The Pan African Bank

ECOBANK TRANSNATIONAL INCORRORATED

Audited Consolidated Financial Statements

For year ended 31 December 2019

CONTENTS

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.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Loans and advances to customers constitute a significant portion of the total assets of Ecobank Transnational Incorporated. At 31 December 2019, gross loans and advances to customers were US$9,834 million (2018: US$9,807 million) against which total loan impairment amount of	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:

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.

<table>
<tr><th colspan="2">Valuation of goodwill</th></tr>
<tr><td>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.</td>
<td>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.</td></tr>
</table>

Key audit matter	How the matter was addressed in the audit
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	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 Achugamonu
FRC/2013/ICAN/0000000840

Engagement Partner: Georges Yao-Yao

Press Release

Ecobank Group reports audited Full year 2019 results

- Gross earnings down 6% to $2,328.8 million (up 7% to GHC 12.1 billion)
- Revenue down 11% to $1,622.3 million (up 1% to GHC 8.5 billion)
- Operating profit before impairment losses down 22% to $548.9 million (down 11% to GHC 2,863.5 million)
- Profit before tax up 14% to $405.1 million (up 29% to GHC 2,113.3 million)
- Profit after tax up 10% to $274.9 million (up 25% to GHC 1,434.3 million)
- Total assets up 5% to $23.6 billion (up 21% to GHC 130.9 billion)
- Loans and advances to customers up 2% to $9.3 billion (up 17% to GHC 51.4 billion)
- Deposits from customers up 2% to $16.2 billion (up 17% to GHC 90.0 billion)
- Total equity up 9%to $1.9 billion (up 25% to GHC 10.4 billion)

Financial Highlights	Year ended 31 December 2019		Year ended 31 December 2018 (Restated)		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Income Statement:						
Gross Earnings	2,328,822	12,149,390	2,485,103	11,398,651	-6%	7%
Revenue	1,622,259	8,463,273	1,825,171	8,371,680	-11%	1%
Operating profit before impairment losses	548,878	2,863,478	702,404	3,221,781	-22%	-11%
Profit before tax	405,079	2,113,283	356,508	1,635,227	14%	29%
Profit for the Year	274,934	1,434,322	249,180	1,142,936	10%	25%
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents / pesewas per share):						
Basic (cents and pesewas)	0.78	4.06	0.74	3.40	5%	20%
Diluted (cents and pesewas)	0.78	4.06	0.74	3.38	6%	20%
Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in United States cents / pesewas per share):						
Basic (cents and pesewas)	0.01	0.05	0.00	0.01		
Diluted (cents and pesewas)	0.01	0.05	0.00	0.01		

Financial Highlights	As at 31 December 2019		As at 31 December 2018 (Restated)		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Statement of Financial Rosition:						
Total assets	23,641,184	130,920,150	22,502,727	108,463,145	5%	21%
Loans and advances to customers	9,276,608	51,372,000	9,089,200	43,809,944	2%	17%
Deposits from customers	16,246,120	89,967,763	15,935,999	76,811,515	2%	17%
Total equity	1,885,777	10,443,055	1,733,022	8,353,167	9%	25%

The financial statements were approved for issue by the board of directors on 28 February 2020.

Emmanuel Ikazoboh
Group Chairman

Ade Ayeyemi
Group Chief Executive Officer

Ayo Adepoju
Group Chief Financial Officer

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Audited Consolidated Statement of Comprehensive Income - USD

	Year ended 31 December 2019	Year ended 31 December 2018 (Restated)	% Change
	US$'000	US$'000	
Interest Income	1,411,998	1,528,410	-8%
Interest Expense	(662,269)	(598,650)	11%
Net Interest Income	**749,729**	**929,760**	**-19%**
Fee and commission income	459,866	507,434	-9%
Fee and commission expense	(40,350)	(62,993)	-36%
Net trading income	381,691	381,885	0%
Other operating income	71,323	69,085	-3%
Non-interest revenue	**872,530**	**895,411**	**-3%**
Operating income	**1,622,259**	**1,825,171**	**-11%**
Staff expenses	(490,311)	(512,455)	-4%
Depreciation and amortisation	(108,504)	(97,444)	11%
Other operating expenses	(474,566)	(512,868)	-7%
Operating expenses	**(1,073,381)**	**(1,122,767)**	**-4%**
Operating profit before impairment losses and taxation	**548,878**	**702,404**	**-22%**
Impairment losses on loans and advances	(109,915)	(319,470)	-66%
Impairment charge on other financial assets	(23,642)	(23,914)	-1%
Impairment charges on financial assets	**(133,557)**	**(343,384)**	**-61%**
Operating profit after impairment losses before taxation	**415,321**	**359,020**	**16%**
Net monetary loss arising from hyperinflationary economy	(9,466)	-	n/a
Share of post-tax results of associates	(776)	(2,512)	-69%
Profit before tax	**405,079**	**356,508**	**14%**
Taxation	(134,865)	(108,129)	25%
Profit for the year from continuing operations	**270,214**	**248,379**	**9%**
Profit for the year from discontinued operations	4,720	801	489%
Profit for the year	**274,934**	**249,180**	**10%**
Attributable to:			
Owners of the parent	**193,958**	**182,178**	**6%**
- Continuing operations	191,409	181,745	5%
- Discontinued operations	2,549	433	489%
Non-controlling interests	**80,976**	**67,002**	**21%**
- Continuing operations	78,805	66,634	18%
- Discontinued operations	2,171	368	490%
	274,934	**249,180**	**10%**
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents per share):			
Basic (cents)	0.78	0.74	5%
Diluted (cents)	0.78	0.74	6%
Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in United States cents per share):			
Basic (cents)	0.01	0.00	n/a
Diluted (cents)	0.01	0.00	n/a
Audited consolidated statement of comprehensive income			
Profit for the year	**274,934**	**249,180**	**10%**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations	(243,219)	(295,361)	-18%
Impact of Hyperinflation	(35,542)	-	
Fair value profit / (loss) on debt instruments at FVTOCI	65,924	(75,962)	-187%
Taxation relating to components of other comprehensive income that may be subsequently reclassed to profit or loss	(1,468)	2,695	-154%
Items that will not be reclassified to profit or loss:			
Property and equipment - net revaluation gain	13,224	(643)	-2157%
Fair value (loss) / profit equity instruments designated at FVTOCI	(184)	348	-153%
Remeasurements of defined benefit obligations	902	1,374	
Taxation relating to components of other comprehensive income that will not be subsequently reclassed to profit or loss	(1,083)	(4,342)	-75%
Other comprehensive loss for the year, net of taxation	(201,446)	(371,891)	-46%
Total comprehensive profit / (loss) for the year	**73,488**	**(122,711)**	**-160%**
Total comprehensive (loss) / profit attributable to:			
Owners of the parent	**(14,571)**	**(144,758)**	**-90%**
- Continuing operations	(17,120)	(144,695)	-88%
- Discontinued operations	2,549	(63)	-4146%
Non-controlling interests	**88,059**	**22,047**	**299%**
- Continuing operations	85,888	22,101	289%
- Discontinued operations	2,171	(54)	-4120%
	73,488	**(122,711)**	**-160%**

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Audited Consolidated Statement of Comprehensive Income - GHC

	Year ended 31 December 2019	Year ended 31 December 2018 (Restated)	% Change
	GHC'000	GHC'000	
Interest Income	7,366,348	7,010,499	5%
Interest Expense	(3,455,036)	(2,745,883)	26%
Net Interest Income	**3,911,312**	**4,264,616**	**-8%**
Fee and commission income	2,399,106	2,327,494	3%
Fee and commission expense	(210,505)	(288,936)	-27%
Net trading income	1,991,270	1,751,627	14%
Other operating income	372,090	316,879	17%
Non-interest revenue	**4,551,961**	**4,107,064**	**11%**
Operating income	**8,463,273**	**8,371,680**	**1%**
Staff expenses	(2,557,937)	(2,350,525)	9%
Depreciation and amortisation	(566,062)	(446,955)	27%
Other operating expenses	(2,475,796)	(2,352,419)	5%
Operating expenses	**(5,599,795)**	**(5,149,899)**	**9%**
Operating profit before impairment losses and taxation	**2,863,478**	**3,221,781**	**-11%**
Impairment losses on loans and advances	(573,423)	(1,465,343)	-61%
Impairment charge on other financial assets	(123,340)	(109,689)	12%
Impairment charges on financial assets	**(696,763)**	**(1,575,032)**	**-56%**
Operating profit after impairment losses before taxation	**2,166,715**	**1,646,749**	**32%**
Net monetary loss arising from hyperinflationary economy	(49,384)	-	
Share of post-tax results of associates	(4,048)	(11,522)	-65%
Profit before tax	**2,113,283**	**1,635,227**	**29%**
Taxation	(703,585)	(495,965)	42%
Profit for the year from continuing operations	**1,409,698**	**1,139,262**	**24%**
Profit for the year from discontinued operations	24,624	3,674	570%
Profit for the year	**1,434,322**	**1,142,936**	**25%**
Attributable to:			
Owners of the parent	**1,011,873**	**835,613**	**21%**
- Continuing operations	998,575	833,627	20%
- Discontinued operations	13,298	1,986	570%
Non-controlling interests	**422,449**	**307,323**	**37%**
- Continuing operations	411,123	305,635	35%
- Discontinued operations	11,326	1,688	571%
	1,434,322	1,142,936	25%
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in pesewas per share):			
Basic (pesewas)	4.06	3.40	20%
Diluted (pesewas)	4.06	3.38	20%
Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in pesewas per share):			
Basic (pesewas)	0.05	0.01	
Diluted (pesewas)	0.05	0.01	
Audited consolidated statement of comprehensive income			
Profit for the year	**1,434,322**	**1,142,936**	**25%**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange difference on translation of foreign operations	10,044	(502,712)	-102%
Impact of Hyperinflation	(185,421)	-	
Fair value profit / (loss) on debt instruments at FVTOCI	343,923	(366,138)	194%
Taxation relating to components of other comprehensive income that may be subsequently reclassed to profit or loss	(7,658)	12,990	-159%
Items that will not be reclassified to profit or loss:			
Property and equipment - net revaluation gain	68,990	(3,100)	-2325%
Fair value (loss) / profit equity instruments designated at FVTOCI	(960)	1,680	-157%
Remeasurements of defined benefit obligations	4,706	6,623	
reclassed to profit or loss	(5,651)	(20,928)	-73%
Other comprehensive profit / (loss) for the year, net of taxation	227,973	(871,585)	-126%
Total comprehensive profit for the year	**1,662,295**	**271,351**	**513%**
Total comprehensive profit attributable to:			
Owners of the parent	**962,268**	**48,153**	**1898%**
- Continuing operations	948,970	48,442	1859%
- Discontinued operations	13,298	(289)	-4701%
Non-controlling interests	**700,027**	**223,198**	**214%**
- Continuing operations	688,701	223,447	208%
- Discontinued operations	11,326	(249)	-4649%
	1,662,295	271,351	513%

The above audited consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Ecobank
The Pan African Bank

Audited Consolidated Statement of Financial Position - USD

	As at 31 December 2019	As at 31 December 2018 Restated
	US$'000	**US$'000**
ASSETS		
Cash and balances with central banks	2,829,313	2,797,417
Trading financial assets	182,662	122,283
Derivative financial instruments	65,459	49,914
Loans and advances to banks	1,891,889	1,717,575
Loans and advances to customers	9,276,608	9,089,200
Treasury bills and other eligible bills	1,632,749	1,828,251
Investment securities	4,857,763	4,568,262
Pledged assets	351,478	240,434
Other assets	1,184,770	739,168
Investment in associates	3,664	6,147
Intangible assets	309,974	278,334
Property and equipment	831,182	827,165
Investment properties	21,710	29,787
Deferred income tax assets	116,424	118,715
	23,555,645	**22,412,652**
Assets held for sale and discontinued operations	85,539	90,075
Total Assets	**23,641,184**	**22,502,727**
LIABILITIES		
Deposits from banks	2,207,593	1,465,646
Deposits from customers	16,246,120	15,935,999
Derivative financial instruments	51,255	29,907
Borrowed funds	2,075,001	2,059,690
Other liabilities	845,970	996,557
Provisions	68,482	52,979
Current income tax liabilities	54,756	52,076
Deferred income tax liabilities	67,556	55,099
Retirement benefit obligations	31,082	3,896
	21,647,815	**20,651,849**
Liabilities held for sale and discontinued operations	107,592	117,856
Total Liabilities	**21,755,407**	**20,769,705**
EQUITY		
Share capital and premium	2,113,957	2,113,957
Retained earnings and reserves	(637,264)	(656,474)
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 above audited consolidated statement of financial position should be read in conjunction with the accompanying notes

Audited Consolidated Statement of Financial Position - GHC

	As at 31 December 2019	As at 31 December 2018 Restated
	GHC'000	**GHC'000**
ASSETS		
Cash and balances with central banks	15,668,170	13,483,550
Trading financial assets	1,011,546	589,404
Derivative financial instruments	362,499	240,585
Loans and advances to banks	10,476,903	8,278,712
Loans and advances to customers	51,372,000	43,809,944
Treasury bills and other eligible bills	9,041,837	8,812,170
Investment securities	26,901,320	22,019,023
Pledged assets	1,946,415	1,158,892
Other assets	6,561,019	3,562,789
Investment in associates	20,290	29,630
Intangible assets	1,716,574	1,341,570
Property and equipment	4,602,920	3,986,935
Investment properties	120,226	143,573
Deferred income tax assets	644,733	572,206
	130,446,452	**108,028,983**
Assets held for sale and discontinued operations	473,698	434,162
Total Assets	**130,920,150**	**108,463,145**
LIABILITIES		
Deposits from banks	12,225,209	7,064,414
Deposits from customers	89,967,763	76,811,515
Derivative financial instruments	283,840	144,152
Borrowed funds	11,490,941	9,927,706
Other liabilities	4,684,813	4,803,402
Provisions	379,240	255,359
Current income tax liabilities	303,228	251,006
Deferred income tax liabilities	374,112	265,577
Retirement benefit obligations	172,126	18,779
	119,881,272	**99,541,910**
Liabilities held for sale and discontinued operations	595,823	568,068
Total Liabilities	**120,477,095**	**100,109,978**
EQUITY		
Share capital and premium	4,536,378	4,536,378
Retained earnings and reserves	3,641,252	2,488,690
Equity attributable to owners of the parents	**8,177,630**	**7,025,068**
Non-controlling interests	2,265,425	1,328,099
Total equity	**10,443,055**	**8,353,167**
Total liabilities and equity	**130,920,150**	**108,463,145**

The above audited consolidated statement of financial position should be read in conjunction with the accompanying notes

Ecobank
The Pan African Bank

Audited Consolidated Statement of Changes in Equity - USD

Amounts in US$'000

	Share Capital	Retained Earnings/ (Accumulated Deficit)	Other Reserves	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 31 December 2017	**2,113,957**	**216,142**	**(449,355)**	**1,880,744**	**291,339**	**2,172,083**
IFRS 9 day 1 adjustment	-	(278,503)	-	(278,503)	(20,797)	(299,300)
Restated opening balance 1 January 2018	**2,113,957**	**(62,361)**	**(449,355)**	**1,602,241**	**270,542**	**1,872,783**
Foreign currency translation differences	-	-	(258,408)	(258,408)	(36,953)	(295,361)
Net changes in debt instruments, net of taxes	-	-	(65,265)	(65,265)	(8,002)	(73,267)
Net changes in equity instruments, net of taxes	-	-	348	348	-	348
Remeasurements of post-employment benefit obligations	-	-	1,374	1,374	-	1,374
Net loss on revaluation of property	-	-	(4,985)	(4,985)	-	(4,985)
Restated profit for the year	-	182,178	-	182,178	67,002	249,180
Total comprehensive loss for the year	-	**182,178**	**(326,936)**	**(144,758)**	**22,047**	**(122,711)**
Transfer to other group reserve	-	(12,591)	12,591	-		
Dividend relating to 2017	-	-	-	-	(17,050)	(17,050)
Transfer from share option reserve	-	(219)	219	-	-	-
Transfer to general banking reserves	-	124,262	(124,262)	-	-	-
Transfer to statutory reserve	-	(45,376)	45,376	-	-	-
At 31 December 2018 /January 2019 (restated)	**2,113,957**	**185,893**	**(842,367)**	**1,457,483**	**275,539**	**1,733,022**
Foreign currency translation differences	-	-	(243,219)	(243,219)	-	(243,219)
Impact of adopting IAS 29 at January 1, 2019	-	-	(35,542)	(35,542)	-	(35,542)
Net changes in equity investment securities, net of taxes	-	-	(184)	(184)	-	(184)
Net changes in debt investment securities, net of taxes		-	59,199	59,199	5,257	64,456
Net gains on revaluation of property	-	-	10,315	10,315	1,826	12,141
Remeasurements of post-employment benefit obligations	-	-	902	902	-	902
Profit for the year	-	193,958	-	193,958	80,976	274,934
Total comprehensive profit for the year	**-**	**193,958**	**(208,529)**	**(14,571)**	**88,059**	**73,488**
Dividend relating to 2018	-	-	-	-	(19,476)	(19,476)
Change in minority interest	-	-	-	-	64,962	64,962
Transfer to other group reserve	-	-	36,382	36,382		36,382
Transfer to share option reserve	-	-	94	94	-	94
Convertible bond - equity component	-	-	(2,695)	(2,695)	-	(2,695)
Transfer from general banking reserves	-	(28,124)	28,124	-	-	-
Transfer to statutory reserve	-	(106,164)	106,164	-	-	-
At 31 December 2019	**2,113,957**	**245,563**	**(882,827)**	**1,476,693**	**409,084**	**1,885,777**

The above audited consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Audited Consolidated Statement of Changes in Equity - GHC

Amounts in GHC '000

	Share Capital	Retained Earnings / (Accumulated Deficit)	Other Reserves	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 31 December 2017	**4,536,378**	**(563,867)**	**4,329,469**	**8,301,980**	**1,286,029**	**9,588,009**
IFRS 9 day 1 adjustment	-	(1,325,065)	-	(1,325,065)	(98,947)	(1,424,012)
Restated opening balance 1 January 2018	**4,536,378**	**(1,888,932)**	**4,329,469**	**6,976,915**	**1,187,082**	**8,163,997**
Foreign currency translation differences	-	-	(457,157)	(457,157)	(45,555)	(502,712)
Net changes in debt investment securities, net of taxes	-	-	(314,578)	(314,578)	(38,570)	(353,148)
Net changes in equity investment securities, net of taxes	-	-	1,680	1,680	-	1,680
Net loss on revaluation of property	-	-	(24,028)	(24,028)	-	(24,028)
Remeasurements of post-employment benefit obligations	-	-	6,623	6,623	-	6,623
Restated profit for the period	-	835,613	-	835,613	307,323	1,142,936
Total comprehensive profit for the year	-	**835,613**	**(787,460)**	**48,153**	**223,198**	**271,351**
Dividend relating to 2017	-	-	-	-	(82,181)	(82,181)
Transfer from share option reserve	-	(1,058)	1,058	-	-	-
Transfer to general banking reserves	-	598,944	(598,944)	-	-	-
Transfer to statutory reserve	-	(218,712)	218,712	-	-	-
Transfer to other group reserve	-	(60,689)	60,689	-	-	-
At 31 December 2018 /January 2019 (restated)	**4,536,378**	**(734,834)**	**3,223,524**	**7,025,068**	**1,328,099**	**8,353,167**
Foreign currency translation differences	-	-	(230,582)	(230,582)	240,626	10,044
Impact of adopting IAS 29 at January 1, 2019	-	-	(185,421)	(185,421)	-	(185,421)
Net changes in equity investment securities, net of taxes	-	-	(960)	(960)	-	(960)
Net changes in debt investment securities, net of taxes	-	-	308,839	308,839	27,426	336,265
Net gains on revaluation of property	-	-	53,813	53,813	9,526	63,339
Remeasurements of post-employment benefit obligations	-	-	4,706	4,706	-	4,706
Profit for the year	-	1,011,873	-	1,011,873	422,449	1,434,322
Total comprehensive profit for the year	**-**	**1,011,873**	**(49,605)**	**962,268**	**700,027**	**1,662,295**
Dividend relating to 2018	-	-	-	-	(101,606)	(101,606)
Change in minority interest	-	-	-	-	338,905	338,905
Transfer to other group reserve	-	-	189,804	189,804	-	189,804
Transfer to share option reserve	-	-	490	490	-	490
Transfer from general banking reserves	-	(146,722)	146,722	-	-	-
Transfer to statutory reserve	-	(553,854)	553,854	-	-	-
At 31 December 2019	**4,536,378**	**(423,537)**	**4,064,789**	**8,177,630**	**2,265,425**	**10,443,055**

The above audited consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Audited Consolidated Statement of Cash Flows - USD

	Year ended 31 December 2019	Year ended 31 December 2018
	US$'000	**US$'000**
Cash flows from operating activities		
Profit before tax	405,079	356,508
Adjusted for:		
Foreign exchange income	(42,924)	(46,917)
Net (profit) / loss from investment securities	(6,879)	14
Fair value loss on investment properties	-	1,077
Impairment losses on loans and advances	109,915	319,470
Impairment losses on other financial assets	23,642	23,914
Depreciation of property and equipment	88,144	77,541
Net interest income	(749,729)	(929,760)
Amortisation of software and other intangibles	20,360	19,903
Profit on sale of property and equipment	(1,279)	(63)
Share of loss of associates	776	2,512
Income taxes paid	(123,782)	(118,862)
Changes in operating assets and liabilities		
Trading financial assets	(60,379)	(85,726)
Derivative financial instruments	(15,545)	(10,647)
Treasury bills and other eligible bills	180,562	(51,142)
Loans and advances to banks	(100,064)	84,298
Loans and advances to customers	(26,449)	(105,569)
Pledged assets	(111,044)	58,127
Other assets	(445,602)	(7,782)
Mandatory reserve deposits with central banks	(135,505)	60,386
Deposits from banks	1,204,157	(500,781)
Deposits from customers	310,121	732,728
Derivative liabilities	21,348	(2,590)
Other liabilities	(150,587)	(214,351)
Provisions	15,503	529
Interest received	1,411,998	1,528,410
Interest paid	(662,269)	(598,650)
Net cashflow from operating activities	**1,159,568**	**592,577**
Cash flows from investing activities		
Purchase of software	(58,369)	(21,471)
Purchase of property and equipment	(406,367)	(200,945)
Proceeds from sale of property and equipment	292,304	222,163
Purchase of investment securities	(2,911,125)	(1,684,041)
Purchase of investment properties	(4,222)	(10,481)
Disposal of investment properties	12,047	22,604
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	(671,050)	(110,022)
Proceeds from borrowed funds	561,252	440,958
Payment of lease liabilities	125,107	-
Dividends paid to non-controlling shareholders	(19,476)	(17,050)
Net cashflow (used in) / from financing activities	**(4,167)**	**313,886**
Net increase in cash and cash equivalents	**650,149**	**548,851**
Cash and cash equivalents at beginning of year	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 above audited consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Audited Consolidated Statement of Cash Flows - GHC

	Year ended 31 December 2019	Year ended 31 December 2018
	GHC'000	GHC'000
Cash flows from operating activities		
Profit before tax	2,113,283	1,635,227
Adjusted for:		
Foreign exchange income	(223,933)	(215,199)
Net (profit) / loss from investment securities	(35,888)	64
Fair value loss on investment properties	-	4,940
Impairment losses on loans and advances	573,423	1,465,343
Impairment losses on other financial assets	123,340	109,689
Depreciation of property and equipment	459,844	355,664
Net interest income	(3,911,312)	(4,264,616)
Amortisation of software and other intangibles	106,218	91,291
Profit on sale of property and equipment	(6,673)	(289)
Share of loss of associates	4,048	11,522
Income taxes paid	(645,767)	(545,195)
Changes in operating assets and liabilities		
Trading financial assets	(314,995)	(393,207)
Derivative financial instruments	(81,098)	(48,836)
Treasury bills and other eligible bills	941,986	(234,580)
Loans and advances to banks	(522,031)	386,657
Loans and advances to customers	(137,984)	(484,222)
Pledged assets	(579,313)	266,616
Other assets	(2,324,691)	(35,696)
Mandatory reserve deposits with central banks	(706,925)	276,978
Deposits from banks	6,282,048	(2,296,978)
Deposits from customers	1,617,891	3,360,871
Derivative liabilities	111,372	(11,880)
Other liabilities	(785,608)	(983,183)
Provisions	80,879	2,426
Interest received	7,366,348	7,010,499
Interest paid	(3,455,036)	(2,745,883)
Net cashflow from operating activities	**6,049,426**	**2,718,023**
Cash flows from investing activities		
Purchase of software	(304,509)	(98,483)
Purchase of property and equipment	(2,120,004)	(921,693)
Proceeds from sale of property and equipment	1,524,941	1,019,016
Purchase of investment securities	(15,187,246)	(7,724,346)
Purchase of investment properties	(22,026)	(48,074)
Disposal of investment properties	62,849	103,680
Redemption of investment securities	13,410,112	6,029,609
Net cashflow used in investing activities	**(2,635,883)**	**(1,640,291)**
Cash flows from financing activities		
Repayment of borrowed funds	(3,500,847)	(504,648)
Proceeds from borrowed funds	2,928,034	2,022,583
Dividends paid to non-controlling shareholders	(101,608)	(78,205)
Net cashflow (used in) / from financing activities	**(674,421)**	**1,439,730**
Net increase in cash and cash equivalents	**2,739,122**	**2,517,462**
Cash and cash equivalents at beginning of year	10,323,741	8,676,601
Effects of exchange differences on cash and cash equivalents	1,112,607	(870,322)
Cash and cash equivalents at end of the year	**14,175,470**	**10,323,741**

The above audited consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes

1 General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, 'the Group') provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The Group had operations in 40 countries and employed over 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 Regionale Des Valeurs Mobilieres (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.

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 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

(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 Summary of significant accounting policies (continued)

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.

2 Summary of significant accounting policies (continued)

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:

	31 December 2018	Reclassification	Remeasurement	1 January 2019
Assets				
Property and equipment	827 165	-	70 017	897 182
Total assets	22 502 727		70 017	22 572 744
Liabilities				
Borrowings	2 059 690	-	70 017	2 129 707
Total liabilities	20 769 705		70 017	20 839 722

- 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.

- 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:

II) IFRS 17 Insurance Contracts

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

The impact of this standard is not material to the Group.

Notes

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.

2.4 Foreign currency translation (continued)

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

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 $5.2 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 $18.2 million;
• Operating profit is reduced by $25.8 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

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 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.

2.7 Fee and commission income

2.7 Fees and Commissions 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.

Notes

2 Summary of significant accounting policies (continued)

2.12 Cash and cash equivalents

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

2.13 Repossessed collateral 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:
- 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.

Notes

2 Summary of significant accounting policies (continued)

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).

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.

Notes

b) Deferred income tax (continued)

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

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

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

2.19 Provisions

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

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

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

2.20 Employee benefits

a) Pension obligations

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

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

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

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

Past-service costs are recognised immediately in income.

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

b) Other post-retirement obligations

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

c) Termination benefits

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

Notes

2 Summary of significant accounting policies (continued)

d) Profit-sharing and bonus plans

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

e) Short term benefits

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

2.21 Borrowings

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

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

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

2.22 Compound financial instruments

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

2.23 Fiduciary activities

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

2.24 Share capital

a) Share issue costs

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

b) Dividends on ordinary shares

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

c) Treasury shares

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

2.25 Segment reporting

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

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

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

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

Non-current assets (or disposal groups 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 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.

Notes

2 Summary of significant accounting policies (continued)

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).

Notes

2 Summary of significant accounting policies (continued)

e) Business model assessment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.29.2 Financial liabilities - Policy applicable from January 1, 2018

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

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

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

Notes

2.29.2 Financial liabilities - Policy applicable from January 1, 2018 (continued)

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

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

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

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

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

Expected Credit Loss Impairment Model

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

The Group adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:
(i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
(ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
(iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected
credit losses

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

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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

b) Restructured financial assets

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

c) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
• significant financial difficulty of the borrower or issuer;
• a breach of contract such as a default or past due event;
• the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
• it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
• observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

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

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

Notes

2.29.2 Financial liabilities - Policy applicable from January 1, 2018 (continued)

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

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

e) Write-off

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

f) Definition of default

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes

2.29.2 Financial liabilities - Policy applicable from January 1, 2018 (continued)

h) Significant Increase in Credit Risk (SICR)

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

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

i) Forward-looking information incorporated in the ECL models

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

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

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

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

i) Forward-looking information incorporated in the ECL models (continued)

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

Summary of forward-looking information and associated sensitivity:

		Agregate impairment					
		Nigeria	**UEMOA**	**AWA**	**CESA**	**ETI and Others**	**Total**
Gross Loans		2 504 008	3 848 433	1 376 147	1 699 369	405 701	**9 833 658**
Impairment		(278 602)	(79 493)	(86 137)	(152 111)	39 293	**(557 050)**
Commodity Price index	*5% Increase*	(278 602)	(79 653)	(86 137)	(152 418)	39 292	(557 518)
	5% Decrease	(278 602)	(79 334)	(86 137)	(151 807)	39 292	(556 587)
Oil Exports	*5% Increase*	(372 543)	(79 493)	(86 137)	(152 111)	39 292	(650 992)
	5% Decrease	(279 275)	(79 493)	(86 137)	(152 111)	39 292	(557 724)
Price lending rate	*5% Increase*	(296 241)	(79 493)	(85 985)	(152 111)	39 292	(574 539)
	5% Decrease	(262 148)	(79 493)	(86 093)	(152 111)	39 292	(540 553)
Average Exchange Rate	*5% Increase*	(278 602)	(79 441)	(86 182)	(152 111)	39 292	(557 044)
	5% Decrease	(278 602)	(79 441)	(86 093)	(152 111)	39 292	(556 956)

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

2.29.2 Financial liabilities - Policy applicable from January 1, 2018 (continued)

j) Expected Life

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

2.29.7 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 payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

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

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

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

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

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

2.29.11 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.
- 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.

Notes

2 Summary of significant accounting policies (continued)

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

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.

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

Category (as defined by IFRS9)	Class (as determined by the Group)
Fair Value Through Profit or Loss (FVTPL)	Trading financial assets
	Derivative financial instruments
Amortised Cost	Cash and balances with central banks
	Loans and advances to banks
	Loans and advances to customers
	Other assets excluding prepayments
Fair Value Through Other Comprehensive Income (FVTOCI)	Treasury bills and other eligible bills
	Investment securities
	Pledged assets

Financial liabilities

Category (as defined by IFRS9)	Class (as determined by the Group)
Financial liabilities at fair value through profit or loss	Derivative financial instruments
Financial liabilities at amortised cost	Deposits from banks
	Deposits from customers
	Borrowed funds
	Other liabilities, excluding non-financial liabilities

Off balance sheet financial instruments

Category (as defined by IFRS9)	Class (as determined by the Group)
Loan commitments	Loan commitments
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial

3 Critical accounting estimates, and judgements in applying accounting policies

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

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

a) Impairment losses on loans and advances (applicable from 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.

(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.

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

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.

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

5.3 Liquidity risk management

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 fulfil 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 Non-derivative 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.

As at 31 December 2019

	Up to 1 month	1 -3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	1,748,025	-	-	-	1,264,686	3,012,711
Trading Financial Assets	5,905	34,977	147,125	1,056	68,759	257,822
Derivative financial instruments	20,427	45,032	-	-	-	65,459
Loans and advances to banks	1,603,529	404,680	238,222	-	-	2,246,431
Loans and advances to customers	3,363,696	1,628,089	1,871,518	3,641,301	1,401,980	11,906,584
Treasury bills and other eligible bills	181,080	404,854	1,113,704	66,644	-	1,766,282
Investment securities	1,089,572	46,899	716,138	2,209,469	1,452,255	5,514,333
Pledged assets	-	-	351,478	-	-	351,478
Other assets	474,792	43,267	449,653	142,201	39,723	1,149,636
Total assets (expected maturity dates)	**8,487,026**	**2,607,798**	**4,887,838**	**6,060,671**	**4,227,403**	**26,270,736**
Liabilities						
Deposits from banks	3,135,012	526,621	223,189	199,602	-	4,084,424
Deposit from customers	12,987,391	1,183,962	1,161,846	816,802	221,060	16,371,061
Other borrowed funds	145,114	38,584	167,677	2,515,933	54,640	2,921,948
Other liabilities	672,660	373,110	1,189,981	26,452	565,847	2,828,050
Derivative financial instruments	568,362	10,259	88,657	96,132	14,106	777,516
Total liabilities (contractual maturity dates)	**17,508,539**	**2,132,536**	**2,831,350**	**3,654,921**	**855,653**	**26,982,999**
Gap analysis	**(9,021,513)**	**475,262**	**2,056,488**	**2,405,750**	**3,371,750**	**(712,263)**

As at 31 December 2018

	Up to 1 month	1 -3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	1,630,386	-	-	-	1,129,181	2,759,567
Financial Asset held for trading	3,109	-	25,444	108,490	2,708	139,751
Derivative financial instruments	31,324	9,388	17,888	-	-	58,600
Loans and advances to banks	1,332,720	236,644	428,077	-	-	1,997,441
Loans and advances to customers	2,844,648	1,656,397	1,433,571	3,271,303	986,141	10,192,060
Treasury bills and other eligible bills	273,288	616,385	1,255,971	125,154	11,045	2,281,843
Investment securities	155,666	91,922	1,057,989	2,064,430	2,580,063	5,950,070
Pledged assets	-	-	164,160	76,274	-	240,434
Other assets	285,526	59,961	263,801	120,242	-	729,530
Total assets (expected maturity dates)	**6,556,667**	**2,670,697**	**4,646,901**	**5,765,893**	**4,709,138**	**24,349,296**
Liabilities						
Deposits from banks	1,123,556	427,701	503,241	48,415	-	2,102,913
Deposit from customers	11,529,945	1,369,249	1,537,889	868,209	1,469,385	16,774,677
Other borrowed funds	282,899	64,213	389,601	1,818,516	33,676	2,588,905
Other liabilities	672,659	129,567	876,309	102,847	49,183	1,830,565
Derivative financial instruments	29,907	-	-	-	-	29,907
Total liabilities (contractual maturity dates)	**13,638,966**	**1,990,730**	**3,307,040**	**2,837,987**	**1,552,244**	**23,326,967**
Gap analysis	**(7,082,299)**	**679,967**	**1,339,861**	**2,927,906**	**3,156,894**	**1,022,329**

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

5 Fair value of financial assets and liabilities

(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.

	Carrying value		Fair value	
	31 Dec 2019	31 Dec 2018	30 Sept 2019	31 Dec 2018
Financial assets:				
Cash and balances with central banks	2,829,313	2,797,417	2,829,313	2,797,417
Loans and advances to banks	1,891,889	1,717,575	2,246,431	1,691,762
Loans and advances to customers	9,276,608	9,089,200	9,325,099	9,008,813
Other assets (excluding prepayments)	1,154,675	715,178	1,154,675	715,178
Financial liabilities:				
Deposits from banks	2,207,593	1,465,646	2,018,980	2,099,272
Deposit from customers	16,246,120	15,935,999	16,371,061	15,267,906
Other liabilities (excluding deferred income)	781,493	939,403	781,493	939,403
Borrowed funds	2,075,001	2,059,690	2,191,461	2,054,326

(i) Cash

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

(ii) Loans and advances to banks

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 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.

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 as these are short term in nature

(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.

	31 December 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Treasury and other eligible bills	879,087	753,662	-	701,994	1,126,257	-
Trading Financial Assets/ Financial Assets held for trading	166,724	15,938	-	96,500	25,783	-
Derivative financial instruments	-	65,459	-	-	49,914	-
Pledged assets	-	351,478	-	-	240,434	-
Investment securities	776,839	4,080,834	90	2,073,032	2,495,140	90
Total financial assets	**1,822,650**	**5,267,371**	**90**	**2,871,526**	**3,937,528**	**90**
Derivative financial instruments	-	51,255	-	-	29,907	-
Total financial liabilities	**-**	**51,255**	**-**	**-**	**29,907**	**-**

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

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

5 Fair value of financial assets and liabilities (continued)

	31 Dec 2019 Level 3	31 Dec 2018 Level 3
Opening balance	90	60,165
Disposal	-	(60,075)
Transfer from level 3 to level 2	-	-
Gains & losses recognised in other comprehensive income	-	-
Closing balance	90	90
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	-	-

Level 3 fair value measurement

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.

Type of financial instrument	Fair value as at 31 December 2019	Valuation technique	Significant unobservable input	Change in unobservable input by 10 basis point	Change in unobservable input by 50 basis point
OCEANIC HEALTH MANAGEMENT	90	Discounted cash flow	Weighted average cost of capital	91	95

(c) Financial instrument classification

31 December 2019	Amortised cost	FVTPL	FVTOCI - Debt Instruments	Equity Instruments at FVTPL	FVTOCI - Equity instruments	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Total
Assets								
Cash and balances with central banks	2,829,313	-	-	-	-	-	-	2,829,313
Trading financial assets	-	182,662	-	-	-	-	-	182,662
Derivative financial instruments	-	65,459	-	-	-	-	-	65,459
Loans and advances to banks	1,891,889	-	-	-	-	-	-	1,891,889
Loans and advances to customers	9,276,608	-	-	-	-	-	-	9,276,608
Treasury bills and other eligible bills	-	-	1,632,749	-	-	-	-	1,632,749
Investment securities - Equity instruments	-	-	-	163,904	90	-	-	163,994
Investment securities - Debt instruments	-	-	4,693,769	-	-	-	-	4,693,769
Pledged assets	351,478	-	-	-	-	-	-	351,478
Other assets, excluding prepayments	1,154,675	-	-	-	-	-	-	1,154,675
Total	**15,503,963**	**248,121**	**6,326,518**	**163,904**	**90**	**-**	**-**	**22,242,596**
Liabilities								
Deposits from banks	-	-	-	-	-	-	2,207,593	2,207,593
Deposit from customers	-	-	-	-	-	-	16,246,120	16,246,120
Derivative financial instruments	-	-	-	-	-	51,255	-	51,255
Borrowed funds	-	-	-	-	-	-	2,075,001	2,075,001
Other liabilities, excluding non-financial liabilities	-	-	-	-	-	-	781,493	781,493
Total	**-**	**-**	**-**	**-**	**-**	**51,255**	**21,310,207**	**21,361,462**

31 December 2018	Amortised cost	FVTPL	FVTOCI - Debt Instruments	Equity Instruments at FVTPL	FVTOCI - Equity instruments	Liabilities at fair value through profit or loss	Liabilities at amortized cost	Total
Assets								
Cash and balances with central banks	2,797,417	-	-	-	-	-	-	2,797,417
Trading financial assets	-	122,283	-	-	-	-	-	122,283
Derivative financial instruments	-	49,914	-	-	-	-	-	49,914
Loans and advances to banks	1,717,575	-	-	-	-	-	-	1,717,575
Loans and advances to customers	9,168,669	-	-	-	-	-	-	9,168,669
Treasury bills and other eligible bills	-	-	1,828,251	-	-	-	-	1,828,251
Investment securities - Equity instruments	-	-	-	5,518	90	-	-	5,608
Investment securities - Debt instruments	-	-	4,563,603	-	-	-	-	4,563,603
Pledged assets	240,434	-	-	-	-	-	-	240,434
Other assets, excluding prepayments	715,178	-	-	-	-	-	-	715,178
Total	**14,639,273**	**172,197**	**6,391,854**	**5,518**	**90**	**-**	**-**	**21,208,932**
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,465,646	1,465,646
Deposit from customers	-	-	-	-	-	-	15,935,999	15,935,999
Derivative financial instruments	-	-	-	-	-	29,907	-	29,907
Borrowed funds	-	-	-	-	-	-	2,059,690	2,059,690
Other liabilities, excluding non-financial liabilities	-	-	-	-	-	-	939,403	939,403
Total	**-**	**-**	**-**	**-**	**-**	**29,907**	**20,400,738**	**20,430,645**

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

5 Financial Risk Management

The Group's capital management objectives 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).

	30 June 2019	Restated 31 Dec 2018
Tier 1 capital		
Share capital	2,113,957	2,113,957
Retained earnings	385,595	264,364
IFRS 9 Day One transition adjustment	99,767	200,531
Statutory reserves	478,232	478,232
Other reserves	(1,596,540)	(1,499,828)
Non-controlling interests	203,171	182,899
Less: goodwill	(194,313)	(199,105)
Less: intangibles	(74,884)	(79,229)
Less: other deductions	-	-
Total qualifying Tier 1 capital	**1,414,984**	**1,461,821**
Tier 2 capital		
Subordinated debt and other instruments	397,429	398,788
Revaluation reserves	100,223	77,176
Minority interests included in Tier 2 capital	65,819	44,118
Total qualifying Tier 2 capital	**563,471**	**520,082**
Total regulatory capital	**1,978,455**	**1,981,903**
Risk-weighted assets:		
Credit risk weighted assets	12,248,402	12,319,621
Market risk weighted assets	314,920	268,212
Operational risk weighted assets	3,501,410	3,501,410
Total risk-weighted assets	**16,064,732**	**16,089,243**
Tier 1 Capital Adequacy Ratio	**8.8%**	**9.1%**
Total Capital Adequacy Ratio	**12.3%**	**12.3%**

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

		Year ended 31 December 2019		Year ended 31 December 2018	
		US$'000	GHC'000	US$'000	GHC'000
7	**Net interest income**				
	Interest income				
	Loans and advances to banks	109,085	569,093	101,498	465,550
	Loans and advances to customers:				
	- Corporate	504,633	2,632,654	635,575	2,915,250
	- Commercial	121,090	631,723	98,147	450,180
	- Consumer	102,189	533,117	133,925	614,286
	Treasury bills and other eligible bills	195,266	1,018,696	224,086	1,027,836
	Investment securities	332,265	1,733,416	239,932	1,100,518
	Financial assets held for trading measured at FVTPL	37,739	196,883	78,461	359,884
	Others	9,731	50,766	16,786	76,995
		1,411,998	**7,366,348**	**1,528,410**	**7,010,499**
	Interest expense				
	Deposits from banks	115,320	601,621	97,766	448,432
	Due to customers:				
	- Corporate	161,341	841,711	182,292	836,136
	- Commercial	53,993	281,680	50,690	232,504
	- Consumer	136,389	711,537	139,244	638,683
	Borrowed funds	174,208	908,838	31,492	144,447
	Interest expense for lease liabilities	6,458	33,691	-	-
	Others	14,560	75,958	97,166	445,681
		662,269	**3,455,036**	**598,650**	**2,745,883**
8	**Net fee and commission income**				
	Fee and commission income:				
	Credit related fees and commissions	134,470	701,526	136,094	624,235
	Portfolio and other management fees	21,243	110,824	19,117	87,686
	Corporate finance fees	13,951	72,782	13,798	63,289
	Cash management and related fees	198,499	1,035,563	230,304	1,056,357
	Card management fees	79,430	414,384	87,041	399,239
	Brokerage fees and commissions	5,383	28,083	3,439	15,774
	Other fees	6,890	35,944	17,641	80,914
		459,866	**2,399,106**	**507,434**	**2,327,494**
	Fee and commission expense				
	Brokerage fees paid	1,459	7,612	1,314	6,027
	Other fees paid	38,891	202,893	61,679	282,909
		40,350	**210,505**	**62,993**	**288,936**
9	**Net trading income**				
	Foreign exchange	295,558	1,541,917	340,762	1,563,004
	Trading income on securities	86,133	449,353	41,123	188,623
		381,691	**1,991,270**	**381,885**	**1,751,627**
10	**Other (expense)/ operating income**				
	Net investment income	6,879	35,888	(14)	(64)
	Lease income	4,173	21,770	2,226	10,210
	Dividend income	7,935	41,397	5,036	23,099
	Other	52,336	273,035	61,837	283,634
		71,323	**372,090**	**69,085**	**316,879**
11	**Impairment losses on loans and advances and other financial assets**				
	Impairment losses on loans and advances	844,934	4,407,994	890,125	4,082,818
	Recoveries	(735,019)	(3,834,570)	(570,655)	(2,617,476)
	Impairment charge on other financial assets	23,642	123,339	23,914	109,690
		133,557	**696,763**	**343,384**	**1,575,032**
13	**Operating expenses**				
	Staff expenses	490,311	2,557,937	512,455	2,350,525
	Depreciation and amortisation	108,504	566,062	97,444	446,955
	Other operating expenses	474,566	2,475,796	512,868	2,352,419
		1,073,381	**5,599,795**	**1,122,767**	**5,149,899**
12	**Taxation**				
	Current income tax	126,462	659,748	112,831	517,532
	Deferred income tax	8,403	43,837	(4,702)	(21,567)
		134,865	**703,585**	**108,129**	**495,965**

13 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.

	31 Dec 2019	31 Dec 2018
Profit attributable to equity holders of the Company from continuing operations	191,409	181,745
Profit/ (Loss) attributable to equity holders of the Company from discontinued operations	2,549	433
Weighted average number of ordinary shares in issue (in thousands)	24,592,619	24,592,619
Basic earnings per share (expressed in US cents per share) from continuing operations	0.78	0.74
Basic earnings per share (expressed in US cents per share) from discontinued operations	0.01	0.00

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 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.

	31 Dec 2019	31 Dec 2018
Profit attributable to equity holders of the company from continuing operations	191,409	261,214
Interest expense on dilutive convertible loans	-	752
	191,409	261,966
Profit attributable to equity holders of the company from discontinued operations	2,549	433
Interest expense on dilutive convertible loans	-	-
Adjusted profit	2,549	433
Weighted average number of ordinary shares in issue (in thousands)	24,592,619	24,592,619
Adjustment for dilutive convertible loans	-	226,865
Weighted average number of ordinary shares for diluted earnings per share (in	24,592,619	24,819,484
Dilutive earnings per share (expressed in US cents per share) from continuing operations	0.78	0.74
Dilutive earnings per share (expressed in US cents per share) from discontinued operations	0.01	0.00

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

		As at 31 December 2019		As at 31 December 2018	
		US$'000	**GHC'000**	**US$'000**	**GHC'000**
14	**Cash and balances with central banks**				
	Cash in hand	636,886	3,526,947	656,785	3,165,704
	Balances with central banks other than mandatory reserve deposits	927,741	5,137,644	1,011,451	4,875,194
	Included in cash and cash equivalents	**1,564,627**	**8,664,591**	**1,668,236**	**8,040,898**
	Mandatory reserve deposits with central banks	1,264,686	7,003,579	1,129,181	5,442,652
		2,829,313	**15,668,170**	**2,797,417**	**13,483,550**
15	**Trading financial assets**				
	Debt securities				
	- Government bonds	182,662	1,011,546	122,283	589,404
		182,662	**1,011,546**	**122,283**	**589,404**
16	**Loans and advances to banks**				
	Items in course of collection from other banks	64,238	355,737	46,884	225,981
	Deposits with other banks	1,226,587	6,792,593	1,152,337	5,554,265
	Placements with other banks	601,064	3,328,573	518,354	2,498,466
		1,891,889	**10,476,903**	**1,717,575**	**8,278,712**
17	**Loans and advances to customers**				
	Analysis by type:				
	Overdrafts	1,564,461	8,663,672	1,274,247	6,141,871
	Credit cards	3,450	19,105	3,101	14,947
	Term loans	8,123,795	44,987,952	8,421,947	40,593,784
	Mortgage loans	141,952	786,102	106,260	512,173
	Others	-	-	1,654	7,972
	Gross loans and advances	**9,833,658**	**54,456,831**	**9,807,209**	**47,270,747**
	Less: allowance for impairment	(557,050)	(3,084,831)	(718,009)	(3,460,803)
		9,276,608	**51,372,000**	**9,089,200**	**43,809,944**
18	**Treasury bills and other eligible bills**				
	Maturing within three months	381,444	2,112,361	396,384	1,910,571
	Maturing after three months	1,251,305	6,929,476	1,431,867	6,901,599
		1,632,749	**9,041,837**	**1,828,251**	**8,812,170**
19	**Investment securities**				
	Debt securities				
	- At FVTOCI listed	1,901,387	10,529,501	1,677,336	8,084,758
	- At FVTOCI unlisted	2,793,413	15,469,360	2,886,267	13,911,810
	Total	**4,694,800**	**25,998,861**	**4,563,603**	**21,996,568**
	Equity securities				
	- At FVTOCI unlisted	90	498	90	434
	- At FVTPL listed	2,169	12,011	3,131	15,091
	- At FVTPL unlisted	161,735	895,657	2,387	11,504
		163,994	**908,166**	**5,608**	**27,029**
	Total investment securities	**4,858,794**	**26,907,027**	**4,569,211**	**22,023,597**
	Allowance for impairment	(1,031)	(5,707)	(949)	(4,574)
		4,857,763	**26,901,320**	**4,568,262**	**22,019,023**

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

		As at 31 December 2019		As at 31 December 2018	
		US$'000	**GHC'000**	**US$'000**	**GHC'000**
20	**Pledged assets**				
	Treasury bills	292,288	1,618,633	164,122	791,069
	Government bonds	47,190	261,328	36,292	174,926
	Eurobonds	12,000	66,454	40,020	192,897
		351,478	**1,946,415**	**240,434**	**1,158,892**
21	**Other assets**				
	Fees receivable	9,302	51,513	9,850	47,477
	Accounts receivable	738,616	4,090,308	599,818	2,891,121
	Repossessed assets from customers	170,389	943,582	-	-
	Prepayments	156,458	866,433	165,124	795,898
	Sundry receivables	236,368	1,308,956	105,510	508,559
		1,311,133	**7,260,792**	**880,302**	**4,243,055**
	Impairment provision on receivables	(126,363)	(699,773)	(141,134)	(680,266)
		1,184,770	**6,561,019**	**739,168**	**3,562,789**
22	**Right-of-use assets**				
	Included in the amount for property and equipment in the statement of financial position are right-of-use assets show below:				
	Land and buildings	86,672	479,972	-	-
	Motor Vehicles	778	4,308	-	-
	Furniture and equipment	2,254	12,482	-	-
	Installations	41	227	-	-
		89,745	**496,989**	**-**	**-**
23	**Deposits from banks**				
	Operating accounts with banks	612,892	3,394,073	1,075,102	5,181,992
	Deposits from banks	1,594,701	8,831,136	390,544	1,882,422
		2,207,593	**12,225,209**	**1,465,646**	**7,064,414**
24	**Deposit from customers**				
	Current accounts	9,817,747	54,368,719	9910388	47,768,070
	Term deposits	3,574,917	19,797,175	3381078	16,296,796
	Savings	2,853,456	15,801,869	2644533	12,746,649
		16,246,120	**89,967,763**	**15,935,999**	**76,811,515**
25	**Other liabilities**				
	Accrued income	64,477	357,061	57,154	275,482
	Unclaimed dividend	4,144	22,949	3,567	17,193
	Accruals	202,518	1,121,504	380,403	1,833,542
	Obligations under customers' letters of credit	68,482	379,240	28,896	139,279
	Bankers draft	27,929	154,665	61,303	295,480
	Accounts payable	51,830	287,024	143,447	691,416
	Other liabilities	426,590	2,362,370	321,787	1,551,010
		845,970	**4,684,813**	**996,557**	**4,803,402**
26	Short term				
	Long term	36,791	203,741	-	-
		88,316	489,076	-	-
		125,107	**692,817**	-	-

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

Note 27: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE - USD

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

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	OTHERS AND CONSO ADJUSTMENT(1)	Ecobank Group
Income Statement Highlights for the period ended 31 December 2019						
Net interest income	102,690	290,809	264,184	193,921	(101,875)	749,729
Net fees and commission income	153,040	217,500	172,076	250,424	79,490	872,530
Operating income	**255,730**	**508,309**	**436,260**	**444,345**	**(22,385)**	**1,622,259**
Impairment losses on financial assets	6,713	32,477	53,979	2,899	37,489	133,557
Total operating expenses	242,760	302,148	203,386	259,194	65,893	1,073,381
Operating profit after impairment losses	**6,257**	**173,684**	**178,895**	**182,252**	**(125,767)**	**415,321**
Share of post-tax results of associates	-	-	3	(159)	(620)	(776)
Net monetary loss arising from hyperinflationary economy	-	-	-	(9,466)	-	(9,466)
Profit before tax	**6,257**	**173,684**	**178,898**	**172,627**	**(126,387)**	**405,079**
Balance Sheet Highlights as at 31 December 2019						
Total assets	5,932,641	8,960,332	3,576,629	5,597,660	(426,078)	**23,641,184**
Total Liabilities	5,439,475	8,263,104	3,122,567	5,080,545	(150,284)	**21,755,407**

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	OTHERS AND CONSO ADJUSTMENT(1)	Ecobank Group
Income Statement Highlights for the period ended 31 December 2018						
Net interest income	261,417	282,989	241,823	207,283	(63,752)	929,760
Net fees and commission income	193,604	245,329	158,092	243,571	54,815	895,411
Operating income	**455,021**	**528,318**	**399,915**	**450,854**	**(8,937)**	**1,825,171**
Impairment losses on financial assets	157,319	49,519	43,199	67,478	25,869	343,384
Total operating expenses	284,968	315,989	209,094	272,466	40,250	1,122,767
Operating profit after impairment losses	**12,734**	**162,810**	**147,622**	**110,910**	**(75,056)**	**359,020**
Share of post-tax results of associates	-	-	284	(217)	(2,579)	(2,512)
Profit before tax	**12,734**	**162,810**	**147,906**	**110,693**	**(77,635)**	**356,508**
Balance Sheet Highlights as at 31 December 2018						
Total assets	5,532,739	8,860,612	3,259,219	5,410,441	(560,284)	**22,502,727**
Total Liabilities	4,880,603	8,256,466	2,875,898	4,884,858	(128,120)	**20,769,705**

ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, and also the impact of other affiliates and structured entities of ETI. The impact of consolidation eliminations is also included in 'ETI & Others'.

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

Note 28: BUSINESS FINANCIAL PERFORMANCE - USD

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

In 000 of $	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 31 December 2019						
Net interest income	395,196	155,217	211,917	(13,421)	820	749,729
Net fees and commission income	151,819	104,651	168,085	25,053	(30,092)	419,516
Other income	266,698	100,052	36,912	225,178	(175,826)	453,014
Operating income	**813,713**	**359,920**	**416,914**	**236,810**	**(205,098)**	**1,622,259**
Impairment losses on financial assets	60,660	32,737	15,452	24,708	-	133,557
Total operating expenses	423,275	277,461	334,561	62,730	(24,647)	1,073,381
Operating profit after impairment losses	**329,778**	**49,722**	**66,901**	**149,372**	**(180,451)**	**415,321**
Share of post-tax results of associates	(156)	-	-	(620)	-	(776)
Net monetary loss arising from hyperinflationary economy	-	-	-	(9,466)	-	(9,466)
Profit before tax	**329,622**	**49,722**	**66,901**	**139,286**	**(180,451)**	**405,079**
Balance Sheet Highlights as at 31 December 2019						
Total assets	13,898,717	1,750,062	1,003,741	4,013,305	2,975,359	**23,641,184**
Total Liabilities	12,957,810	3,813,213	5,505,945	1,942,446	(2,464,007)	**21,755,407**

In 000 of $	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 31 December 2018						
Net interest income	464,160	163,358	240,217	62,025	-	929,760
Net fees and commission income	176,858	97,768	171,337	32,126	(33,648)	444,441
Other income	293,696	93,359	35,012	139,623	(110,720)	450,970
Operating income	**934,714**	**354,485**	**446,566**	**233,774**	**(144,368)**	**1,825,171**
Impairment losses on financial assets	273,739	60,931	13,237	37,562	(42,085)	343,384
Total operating expenses	472,747	264,324	371,422	126,171	(111,896)	1,122,767
Operating profit after impairment losses	**188,228**	**29,230**	**61,907**	**70,042**	**9,613**	**359,020**
Share of post-tax results of associates	66	-	-	(3,039)	461	(2,512)
Profit before tax	**188,294**	**29,230**	**61,907**	**67,003**	**10,074**	**356,508**
Balance Sheet Highlights as at 31 December 2018						
Total assets	13,022,007	1,252,536	889,996	3,340,465	3,997,723	**22,502,727**
Total Liabilities	11,678,343	3,346,639	5,242,265	2,125,486	(1,623,028)	**20,769,705**

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

Note 29: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE - GHC

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

In 000,000 of GHC

	NIGERIA	UEMOA	AWA	CESA	OTHERS AND CONSO ADJUSTMENT(1)	Ecobank Group
Income Statement Highlights for the period ended 31 December 2019						
Net interest income	536	1,517	1,378	1,012	(532)	3,911
Net fees and commission income	798	1,135	898	1,306	415	4,552
Operating income	**1,334**	**2,652**	**2,276**	**2,318**	**(117)**	**8,463**
Impairment losses on financial assets	35	169	282	15	196	697
Total operating expenses	1,266	1,576	1,061	1,352	345	5,600
Operating profit after impairment losses	**33**	**907**	**933**	**951**	**(658)**	**2,166**
Net monetary loss arising from hyperinflationary economy	-	-	-	(49)	-	(49)
Share of post-tax results of associates	-	-	-	(1)	(3)	(4)
Profit before tax	**33**	**907**	**933**	**901**	**(661)**	**2,113**
Balance Sheet Highlights as at 31 December 2019						
Total assets	32,854	49,621	19,807	30,999	(2,361)	**130,920**
Total Liabilities	30,123	45,759	17,292	28,135	(832)	**120,477**

In 000,000 of GHC

	NIGERIA	UEMOA	AWA	CESA	OTHERS AND CONSO ADJUSTMENT(1)	Ecobank Group
Income Statement Highlights for the period ended 31 December 2018						
Net interest income	1,199	1,298	1,109	951	(292)	4,265
Net fees and commission income	888	1,125	725	1,117	252	4,107
Operating income	**2,087**	**2,423**	**1,834**	**2,068**	**(40)**	**8,372**
Impairment losses on financial assets	721	227	198	309	119	1,575
Total operating expenses	1,307	1,450	959	1,249	184	5,150
Operating profit after impairment losses	**59**	**746**	**677**	**510**	**(344)**	**1,647**
Share of post-tax results of associates	-	-	1	(1)	(12)	(12)
Profit before tax	**59**	**746**	**678**	**509**	**(356)**	**1,635**
Balance Sheet Highlights as at 31 December 2018						
Total assets	26,668	42,708	15,709	26,078	(2,700)	**108,463**
Total Liabilities	23,525	39,796	13,862	23,545	(618)	**100,110**

(1) ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, and also the impact of other affiliates and structured entities of ETI. The impact of consolidation eliminations is also included in 'ETI & Others'

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

Note 30: BUSINESS FINANCIAL PERFORMANCE - GHC

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

In 000,000 of GHC	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 31 December 2019						
Net interest income	2,062	810	1,106	(70)	-	3,911
Net fees and commission income	792	546	877	131	(157)	2,189
Other income	1,391	522	193	1,175	(918)	2,363
Operating income	**4,245**	**1,878**	**2,176**	**1,236**	**(1,072)**	**8,463**
Impairment losses on financial assets	316	171	81	129	-	697
Total operating expenses	2,208	1,448	1,745	327	(128)	5,600
Operating profit after impairment losses	**1,721**	**259**	**350**	**780**	**(944)**	**2,166**
Net monetary loss arising from hyperinflationary economy	-	-	-	(49)	-	(49)
Share of post-tax results of associates	(1)	-	-	(3)	-	(4)
Profit before tax	**1,720**	**259**	**350**	**728**	**(944)**	**2,113**
Balance Sheet Highlights as at 31 December 2019						
Total assets	76,968	9,691	5,559	22,225	16,477	**130,920**
Total Liabilities	71,758	21,117	30,491	10,757	(13,646)	**120,477**

In 000,000 of GHC	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 31 December 2018						
Net interest income	2,129	749	1,102	284	1	4,265
Net fees and commission income	811	448	786	147	(154)	2,038
Other income	1,347	428	161	640	(507)	2,069
Operating income	**4,287**	**1,625**	**2,049**	**1,071**	**(660)**	**8,372**
Impairment losses on financial assets	1,256	279	61	172	(193)	1,575
Total operating expenses	2,168	1,212	1,704	579	(513)	5,150
Operating profit after impairment losses	**863**	**134**	**284**	**320**	**46**	**1,647**
Share of post-tax results of associates	0.3	-	-	(13,938)	13,926	(12)
Profit before tax	**863**	**134**	**284**	**(13,618)**	**13,972**	**1,635**
Balance Sheet Highlights as at 31 December 2018						
Total assets	62,766	6,037	4,290	16,101	19,269	**108,463**
Total Liabilities	56,290	16,131	25,268	10,245	(7,824)	**100,110**

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

31 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:

Guaranteed commercial papers and bankers acceptances	136,357	342,181
Documentary and commercial letters of credit	1,308,351	1,631,689
Performance bond, guarantees and indemnities	1,759,919	2,366,343
Loan commitments	452,255	1,221,440
	3,656,882	**5,561,653**

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.

32 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

For year ended 31 December 2018 US Dollar thousands	As previously reported	Adjustments	As restated
Impairment charge for losses	240,001	79,469	319,470
Profit before tax	435,977	(79,469)	356,508
Profit after tax	328,649	(79,469)	249,180
Earnings per share	1.06		0.74

Balance sheet

As at 31 December 2018 US Dollar thousands	As previously reported	Adjustments	As restated
Loans and advances to customers	9,168,669	(79,469)	9,089,200
Total assets	22,582,196	(79,469)	22,502,727
Retained earnings and reserves	(577,005)	(79,469)	(656,474)
Total equity	1,812,491	(79,469)	1,733,022

Five -year summary financials

At the year end	2019	2018	2017	2016	2015
Total assets	23641184	22,502,727	22,431,604	20,510,974	23,553,919
Loans and advances to customers	9276608	9,089,200	9,259,374	11,200,349	11,200,349
Deposits from customers	16246120	15,935,999	15,203,271	13,496,720	16,427,553
Total equity	1,885,777	1,733,022	2,172,083	1,764,078	2,523,245
For the year					
Revenue	1,622,259	1,825,171	1,831,202	1,972,263	2,105,975
Profit / (loss) before tax	405,079	356,508	288,340	(131,341)	205,239
Profit / (loss) for the Year	274,934	249,180	228,534	(204,958)	107,464
Profit / (loss) attributable to owners of the parent	193,958	182,178	178,585	(249,898)	65,539
Earnings per share-basic(cents	0.78	0.74	0.72	(1.01)	0.28
Earnings per share-diluted (cents)	0.78	0.74	0.72	(1.01)	0.28
Dividend per share (cents)	-	-	-	-	0.2
Return on average equity	15.2%	12.8%	11.6%	-9.6%	4.2%
Return on average assets	1.2%	1.1%	1.1%	-0.9%	0.4%
Cost-to-income ratio	66.2%	61.5%	61.8%	62.7%	64.9%

* Results for 2015 are shown for continuing operations.

About Ecobank:

Incorporated in Lomé, Togo, Ecobank Transnational Incorporated (ETI) is the parent company of the leading independent pan-African banking Group, Ecobank, present in 36 African countries. The Ecobank Group is also represented in France through its subsidiary EBI SA in Paris. ETI also has representative offices in Dubai-United Arab Emirates, London-UK, Beijing-China, Johannesburg-South Africa, and Addis Ababa-Ethiopia.

ETI is listed on the stock exchanges in Lagos, Accra, and the West African Economic and Monetary Union (UEMOA) – the BRVM – in Abidjan.

The Group is owned by more than 600,000 local and international institutional and individual shareholders. It employs 16,000 people in 40 different countries in 888 branches and offices. Ecobank is a full-service bank, providing wholesale, retail, investment and transaction banking services and products to governments, financial institutions, multinationals, international organisations, medium, small and micro businesses and individuals. Additional information may be found on the Group's corporate website at: www.ecobank.com.

Investor Relations :

Ecobank is committed to continuous improvement in its investor communications. For further information, including any suggestions as to how we can communicate more effectively, please contact Ecobank Investor Relations via ir@ecobank.com. Full contact details below:

Investor contact:
Ato Arku
T: +228 22 21 03 03
M: +228 92 40 90 09
E: aarku@ecobank.com