comprised as follows:**

<table>
<thead>
<tr>
<th></th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Quoted</td>
</tr>
<tr>
<td>Cash</td>
<td>14%</td>
<td>-</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>0.1%</td>
<td>8</td>
</tr>
<tr>
<td>Debt instruments (Bonds)</td>
<td>86%</td>
<td>10,328</td>
</tr>
<tr>
<td></td>
<td>100%</td>
<td>10,336</td>
</tr>
</tbody>
</table>

The principal assumptions used for ETI and the subsidiaries operating in UEMOA region were as follows:

<table>
<thead>
<tr>
<th></th>
<th>ETI</th>
<th>UEMOA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Future salary increases</td>
<td>4.45%</td>
<td>4.85%</td>
</tr>
<tr>
<td></td>
<td>1.80%</td>
<td>1.80%</td>
</tr>
</tbody>
</table>
### Sensitivity analysis on actuarial assumptions for ETI

<table>
<thead>
<tr>
<th></th>
<th>Increase in assumption by 1%</th>
<th>Liability changes to</th>
<th>Decrease in assumption by 1%</th>
<th>Liability changes to</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Discount rate</strong></td>
<td>Decrease in the liability by 2%</td>
<td>17,805</td>
<td>Increase in the liability by 8%</td>
<td>19,586</td>
</tr>
<tr>
<td><strong>Exit rate</strong></td>
<td>Decrease in the liability by 9%</td>
<td>16,523</td>
<td>Increase in the liability by 13%</td>
<td>20,412</td>
</tr>
<tr>
<td><strong>Dismissal rate</strong></td>
<td>Increase in the liability by 10%</td>
<td>19,856</td>
<td>Decrease in the liability by 9%</td>
<td>16,455</td>
</tr>
</tbody>
</table>
### Sensitivity analysis on actuarial assumptions for UEMOA

<table>
<thead>
<tr>
<th>Factor</th>
<th>Increase in assumption by 1%</th>
<th>Liability changes to</th>
<th>Decrease in assumption by 1%</th>
<th>Liability changes to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>Decrease in the liability by 6.1%</td>
<td>20,026</td>
<td>Increase in the liability by 6.9%</td>
<td>22,789</td>
</tr>
<tr>
<td>Exit rate</td>
<td>Increase in the liability by 7.5%</td>
<td>22,927</td>
<td>Decrease in the liability by 6.1%</td>
<td>20,016</td>
</tr>
<tr>
<td>Dismissal rate</td>
<td>Increase in the liability by 0.5%</td>
<td>21,430</td>
<td>Decrease in the liability by 0.4%</td>
<td>21,228</td>
</tr>
</tbody>
</table>
The Group also operates a defined contribution plan. For the 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. There were no outstanding contributions due at the end of the year.

39 Contingent liabilities and commitments

a) Legal proceedings
The Group is a party to various legal actions arising out of its normal business operations. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. The amounts that the directors believe will materialize are disclosed in Note 36.

b) Capital commitments
At 31 December 2019, the Group had capital commitments of $ 5.2 m (December 2018: $ 5.9m) in respect of buildings and equipment purchases. The Group’s management is confident that future net revenues and funding will be sufficient to cover this commitment.

c) Loan commitments, guarantee and other financial facilities
At 31 December 2019 the Group had contractual amounts of the off-statement of financial position financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed commercial papers and banker acceptances</td>
<td>136,357</td>
<td>342,181</td>
</tr>
<tr>
<td>Documentary and commercial letters of credit</td>
<td>1,308,351</td>
<td>1,631,689</td>
</tr>
<tr>
<td>Performance bond, guarantees and indemnities</td>
<td>1,759,919</td>
<td>2,366,343</td>
</tr>
<tr>
<td>Loan commitments</td>
<td>452,255</td>
<td>1,221,440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,656,882</strong></td>
<td><strong>5,561,653</strong></td>
</tr>
</tbody>
</table>

d) Tax exposures
The Group is exposed to ongoing tax reviews in some subsidiary entities. The Group considers the impact of tax exposures, including whether additional taxes may be due. This assessment relies on estimates and assumptions and may involve series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The total amount of tax exposure as at 31 December 2019 is $ 150 million (December 2018 : $ 80 million). Based on Group’s assessment, the probable liability is not likely to exceed $ 9 million (December 2018 : $ 7 million) which provisions have been made in the books in Note 36.
### Notes to the financial statements

#### Share capital

<table>
<thead>
<tr>
<th>No of shares ('000)</th>
<th>Ordinary shares</th>
<th>Share premium</th>
<th>Treasury shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>24,607,639</td>
<td>618,254</td>
<td>1,499,145</td>
<td>(3,443)</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(15,020)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2018/ 1 January 2019</td>
<td>24,592,619</td>
<td>618,254</td>
<td>1,499,145</td>
<td>(3,443)</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>24,592,619</td>
<td>618,254</td>
<td>1,499,145</td>
<td>(3,443)</td>
</tr>
</tbody>
</table>

The total authorised number of ordinary shares at period end was 50 billion (December 2018: 50 billion) with a par value of US$0.025 per share (December 2018: US$0.025 per share). Total issued shares as of 31 December 2019 were 24 730 billion shares. The adjustment for treasury shares on consolidation resulted in the share count of 24.592 billion shares.

Treasury shares were ETI shares held by subsidiaries and related entities within the Group as at period end. The treasury shares count as at 31 December 2019 is 137.7 million shares.

#### Share options

The Group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three year’s service (the vesting period). The options are exercisable starting three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movement in the number of share options outstanding are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January</td>
<td>112,488</td>
<td>124,988</td>
</tr>
<tr>
<td>Forfeited</td>
<td>(2,000)</td>
<td>(12,500)</td>
</tr>
<tr>
<td>Lapsed</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December</td>
<td>110,488</td>
<td>112,488</td>
</tr>
</tbody>
</table>

The share options exercised during the period were done at a price of US$0.08.

The range of exercise price of outstanding shares as at 31 December 2019 is 6 cents to 9.2 cents (average price 7.6 cents). All of the outstanding shares as at 31 December 2019 were exercisable.

New share options totalling 119 million shares were also granted on 16 July 2012 with a contractual life of 5 years. New share options totalling 50 million shares were also granted in September 2015 with a contractual life of 5 years.
Notes to the financial statements

The number of shares outstanding at the end of the year was as follows:

<table>
<thead>
<tr>
<th>Expiry date</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>2019</td>
<td>60,488</td>
<td>62,488</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the general employees share option plan, options may be exercised prior to the tenth anniversary of the grant.

Measurement of fair values - share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

<table>
<thead>
<tr>
<th>Fair value of share options and assumptions</th>
<th>2012</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at grant date (US$)</td>
<td>0.012</td>
<td>0.025</td>
</tr>
<tr>
<td>Share price at grant date (US$)</td>
<td>0.063</td>
<td>0.092</td>
</tr>
<tr>
<td>Exercise price (US$)</td>
<td>0.063</td>
<td>0.092</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>0.75%</td>
<td>1.73%</td>
</tr>
<tr>
<td>Expected life (number of years)</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Expected dividends</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>11.8%</td>
<td>11.8%</td>
</tr>
</tbody>
</table>

The expected volatility is based on both historical

Retained earnings and other reserves

<table>
<thead>
<tr>
<th>Retained earnings and other reserves</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retained earnings</td>
<td>245,563</td>
<td>185,893</td>
</tr>
<tr>
<td>Other reserves</td>
<td>(882,827)</td>
<td>(842,367)</td>
</tr>
<tr>
<td></td>
<td>(637,264)</td>
<td>(656,474)</td>
</tr>
</tbody>
</table>

41 Retained earnings and other reserves

a) Retained earnings

Movements in retained earnings were as follows:

<table>
<thead>
<tr>
<th>At 1 January</th>
<th>Profit for year</th>
<th>Day 1 IFRS 9 Impact</th>
<th>Transfer from / (to) general banking reserve</th>
<th>Transfer to statutory reserve</th>
<th>Transfer to share option</th>
<th>Transfer to other Group reserve</th>
<th>At 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>185,893</td>
<td>193,958</td>
<td>-</td>
<td>(28,124)</td>
<td>(106,164)</td>
<td>(219)</td>
<td>-</td>
<td>245,563</td>
</tr>
<tr>
<td>216,142</td>
<td>182,178</td>
<td>(278,503)</td>
<td>(124,262)</td>
<td>(45,376)</td>
<td>(12,591)</td>
<td></td>
<td>185,893</td>
</tr>
</tbody>
</table>
### b) Other Reserves

<table>
<thead>
<tr>
<th>Reserves</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>General banking reserve</td>
<td>261,206</td>
<td>233,082</td>
</tr>
<tr>
<td>Statutory reserve</td>
<td>584,396</td>
<td>478,232</td>
</tr>
<tr>
<td>Revaluation reserve - Investment securities</td>
<td>(389)</td>
<td>(59,404)</td>
</tr>
<tr>
<td>Convertible bond - equity component</td>
<td>5,084</td>
<td>7,779</td>
</tr>
<tr>
<td>Revaluation reserve - property and</td>
<td>146,895</td>
<td>136,580</td>
</tr>
<tr>
<td>Hyper-inflation reserve</td>
<td>(35,542)</td>
<td></td>
</tr>
<tr>
<td>Share option reserve</td>
<td>1,251</td>
<td>1,157</td>
</tr>
<tr>
<td>Remeasurements of post-employment benefit obligations</td>
<td>(6,899)</td>
<td>(7,801)</td>
</tr>
<tr>
<td>Translation reserve</td>
<td>(2,122,530)</td>
<td>(1,879,311)</td>
</tr>
<tr>
<td>Other Group reserves</td>
<td>283,701</td>
<td>247,319</td>
</tr>
<tr>
<td></td>
<td><strong>(882,827)</strong></td>
<td><strong>(842,367)</strong></td>
</tr>
</tbody>
</table>

Movements in the other reserves were as follows:

**i) General banking reserve**

At 1 January: 233,082
Transfer from retained earnings: 28,124
At 31 December: 261,206

The general banking reserve represents transfers from retained earnings for unforeseeable risks and future losses. General banking reserves can only be distributed following approval by the shareholders in general meeting.

**ii) Statutory reserve**

At 1 January: 478,232
Transfer from retained earnings: 106,164
At 31 December: 584,396

Statutory reserves represent accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable.

**iii) Share option reserve**

At 1 January: 1,157
Transfer to retained earnings: 94
At 31 December: 1,251

**iv) Remeasurements of post-employment benefit obligations**

At 1 January: (7,801)
Actuarial gains on retirement benefit: 902
At 31 December: (6,899)

**v) Revaluation reserves**

At 1 January: (59,404)
Net gain/(loss) from changes in fair value debt securities: 60,667
Deferred income taxes (Note 37): (1,468)
Net gain/(loss) from changes in fair value equity securities: (184)
At 31 December: *(389)*
Notes to the financial statements

The revaluation reserve shows the effects from the fair value measurement of investment securities after deduction of deferred taxes.

Convertible bond - equity component
Movement in equity component of convertibles were as follows:

<table>
<thead>
<tr>
<th></th>
<th>At 1 January</th>
<th>Exercise of the convertible option</th>
<th>At 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,779</td>
<td>(2,695)</td>
<td>5,084</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7,779</td>
</tr>
</tbody>
</table>

The equity component of the convertible bond is computed as a residual amount after determining the loan amount using the market rate of an equivalent loan.

vi) Hyper-inflation reserve
At 1 January
Impact of adopting IAS 29 at 1 January 2019
(35,542)

At 31 December
(35,542)

vii) Revaluation Reserve - property and equipment
At 1 January
136,580
141,565

Net gains from changes in fair value
11,398
(643)

Deferred income taxes
(1,083)
(4,342)

At 31 December
146,895
136,580

viii) Translation reserve
At 1 January
(1,879,311)
(1,620,903)

Currency translation difference arising during the year
(243,219)
(258,408)

At 31 December
(2,122,530)
(1,879,311)

ix) Other Group reserve
At 1 January
247,319
234,728

Movement arising during the year
36,382
12,591

At 31 December
283,701
247,319

42 Cash and cash equivalents
For the purposes of statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and balances with central banks (Note 17)</td>
<td>1,564,627</td>
<td>1,668,236</td>
</tr>
<tr>
<td>Treasury Bills and other eligible bills (Note 22)</td>
<td>381,444</td>
<td>396,384</td>
</tr>
<tr>
<td>Deposits with other banks (Note 20)</td>
<td>1,226,587</td>
<td>1,152,337</td>
</tr>
<tr>
<td>Deposits from other banks (Note 32)</td>
<td>(612,892)</td>
<td>(1,075,102)</td>
</tr>
<tr>
<td></td>
<td>2,559,766</td>
<td>2,141,855</td>
</tr>
</tbody>
</table>
## Notes to the financial statements

### 43 Group entities

#### a) Significant subsidiaries

<table>
<thead>
<tr>
<th>Entity</th>
<th>Country of incorporation</th>
<th>Ownership interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecobank Nigeria Limited</td>
<td>Nigeria</td>
<td>100% 100%</td>
</tr>
<tr>
<td>Ecobank Ghana Limited</td>
<td>Ghana</td>
<td>69% 69%</td>
</tr>
<tr>
<td>Ecobank Cote d'Ivoire</td>
<td>Cote d'Ivoire</td>
<td>75% 75%</td>
</tr>
<tr>
<td>Ecobank Burkina</td>
<td>Burkina Faso</td>
<td>78% 85%</td>
</tr>
<tr>
<td>Ecobank Senegal</td>
<td>Senegal</td>
<td>78% 80%</td>
</tr>
<tr>
<td>Ecobank Benin</td>
<td>Benin</td>
<td>79% 79%</td>
</tr>
<tr>
<td>Ecobank Cameroon</td>
<td>Cameroon</td>
<td>80% 80%</td>
</tr>
<tr>
<td>Ecobank Mali</td>
<td>Mali</td>
<td>93% 93%</td>
</tr>
<tr>
<td>Ecobank Togo</td>
<td>Togo</td>
<td>82% 82%</td>
</tr>
</tbody>
</table>
b) Non-controlling interests in subsidiaries that are material to the Group

The following table summarises the information relating to the Group’s subsidiary that has material non-controlling interests (NCI), before any intra-group eliminations.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Ecobank Ghana</th>
<th>Ecobank Côte d’Ivoire</th>
<th>Ecobank Burkina</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCI percentage</td>
<td>31%</td>
<td>31%</td>
<td>25%</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>25%</td>
<td>22%</td>
</tr>
<tr>
<td></td>
<td>15%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period</td>
<td>2019</td>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2018</td>
<td>2018</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>960,363</td>
<td>860,894</td>
<td>1,153,228</td>
</tr>
<tr>
<td></td>
<td>1,321,469</td>
<td>715,337</td>
<td>690,861</td>
</tr>
<tr>
<td>Investment securities</td>
<td>680,647</td>
<td>612,278</td>
<td>1,031,678</td>
</tr>
<tr>
<td></td>
<td>933,411</td>
<td>463,416</td>
<td>401,556</td>
</tr>
<tr>
<td>Other assets</td>
<td>133,822</td>
<td>32,842</td>
<td>60,552</td>
</tr>
<tr>
<td></td>
<td>35,812</td>
<td>41,860</td>
<td>70,067</td>
</tr>
<tr>
<td>Deposits from customers</td>
<td>1,744,574</td>
<td>1,578,192</td>
<td>1,315,492</td>
</tr>
<tr>
<td></td>
<td>1,445,108</td>
<td>1,171,439</td>
<td>1,227,472</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>70,542</td>
<td>237,764</td>
<td>90,684</td>
</tr>
<tr>
<td></td>
<td>93,759</td>
<td>31,745</td>
<td>51,140</td>
</tr>
<tr>
<td>Net assets</td>
<td>320,469</td>
<td>278,432</td>
<td>240,759</td>
</tr>
<tr>
<td></td>
<td>192,834</td>
<td>97,894</td>
<td>92,926</td>
</tr>
<tr>
<td>Carrying amount of NCI</td>
<td>99,561</td>
<td>86,314</td>
<td>60,203</td>
</tr>
<tr>
<td></td>
<td>48,209</td>
<td>21,365</td>
<td>13,939</td>
</tr>
<tr>
<td>Operating income</td>
<td>296,120</td>
<td>284,285</td>
<td>140,839</td>
</tr>
<tr>
<td></td>
<td>150,244</td>
<td>77,623</td>
<td>43,159</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>122,422</td>
<td>110,051</td>
<td>45,029</td>
</tr>
<tr>
<td></td>
<td>45,029</td>
<td>1,916</td>
<td>10,790</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>85,502</td>
<td>77,383</td>
<td>31,745</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>87,227</td>
<td>81,163</td>
<td>82,253</td>
</tr>
<tr>
<td></td>
<td>57,977</td>
<td>4,609</td>
<td>28,760</td>
</tr>
<tr>
<td>Profit allocated to NCI</td>
<td>27,099</td>
<td>24,043</td>
<td>20,568</td>
</tr>
<tr>
<td></td>
<td>10,790</td>
<td>1,006</td>
<td>2,439</td>
</tr>
<tr>
<td>Cashflows from operating activities</td>
<td>(398,984)</td>
<td>110,051</td>
<td>308,823</td>
</tr>
<tr>
<td>Cashflows from investing activities</td>
<td>(163,648)</td>
<td>77,383</td>
<td>43,159</td>
</tr>
<tr>
<td>Cashflows from financing activities</td>
<td>(10,510)</td>
<td>81,163</td>
<td>(71,205)</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>(573,143)</td>
<td>268,597</td>
<td>124,669</td>
</tr>
<tr>
<td></td>
<td>128,965</td>
<td>(326,570)</td>
<td>63,129</td>
</tr>
</tbody>
</table>

c) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

d) Involvement with unconsolidated structured entities

The table below describes the structured entities in which the Group does not hold an interest but is a sponsor. The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. These entities were not consolidated in 2019.

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of structured entity</th>
<th>Nature and purpose</th>
<th>Investment held by the Group</th>
</tr>
</thead>
</table>
| FCP UEMOA DIVERSIFIE      | Asset-backed structured entity | a) Provide investors with an exposure to a referenced asset such as debt instrument  
  (Incorporated in Ivory Coast in 2007) | None |
| FCP UEMOA RENDEMENT       | Asset-backed structured entity | b) Generate fees for agent activities and funding for the Group’s lending activities  
  (Incorporated in Ivory Coast in 2007) | None |

The table below sets out information as at 31 December 2019 in respect of structured entities that the Group sponsors, but which the Group does not have an interest.
Notes to the financial statements

Asset-backed structured entities

<table>
<thead>
<tr>
<th></th>
<th>FCP UEMOA DIVERSIFI</th>
<th>FCP UEMOA RENDEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee income earned</td>
<td>629</td>
<td>76</td>
</tr>
<tr>
<td>*Carrying amount</td>
<td>23,721</td>
<td>2,846</td>
</tr>
<tr>
<td>of assets transferred</td>
<td>25,698</td>
<td>3,331</td>
</tr>
</tbody>
</table>

The carrying value is stated at book value (costs less impairment).
The Group does not have any exposure to any loss arising from these structured entities.

44 Related party transactions

The related party is the key management personnel, their related companies and close family relations. The key management personnel included directors (executive and non-executive), and other members of the Group Executive Committee.

A number of banking transactions are entered into with related parties in the normal course of business and at commercial terms. These transactions include loans, deposits, and foreign currency transactions. The volumes of related party transactions, outstanding balances at the end of the period, and relating expense and income for the period as follows:

Loans and advances to related parties

<table>
<thead>
<tr>
<th></th>
<th>Directors and key management personnel</th>
<th>Related companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans outstanding at 1 January</td>
<td>-</td>
<td>177</td>
</tr>
<tr>
<td>Loans issued during the year</td>
<td>2,245</td>
<td>179</td>
</tr>
<tr>
<td>Loan repayments during the year</td>
<td>(1,712)</td>
<td>(356)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loans outstanding at 31 December</td>
<td>533</td>
<td>-</td>
</tr>
<tr>
<td>Interest income earned</td>
<td>112</td>
<td>147</td>
</tr>
</tbody>
</table>

No provisions have been recognised in respect of loans given to related parties (2018: nil).

The loans issued to executive directors during the year and related companies controlled by directors were given on commercial terms and market rates.

Deposits from related parties

<table>
<thead>
<tr>
<th></th>
<th>Directors and key management personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 Dec. 2019</td>
</tr>
<tr>
<td>Deposits at 1 January</td>
<td>1,370</td>
</tr>
<tr>
<td>Deposits received during the year</td>
<td>3,672</td>
</tr>
<tr>
<td>Deposits repaid during the year</td>
<td>(662)</td>
</tr>
<tr>
<td>Exchange difference</td>
<td>-</td>
</tr>
<tr>
<td>Deposits at 31 December</td>
<td>708</td>
</tr>
<tr>
<td>Interest expense on deposits</td>
<td>-</td>
</tr>
</tbody>
</table>

Directors’ remuneration

<table>
<thead>
<tr>
<th></th>
<th>31 Dec. 2019</th>
<th>31 Dec. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total directors fees and allowances</td>
<td>1,891</td>
<td>1,637</td>
</tr>
</tbody>
</table>

Related party credits

During the period the Group through its subsidiaries granted various credit facilities to directors and companies whose directors are also directors of ETI at rates and terms comparable to other facilities in the Group’s portfolio. An aggregate of US$ 9.7 million was outstanding on these facilities at the end of the reporting period. The status of performance of each facility is as shown below:
44  Related party transactions (continued)

Parent
The parent company, which is also the ultimate parent company, is Ecobank Transnational Incorporated

45  Banking subsidiaries

<table>
<thead>
<tr>
<th>Name of company/individual</th>
<th>Relationship</th>
<th>Type</th>
<th>Status</th>
<th>Nature of security</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIDC</td>
<td>Director related</td>
<td>Bonds</td>
<td>Non-impaired</td>
<td>Unsecured</td>
<td>9,745</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ownership interests

<table>
<thead>
<tr>
<th>Bank</th>
<th>Ownership interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecobank Cameroon</td>
<td>80%</td>
</tr>
<tr>
<td>Ecobank Chad</td>
<td>74%</td>
</tr>
<tr>
<td>Ecobank Sao Tomé</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Central Africa</td>
<td>75%</td>
</tr>
<tr>
<td>Ecobank Congo Brazzaville</td>
<td>86%</td>
</tr>
<tr>
<td>Ecobank Gabon</td>
<td>75%</td>
</tr>
<tr>
<td>Ecobank Guinea Equatoriale</td>
<td>60%</td>
</tr>
<tr>
<td>Ecobank Benin</td>
<td>79%</td>
</tr>
<tr>
<td>Ecobank Burkina Faso</td>
<td>78%</td>
</tr>
<tr>
<td>Ecobank Côte d’Ivoire</td>
<td>75%</td>
</tr>
<tr>
<td>Ecobank Mali</td>
<td>93%</td>
</tr>
<tr>
<td>Ecobank Niger</td>
<td>74%</td>
</tr>
<tr>
<td>Ecobank Sénégal</td>
<td>78%</td>
</tr>
<tr>
<td>Ecobank Togo</td>
<td>82%</td>
</tr>
<tr>
<td>Ecobank Guinea Bissau</td>
<td>96%</td>
</tr>
<tr>
<td>Ecobank Cape Verde</td>
<td>99%</td>
</tr>
<tr>
<td>Ecobank Ghana</td>
<td>69%</td>
</tr>
<tr>
<td>Ecobank Guinea</td>
<td>83%</td>
</tr>
<tr>
<td>Ecobank Liberia</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Sierra Leone</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Gambia</td>
<td>97%</td>
</tr>
<tr>
<td>Ecobank Rwanda</td>
<td>97%</td>
</tr>
<tr>
<td>Ecobank Tanzania</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Kenya</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Burundi</td>
<td>75%</td>
</tr>
<tr>
<td>Ecobank Uganda</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank South Sudan</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Nigeria</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Malawi</td>
<td>96%</td>
</tr>
<tr>
<td>Ecobank Congo RDC</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Zambia</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Zimbabwe</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Mozambique</td>
<td>99%</td>
</tr>
</tbody>
</table>

Non Banking subsidiaries

<table>
<thead>
<tr>
<th>Name of company/individual</th>
<th>Ownership interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOFIPE Burkina</td>
<td>78%</td>
</tr>
<tr>
<td>Ecobank Micro Finance Sierra Leone</td>
<td>100%</td>
</tr>
<tr>
<td>Pan-African Savings and Loans</td>
<td>71%</td>
</tr>
<tr>
<td>EDC Holding</td>
<td>98%</td>
</tr>
<tr>
<td>Treasury Bond Protected Investment Company (TBPIC) (*)</td>
<td>100%</td>
</tr>
<tr>
<td>FCP Obligataire</td>
<td>51%</td>
</tr>
<tr>
<td>E Process International</td>
<td>100%</td>
</tr>
<tr>
<td>EBI SA (France)</td>
<td>100%</td>
</tr>
<tr>
<td>Bewcastle</td>
<td>100%</td>
</tr>
<tr>
<td>Ecobank Specialised Finance Company LLC</td>
<td>100%</td>
</tr>
</tbody>
</table>

(*) TBPIC is an entity for which ETI has control and so it is included in the consolidation scope as per IFRS 10.
Notes to the financial statements

46 Acquisitions
In January 2019, Ecobank Group through its subsidiary, Ecobank Ghana, completed the acquisition of additional 45% interest in Pan African Savings and Loans of Ghana which brought the Group total interest to 71%. The acquired entity contributed operating income of $6.6 million and operating profit of $0.8 million to the group for the period ending 31 December 2019. The details of the fair value of the assets and liabilities acquired and goodwill arising from both acquisitions are as follows:

<table>
<thead>
<tr>
<th>Pan African Savings and Loans</th>
<th>Fair values on date of Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalent</td>
<td>3,503</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>8,580</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>366</td>
</tr>
<tr>
<td>Other assets</td>
<td>1,694</td>
</tr>
<tr>
<td>Deposit from customers</td>
<td>(11,419)</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>(473)</td>
</tr>
<tr>
<td><strong>Net assets acquired</strong></td>
<td><strong>2,251</strong></td>
</tr>
<tr>
<td>Consideration transferred (45%)</td>
<td>1,256</td>
</tr>
<tr>
<td>FV of previously held investment by Ecobank Ghana (49%)</td>
<td>1,368</td>
</tr>
<tr>
<td>FV of previously held investment by ETI (6%)</td>
<td>168</td>
</tr>
<tr>
<td><strong>Goodwill</strong></td>
<td><strong>541</strong></td>
</tr>
</tbody>
</table>

47 Prior period restatement
The Central Bank of Nigeria (CBN) issued a circular dated 18 January 2019 to all banks in Nigeria, with reference number BSC/01R/CON/LAB/12/001 and titled “Promissory Notes Issued by the Federal Government of Nigeria in Respect of Subsidy Payments to Petroleum Marketers.” It instructed that banks make a 100% haircut on interest accrued for eighteen (18) months commencing from 1 July 2017 to 31 December 2018 on the loans of petroleum marketers related to Sovereign Debt Note (SDN) exposures. These transactions arose from valid contracts entered between the Ecobank Nigeria and these customers. Ecobank Nigeria complied with this directive in 2019. However, the Bank did not include in its assessment for Expected Credit Losses (ECL) as at 31 December 2018 this information regarding the possible haircut on accrued interest within the said period. Considering the amount involved of $79.5 million; this has been assessed as a material adjusting event for 2018 financial statements. Consequently, this has been treated as a prior year error in compliance with the requirement of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) with respect to Expected Credit Losses on loans and advances as the Bank did not factor in same information in arriving at its Expected Credit Losses for 2018 as required by IFRS 9. Thus, the Expected Credit Loss Allowance for 2018 was increased by $79.5 million from $638.5 million to $718.0 million under the following lines: Expected Credit Loss Allowance under Loans and Advances to Customers (Note 21) and Increase in ECL Allowance on Loans and Advances under Impairment Charge for Losses (Note 13) from $240.0 million to $319.5 million.

Income statement

<table>
<thead>
<tr>
<th></th>
<th>For year ended 31 December 2018</th>
<th>As previously reported</th>
<th>Adjustments</th>
<th>As restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment charge for losses</td>
<td>240,001</td>
<td>79,469</td>
<td>319,470</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>435,977</td>
<td>(79,469)</td>
<td>356,508</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>328,649</td>
<td>(79,469)</td>
<td>249,180</td>
<td></td>
</tr>
<tr>
<td>Earnings per share</td>
<td>1.06</td>
<td>(79,469)</td>
<td>0.74</td>
<td></td>
</tr>
</tbody>
</table>

Balance sheet

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2018</th>
<th>As previously reported</th>
<th>Adjustments</th>
<th>As restated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances to customers</td>
<td>9,168,669</td>
<td>(79,469)</td>
<td></td>
<td>9,089,200</td>
</tr>
<tr>
<td>Total assets</td>
<td>22,582,196</td>
<td>(79,469)</td>
<td></td>
<td>22,502,727</td>
</tr>
<tr>
<td>Retained earnings and reserves</td>
<td>(577,005)</td>
<td>(79,469)</td>
<td></td>
<td>(656,474)</td>
</tr>
<tr>
<td>Total equity</td>
<td>1,812,491</td>
<td>(79,469)</td>
<td></td>
<td>1,733,022</td>
</tr>
</tbody>
</table>