BUILDING AFRICA'S FINANCIAL FUTURE

ECOBANK GROUP ANNUAL REPORT

2018

Ecobank

The Pan African Bank

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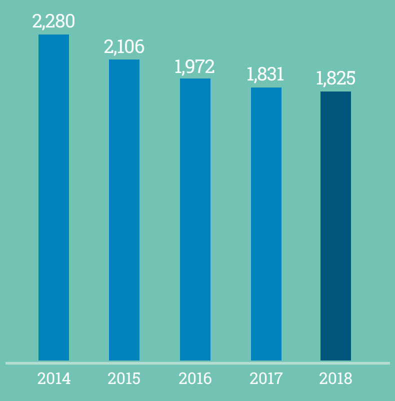
PERFORMANCE HIGHLIGHTS

PERFORMANCE HIGHLIGHTS

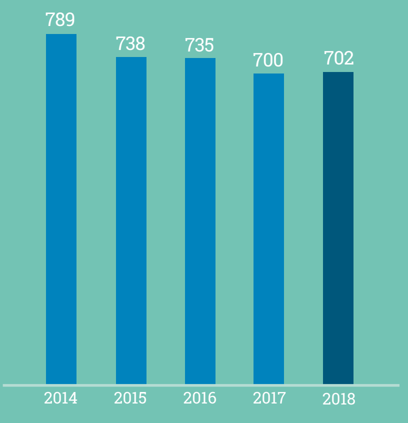
For the year ended 31 December (in millions of US dollars, except per share and ratio data)	2018	2017
Selected income statement data		
Operating income (net revenue)	1,825	1,831
Operating expenses	1,123	1,132
Operating profit before impairment losses & taxation	702	700
Impairment losses on financial assets	264	411
Profit before tax	436	288
Profit for the year	329	229
Profit attributable to ETI shareholders	262	179
Profit attributable per share ($):		
Basic EPS	0.01	0.01
Diluted EPS	0.01	0.01
Selected statement of financial position data		
Net loans and advances to customers	9,169	9,358
Total assets	22,582	22,432
Deposits from customers	15,936	15,203
ETI shareholders' equity	1,537	1,881
Total equity	1,812	2,172
Ordinary share outstanding at period-end	24,730	24,730
Book value per ordinary share, BVPS ($)[1]	0.06	0.09
Tangible book value per ordinary share, TBVPS ($)	0.05	0.08
ETI share price ($)[2]		
High	0.06	0.05
Low	0.04	0.02
Closing share price at period-end	0.04	0.05
Selected ratios		
Profit for the year to average total assets (ROA)	1.5%	1.1%
Profit for the year to average total equity (ROE)	17.8%	11.6%
Profit for the year to average total tangible equity (ROTE)	21.0%	13.6%
Basel II/III[3] Tier 1 capital ratio	9.5%	–
Basel II/III total capital adequacy ratio (CAR)	13.6%	–
Net interest margin	5.9%	6.5%
Cost-to-income ratio	61.5%	61.8%
Non-performing loans ratio	9.6%	10.7%
Non-performing loans coverage ratio	67.6%	52.4%

[1] Book value per ordinary share (BVPS) is computed by dividing the Group's shareholders' equity at period-end with the number of ordinary shares outstanding at period-end.
[2] ETI share price on the Nigerian Stock Exchange at period-end converted into US dollars using Bloomberg applicable rate at period-end.
[3] Group consolidated Basel II/III CAR is at 30 June 2018. Final CAR as at 31 December 2018 will be available on 30 April 2019.

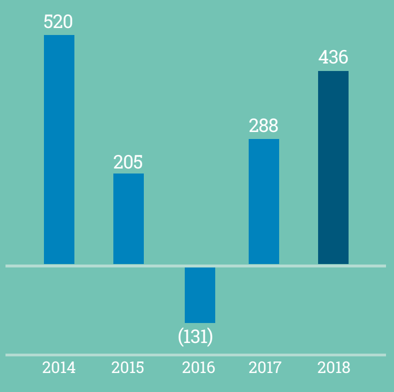
Operating income (net revenue)
($m)



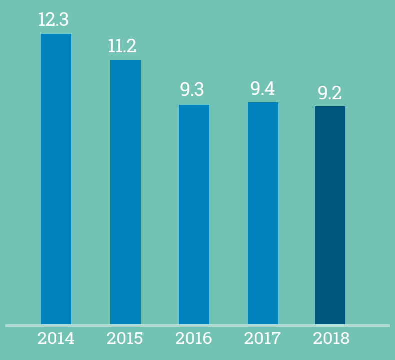
Operating profit before impairment losses & taxation ($m)



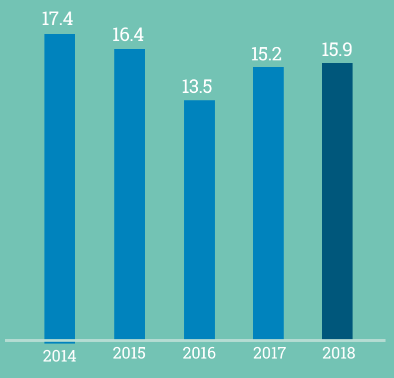
Profit before tax[1]
($m)



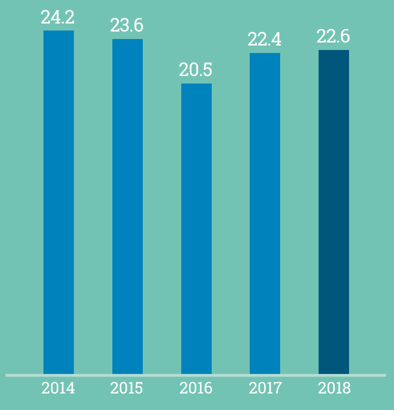
Net loans & advances to customers
($bn)



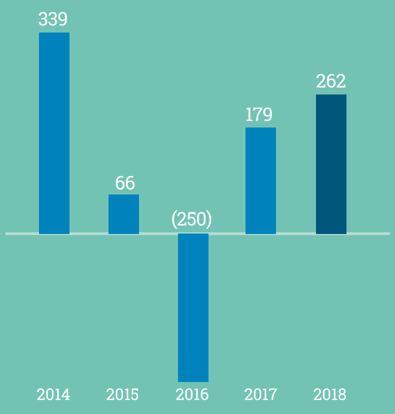
Deposits from customers
($bn)



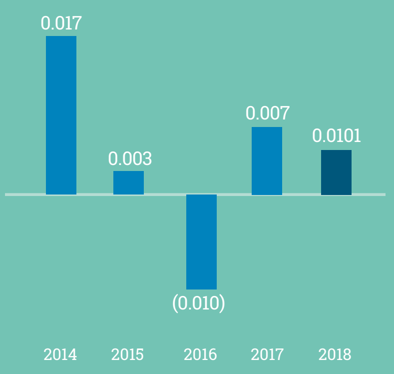
Total assets
($bn)



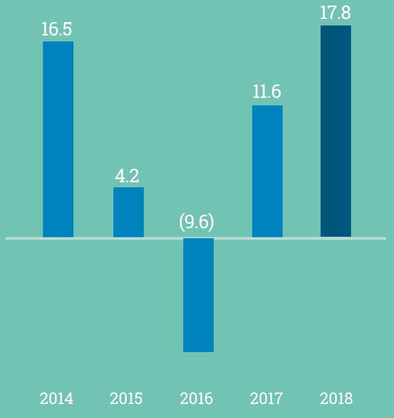
Profit attributable to ETI shareholders ($m)



Earnings per share (Basic)[2]
($)



Return on equity
(%)



1. For the periods 2014 and 2015 amounts relate to continuing operations
2. EPS for 2014 was restated to reflect a 1-for-15 bonus issue in June 2015

Ecobank is the leading Pan-African banking institution

Founded in 1985 and headquartered in Lomé, Togo, Ecobank provides consumer and commercial banking, corporate and investment banking, and securities, wealth and asset management to over 19 million customers, ranging from individuals, small and medium-sized enterprises, regional and multinational corporations, financial institutions, international organisations and governments via 888 branches and offices, 2,731 ATMs, the internet (ecobank.com), and mobile banking.

Ecobank is present in 36 African countries, with international offices in Paris, London, Dubai and Beijing, to support our customers who conduct business in the global economy.

Our vision, which steers us towards growth and success, is to build a world-class Pan-African bank and contribute to the economic development and financial integration of Africa.

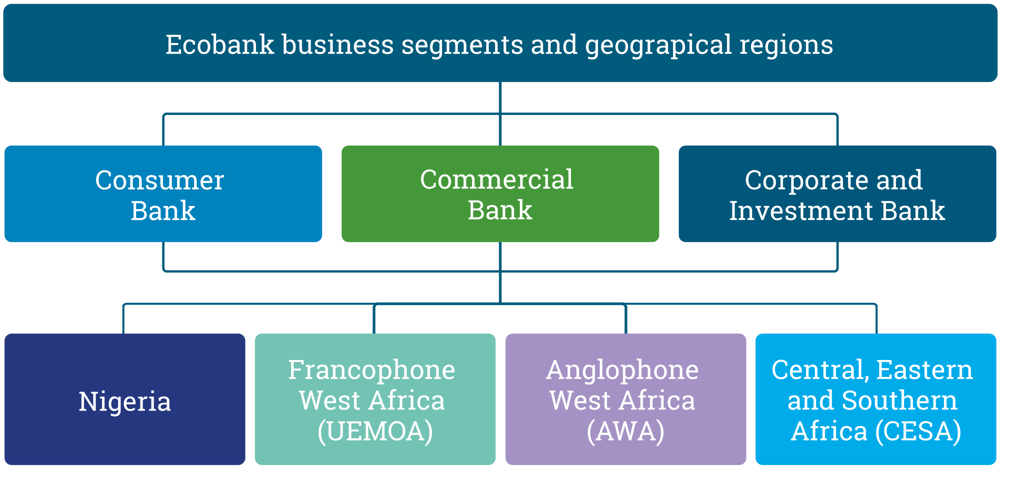
Our mission is to provide all of our customers with convenient and reliable financial products and services.

As at 31 December 2018, Ecobank had $22,582 million in total assets and $1,812 million in total equity.

Ecobank Transnational Incorporated ('ETI'), the parent holding company of the Ecobank Group, is listed on the Nigerian Stock Exchange ('NSE'), in Lagos, the Ghana Stock Exchange ('GSE'), in Accra and the Bourse Régionale des Valeurs Mobilères SA ('BRVM') in Abidjan.

For management purposes the Group's activities are organised into three major reportable business segments. The Groups' consumer business is the Consumer Bank and its wholesale businesses are the Commercial Bank and the Corporate and Investment Bank.

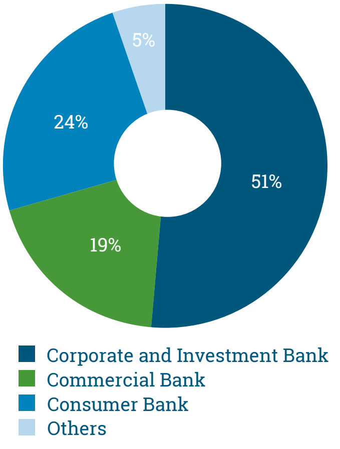
Additionally, the Group is organised into four reportable geographical regions: Nigeria, Francophone West Africa (UEMOA), Anglophone West Africa (AWA) and Central, Eastern and Southern Africa (CESA).



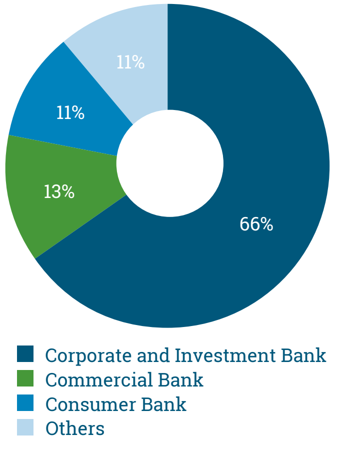
At Ecobank we serve customers across our geographical markets with the financial products and services that they need to be financially successful, through our three business segments: Consumer Bank, Commercial Bank, and Corporate and Investment Bank.

Business segments	Consumer Bank	Commercial Bank	Corporate and Investment Bank
Customers	– Wealthy and Mass Affluent – Mass Market and Youth	– Small and Medium-Sized Enterprises (SMEs) – Medium Local Corporations – High Value Local Corporations – Non-Government Public Sector (Local Governments, Domestic NGOs, Faith-based Institutions, Educational Institution, Healthcare Institutions)	– Governments – Regional and Global Corporations – Financial Institutions – International Organisations
Products	– Cards – Current and Savings Accounts – Mortgages – Remittances – Personal loans – Asset management for High Net Worth Individuals (HNWI)	– Cash Management – Trade Finance – Fixed Income, Currencies & Commodities (FICC) – Internet and e-Banking – Loan and Liquidity	– Transaction Banking – Investment Banking – FICC – Securities, Wealth and Asset Management – Loans and Liquidity

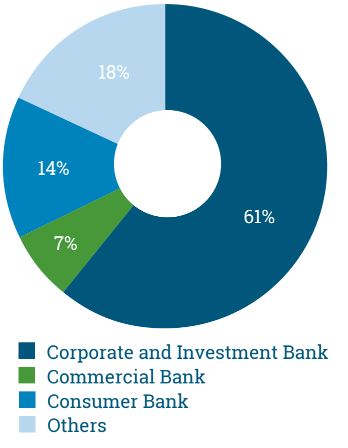
Operating income ($1,825 million)



Operating profit before impairment losses and taxation ($702 million)



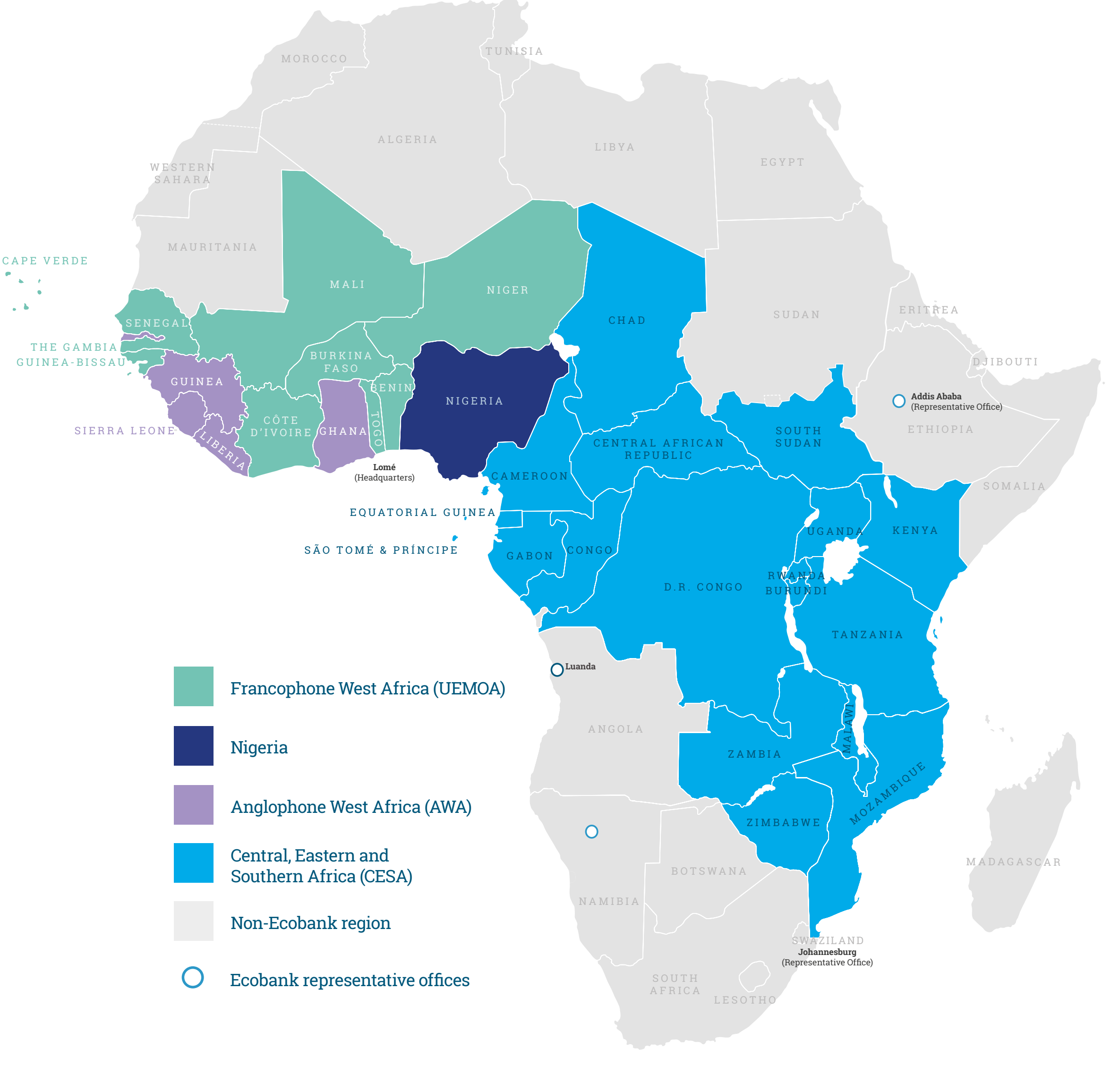
Profit before tax ($436 million)



The breakdown of operating income, operating profit before impairment losses and taxation, and profit before tax reflects performance figures specifically for each business segment and has not incorporated the impact of ETI, other subsidiaries, affiliates, and structured entities, and consolidation adjustments, which are captured in Others. Consolidation items include items such as intercompany adjustments, mainly elimination of intra group dividend income, intercompany assets and liabilities and other adjustments for consolidation.

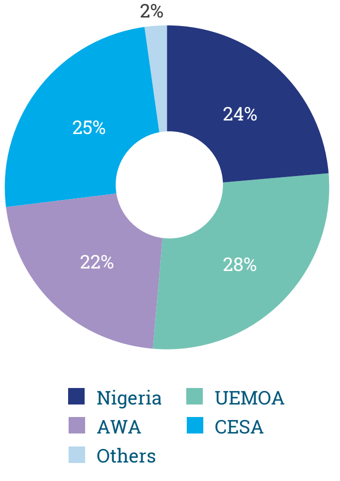
OUR PAN-AFRICAN FOOTPRINT

Our Pan-African geographical footprint is segmented into the four regions of Nigeria, Francophone West Africa (UEMOA), Anglophone West Africa (AWA) and Central, Eastern and Southern Africa (CESA).

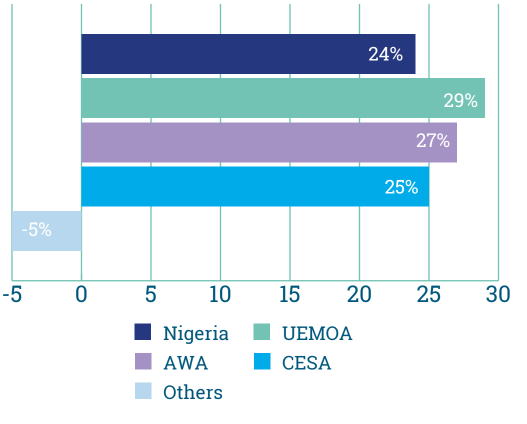


In millions of US Dollars unless otherwise stated	Nigeria	UEMOA	AWA	CESA
Operating income	444	511	394	450
Operating profit before impairment losses & taxation	169	201	190	178
Profit before tax	91	151	148	111
Total assets	5,431	8,819	3,233	5,394
Countries	1	9	5	18
Branches	420	225	112	131
ATMs	1,274	637	361	459

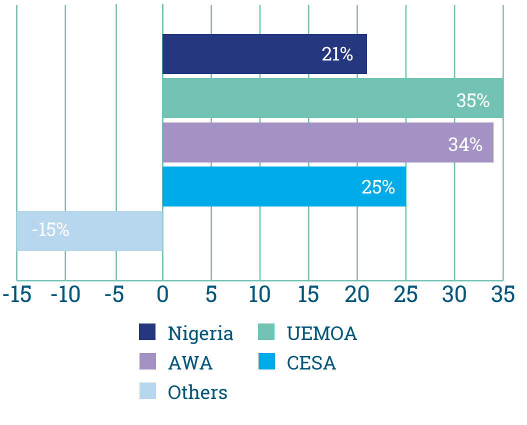
2018 Operating income: $1,825 million



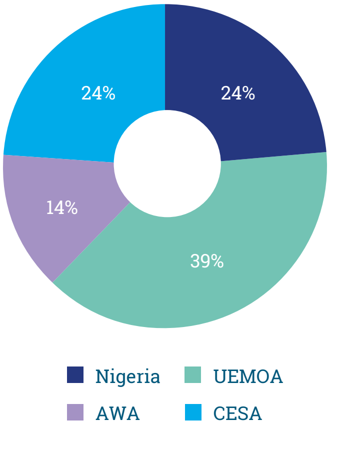
2018 Operating profit before impairment losses & taxation: $702 million



2018 Profit before tax: $436 million



2018 Total assets: $22,582 million



The breakdown of operating income, operating profit before impairment losses and taxation, and profit before tax reflects performance figures specifically for each geographical region and has not incorporated the impact of ETI, other subsidiaries, affiliates, and structured entities, and consolidation adjustments, which are captured in Others. Consolidation items include items such as intercompany adjustments, mainly elimination of intra group dividend income, intercompany assets and liabilities and other adjustments for consolidation.

DIGITAL OFFERING

Over 8.7 million registered, $1.5 billion processed

Send and receive funds, pay bills and merchants, open and manage your account from your mobile device instantly, anytime, and anywhere, with Ecobank Mobile.

Ecobank MOBILE

13,913 agents registered, $586 million processed

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Xpress™ POINT

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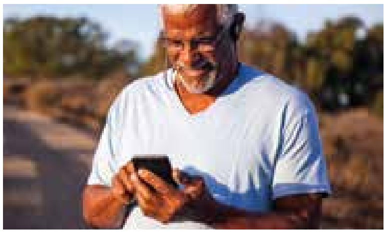
EcobankPay



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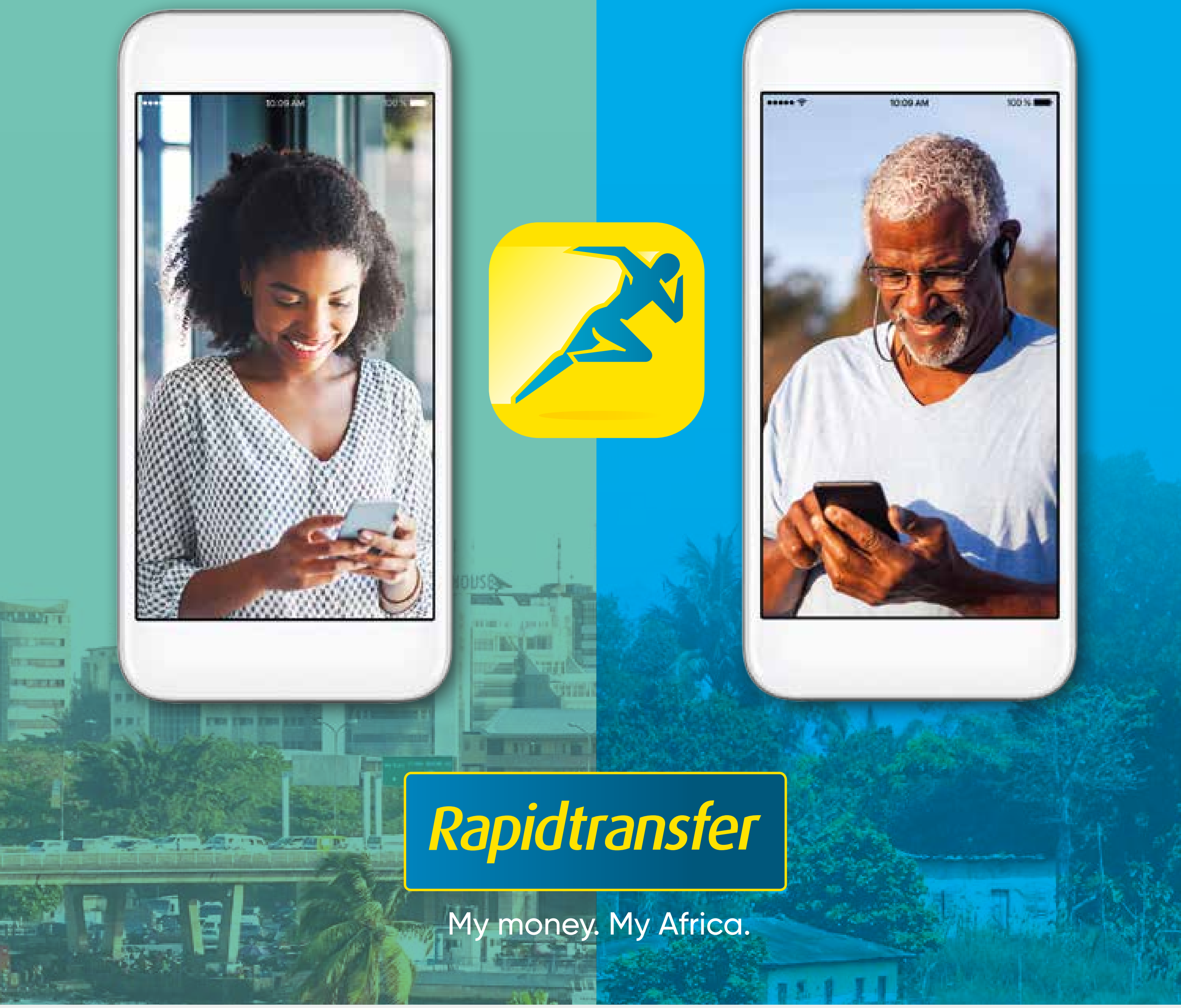

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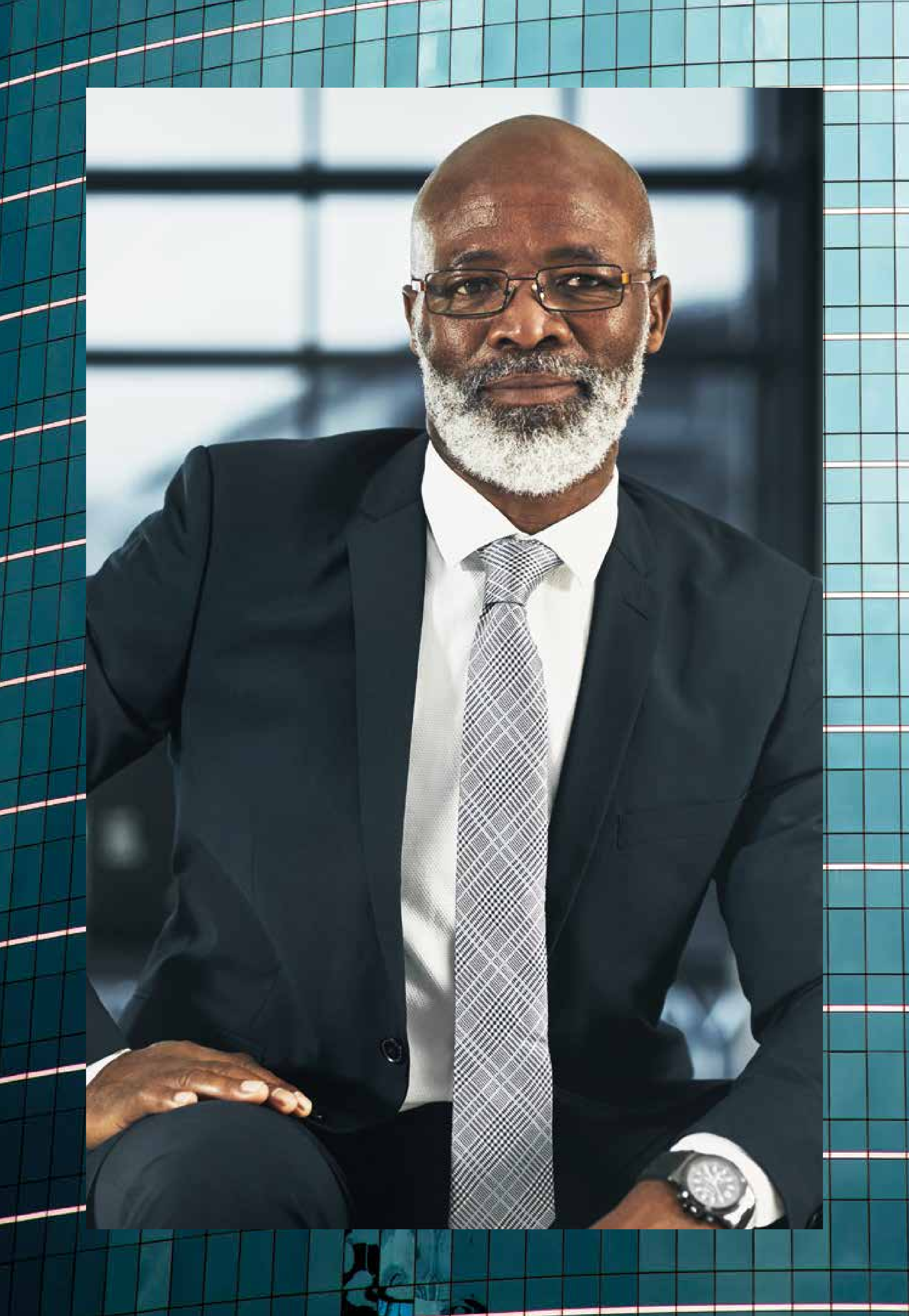

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BOARD AND MANAGEMENT


EMMANUEL IKAZOBOH
Group Chairman
Ecobank Group

"We have embraced digitisation with a fierce passion as we are keenly aware of the impact that technology – particularly financial technology – is having on the banking industry. We have developed some amazing digital products that are enriching our customers' experience."

GROUP CHAIRMAN'S STATEMENT

Esteemed shareholders,

It is with great pleasure that I present to you, on behalf of the Board of Directors of Ecobank Transnational Incorporated (ETI), the Annual Report of our institution's activities and financial performance for the year ended 31 December 2018, at the Group's 31st Annual General Meeting of shareholders.

Firstly, I would like to thank you for your confidence in our institution and its Pan-African vision.

During the last few years your Board and the management team have worked hard to strengthen the foundations of our company and to position it to deliver long-term shareholder value. When we implemented our 'Roadmap to Leadership' strategy, which targets the achievement of a sustainable Return on Equity (ROE) above the Cost of Equity (COE) over the long-term, it became apparent that the amount of work that it required was onerous.

I am glad to say that we have made tremendous progress and I would like to share some of the highlights with you.

To drive efficiency and returns in Nigeria, we downsized its operations and deleveraged its balance sheet, thereby reducing risks. We improved its cost profile by reducing both headcount and branches, while at the same time investing in technology. So, it is good to see that Nigeria's ROE has improved. A similar exercise was conducted in our Central, Eastern, and Southern Africa region, which has helped it to significantly reduce costs and improve returns.

We have undertaken other efficiency initiatives, and these have included the creation of Regional Processing Centres (RPCs) in Lagos and Abidjan, which will drive down the marginal costs of back-office processing for the Group. The resolution vehicle that we set up in Nigeria has helped stem capital erosion and improved liquidity.

We have embraced digitisation with a fierce passion as we are keenly aware of the impact that technology - particularly, financial technology - is having on the banking industry. We have developed some amazing digital products that are enriching our customers' experience.

GROUP CHAIRMAN'S STATEMENT

By way of example, the Ecobank Mobile App has made it easier for our customers to engage with us and it is helping us to meet our vision of bringing economic development and financial integration to Africa. Its features are functional, easy to understand and user-friendly and I encourage all shareholders to download the App so that they can experience it. We have also made payments easier by introducing digital payment solutions, such as Ecobank Pay and OMNI Lite, for consumers and small businesses, respectively.

We have strengthened our oversight and risk management practices. We took strong measures to address the challenges of our credit portfolio and this led to the heavy impairment losses that we have taken in the last few years, which resulted in the loss reported in 2016. Thankfully we have made significant progress, especially with the credit risk portfolio within Corporate and Investment Bank. We still have some work to do on the portfolio, particularly within Commercial Bank, and we are continuing to focus intensively upon it.

We have improved our control environment by strengthening the team and investing in systems and processes.

Macroeconomic review

Globally, the start of the year 2018 was underpinned by a modest commodity price recovery that had commenced in mid-2016 and the pickup in global manufacturing and trade evidenced from 2017. However, the second half of 2018 saw slower growth momentum amid escalating trade war tensions between the US and China, together with the US Federal Reserve Bank's hawkish stance in line with its efforts to normalise monetary policy and deleverage its $4.5 trillion balance sheet.

Sub-Saharan Africa remained resilient despite rising external headwinds associated with the US policy tightening and rising trade protectionism. The region benefitted from improved commodity prices following its recovery from the 2014-15 commodity price slump. This created multiplier effects in the non-commodities sector, specifically construction and services (ICT and trade), resulting in a significant expansion in domestic output.

On a regional basis, Anglophone West Africa's key heavyweight Ghana continues to support the growth in the region with a growth rate above 5% despite the recent rebasing of its national accounts. Economic activity was largely driven by oil output from the Sankofa, Gye Nyame and TEN oilfields and the government's pro-industrialisation drive, which provided support in sectors such as construction, ICT, real estate, agriculture and trade.

Growth in the Francophone West Africa region remained strong, boosted by the region's economic heavyweight Côte d'Ivoire, which accounts for nearly 40% of nominal GDP, together with Senegal and Burkina Faso. The public investment drive, supported by bilateral creditors, and reforms in the agriculture sector continued to drive growth in the region.

Growth in Central, Eastern and Southern Africa continues to be led by East Africa: Ethiopia's rapid expansion, a strengthening activity in Kenya (which enjoyed better rainfall conditions following the effects of drought in the first quarter of 2017 and improved confidence after the prolonged election uncertainty in 2017) and continued strengthening in Tanzania and Uganda, together with an oil driven recovery in CEMAC countries are all continuing to support the region's growth.

The Nigerian economy consolidated on its economic recovery which started in the second quarter of 2017 with five successive quarters of positive real GDP growth rates. While the recovery remains on course, momentum slowed on the back of rising domestic and external headwinds as well as due to the slow pace of reform implementation.

Financial performance

For your company 2018 was an inflection point. It marked the 'Execution' phase of our strategy following the initiatives that we took to strengthen the company's foundations. I am therefore characterising the company's performance in 2018 as solid.

Our parent company (ETI) delivered a profit for 2018 of $322 million, up $140 million, or 77%, compared to $182 million in 2017. The Ecobank Group generated profits attributable to shareholders of ETI of $262 million, an increase of 47% from 2017, which translates into earnings per share (EPS) of $0.0106 (1.06 US dollar cents), up 47% on 2017, and an improvement in the return on tangible shareholders' equity (ROTE) to 21%, from 13.6% a year ago.

These results reflected the continued discipline in cost management, commitment to risk management and our ongoing clean-up of the credit portfolio. The efficiency, or cost-to-income ratio, has steadily improved and was 61.5% in 2018, despite tepid revenue growth. The health of the credit portfolio, measured by the cost-of-risk, has improved to 2.4%, compared to 3.3% in 2017.

Our capital levels remain adequate. The Group's Basel II/III Capital Adequacy Ratio of 13.6% is above the regulatory limit and each of our subsidiaries is meeting its capital commitments as well. However, your Board believes that in the near-term, to meet our planned growth initiatives, and to ensure that we win in key countries such as Nigeria and Kenya, we will need to boost capital levels through a combination of fresh equity injections and the reinvestments of profits.

Shareholder returns

Share price performance

Our share price performance in 2018 was in line with the broader market and the top tier one banks on the Nigerian Stock Exchange (NSE). Our share price declined by 18% to NGN17.00 over the calendar year, as the NSE All-Share and NSE Banking 10 indices fell by 18% and 16% respectively. From a valuation perspective, we ended the year with our share price trading below the value of our tangible equity on the balance sheet.

We care about the performance of the share price in the near-term, but it is also vital that we continue to make investments in our people, processes and systems in order to build a healthy and profitable company. As we continue to do this, our share price will eventually reflect the long-term prospects of the company. This led to our decision over the last few years to take strong measures to 'Secure the Foundations' of the company, and we are now executing the strategy that will bring growth and returns to shareholders.

Dividends

The Board recognises the importance of dividends payouts to our shareholders. Considering the improvement in your company's performance in 2018, we are aware that our shareholders will be looking forward to the payment of dividends. However, having considered factors such as the impending regulatory capital requirements of the Group and the need to build the holding company's liquidity buffers, we are not recommending the payment of a dividend. We assure you that while this was a hard decision, it was taken in the best interests of the company.

Your Board is confident that our strategy, and the actions that we have taken so far, have positioned the company for sustainable future growth with a return on equity above the cost of equity.

GROUP CHAIRMAN'S STATEMENT

The Board of Directors

The Board recognises that we must continue to refresh and enhance the quality of the Board to ensure that we can stay on top of current developments in the banking industry.

During the year under review, Ms. Dolika Banda, who has served as a non-executive director on the Board of ETI since October 2014, retired from the Board at the last Annual General Meeting of ETI held on 24 April 2018, following the expiration of her mandate. Also, two female independent non-executive directors were admitted to the Board. Mrs. Aichatou Agne Pouye, who is Senegalese, joined the Board in October 2018 and brings us more than 30 years of experience, while Ms. Arunma Oteh, a Nigerian, joined the Board in January 2019 to give us the benefit of her 33 years' experience. Both have worked extensively with public, private and global institutions.

The recent wave of financial technology innovations, and their impact on our industry, necessitated a review of the structure of our Board. As a result, your Board has created the Information Technology Committee, which will provide the oversight and responsibility for all matters related to technology.

Also, the Governance Committee and the Nomination and Remuneration Committee were merged to form the Governance, Remuneration and Nomination Committee. This was largely because they had overlapping functions and combining them was a logical step.

Remuneration

Your Board has reviewed the company's total reward strategy to help drive a high-performance culture, motivate staff and increase their morale, in order to more effectively align the interest of shareholders with management.

This involved reviewing the annual bonus scheme to reward performance towards the achievement of return on equity and profit before tax targets. We have also introduced a Long-Term Incentive Plan (LTIP) for senior management and selected critical staff, that will include performance-based stock options.

Culture and values

We have a strong belief that both culture and shared values drive behaviour, and that Ecobank's vision, mission and strategy would be directionless and misguided without the right culture and set of values. These comprise the intangibles that form the foundations of the company, and, without strengthening this foundation, we would be operating like a company without focus.

Additionally, the importance of the Board and management, particularly, the CEO and I, owning and ensuring that the right culture and set of values are embedded in all activities of the company, is paramount for investors. We are currently demanding the alignment of culture with strategies, as this ultimately helps to drive long-term shareholder value.

As we drive our strategy forward, it gives us a heightened moral objective to revisit our culture and values to ensure that they are designed to drive the right behaviours when we engage with our customers, employees, communities and shareholders.

Therefore, we have commenced the roll out of the Ecobank Culture programme which has been designed to instill, measure and monitor the right conduct and ethical behaviour throughout the organisation. This programme has been successfully rolled out in Nigeria and is now being extended to other affiliates.

Diversity

As of today, we have employees from 43 different nationalities, from different cultures and backgrounds, working as one toward Ecobank's vision. Each of our four regions are represented at the Group Executive Committee level. The group-wide gender distribution is 44% female and 56% male, and we are still working towards improving the percentage of women at the leadership and management level, which remain low at 30% female, compared to 70% male group-wide. At the ETI Board level, we have appointed two more female independent directors.

Major developments in 2018

- ETI successfully closed a $200 million syndicated loan facility, which was oversubscribed at $268.5 million, with ETI increasing Deutsche Bank's mandate as arranger from $150 million to $200 million
- Ecobank was named Africa's Best and Most Innovative Retail Bank by African Banker; and
- Ecobank won the Best Digital Strategy Award from Retail Banker International. We also received nominations for the Best Payment Innovation for Ecobank Xpress Cash and Product Innovation of the Year for our Ecobank Mobile App

Focus areas in 2019

Capital optimisation

Looking forward to 2019, the global economy is still expected to grow slowly. Analysts foresee sustained investor risk aversion towards Emerging and Frontier Markets, which will weaken prospects for foreign portfolio investment inflows and currencies and will increase the cost of raising debt.

Emerging and Frontier Markets will face higher financing costs due to increased efforts by advanced countries to normalise their monetary policies. This, among other considerations, makes capital optimisation a priority for us.

Capital efficiency underpins a strong balance sheet and sustainable returns. Your Board is therefore placing greater emphasis on its fiduciary duty of capital stewardship. This has been necessitated by the underperformances of some of our countries and businesses, as well as by the potential regulatory capital headwinds.

In 2018, the company generated a ROE of 17.8%, marginally higher than the COE, showing that the actions that we have taken in recent years are yielding results. However, on a country-by-country basis, ROE performances vary widely, with several countries' ROEs still below their cost of capital.

The Board, working with management, will be carefully reviewing our capital allocation strategies for all subsidiaries and businesses to ensure that they meet their cost of capital going forward. This will involve, among other things, reviewing the viability of the markets in which we operate and determining whether we have the right strategic positioning, competitive advantages, products and resources to either gain market share, be super-efficient, and/or increase profitability.

Succession planning

One of the priorities of your Board is to ensure that we always have a first-rate leadership team in place. To this end we are ensuring that we have a robust pipeline of leaders across the organisation. Management succession planning is a key focus of your Board and will be an ongoing process across the company both at Board and management level.

In conclusion

The last few years have been fairly challenging for your Board and management, as we have worked hard to reduce costs, improve the quality of the loan book, drive capital efficiency and digitise to enrich the customer experience. I would like to thank the Board, the management team, and all Ecobankers for their commitment to serving our clients and customers, and for their input on the steady progress that we are making towards meeting our profitability and return targets.

In concluding, I would like to thank our shareholders for their continued investment in the company. We recognise and value the support and commitment that you have made in Ecobank and appreciate your investment. I would also like to thank you for your patience and voice my belief that you will be rewarded.

Emmanuel Ikazoboh
Group Chairman, Ecobank Group

ADE AYEYEMI
Group Chief Executive Officer
Ecobank Group

> "For us, it is the long-term financial success of the company that remains paramount. As such we will continue to build on and enhance the technology platforms that enable us to engage with more customers and partners and deploy a robust digital communications strategy. The traditional bank model that we all know is rapidly changing with technology and we must continue to position ourselves effectively to succeed in this technological journey of transformation."

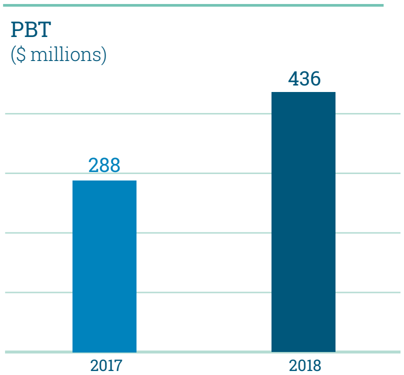
GROUP CHIEF EXECUTIVE'S REVIEW

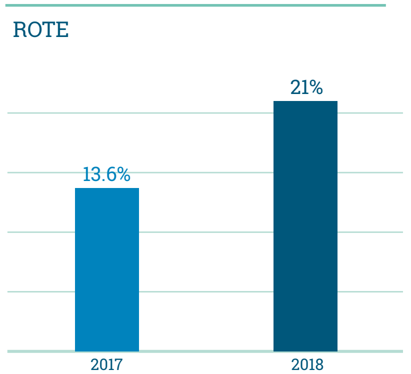
Dear fellow shareholders,

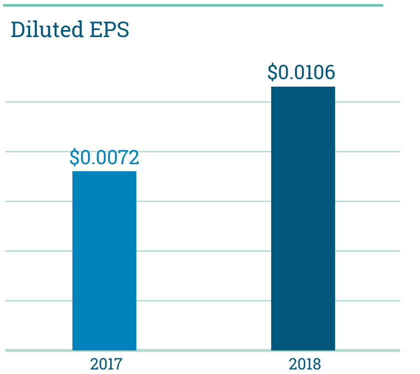
Our financial results for 2018 are remarkable in many ways and reflect the meaningful and significant progress that we have made in the execution of our 'Roadmap to Leadership' strategy. It also demonstrates the commitment, hard work and contribution of Ecobankers towards ensuring our sustainable foundation for growth. Very importantly, we must express appreciation to all shareholders for their confidence and support for our strategy as we position the company for long-term value creation.

The Group increased profit before tax by $148 million, or 51%, to $436 million. We delivered diluted earnings per ordinary share (EPS) of $0.01, an increase of 47% and a return on tangible equity (ROTE) of 21.0%, compared to 13.6% in the previous year. We have therefore continued to show a steady and sustained growth trajectory.

Before discussing our financial results in detail, I would like to touch on some of the initiatives that we have focused upon in Phase 1 of our 'Roadmap to Leadership' strategy – Securing the Foundation - and Phase 2 which we started in 2018: Execution, Execution and Execution.







GROUP CHIEF EXECUTIVE'S REVIEW

Focus of the last three years

As the initial goal of our 'Roadmap to Leadership' strategy, it was critical that we strengthened the company's foundations for growth. To that end we drew up guiding principles to set us on the clear path to achieving our objectives. These I outlined in my letter to shareholders in 2015 and are shown in Table 1 below.

Table 1:	Guiding principles to become a stronger and more profitable bank
1	Commit to shareholder value creation (ROE above cost of equity)
2	Act on businesses generating returns below cost of capital
3	Invest only where we have/can have sustainable competitive advantage
4	Improve customer service
5	Achieve distribution leadership: manufacture centrally and distribute locally
6	Strengthen control functions
7	Drive operational efficiency
8	Disciplined expense management

We have accomplished a great deal since then and I will highlight our key accomplishments, areas where progress has been gradual, and provide shareholders with information on our strategic progress towards value creation.

As I reported last year, we embarked on the painful but necessary exercise of reducing our bloated workforce in order to ensure and restore efficiency. This was important, given the ever-changing technological developments in the industry and the increasing shift from 'physical' to 'digital' banking. To date we have reduced our group-wide workforce by 4,000 jobs. We now have approximately 16,000 employees.

In a further alignment with the shift from 'physical' to 'digital', we have reduced our branch network by closing nearly 345 mostly unprofitable branches, predominantly in Nigeria and in the Central, Eastern and Southern Africa (CESA) region, bringing our current number of branches down to 888.

We also set strategic priorities for our geographical regions. For the Francophone West Africa (UEMOA) and Anglophone West Africa (AWA) regions, where we have market leadership economics, we reinforced our leadership positions. For example, we increased capital in Ecobank Côte d'Ivoire by $80 million through an initial public offering (IPO) of new shares. In AWA, to drive efficiency, we reduced the workforce by about 300 people, addressed credit quality challenges, such as those in the mid-stream oil and gas sector in Ghana, whilst continuing to invest in people, processes and systems.

In Nigeria, which is Sub-Saharan Africa's largest and most populous economy, we remain a systemically important bank, but we continue to trail behind the top tier banks. This market has massive growth opportunities and nearly 33% of the Group's equity is allocated to it. Our profit growth and market share gains have been hamstrung by poor asset quality and financial and operational inefficiencies. Securing the foundation and placing it on a gradual and steady growth trajectory was of the utmost importance. We therefore set out with a long-term goal to increase market share and gradually improve returns. We have reduced the headcount, overhauled the leadership team, refreshed the Board, intensified the disposal of non-core assets, reduced the number of branches whilst also safeguarding capital by implementing the resolution vehicle in 2016 to address a large chunk of the poor asset portfolio.

In CESA, as we lacked scale and generated returns below the cost of capital, we decided to operate with the minimum viable presence that would allow us to be efficient and value accretive. In line with that objective, we instituted a cost-saving program which saw the closure of 86 non-viable branches and a reduction in the workforce of 744 jobs whilst we continued to invest in our technology platform. These actions have led to an increase in the region's ROE from 2.3% in 2016, to 13.5% in 2018.

Overall, our costs have come down despite continuing to invest in the future. For example, we invested about $25 million to upgrade our core banking application from Flexcube 7 to Flexcube 12, which is an improved and more robust version. We have successfully done this in Nigeria and UEMOA and stabilised the platform. The migration in other regions will be completed by mid-2019.

Our Regional Processing Centres (RPCs) in Lagos and Abidjan have continued to help reduce our cost-to-serve across our subsidiaries and affiliates. We have not yet migrated all our subsidiaries and affiliates to the RPCs, but we are already seeing the gains with better management of operational risks, processes, alignment with global processing standards and a reduction in the cost of back-office processing in countries currently using the RPCs.

Additionally, we are continuing to enhance our internal control environment by refreshing the team whilst also investing in resources to identify vulnerabilities. To further instil the habit of self-identification and the remediation of control issues in our employees, we have rolled out the Risk, Control, Self-Assessment (RCSA) program, which enables every part of the bank to self-assess their respective control environment and ensure that adequate and effective controls are in place.

We continued with the overhaul and enhancement of our risk management practices. For instance, among many other initiatives, we set up the Fundamental Credit Review team, which carefully reviews credit exposures and ensures that we religiously adhere to stipulated underwriting standards and risk limits. You can get an in-depth insight into how we manage risk across the company by reading the risk management report on pages 101-139 in the annual report.

We have intensified progress towards our digital banking agenda. It is of paramount importance that we remain relevant and win in the marketplace, given the impact of digitalisation in the industry. Therefore, we not only set out to digitise ourselves, we also focussed on our vendors and, very importantly, the customer experience. Our award-winning Ecobank Mobile App, which has features that enable our customers to do cross-border transfers, open an Xpress current account using a SIM-registered mobile phone number, generate an e-token number that enables the user to withdraw cash from Ecobank ATMs, pay bills, attach a non-Ecobank debit card and make payments and transfers, as well as many more exciting things, is a notable digital and dynamic product. This has profoundly enriched the customer experience and is helping us to address one of our key goals of ensuring that financial inclusion can be delivered to the underbanked and unbanked across our Pan-African franchise, at little or no cost.

For our SME clients in our Commercial Bank business, we developed Ecobank Omni Lite, a payments platform that is accessible online and on a mobile phone. It allows for the efficient management of clients' cashflow cycles and facilitates their effective communication with Ecobank.

Please read the letters from the Group Executives of each of our business segments in this annual report to gain more insight into the financial products and services that are available to our customers and enriching their experience.

I will now return to our financial performance in more detail, which was largely attributable to our focus on Execution.

51% increase in Profit Before Tax helped deliver Return on Tangible Equity of 21%

We increased profit before tax by $148 million, or 51%, to $436 million. The increase was predominantly driven by a decrease in impairment losses and lower operating expenses.

Profits attributable to shareholders of ETI improved by 47% to $262 million, translating to a growth of 47% in earnings per ordinary share (EPS) and a return on tangible equity (ROTE) of 21.0%.

Operating expenses were lower overall, thanks to investments in digitalisation and our ongoing cost reduction initiatives. These helped to marginally improve our cost-to-income ratio to 61.5%, compared to 61.8% in 2017, despite tepid operating income growth. We expect to achieve a target cost-to-income ratio of mid-50% in the medium term as we relentlessly focus on driving revenues and containing costs.

Operating income or net revenues remained steady at $1,825 million as significantly higher growth in non-interest revenue was largely offset by lower growth in net interest income. However, on a constant currency basis, which assumes that the rate of exchange between the US dollar, the Group's reporting currency, and the functional currencies of our subsidiaries, remain constant over the period, operating income would have increased marginally. In November 2018, the Board of Directors took the decision to adopt the NAFEX rate, which trades at NGN364 to the US dollar, as the rate to be used in

GROUP CHIEF EXECUTIVE'S REVIEW

the translation of the financials of Ecobank Nigeria instead of the Central Bank of Nigeria's (CBN) official rate of NGN306 to the US dollar. This move had an adverse impact on the company's results. The change was however necessitated in view of the persistent divergence from the official rate and developments in the industry. Crucially, ETI's peer banks are also moving away from the use of the CBN official rate.

Our net interest margin, which is the difference between how much interest we earn primarily from lending and investing and what we pay for customer deposits and other funding, declined to 5.9% for 2018, from 6.2% for 2017. This was largely driven by a lower interest rate environment and an overall decline in loan growth, primarily due to our cautious approach to lending as we focused more intensely on driving growth in our non-funded income revenue lines such as cash management and trade finance.

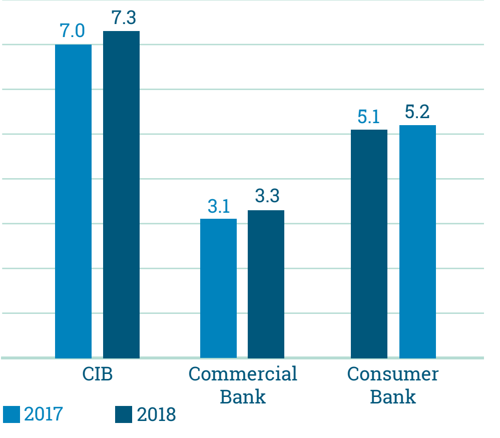
Strong customer deposit generation

Our focus on cash management and investments in digital platforms with products such as Ecobank Pay, Omni and Bank Collect are helping to drive deposits. Customer deposits increased by $733 million to $15,936 million. However, it increased by $2.0 billion if the effects of FX currency translation are excluded. Our cost of deposit, which is the average rate that we pay for deposits, rose slightly, driven by relatively higher rates especially on US dollar-denominated deposits. Overall, the average rate paid on all funding sources, including borrowed funds, inched up slightly.

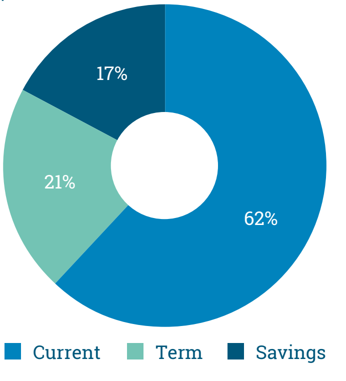
Customer loans, on the other hand, decreased by 2%, primarily held back by our more stringent assessment standards for credit applications and an intense focus on driving non-funded sources of revenue. However, we grew loans in the fourth-quarter of 2018 by nearly $525 million, driven largely by transactions in the UEMOA and AWA regions. Excluding the effects of FX translation, customer loans increased by $608 million.

Our adoption of IFRS 9 became effective on 1 January 2018. IFRS 9 stipulates that the impairment allowance on a financial asset is based upon the expected losses from default events projected into the future. The resulting IFRS 9 adjustment for the prior years of $299 million, impacted both equity and net loans.

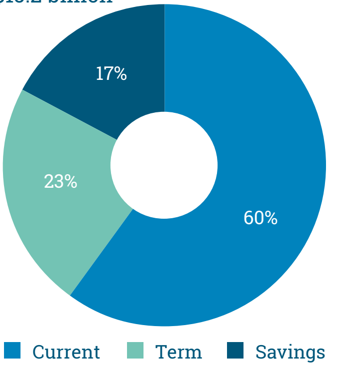
Deposits from customers by business segments ($ billion)



2018: Deposits from customers by type = $15.9 billion



2017: Deposits from customers by type = $15.2 billion



Commercial Bank moved from loss to profit

Commercial Bank returned to profit with a profit before tax of $29 million for 2018, compared to a loss before tax of $32 million for 2017. This turnaround reflected improvements in the loan portfolio, which in turn drove impairment losses significantly lower from the release of provisions no longer required.

Consumer Bank delivered profit before tax of $62 million for 2018, compared with $46 million in 2017, also driven by lower impairment losses. Our investments in digitisation are proving beneficial with income streams from cross-border payments, remittances, and debit card usage growing year-on-year.

Corporate and Investment Bank posted a profit before tax of $268 million, marginally up on 2017, primarily driven by a reduction in impairment losses.

ROE improvements in our geographic regions driven by higher profits

For our regions, we are seeing a healthy growth trajectory across the board, thanks to the benefits of the restructuring exercises we embarked on in the last few years and leadership economics we enjoy in some regions.

In UEMOA, profit before tax was $151 million, up $40 million from the previous year. ROE improved slightly to 24%, from 23% for 2017. These results were good and continue to reflect our leadership position in the region.

In AWA, where we continue to enjoy leadership economics, profit before tax increased by $43 million to $148 million. ROE was 30% compared to 23% for 2017.

Nigeria's profit before tax increased by $25 million to $91 million. This can be attributed to lower impairment losses, the waiver of group management fees and significant gains from the sale of non-core assets. ROE improved to 11%, compared to 8% for 2017.

The financial condition of CESA has improved markedly following the restructuring focus in 2017. Profit before tax rose $62 million to $111 million, driven by cash management, FX sales and trading. ROE improved to 14%, from 6% in 2017.

Our strategic focus and how we are creating value

We are a full-service Pan-African bank with a diversified business model and a broad client base. We believe our model constitutes a strategic positioning and provides a competitive advantage, enabling us to connect with a wide range of individuals and businesses across Africa.

We believe banking is essentially a commodity-like business, and as such, being a low-cost provider is imperative. As a bank we must therefore carry out our business activities to ensure that our cost-to-serve remains competitive.

Accordingly, our business segments – Consumer Bank, Commercial Bank and Corporate and Investment Bank - are responsible for centrally manufacturing the financial products and services that our customers need. Our geographical regions – UEMOA, Nigeria, AWA and CESA – serve as the distribution markets. This allows us to keep costs down, standardise our products while addressing and catering for specific market nuances, as may be required.

Thus, to bring the full force and truly distinctive value add of the Ecobank Group to bear on customers, it requires each business segment to optimise its value chain, simplifying consistency and effectively complementing each other.

Our Consumer Bank aims to meet the financial needs of individuals, such as opening a bank account, making payments, transferring money to family and friends, securing a loan to purchase a car and/or a home, and investing for the future. We have transformed the way that we deliver these services and needs with investments in digital technology to stay on top of the evolving expectations of customers. Take, for instance, the proliferation in the use of mobile phones and especially smartphones, and the internet in Africa.

GROUP CHIEF EXECUTIVE'S REVIEW

According to an article in the *Financial Times*, in the first half of 2018, China's Transsion Holdings, which is Africa's biggest phone producer, sold more than 50 million phones in the continent, including 11 million smartphones. McKinsey also noted that by 2025 almost a billion of the population of Sub-Saharan Africa will have internet access, and for 360 million this will be via smartphone. At the same time, Africa is experiencing a gradual rise in household wealth and affluence and is fast urbanising, with 70% of its population under 30.

These trends present opportunities for our Consumer Bank and underlie our strategic focus. As such, we have created technology platforms that allow customers to digitally engage with the bank.

The Ecobank Mobile App, for example, is helping our customers carry out a wide range of transactions more effectively and conveniently. Employing tools like Artificial Intelligence (AI), will, in the future, further help us to learn more about the behaviours of our customers and consequently improve the overall value proposition. I am excited to mention our revolutionary Africa Rapidtransfer (ART), a mobile-based money transfer app, which targets Africans in the diaspora corridors of Africa, Europe and North America. Currently, 33 million Africans live outside their countries of birth with high concentrations in Europe and North America, and, in 2017, nearly $37 billion was remitted into sub-Saharan Africa according to the World Bank.

Our ART offers a much cheaper alternative for the transfer of money. We offer zero fees for transfers to anyone using the App.

Finally, whilst we are moving to the digital platforms and de-emphasising more expensive branches, we do still recognise the need to ensure access to banking services for Africa's large unbanked population. Therefore, we are strongly promoting our agency network of Xpress Points and we already have almost 14,000 agents which have to date processed transactions worth nearly $600 million. In addition, we are building partnerships to further broaden our distribution capabilities and have entered into phenomenal partnerships with card schemes, money transfer businesses, mobile network operators, aggregators and downstream oil companies. Ultimately, we are effectively empowering individuals as owners of the Xpress Points, getting banking services to the previously unbanked, and fostering financial inclusion across Africa.

With our Commercial Bank we aim to become Africa's largest and most profitable business network serving small-sized businesses and local corporates. Small businesses are the drivers of African economies and helping them to succeed financially underpins its strategy. In line with our digitalisation efforts, Commercial Bank launched Omni Lite, a payments platform designed solely to meet the management of cash flow needs of small businesses. We have invested in training relationship managers to deliver better value to our clients and have repositioned our branches to provide advisory services to our small business clients.

Our Corporate and Investment Bank aims to be the 'go-to' Pan-African bank meeting the domestic and cross-border needs of our clients, with cash management and trade finance underpinning its strategy. While lending remains important, over time we expect to generate proportionately more of operating income from non-fund revenue sources.

Putting the customer at the centre

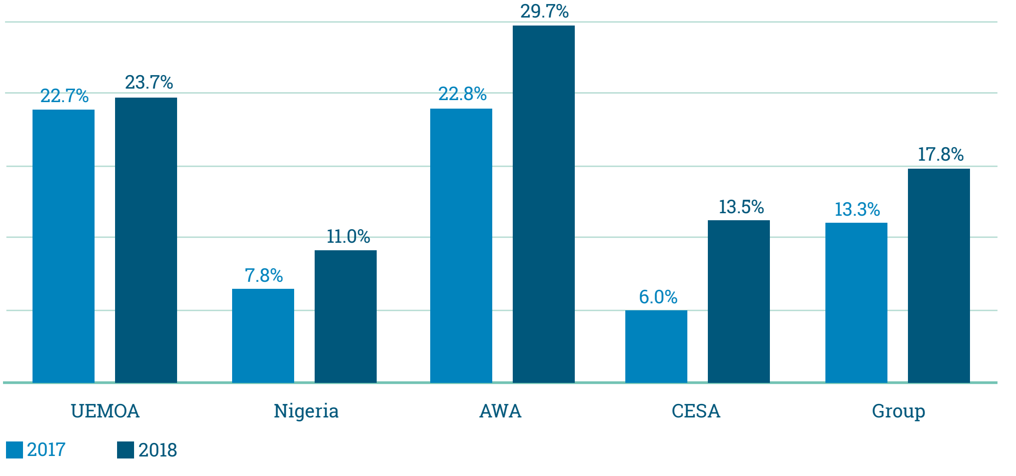
Having secured our foundation, we are now in Execution mode, and one of the cardinal areas of focus is the customer and the customer's experience with Ecobank. We have therefore embarked on a major initiative to overhaul and ensure excellent customer experience across our network. We seek to know exactly what customers expect from us, to ensure that we meet their needs, that our services are easy to access and use, and that ultimately the customer's experience is enjoyable. To ensure that we achieve and excel at this, we are creating a new customer experience function, headed by a senior executive. We believe that our profitability and ROE ambitions are invariably dependent on how well we implement the customer experience focus. The market will value our efforts when our products and services deliver value, are easy to use, and enjoyable.

I will now turn briefly to aspects of our strategic priorities where we have made some progress, though we do recognise that we still need to do more to get to where we want to be.

Returns above the cost of equity

Achieving sustainable ROE above the COE throughout the cycle underpins our strategy. We had articulated that we will address business segments and/or markets that are unable to meet their cost of capital within a medium-term framework.

ROE by geographical region



As at year end the Group's ROE of 17.8% was marginally higher than our COE of approximately 17%. This is positive and is indeed the first time in a long time that returns have surpassed the cost of capital. That said, the ROEs of some of our subsidiaries remain below their cost of capital. I can assure you that we are giving our utmost attention to ensuring that ROE will ultimately be higher than COE across all our subsidiaries.

ROE in CESA has improved, as I indicated earlier. However, we need to improve the performance of several subsidiaries and we are working with the Board on proposed courses of action:

- For countries where underperformance is due to scale limitations rather than a viable value proposition, the intention is to scale up for growth. For example, in Nigeria and Kenya; and
- For countries where scale is unimportant, but adopting a niche strategy would deliver value, the intention is to keep a minimum viable presence that is lean enough to drive returns and maintain the network effect.

We recognise that Nigeria's underperformance may still be of concern, and as mentioned earlier, this is an important market for us, where we aim to deliver sustainable returns and value. Nigeria's ROE of 11%, though an improvement over prior years, is still below its cost of capital and compares unfavourably against its top tier bank peers in its market. However, we have significantly and positively moved from where we were in Nigeria in 2015/2016. We have instituted a clear plan to drive growth in our Nigerian operations, including possible additional capital injection with a higher focus on growing non-funded income, pursuing further operational efficiencies and continuing to address credit quality challenges.

GROUP CHIEF EXECUTIVE'S REVIEW

Capital efficiency levels

A recurring theme among investors we engaged with was around the Group's capital adequacy. These concerns are understandable, especially as our presence in multiple countries exposes us to risks such as regulatory capital demands.

That said, the Group's Basel II/III Tier 1 Capital Ratio of 9.5% and Total Capital Adequacy Ratio (CAR) of 13.6%, are both above the minimum regulatory requirement. However, we would like to operate with risk capital appetite levels of 12% and 14% respectively, especially when we resume to gradually growing loans.

It is important to mention that our current capital is supportive of our strategic focus of being a digital bank with less capital-intensive activities. We may need to increase capital to build scale in select subsidiaries, where performance is stifled by the lack of scale, such as in Nigeria and Kenya.

We have also improved the liquidity of the Group. For example, our liquid assets to total assets ratio improved to 44% in 2018 from 42% in 2017. We have reduced risk-weighted assets as a share of total assets and shortened the maturity profile of the credit portfolio. Our loan-to-deposit ratio has fallen to 61.5% compared with 65.2% in 2017, and our holdings of liquid government treasury bills and bonds have increased. In November 2018 we successfully raised a $200 million syndicated loan, which was oversubscribed to the tune of $265 million, further boosting our liquidity profile.

Culture as the foundation for financial success

The moral values and principles by which we conduct our daily affairs – engagements with customers, suppliers, the regulators, government authorities, ourselves, investors and shareholders – should and will be of the highest standard.

The tools and principles that will drive proper behaviour should be embedded in the company and its people, if we are not to trade short-term profitability for long-term financial success. Indeed, this is a risk that the Board and management will not take. We have therefore embarked on, and are championing, a series of group-wide initiatives to promote ethical conduct and improve the corporate culture across the Group. Our decision-making will be focused on identifying and promoting what is good, right and more importantly, fitting.

As a result, we will be adopting a values framework, which commenced in Nigeria where the right business and ethical behaviours have been successfully embedded. The Core Values are known as ACE-IT, which stands for Accountability, Customer-centricity, Excellence, Integrity and Transparency. Ethics in leadership and across the company is imperative, especially as we continue to execute our strategy and realise our objectives in a sustainable manner.

In closing

I am most proud of the work that Ecobankers have done in the last three years to stabilise the company and position it to create long-term value. I couldn't be more grateful.

Notwithstanding the challenges that we face, our devotion to serving our customers and engaging properly with all stakeholders will not be compromised. We will focus on maintaining healthy asset quality metrics, while also maintaining the momentum to enhance our distribution capabilities and improve service.

We will continue to invest in technology as a core enabler even if that means that short-term earnings will temporarily be impacted. For us, it is the long-term financial success of the company that remains paramount. As such we will continue to build on and enhance the technology platforms that enable us to engage with more customers and partners and deploy a robust digital communications strategy. The traditional bank model that we all know is rapidly changing with technology and we must continue to position ourselves effectively to succeed in this technological journey of transformation.

I do know that we must win, and win well, in all our businesses and geographies. A culture of excellence in everything that we do, and our focus on ensuring best-in-class customer experience underlies the core of our strategic journey. On behalf of all Ecobankers I thank you all for your continued commitment, confidence and support.

We are on course to deliver a sustainable Pan-African institution. You can count on my commitment as the opportunity is ours to take!

Ade Ayeyemi
Group Chief Executive Officer


Carrier
100%
Ecobank
MOBILE
Digital banking, redefined
WEALTH MANAGEMENT | OFFSHORE BANKING | CONCIERGE | DIGITAL
Our Premier Banking customers can enjoy 24/7 access to a range of award-winning, instant and easy to use digital solutions for self-service whenever and wherever they choose.
Find out more at ecobank.com/premier or contact your Relationship Manager
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ecobank.com
Ecobank
The Pan African Bank


NANA ARABA ABBAN
Acting Group Executive
Consumer Bank

"Banking should be accessible, convenient and affordable to every African, and to this end, we are broadening our Mobile Banking offerings and enriching the customer experience to make Ecobank Mobile the most dependable banking companion in the palm of every African."

GROUP EXECUTIVE'S REVIEW
CONSUMER BANK

It gives me pleasure to share the progress of our journey to implement the Consumer Bank strategy in pursuit of market leadership across middle Africa.

Increased profits with rapid growth in customers

Consumer Bank generated operating income of $447 million, representing 24% of the Group's total operating income and a profit before tax of $62 million, a growth of 35% from 2017. Our earnings growth was complemented by a significant reduction in impairment losses on loans and advances, evidencing our continued efforts to improve our asset portfolio quality.

We held $5.2 billion in customer deposits and $890 million in net loans, increasing our customer base by 36% to over 19 million across our African network of countries. We continue to meet consumer needs with payment, deposit, and loan products that are affordable, easy to use and accessible, leveraging digital and agency banking channels.

	2017	2018	GROWTH
Number of customers (millions)	14	19	36%
Number of accounts (millions)	15	21	40%
Number of Ecobank Mobile transactions (millions)	5	32	540%
Value of Ecobank Mobile transactions (USD millions)	604	1,510	150%
Number of XpressPoint[1] agents	446	13,913	3,020%
Value of XpressPoint[1] transactions (millions)	4	586	14,550%

1. Our agency banking solution, XpressPoint, was launched in December 2017

CONSUMER BANK

Broadening our mobile banking offerings

Our commitment to capitalising on the ubiquity of mobile phones remains strong. We continued to grow our Ecobank Mobile user base and processed 32 million transactions worth over $1.5 billion in 2018 through this channel.

The Ecobank Mobile Banking channel gives consumers a wide selection of services including, instant account opening – the Xpress Account, instant funds transfers both locally and across our Pan-African network, instant payment for goods and services using EcobankPay via Masterpass, Visa and mCash, payment of bills, purchase of airtime and cardless payment tokens which can be conveniently redeemed at Ecobank ATMs and agent locations.

Banking should be accessible, convenient and affordable to every African, and to this end, we are broadening our Mobile Banking offerings and enriching the customer experience to make Ecobank Mobile the most dependable banking companion in the palm of every African.

Tapping into the remittances market

In line with our overall strategy of leveraging technology to create affordable and convenient solutions for Africans, we released our proprietary money transfer product, Rapidtransfer, as an app in October 2018, strengthening our remittances value proposition. An estimated 33 million Africans living in the diaspora remit over $37 billion into and across sub-Saharan Africa annually.

The Rapidtransfer App is accessible worldwide to Africans remitting money to any of our presence countries in Africa. At the end of 2018, after just two months on the market, there had been over 100,000 downloads of the Rapidtransfer App.

We registered Africa Rapidtransfer S.A. as a subsidiary of our international business, Ecobank International, and successfully gained a money transfer licence in December 2018 for the business. This is a very important step in our remittances strategy, enabling us to deepen our diaspora offering to Africans living in Europe by meeting more of their transfer and payment needs.

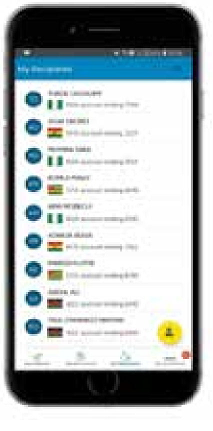
With our unrivalled pan-African footprint, we offer international money transfer organisations, telcos and other partners the widest network for delivery of remittances and we are continuing to expand the services we provide across our vast network. In 2018, we broadened our alliance with our strategic partner, Nedbank, by integrating our Ecobank Money Transfer platform to their mobile banking systems. This has created the opportunity for over half a million Nedbank Mobile App users to send money instantly to any country where Ecobank operates in Africa.

We have enabled direct-to-account transfers from the digital platforms of emerging international money transfer organisations Transfast and WorldRemit. We are also deepening our longstanding relationship with Western Union, leveraging our digital capabilities for several new offerings including direct-to-account deposits which will be implemented in 2019.

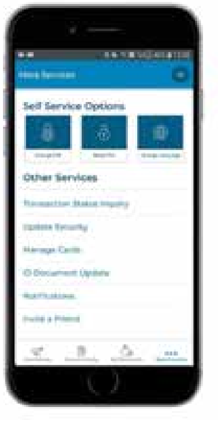
Get Started

Send Money

Manage Beneficiaries



Other Services



Increasing financial inclusion through agency banking

We have increased our Agency Banking network, which now comprises 14,000 Xpress Points, and has processed over $586 million in transaction value. Ecobank is leveraging distribution partnerships with key retail outlets, including oil marketing companies such as Total, Shell and OiLibya, and FMCGs in expanding its reach across the continent. Xpress Points have improved financial inclusion by bringing financial services closer to consumers at convenient locations in their own neighbourhoods.

Enriching our Personal Banking proposition

We have introduced wealth management services for our Premier Banking customers, and also launched offshore banking for these clients in collaboration with Nedbank and Qatar National Bank. We continue to provide bespoke exclusive services to our Premier Banking customers, wherever they may find themselves across the globe.

Our loyalty programme offerings to both Premier and Advantage customers were enhanced during 2018, with new global, regional and local partners providing benefits at hotels, restaurants, airport lounges, and spas to name a few.

Serving the mass market by leveraging technology and partnerships

We remain committed to expanding access to financial services for our mass market segments, and, in this light, launched the Ecobank Evolution Account in 2018. It is an account specifically designed for the under-banked and unbanked small-scale individual merchants. Taking into account the needs of this customer segment, we serve them through our Xpress Points and Mobile Banking platform, and they enjoy benefits such as zero account servicing fees, low minimum balance requirements and complimentary EcobankPay QR codes for their sales collections.

As a key part of our strategy to expand financial inclusion across the continent, we entered into an agreement with MTN covering 12 countries in which we both operate, to provide financial services to over 126 million of their customers. These services include savings, loans, transfers, international remittances, merchant payments, cardless ATM withdrawal and corporate payments. We have started the execution of this land-mark agreement in select countries and will expand the services available during 2019.

Our focus on serving our customers with fit-for-purpose products and services has led to consistent growth in our key performance indicators, including customer acquisition, transactions and profitability in 2018.

Looking ahead

In 2018, Consumer Bank gained momentum on its digital journey, laying a strong foundation for growth and profitability in 2019. Ecobank won the African Bankers' Awards for Best Retail Bank, for leveraging technology to bring solutions to customers, and Innovation in Banking, for the Ecobank Mobile App. With best-in-class products and channels in place, we are achieving rapid growth and are fully leveraging our platform across Africa, delivering on our promise to create value for our shareholders by serving 100 million customers by 2020.

Our global partnerships with international card associations, international money transfer organisations, telcos, technology giants and fintech firms remain critical as we seek to remain on the cutting edge of delivering the solutions that will meet the needs of our growing customer base. We remain appreciative of our partners for their invaluable collaboration.

At the centre of our strategy are the millions of customers who hold accounts with Ecobank and transact on our platforms. I am grateful for their loyalty to our institution. I thank the Board for their unwavering support, and my colleagues across Ecobank for their hard work and commitment to excellence. Our journey to become the preferred bank for consumers across middle Africa continues with confidence.

Nana Araba Abban
Acting Group Executive
Consumer Bank


JOSEPHINE ANAN-ANKOMAH
Group Executive
Commercial Bank

"We have made progress, but clearly there remains a lot to achieve if we are to get Commercial Banking on a sustainable footing. These challenges drive our commitment to hard work, innovation, collaboration and our intense desire to succeed. It unites us towards our common goal, which is to ensure that our customers are financially successful and that our people are content. Once that is achieved the rest will follow: revenue growth, profit expansion and happy stakeholders."

GROUP EXECUTIVE'S REVIEW
COMMERCIAL BANK

In our Commercial Bank business, we focus primarily on providing financial solutions to small and medium-sized enterprises (SMEs), as well as to local and public corporates. These businesses, especially SMEs, are the backbone of African economies and make up a significant proportion of all its businesses and represent the economic heartbeat of Africa. We at Commercial Bank are proud of the role that we play in contributing to their success.

I am delighted to share with you our financial performance in 2018, our strategy, and the ongoing investments that we are making to drive financial success for our clients. We have created a conducive working environment and seek to improve returns for all our stakeholders. This is my first update following my appointment in August 2018 as head of this business.

Five-year transformation journey

2018 marks year three of our five-year transformational journey, for which the strategic goals are to improve the quality of the loan portfolio, prioritise new areas of growth, enhance customer profitability and digitise the business. These initiatives are yielding good results, thanks to the hard work of our dedicated team and the relentless execution of our strategy. Although we have not fully achieved all our set targets, we are making good progress.

We are profitable, and we have seen some improvements in collections and recoveries. We have also become more efficient.

We are making real progress on the digital front, having created digital platforms which are tailored to the needs of SMEs. For example, our newly launched Omni Lite allows SMEs to manage their collections and payments easily and conveniently. Our e-Government solution offers customised digital payments and collections solutions for public corporates.

Overall, we are enriching the customer experience by removing customer pain points. We are creating product bundles to enhance the value proposition for our clients. We are also reaching new customers through our strategic partnerships and by collaborating effectively with our Consumer and Corporate and Investment Banking businesses.

2018 – A return to profit

These strategic achievements helped Commercial Bank earn a profit before tax of $29 million on operating income of $354 million, compared to a loss before tax of $32 million for 2017. These results are a remarkable achievement and were driven by the healthy growth in our cash management, FX sales and trade finance revenues.

COMMERCIAL BANK

The discipline we are attaching to cost reductions and the continuing efforts we are making on improving the quality of our loan portfolio have helped to drive our profitability. Expenses were flat at $264 million in 2018, while the efficiency ratio was 74.6%, also flat from the previous year, as a result of lower-than-expected growth in operating income due to tepid loan growth. Our non-performing loan ratio, which is a measure of the health of our loan portfolio, remains disturbingly high at 25.8%, despite the progress that we are making in addressing our asset quality problems.

On the other hand, client deposits of $3,347 million are up 9%, thanks to our vibrant cash management proposition. Ecobank Pay and Bank Collect, our innovative cash management tools, are helping our clients to effectively and conveniently manage their cash positions with their suppliers and distributors. Our e-Government solution, which is tailored to the needs of our public sector clients, is expected to further drive deposit generation.

With a loan-to-deposit ratio of 44.2%, we have ample room to increase lending and investments in securities. Lending growth, however, is likely to remain muted in the short-term, and any additional loans that we offer will be transactional, short-term and self-liquidating in nature. Our focus is on delivering value in our cash management and trade finance businesses through fee-based and capital-light generation-based income sources. We have also signed a $50 million risk sharing agreement to support SME financing with the African Guarantee Fund, which will allow us to increase the scope of our interventions for African SMEs.

Building a strong, profitable, and sustainable business

Following on from the milestones that we have achieved, our overarching aim is to build a robust, profitable and sustainable business focused on delivering relevant solutions and building Africa's largest and profitable business network. We provide banking services to customers at the right price point and bring value to the bank.The strategic levers that will enable us deliver on our goals are: technology, speed-to-market, scale, distribution capacity and excellence in service delivery.

The pace of advancements in technology are driving both innovation and higher customer expectations. The failure to embrace these technological winds of change could spell the difference between survival and demise for businesses. As such, this remains top of mind in the way that we are running our Commercial Bank business. We are using technology to simplify our processes as well as to drive scale and speed-to-market.

Scale is important for the growth and efficiency of our business. Given our geographic spread and diversification, our scale enables us to broaden our client coverage while at the same time lowering the average unit cost of service. As a first step, we have rolled out a new online banking platform. In addition to our branches, online, and mobile channels, we are developing strategic partnerships with telcos, oil marketing companies etc., to expand our product offerings and to deliver convenient and relevant solutions for our clients.

Other initiatives and activities

We are continuously exploring ways in which we can improve the financial prospects of our clients by actively engaging with them and listening to their concerns. We take their feedback very seriously, and, as a direct result of it, we are revamping our SME Club initiative. This initiative was launched in 2014 to address the myriad needs of the SME sector, which are evolving with the changing times. We have also launched our new Emerald Business Club (EBC), which has a multitude of features to enrich the customer experience of our SME Club initiative. The most important change relates to the extension of the club to our local corporate customers. Additional features now include privilege service, fast track transactions for EBC members, networking seminars and business forums, access to market insights and promotion of Ecobank's Digital Solutions. EBC has been launched in 14 of our subsidiaries following its maiden launch in Senegal in February 2018. We expect EBC to be available to all our customers Group-wide by the end of 2019.

Investing in our people

There is not a shred of doubt that our success depends entirely upon our people. Creating a conducive working environment is always prioritised, and it is of key importance that my colleagues own the customer experience. We are making the investments that enable them to deliver value. Some of these initiatives include: competency improvement initiatives, personal development plans, training and career coaching. Additionally, we are training our bankers to ensure that they comprehensively understand our products and have the tools and skills required to evaluate the needs of our clients.

Looking forward

We have made progress, but clearly there remains a lot to achieve if we are to get Commercial Bank on a sustainable footing. These challenges drive our commitment to hard work, innovation, collaboration and our intense desire to succeed. It unites us toward our common goal, which is to ensure that our customers are financially successful and that our people are content. Once that is achieved the rest will follow: revenue growth, profit expansion and happy stakeholders. Our aim is to provide our expanding customer base with a suite of products that are simple to use, standardised and can be delivered digitally, and we are focusing on key geographies with low market penetration and attractive cash rich sectors.

I want to thank our customers for the trust and confidence that they place in Ecobank, and to thank my team members in Commercial Banking for their outstanding service to our clients.

Josephine Anan-Ankomah
Group Executive
Commercial Bank

AMIN MANEKIA
Group Executive
Corporate and Investment Bank

“Our business model allowed us to transact with our corporate clients, particularly in the public sector, to help these clients build infrastructure contributing to economic developments in a number of our key markets.”

GROUP EXECUTIVE’S REVIEW

CORPORATE AND INVESTMENT BANK

The Corporate and Investment Bank (CIB) delivered a profit before tax of $268 million, flat compared with 2017. This performance demonstrates the continued strength of our diversified pan-African banking model, as well as our ability to continue leveraging the markets that we operate in.

Our business model allowed us to transact with our corporate clients, particularly in the public sector, to help these clients build infrastructure contributing to economic developments in a number of our key markets.

Cash Management is an important part of our business. Here, we help our clients with the financial solutions that enable them to optimise their cash operating cycles. To be able to do this effectively, we leverage technology at each stage of our customers’ cash operating cycle. Specifically, we help our customers efficiently manage the cash collected from the sales of their goods and services both within country and/or cross border. On top of that, we then provide them with the digital tools that enable them to further pay suppliers, salaries, statutory bodies (tax, pension, dividends, health contributions etc.), using the cash balances in their operating accounts.

Additionally, we offer our clients liquidity management and investment solutions to enable them further optimise their funds. Also, where there are mismatches between collections and payments, we provide our customers with short-term credit solutions.

Ecobank Omni, our proprietary electronic banking channel, allows our CIB clients to transact digitally on their accounts. It allows clients to access online information on their accounts, i.e. statements, balances, transaction details etc. Complementary to Omni are our host-to-host and SWIFT integrated solutions, which are targeted at our high-volume customers, who process their transactions from shared services centers. In 2018, we embarked on a project to upgrade the Ecobank Omni platform while at the same time deploying a new online banking solution, Omni Lite, specifically for clients of the Commercial Banking business.

Customers transacting in Ecobank Omni grew by over 40% while the value of transactions increased by about 39% to $21.5 billion, indicating the continued success of our strategy to migrate all our clients onto safer and more efficient digital platforms. We expect this growth to continue in 2019 in line with our strategy of on-boarding all of our clients onto digital platforms at the time of account opening with Ecobank.

CORPORATE AND INVESTMENT BANK

Our pan-African footprint, centralised technology platform (client-facing and back office technology) and a centralised hub for systems integration and processing continue to be a unique value proposition that is very relevant to international organisations looking to access Africa for payments. Specifically, this platform continues to be very relevant to International Aid organisations operating in Africa, who continued to leverage this technology infrastructure for payments ranging from salaries, supplier payments and payments for persons displaced by disasters in Africa.

On the collections front, we saw our volumes via the digital collection channel – Bank Collect – continue to increase on the back of increase adoption by revenue authorities for tax collections across our markets. Our innovative pan-African Cash Management solutions continued to get industry recognition. For example, in 2018, Global Finance named Ecobank as the 'Best Bank for Payments and Collections' in Africa. This is a testimony to our growing dominance in this space in the African continent.

Our goal to become a leader in Trade Finance in Sub-Saharan Africa within five years is on track. In 2018, we successfully hit the $1.0 billion mark in trade asset volumes and increased revenue by nearly 40%. As a result, our trade assets book closed at $1.4 billion with assets to SMEs and Commercial Banking clients growing by more than 80% over the two year period to $385 million. Our affinity to the SME client segment stems from our pan-African values and belief in supporting African economies, which are mostly dominated by SMEs.

We have doubled our trade transaction volumes as well as revenues in EBISA, our Paris-based banking subsidiary, which we have strategically positioned as a 'confirming bank of choice' to support the rest of the Group and a hub for the distribution of key trade assets.

We are consolidating all transactions for approved countries under our Regional Processing Centres. We also continue to roll out our digitalised trade finance product suites (eTrade, eFSC and Eximbills) across our network to support the full automation of the front and back end functions. These enable our CIB clients to access trade financing/services anywhere and everywhere in the world at the touch of a button from their multiple operational bases/locations.

Our strategic partnerships with our shareholders, including Nedbank and the Qatar National Bank are yielding dividends by extending Ecobank's trade financing capabilities to clients in the countries and markets where we don't have a presence, such as the Middle East and Turkey. In 2019, we expect to grow our trade business through the benefits of convenient, reliable, accessible and secure digitised trade platforms.

All the three lines of business of our Fixed Income Currencies and Commodities (FICC) business, namely Client Sales, Trading, and Balance Sheet Management, performed strongly in 2018. A key strategic initiative in the FICC business in the past few years has been around setting up a Structured Products Distribution Desk. This desk, which will reside in EBISA, will focus on the distribution of African assets, such as Treasury Bills and/or Government Bonds and hedging products. This will not only help to diversify our revenue streams, but will also further solidify our brand as a distinguished player in the African FICC space. The desk will play a central role in meeting the risk management needs of our customers.

Ecobank continues to be a highly reputable force in African currency markets. In 2018 we added many new currencies to our FICC portfolio with a focus on meeting broader coverage demands in our Corporate, Commercial and Consumer lines of business.

Following on the initiatives developed in prior years, the International platform of Ecobank (Paris, London, Beijing, and Dubai) maintained its role as a key hub in supporting the Group's foreign currency trade and cash transactions. $23 billion of FX transactions were processed in 2018. The EBISA FX platform registered a year-on-year growth rate of 11% and remains a market leader, being ranked number 1 on most of the 30-plus African currencies transacted.

Added to the G10 and other non-African currencies, the platform now enables our clients to hedge their exposure in 50-plus currencies. Trade Finance, through combined offerings in plain vanilla and structured trade finance, significantly increased its capacity, resulting in the revenue of our international business growing by about 70% in 2018.

Our Securities, Wealth and Asset Management business supports retail and institutional clients with market related solutions and fund management services, through two business verticals, Securities and Investor Services and Asset and Wealth Management (AWM).

In 2018, AWM launched one of the first African Sovereign Bond Funds targeting $150 million of assets under management. It is the first African Bond index to focus on local currency-denominated sovereign debt in Middle Africa. As a result, assets under management reached $900 million, a 20% increase from 2017, driven by a successful distribution strategy throughout the Consumer and Corporate bank channels. The Wealth Management product has been launched in Nigeria and UEMOA, allowing Ecobank to enhance the services offered to its clients through the introduction of a Financial Planning product line. Based on a foundational understanding, our team-based integrated approach brings together a dedicated team of specialists who work together to create an integrated, customised wealth plan to help clients achieve their goals.

In 2019, we will continue to focus on enhancing the CIB client experience across our customer base. This will be done through product innovation, efficient delivery of our products and services and enhanced cross-sell where we have invested our capital.

Amin D Manekia

Amin Manekia
Group Executive
Corporate and Investment Bank

3

CORPORATE GOVERNANCE

BOARD OF DIRECTORS – ECOBANK GROUP

1. **Emmanuel Ikazoboh**
   Chairman
   Non-Executive Director
   Nigerian

2. **Ade Ayeyemi**
   Executive Director
   Group Chief Executive Officer
   Nigerian

3. **Alain F. Nkontchou**
   Non-Executive Director
   Cameroonian

4. **Aichatou Agne Pouye**
   Non-Executive Director
   Senegalese

5. **David O'Sullivan**
   Non-Executive Director
   Irish

6. **Abdulla M. Al Khalifa**
   Non-Executive Director
   Qatari

7. **Bashir M. Ifo**
   Non-Executive Director
   Nigerian

8. Brian Kennedy
Non-Executive Director
South African

9. Dr. Catherine W. Ngahu
Non-Executive Director
Kenyan

10. Tei Mante
Vice-Chairman
Non-Executive Director
Ghanaian

11. Mfundo C. Nkuhlu
Non-Executive Director
South African

12. Greg Davis
Executive Director
Group Chief Financial Officer
British

13. Monish Dutt
Non-Executive Director
Indian

14. Dr. Daniel M. Matjila
Non-Executive Director
South African

DIRECTORS' BIOGRAPHIES

Emmanuel Ikazoboh (69)

Chairman
Non-Executive Director since 2014
Independent
Nigerian

Emmanuel Ikazoboh has over 40 years' experience in senior executive management roles, executing high-profile advisory assignments for public and private sector entities in Africa and globally. He spent most of his career with Deloitte and Touche as a member of the Africa Board and held the position of Chairman and CEO of Deloitte West and Central Africa between 2007 and 2009.

From 2010 to 2011, he served as Interim Administrator of the Nigerian Stock Exchange.

He was appointed by Nigeria's Securities & Exchange Commission to restructure the stock exchange, equities market, stockbrokerage and corporate governance processes to meet with best practice and put in place a new management team.

As Chairman of Nigeria's Central Securities Clearing System, Emmanuel led its restructuring and transformation to conform to global standards.

He is a member of the board of Dangote Cement Group and serves as the Chairman of the Governance and Remunerations Committee. He is currently the only African board representative of the International Institute for Sustainable Development (IISD) in Canada and serves as the Chairman of the Audit and Risk Committee.

Emmanuel is a UK Certified Accountant and a Fellow of the Chartered Association of Certified Accountants, the Institute of Chartered Accountants (Nigeria) and the Nigeria Institute of Taxation. He holds an MBA in Financial Management and Marketing from Manchester University's Business School. He was also one of the top CEOs seconded to the Kellogg Senior Management School, Northwestern University, Chicago, USA.

Ade Ayeyemi (56)

Executive Director since 2015
Group Chief Executive Officer
Nigerian

Ade Ayeyemi was appointed Group Chief Executive Officer of Ecobank in June 2015 and assumed office on 1 September 2015. He is an experienced banker, who before joining Ecobank, had a long and successful career with Citigroup, where he was CEO of Citigroup's Sub-Saharan Africa division based in Johannesburg.

Ade is an accounting graduate of the University of Ife, now Obafemi Awolowo University, Ile-Ife, Nigeria, where he earned a Bachelor of Science degree with First Class Honours. He also studied at the University of London and is an alumnus of the Harvard Business School's Advanced Management Programme.

Ade is a Chartered Accountant and his many interests include business strategy, economics, process engineering and technology.

Abdulla M. Al Khalifa (45)

Non-Executive Director since 2015
Qatari

Abdulla Mubarak Al Khalifa joined QNB Group in 1996, and is currently the Acting Chief Executive Officer at QNB Group.

Abdulla's most recent role was Executive General Manager – Chief Business Officer, with responsibility for Corporate, Retail, Assets & Wealth Management, Treasury and International Banking.

Abdulla has also held several other senior strategic positions across the Group. The roles have given him extensive experience in Corporate & Project Financing, Strategic Planning, Sales & Marketing, Risk Management, Mergers & Acquisitions and Customer Relationship Management.

Abdulla holds a Bachelor's Degree in Business Administration from Eastern Washington University, USA.

Abdulla is a nominee of Qatar National Bank.

ETI Board Committees:

- Finance & Regulatory Requirements Committee
- Audit & Compliance Committee

Greg Davis (39)

Executive Director since 2017
Group Chief Financial Officer
British

Greg Davis joined Ecobank as Group Chief Financial Officer in October 2016. Greg has nearly two decades of banking and financial services experience and is an accomplished banking CFO. Prior to joining Ecobank, he had a successful career with both Standard Bank and Barclays PLC, most recently holding the role of CFO for Standard Bank's Africa division, which encompasses 17 countries.

He has worked in banking in Africa for over 10 years, building on his successful career in financial services in London before that.

Greg is responsible for overseeing and ensuring the strategic management of all the financial and fiscal aspects of the bank's finance operations.

A qualified Chartered Accountant, and a Fellow of the Institute of Chartered Accountants of England and Wales (ICAEW), Greg holds a Bachelor of Arts Honours degree in Economic and Social History from the University of Leicester, England.

Monish Dutt (60)

Non-Executive Director since 2017
Indian

Monish Dutt is a seasoned investment professional and a consultant on emerging markets. He is a Director of Sagicor Financial Corporation, a $6 billion Pan-Caribbean insurance group. He is also on the boards of Sagicor Life Insurance Corporation, the Group's US operations, and Sagicor Bank, Jamaica. He is also a Director of Peak Reinsurance, Hong Kong, and the Washington-based FINCA Microfinance Holdings.

Prior to this, he worked for 25 years with the International Finance Corporation (IFC) where he held various positions including Chief Credit Officer for Global Financial Institutions and Private Equity Funds, Divisional Head of the Baltics, Central Europe, Turkey and Balkans Group, as well as regional investment officer roles, covering Africa, Asia, Central and Eastern Europe and Latin America. Before joining the IFC, Monish worked with Ernst & Young in London.

He has an MBA, majoring in Finance, from the London Business School and an honours degree in Economics from St. Stephen's College, University of Delhi. Monish is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants (UK).

Monish is a nominee of IFC.

ETI Board Committees

- Audit and Compliance Committee
- Risk Committee

DIRECTORS' BIOGRAPHIES

Bashir M. Ifo (59)

Non-Executive Director since 2011
Nigerian

Bashir Mamman Ifo is currently the President of the ECOWAS Bank for Investment and Development (EBID) in Togo. He has more than 30 years of experience within the public and private sectors. He has held several senior management roles at EBID, including Head of the Financial Operations Division, Director of the Treasury Department, Head of Finance and Administration, Acting Managing Director of the former ECOWAS Regional Investment Bank (ERIB) and Vice President for Finance and Corporate Services. From 1982 to 1995, Mr Ifo worked in both the public and private sectors in Nigeria. Bashir is a non-executive director on the Board of ASKY Airlines.

He holds a Bachelor's degree in Business Administration (Banking and Finance) and an MBA in Finance, both from the Ahmadu Bello University, Zaria, Nigeria. He is also an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (CIBN). Mr Ifo was honoured with the award of the "Grand Officer of the National Order of Benin" by the Republic of Benin in January 2014.

Bashir Ifo is a Representative of EBID.

ETI Board Committees:

- Governance and Nomination Committee
- Social, Ethics & Reputation Committee

Brian Kennedy (58)

Non-Executive Director since 2017
South African

Brian Kennedy is Group Managing Executive, Nedbank Corporate and Investment Banking (Nedbank CIB). Brian has been working in investment banking for the past 30 years, the last 22 of which have been with the Nedbank Group.

He worked in the engineering industry for six years and moved into investment banking at FirstCorp Merchant Bank in 1988. In 1996, Brian joined BoE NatWest and was appointed Managing Director of BoE Merchant Bank in 1998. He led the Capital Markets business in Nedbank following the merger with and incorporation of BoE. In November 2003 he was appointed Managing Executive of Nedbank Capital and a member of the Nedbank Group Executive Committee. He is also responsible for the London operations of Nedbank.

Following the integration of Nedbank Capital and Nedbank Corporate in 2015 into a single client-facing wholesale business, Brian has been leading the executive teams responsible for developing and driving the overall strategy, positioning and business growth.

Brian holds a BSc (Eng) (cum laude), MSc (Eng), MBA, AMP (Harvard, USA)

Brian is a nominee of Nedbank Group Limited.

ETI Board Committees:

- Audit and Compliance Committee
- Governance and Nomination Committee

Tei Mante (69)

Vice-Chairman since 2018
Non-Executive Director since 2014
Independent
Ghanaian

Tei Mante is an economic and financial consultant with 40 years' experience in financial markets, including investment banking, project finance and private equity. He worked with the World Bank Group in Washington D.C. from 1975 to 2000, where, amongst a variety of assignments, he headed up the Africa and Agribusiness Departments of the International Finance Corporation (IFC).

Tei has also worked as a consultant for the African Development Bank, the Government of Ghana, the European Commission, UNECA and the Government of Sierra Leone. He served as a special advisor to the Ghanaian Government's Economic Management team between 2001 and 2004. He was Chairman of the Board of Ecobank Ghana Ltd from 2006 to 2010. He is currently an Independent member of the Investment Committee of the West Africa Emerging Markets Growth Fund.

He graduated with a BSc in Administration from the University of Ghana and holds an MBA from Columbia University, New York.

He is also an alumnus of INSEAD (IEP).

ETI Board Committees:

- Finance & Regulatory Requirements Committee
- Risk Committee

Dr. Daniel M. Matjila (56)

Non-Executive Director since 2012
South African

Dr. Daniel Matjila is a highly respected and experienced figure in the international asset management industry. He is currently the CEO and Executive Director of the Public Investment Corporation (PIC), the largest asset manager in Africa. He is responsible for PIC's overall investment strategy and manages an investment portfolio valued in excess of $145 billion, across all asset classes. He spearheaded the development and implementation of PIC's Offshore Investment and Rest of Africa Investment Strategies and re-purposed the Alternative Asset Mandates for clients, resulting in portfolio diversification benefits and revenue improvement for PIC. He has positioned PIC to be among the top asset allocators that incorporate ESG issues in their investment process.

Previously, he was Chief Investment Officer of PIC. He has held senior positions in quantitative fund management with Stanlib and Anglo American and has been a Senior Lecturer in Applied Mathematics. His academic and professional qualifications include a PhD in Mathematics from the University of Witwatersrand, a postgraduate Diploma in Mathematical Finance from Oxford University and an MSc in Applied Mathematics from Rhodes University.

Dr. Matjila is a nominee of Public Investment Corporation.

ETI Board Committees:

- Finance and Regulatory Requirements Committee
- Information Technology Committee

Dr. Catherine W. Ngahu (57)

Non-Executive Director since 2016
Independent
Kenyan

Dr. Catherine Ngahu is a consultant, educator and entrepreneur with over 25 years' experience in business strategy, marketing, research, ICT policy and corporate governance.

She has been a senior lecturer at the University of Nairobi for many years and is founder and Executive Chairman of SBO Research Ltd. She has consulted for a wide range of African organisations in financial services, FMCG, energy, ICT, telecommunications and manufacturing.

She is the Chairperson of the Advisory Council on the Universal Service Fund for ICT in Kenya and a board member of AAR Insurance, Moran Publishing and the Africa Centre for Transformative and Inclusive Leadership. She was previously Chairperson of Uchumi Supermarkets Plc, on the Kenya ICT Board and the Project Governance and Oversight Committee of the World Bank funded Kenya Transparency and Communications Infrastructure Project. The President of the Republic of Kenya awarded her Elder of the Order of the Burning Spear in 2011.

She holds a PhD in Business Administration, an MBA and a Bachelor of Education from the University of Nairobi and was a Business Research Fellow at Wharton Business School, University of Pennsylvania.

ETI Board Committees:

- Social, Ethics and Reputation Committee
- Information Technology Committee

Alain F. Nkontchou (55)

Non-Executive Director since 2014
Independent
Cameroonian

Alain Nkontchou is the Managing Partner and co-founder of Enko Capital Management LLP, an asset management company based in London and Johannesburg, which focuses on African investment opportunities.

Alain was an advisor of Laurent Perrier, a champagne company in France, having been a non-executive director from 1999 to 2009. He worked in London between 1995 and 2008 as Managing Director of Credit Suisse's Global Macro Trading Group and also with JP Morgan Chase & Co. in the same capacity. Between 1989 and 1994, he worked with Chemical Bank in Paris and New York, where he became Vice-President, Head of Trading and Sales.

Alain has a track record of business success, having generated significant dollar revenues for each of these bulge bracket institutions.

Alain has an MSc in Electrical Engineering from Supelec and P.M. Curie University, Paris, and an MSc in Finance and Accounting from ESCP (Ecole Supérieure de Commerce de Paris).

ETI Board Committees:

- Audit & Compliance Committee
- Risk Committee

DIRECTORS' BIOGRAPHIES

Mfundo Clement Nkuhlu (52)

Non-Executive Director since 2015
South African

Mfundo Nkuhlu has served as Chief Operating Officer and Executive Director of Nedbank Limited and Nedbank Group Limited since January 2015. He has worked in senior roles with Nedbank for 15 years, including Managing Executive of Nedbank Corporate (2009-2014), Managing Executive of Corporate Banking (2005-2009) and Managing Executive of Nedbank Africa (2004-2005).

Prior to joining Nedbank, he was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Services (SARS). He also worked for the Department of Trade and Industry as Chief Director for Africa and the New Partnership for Africa's Development (NEPAD) programme.

Mfundo holds a BA Honours degree from the University of the Western Cape and completed a course on Strategic Management in Banking at INSEAD (France). He is an alumnus of the Advanced Management Programme (AMP) from Harvard Business School (US).

Mfundo Nkuhlu is a nominee of Nedbank Group Limited.

ETI Board Committees:

- Finance and Regulatory Requirements Committee
- Risk Committee

David O'Sullivan (44)

Non-Executive Director since 2017
Irish

David O'Sullivan is Head of Group Legal for QNB, a position he has held since 2012.

He has over 20 years' experience as a lawyer and investment banker working on corporate and financing transactions in the emerging markets, principally in the Middle East, Africa and Eastern Europe.

Prior to his current position, he was Director, Gulf Investment Incorporation (2006-2012) and Senior Associate at Clifford Chance LLP, London, Dubai and Moscow (1996-2003).

He played a leading role in QNB's investment in Ecobank. Since 2016, he has been a Director of the QNB Global Funds ICAV which is an EU fund authorised by the Central Bank of Ireland with sub-funds focussing on sectors including MENA and Sub-Saharan Africa.

Mr. O'Sullivan is a Chartered Financial Analyst, a Solicitor and a member of the Law Society of England and Wales. He has a Law degree (LLB) from Trinity College, Dublin.

David O'Sullivan is a nominee of Qatar National Bank.

ETI Board Committees:

- Governance and Nomination Committee
- Information Technology Committee

Aichatou Agne Pouye (60)

Non-Executive Director since 2018
Independent
Senegalese

Mrs Aichatou Agne Pouye has more than 30 years' experience in the private sector, public administration and international organisations.

She has held leadership positions in many organisations and has strong skills in people management, auditing and enterprise management, marketing of banking services, access to finance for SMEs, international trade negotiations and trade related technical assistance.

Her career started as an auditor at Ernst and Young International, Dakar, Senegal in 1984. In 1990 she joined Citibank and spent 10 years as Resident Vice-President, Group Vice-President and member of the Management Committee. In 2000, she became General Administrator of the Economic Promotion Fund, a refinancing fund for SMEs established by the African Development Bank and the Senegalese Government.

In 2001, she was appointed as Senegal's Minister of SMEs and Trade, and then became Minister of Trade. From 2006 until 2017 she was Director of Business and Institutional Support and Director of Market Development the International Trade Center, a UN and WTO agency.

She holds a Specialised Postgraduate Degree in Management and Business Administration from IAE, Caen, France, and BSC and MSC in Economics from the Université de Paris 9 Dauphine (France).

DIRECTORS' REPORT

Principal activity

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

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

Business review

In 2015, Ecobank outlined and adopted a new strategy captioned 'Roadmap to Leadership', which was designed to take place in two phases over five years. The end of 2017 marked the end of the first phase, which emphasised fixing the fundamentals. The second phase of the strategy, which is ongoing, focuses on execution.

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

A detailed review of the Group's business and financial performance for 2018 is contained in the 'Business and Financial Review' section of the annual report on page 141.

Financial results

ETI made a profit after tax of $322 million for the financial year ended 31 December 2018.

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

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

International Financial Reporting Standards

The accounts of both the parent company and the Group are prepared in accordance with International Financial Reporting Standards ("IFRS").

Dividend

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

Capital

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

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

Directors

The names of directors of the company appear on pages 46 to 52 of this Annual Report.

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

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

DIRECTORS' REPORT

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

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

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

Corporate governance and compliance

The Group's corporate governance practices continue to improve. More details are highlighted in the Corporate Governance Report on pages 58-72. The Company continues to maintain corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices.

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

Subsidiaries

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

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

Post balance sheet events

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

Responsibilities of Directors

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

These responsibilities include ensuring that:

- Adequate internal control procedures are instituted to safeguard assets and to prevent and detect fraud and other irregularities
- Proper accounting records are maintained
- Applicable accounting standards are followed
- Suitable accounting policies are used and consistently applied
- The financial statements are prepared on a going concern basis unless it is appropriate to presume that the company will continue in business.

Independent External Auditors

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

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

Dated in Lomé, 22 February 2019
By Order of the Board,

Madibinet Cissé
Company Secretary


Financial fitness, **redefined**
PREMIER WEALTH MANAGEMENT
Our expert financial planners offer insight and guidance across investment, retirement, estate and risk planning to help our Premier Banking customers enjoy the lifestyle they've earned.
Find out more at ecobank.com/premier or contact your Relationship Manager
PREMIER BANKING
from Ecobank
Ecobank MOBILE
Get more with the Ecobank Mobile app
ecobank.com
Ecobank
The Pan African Bank

GROUP EXECUTIVE COMMITEE – ECOBANK GROUP

1 2 3 4 5 6 7

1. **Ade Ayeyemi**
Group Chief Executive Officer
Nigerian

2. **Ashitey Adjei**
Regional Executive, Central, Eastern, and Southern Africa (CESA) & MD of Ecobank Kenya
Ghanaian

3. **Patrick Akinwuntan**
Regional Executive,
Nigeria & MD of Ecobank Nigeria
Nigerian

4. **Nana Araba Abban**
Acting Group Executive
Consumer Bank
Ghanaian

5. **Josephine Ankomah**
Group Executive
Commercial Bank
Ghanaian

6. **Madibinet Cisse**
Group Executive, Legal, Compliance and Company Secretariat
Guinean

7. **Paul-Harry Aithnard**
Regional Executive, Francophone West Africa (UEMOA) & MD of Ecobank Côte d'Ivoire
Togolese

8. Yves Mayilamene
Group Executive, Human Resources
Congolese

9. Greg Davis
Group Executive Director, Finance
British

10. Moustapha Fall
Group Head, Internal Audit
Senegalese

11. Amin Manekia
Group Executive, Corporate and Investment Bank
Pakistani

12. Eric Odhiambo
Group Chief Risk Officer
Kenyan

13. Eddy Ogbogu
Group Executive, Operations and Technology
Nigerian

14. Daniel Sackey
Regional Executive, Anglophone West Africa (AWA) & MD of Ecobank Ghana
Ghanaian

CORPORATE GOVERNANCE

Introduction

Ecobank takes Corporate Governance seriously, especially in today's progressive business environment, as an integral component in achieving competitive advantage and building a sustainable organisation. It always seeks to implement the highest standards and best practices in corporate governance, in accordance with the most widely accepted codes, thereby ensuring fairness, transparency and accountability to its shareholders and other stakeholders.

As an independent Pan-African banking Group, founded on the spirit of regional co-operation and the economic integration of African countries, Ecobank acknowledges the critical nature of its relationships with all the regulatory bodies across its footprint in executing its vision and discharging its responsibilities to its customers, lenders, shareholders and the communities within which it operates.

This ensures that their requirements, needs and interests are considered in a balanced and transparent manner. Ecobank believes that good governance is essential to deliver sustained business and financial performance and, ultimately, appropriate returns for shareholders. These objectives are clearly articulated within our corporate literature.

Corporate literature

The Articles of Association of Ecobank Transnational Incorporated, and those of its subsidiaries, provide a clear delineation and separation of the rights and responsibilities of the Board, Executive Management and shareholders to ensure that there is non-interference of the Board in management functions and the full disclosure of information to shareholders. Whilst the Board approves policies and Group-wide strategy, it is the duty of Executive Management to ensure the day-to-day implementation of policies and strategies adopted by the Board.

The Annual General Meeting is a key forum for sharing information and decision-making and is intended to engender the active participation of shareholders. Ecobank shareholders' right to access information is an essential principle underpinning the Corporate Governance philosophy of the Group, which promotes the establishment of meaningful dialogue. The Group Corporate Governance Charter and those of its subsidiaries set out the structures and processes to be followed to build credibility and ensure transparency and accountability across the Group. It also defines appropriate policies and processes to enable the execution of Ecobank's overall vision of being recognised as a world class Pan-African banking group. The Governance Charter is regularly updated to reflect the constantly evolving business environment.

Delegation of power and authority

Since the ultimate corporate power belongs to the shareholders, Ecobank ensures that their rights are both respected and exercised effectively. Shareholders delegate their authority to the Board and subsequently to the Board Committees. The Board then delegates the day-to-day operations of the Group to Executive Management. The scope of the authority for each of these corporate bodies is clearly defined and agreed.

In addition to the interests of shareholders, the legitimate interests of all its stakeholders are duly recognised and considered.

There are clear and published terms of reference and accountability for committees at Board and Executive levels. The Board is structured in a manner that enables it to add value to the Group through its composition, size and the commitment of all its members.

Board responsibilities

The primary responsibility of the Board is to act in the best interests of the Group and to foster the long-term success of Ecobank, in accordance with its legal requirements and its responsibilities to shareholders, regulators and other stakeholders. The Board ensures that the necessary leadership, financial and human resources, are made available to the Group to enable it to achieve its objectives. The Board ensures that there are no conflicts or potential conflicts of interest between Executive Management, members of the Board and shareholders. The Board also ensures that the reporting lines of key control functions, such as Internal Audit, Compliance and Risk Management, are independent and structured in a manner that ensures the effectiveness of checks and balances.

The Board reports to shareholders annually on the integrity and timely disclosure of the business and financial performance of Ecobank through the Group's consolidated annual report and accounts, including other substantive financial and non-financial information, about which shareholders and potential investors should be informed. The Board is responsible for assessing the ability of the Group to meet its obligations and is accountable to its shareholders. The Board encourages active dialogue with shareholders and potential investors, based on a mutual understanding of objectives and expectations.

Appointment of Board Directors

The nomination and appointment process of a director to the Board is clearly defined in the Governance Charter. The Charter provides for the Governance & Nomination Committee, which is responsible for the selection and appointment of Board Directors. Prior to any appointment, the Governance & Nomination Committee defines the functions and core competencies for each vacant Directorship role. It also develops suitable selection criteria, screens and interviews potential candidates. The Committee then puts the short-listed candidate forward for consideration by the full Board. Upon consideration of the Board, successful candidates are co-opted to the Board and subsequently presented to the Annual General Meeting for the ratification of their appointments. New Directors are issued with letters of appointment with clear terms and conditions regarding the discharge of their duties.

The competencies outlined in the table below are considered in the selection of Directors to the Board.

- **Demonstrable business acumen**
  Directors must have considerable business experience, together with a proven understanding of corporate and business processes, which have been accomplished through a successful track record and an impeccable reputation in the business community.
- **Leadership and Board experience**
  A recognised ability to add value and display leadership, together with the ability to assert balanced and constructive views at Board level.
- **Special technical skills or expertise**
  Have experience in international banking best practice with specific expertise in the African banking sector. This encompasses commercial banking, retail banking, investment banking, treasury, capital markets and fund raising, asset management, central banking, rating agencies, IT/digital banking, accounting and auditing, regulation and risk management, succession planning, executive compensation, government relations and political intelligence, international insurance, law and taxation, investor relations and international trade, especially relating to commodities. The combined experience of the Directors of the Board is expected to exhibit these competencies.
- **Integrity**
  Directors should demonstrate high levels of integrity, professional, and personal ethics, as well as values consistent with those of the Ecobank Group.
- **Character**
  Directors should exhibit strength of character and the ability and willingness to challenge and probe. This includes sound business judgement, strong interpersonal skills and the ability to listen carefully and communicate with clarity and objectivity.
- **Time commitment**
  Directors need to be able to dedicate sufficient time to adequately carry out the duties of a Non-Executive Director.

The Articles of Association of the Company limit the tenure of Non-Executive Directors to nine (9) years. Directors are appointed for an initial mandate of three (3) years which may be renewed.

However, renewal is not automatic. Directors are required to be evaluated periodically. The outcome of this evaluation and the competency requirements of the Board, as well as the Directors' contributions and input, are considered in assessing the potential renewal of appointments.

In addition to statutory provisions, there are clear guidelines for the dismissal/retirement of a Director. A Director may be dismissed for breach of his fiduciary duties and/or underperformance under the terms of his letter of appointment or other corporate documents. Furthermore, the Board may recommend the replacement of the nominee or representative of an institutional shareholder where he or she does not possess the requisite competencies required by the Board, or where his or her performance is found to be unsatisfactory.

CORPORATE GOVERNANCE

Board composition and structure

The Articles of Association of the Company limit the size of the Board to fifteen (15) members. The board composition is representative of shareholders' interest. It stipulates that the Board shall comprise:

- Nominees of any shareholder for each ten per cent (10%) of the total issued ordinary share capital of ETI, or multiple thereof, that such a shareholder may hold directly, subject to a maximum of two (2) seats per shareholder;
- One (1) representative of ECOWAS Bank for Investment & Development (EBID);
- Not more than two (2) executive directors, including the GCEO;
- A minimum of five (5) independent directors, including directors selected from the geographical regions where the Group operates; and
- The requisite number of additional independent directors that are required to fill the remaining seats.

The composition of the Board considers, as much as practicably possible, the geographical coverage of the Group, relevant professional experience, shareholders' representation and gender equality.

There are currently six (6) Board committees, namely:

1. Audit and Compliance Committee;
2. Finance and Regulatory Requirements Committee;
3. Governance & Nomination Committee;
4. Information Technology Committee;
5. Risk Committee; and
6. Social, Ethics and Reputation Committee.

The charters of the various Board Committees have been established in accordance with best practice. The composition of the Board Committees excludes the membership of Executive Directors. Also, for the purposes of revitalising the Board Committees, the tenure of members is restricted to a maximum of two (2), three (3)-year terms, which may be extended, if it is deemed appropriate.

Independence of Directors

The Governance Charter has an independence evaluation policy and a definition of an 'Independent Director', which adopts the following principles:

Not an officer or employer

- Neither the Director, nor an immediate family member of the Director is, or within the last two (2) years has been, an officer or employee of a member of the Group. An immediate family member of an individual is the individual's spouse, parent, child, sibling, mother-in-law, father in-law, sister-in-law, brother-in-law, daughter-in-law, son-in-law and anyone, other than an employee, who resides in the individual's home.
- An officer of the Group includes an individual who performs a policy-making function on behalf of Ecobank, or who makes, or participates in, decisions that affect all or a substantial part of the business of Ecobank, whether or not the individual is an employee and whether or not the individual does so directly or through another organisation.

Not a substantial shareholder

- The Director or an immediate family member is not, nor has not been in the last three (3) years, a substantial shareholder of a member of the Group or affiliated with a substantial shareholder of a member of the Group. A substantial shareholder of ETI is a person who beneficially owns, directly or indirectly, or exercises control or direction over, 0.1% or more of the voting rights of the Company, or 1% of the shares of a subsidiary or affiliate of the Company. An individual is affiliated with ETI if the individual is a Director, officer, employee, principal, partner or Managing Director of the Group, or occupies a similar position within the Group, or is a substantial shareholder of a member of the Group.

No material contractual relationship

- The Director does not have any material contractual relationship with a member of the Group, other than as a Director. The test of whether a contractual relationship is material will be based on all the circumstances relevant to the Director.

Does not receive consulting or other advisory fees or payments

- Neither the Director, nor an immediate family member or related entity of the Director, receives, or within the last three (3) years has received, consulting or other advisory fees or payments from the Group, other than compensation for Board services, payments arising from investments in securities of Ecobank or, in the case of an immediate family member who is not an officer of a member of the Group, compensation for services as an employee of a member of the Group.

- An entity is a related entity of a Director, if the Director, or an immediate family member of the Director, is a Director, officer, employee, principal, partner or Managing Director of, or occupies a similar position within, the entity or is a substantial shareholder of the entity.

Does not receive incentive compensation

- The Director does not participate in any share-based incentive scheme or performance-related pay scheme of the Group.

Is not a professional consultant or advisor

- Neither the Director, nor an immediate family member of the Director, is, or within the last three (3) years has been, an auditor, other professional consultant or advisor to a member of the Group or affiliated with an auditor or other professional consultant or advisor to a member of the Group.
- A professional consultant or advisor includes an entity that provides accounting, actuarial, consulting, legal, investment banking or financial advisory services.

Is not a material supplier or customer

- Neither the Director nor an immediate family member of the Director is, or within the last three (3) years has been, a material supplier or customer of the Group or affiliated with a material supplier or customer of the Group.
- A material supplier or customer of the Group is a person to which the Group made or from which the Group received payments (other than payments arising from investments in securities of the Company) in any year that exceed 5% of the consolidated annual gross revenues of the entity.

Has not served too long

- The Director has not served on the Board for a period that, in the determination of the Board, could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group. A Director may be considered to have served too long on the Board for the purposes of the assessment of his/her independence, if he/she has been a Board member for more than six (6) years.

Has no other material business relationship

- Neither the Director nor an immediate family member or related entity of the Director has, or within the last three (3) years has had, directly or indirectly, any other material business relationship with the Group. The test of whether a business relationship is material will be based on the circumstances relevant to the Director.

Has no significant links with other Directors

- The Director does not hold cross directorships or have any significant links with any other Director (e.g. through involvement with other entities) that would materially interfere with the ability of the Director to exercise independent judgment or to act in the best interests of the Group.

Is independent

- The Director must be independent in character and judgment.

Is not affiliated with a charitable organisation

- The Director is not affiliated with a charitable organisation to which the Ecobank Foundation, or any other member of the Group, has made significant contributions.

Is free from any relationship with Ecobank

- The Director has no relationship with its Executive Managment or major shareholders that may impair, or appear to impair, the Director's abilities to make independent judgment.

At least five directors are expected to be independent Directors. Generally, a Director will be considered to be independent if he or she satisfies all of the criteria set out above.

A Director may, however, still be considered to be independent even though he/she does not satisfy one or more of the criteria, but only if the Board determines that not having such criteria will not impair his/her independence. The independence of the Directors is assessed annually.

Although not all the Non-Executive Directors need to meet the 'Independent Director' definition above, all should be capable of exercising independent judgment and decision-making.

As at the end of December 2018, there were fourteen (14) Directors, out of a possible fifteen (15), on the Board, including five (5) independent directors, namely Mr. Emmanuel Ikazoboh, Mr. Tei Mante, Dr. Catherine Ngahu, Mr. Alain Nkontchou and Mrs. Aichatou Agne Pouye.

A sixth independent director seat that was allocated to the Nigeria region was filled by Ms. Arunma Oteh in January 2019.

CORPORATE GOVERNANCE

Board and Directors' performance

The Board takes several steps to ensure that Directors discharge their duties with the requisite competence and skills. Firstly, prior to an appointment, the Governance & Nomination Committee is required to carry out a competency assessment of potential candidates to ensure that they meet the necessary criteria.

The Governance Charter sets minimum competency requirements for each Director that must be met. Additionally, Directors receive appropriate induction and are expected to undertake ongoing professional development to meet the ever-changing demands of their roles. All Directors are expected to avail themselves of appropriate training courses, where necessary and at the earliest opportunity, to fulfil their competency requirements.

Evaluation of the Board

In accordance with the requirements of the Governance Charter, an evaluation of the ETI Board for the year ended 2018 is ongoing.

Conflict of interest and related party policies

A Conflict of Interest Policy and associated procedures, covering all staff and Directors, are in place. Directors are required to complete standard forms each year to confirm that no conflict of interest exists.

The review of related party loans is conducted on a monthly basis and reported to the Board by the Risk Committee.

Assurance monitoring

The Internal Control and Internal Audit charters provide the framework for the two functions.

Whistleblowing policy

Ecobank has implemented a Whistleblowing Policy, as well as a whistleblowing portal. The portal is a user-friendly system that generates reports and forwards them directly to the Group Head of Compliance, who is responsible for carrying out the necessary investigation. Issues may be reported online, using a designated website, following the steps laid out in Ecobank's Whistleblowing Policy.

Ecobank's whistleblowing portal fully guarantees the confidentiality of information exchanged via the portal. A third party provider that specialises in whistleblowing services operates the portal and is independent of Ecobank's in-house IT systems. This provides a secure environment for staff to report complaints or unprofessional behaviour. Members of staff reporting issues can do so anonymously.

Staff can report, without limitation, on issues such as:

- Theft, fraud, bribery or other forms of dishonesty;
- Harassment or discrimination;
- Accounting or financial irregularities;
- On-the-job drug or alcohol abuse;
- Violence or threatening behaviour;
- Violation of laws, regulations, policies or procedures.

Procedures for the independent investigation of allegations by whistleblowers and appropriate follow-up actions have been put in place. Cases are managed by the Compliance Unit and investigated by the Internal Audit Unit. The Board is informed of the cases and the progress made towards their resolution.

Directors' remuneration

The Remuneration Policy for Executive and Non-Executive Directors is embedded in the Group Corporate Governance Charter. Recognition is given to the new, onerous Corporate Governance regulations that exist in many jurisdictions, which hold Board members individually and collectively responsible for the actions of the boards. Adequate compensation is given to attract and retain professional and experienced individuals to carry out these duties.

The Remuneration Policy for Non-Executive Directors is not intended to reward meeting attendance via per diem payments. It reflects the responsibility, dedication and challenges inherent in the position. Efforts are made to ensure that the remuneration of the Directors continues to match the level in comparable organisations, whilst also taking into consideration Board members' required competencies, effort and the scope of the Board work, including the number of meetings attended.

External consultants undertake periodic remuneration benchmarking surveys. Once these surveys are concluded, the Board reviews the findings and if required, submits resolutions for a review of directors' remuneration to the Annual General Meeting of the Company for approval.

Non-Executive Directors receive fixed fees for being on the Board of ETI. In addition, Directors receive attendance fees for Board and Board Committee meetings. Non-Executive Directors receive neither short-term nor long-term performance incentives.

The table below signs the single total figure of remuneration per Non-Executive Director for the year.

Non-Executive Director Compensation

Name	Directors Fees ($)	Sitting Allowance ($)	Total ($)	Benefits[1] ($)
Mr. Emmanuel Ikazoboh	150,000	7,000	157,000	20,000
Mr. Abdulla M. Al Khalifa	100,000	5,250	105,250	20,000
Mr. Monish Dutt	100,000	11,250	111,250	20,000
Mr. Bashir M. Ifo	100,000	11,250	111,250	20,000
Mr. Brian Kennedy	100,000	8,250	108,250	20,000
Mr. Tei Mante	108,966	14,100	123,066	20,000
Dr. Daniel M. Matjila	100,000	3,750	103,750	20,000
Dr. Catherine W. Ngahu	100,000	11,250	111.250	20,000
Mr. Alain F. Nkontchou	100,000	11,250	111,250	20,000
Mr. Mfundo Clement Nkuhlu	100,000	12,000	112,000	20,000
Mr. David O'Sullivan	100,000	11,250	111,250	20,000
Mrs. Aichatou Agne Pouye	25,000	2,250	27,250	20,000
Ms. Dolika Banda	50,000	4,500	54,500	20,000
Total	**1,233,966**	**113,350**	**1,377,316**	**–**

In addition to the costs above, the Company reimburses, or pays for, all expenses reasonably incurred by the non-executive Directors including travel, accomodation and telephone calls, in carrying out their duties.

[1.] Relates to airline tickets. Each Director is entitled to two first class airline tickets per annum up to maximum of $20,000 for both.

CORPORATE GOVERNANCE

Executive Management remuneration

Executive Management's remuneration is made up of both fixed and variable pay. In determining the fixed remuneration, consideration is given to the complexity of the role as well as the skills and experience of the individual. The purpose of fixed remuneration is to attract and retain talent by remaining competitive in the market while rewarding their ongoing contribution. Any salary increases are influenced by performance based on pre-agreed metrics.

Variable remuneration is aimed at rewarding the Executive Management for the achievement of annual financial and non-financial objectives which are key to the delivery of the Company's short-term and long-term strategy. Long-term variable renumeration aims to incentivise and reward the creation of long-term shareholder value.

The total remuneration paid to all Executive Management during the 2018 financial year amounted to $14.2 million.

Code of conduct

There is a code of conduct for Directors of ETI and the rest of Group. It requires a Director, whilst acting in the best interest of the Group as a whole, to take account of the interests of the Group's shareholders, employees and creditors and, where appointed as a representative of a special class of shareholders, employees, or creditors, to give special, but not exclusive, consideration to the interests of that class.

The Code prohibits a Director, without the consent of the Board, from placing himself/herself in a position such that his/her personal interest conflicts, or could be seen to conflict, with his/her duties to the Group. It also prohibits a Director from entering into any contract on behalf of the Group or any of its subsidiaries or affiliates in which he/she, or any Director of the Group or any associated company, may have material interests, whether directly or indirectly, unless a Board resolution has been passed to approve the contract. There were no breaches of the Directors' code of conduct in 2018.

Dispute resolution policy

A dispute resolution policy is embedded in the Corporate Governance Charter. It sets out the Board's procedures for resolving disputes between board members. It always applies to all board members in the performance of their duties.

The Governance & Nomination Committee is the resolution body for disputes within Ecobank's Board. The Committee recommends a course of action for consideration by the full Board, if necessary. Where the dispute involves a member or members of the Governance & Nomination Committee, the Chairman of the Governance & Nomination Committee designates impartial Board members to intervene on behalf of the full Board.

Parties involved in the dispute are expected to acknowledge the dispute respectfully, listen objectively to the issues raised and consider the opinions of others. The Chairman of the Governance & Nomination Committee ensures that the dispute is discussed openly, and that questions are asked of all parties involved, to formulate remedial action.

No such disputes arose between Board members in 2018.

Governance structures within the Ecobank Group

The Ecobank Group Corporate Governance Charter clarifies governance structures throughout the Group.

The Charter essentially covers the following areas:

- The role of the parent company;
- The relationships and interfaces between the parent company and its subsidiaries; and
- The standard of conduct and procedures for Directors.
- The key principles underlying the Group's governance structures are as follows:
- The Group, as much as possible, operates a standardised organisational structure at ETI and subsidiary levels, known as the 'One Bank' concept.
- The organisational structure of the Group may be revised from time to time by the Group Executive Committee ('GEC'), subject to the approval of the ETI Board, to address the changing needs of the institution and the marketplace.
- ETI is responsible for the overall strategy of the Group. As the parent company, ETI acts as the 'Strategic Architect' of the Group, with appropriate input in operational management and decision-making at its subsidiaries and affiliates. It sets the overall strategy and direction of the Group, develops policies and procedures, and monitors them through reviews and audits to ensure compliance, not only with Group strategy, policies and procedures, but also with local laws and regulations.
- Group decisions and policies are implemented by all members of the Group and are binding upon all subsidiaries and affiliates, considering applicable local laws and regulations. Where there is a conflict with Group policies, local laws and regulations prevail.
- Key senior roles at its subsidiaries and affiliates require the review and approval of the Group Executive Committee and ETI's Board.
- ETI's Board holds bi-annual meetings with the Chairpersons of subsidiary Boards and the Group's Functional Heads to disseminate information on the overall direction and major policy decisions of the Group.
- Operational decision-making is maintained at an appropriate level, as close as possible to the day-to-day management, to remain responsive to changing market conditions.
- Individual accountability and responsibility are institutionalised and embedded through empowerment and the granting of relevant levels of authority.
- Group-wide coordination is achieved through high levels of interaction between the parent company and its subsidiaries, as well as amongst the subsidiaries at Board and Executive Management levels.
- Clear terms of reference and accountability are laid out for Board and Executive level committees. There is effective communication and information sharing outside of meetings.

The following comprise the governance units within the Group:

- Parent Company ('ETI') Board of Directors
- Country Board of Directors
- Group Executive Committee
- Group Management Committee
- Business Leaders' Conference
- Country Management Committees.

There follows a brief overview of the role and responsibilities of each of the governance units.

CORPORATE GOVERNANCE

Parent Company Board of Directors

The Board of Directors of ETI is elected by, and is accountable to, shareholders for the appropriate and effective administration of the Ecobank Group. Their primary responsibility is to foster the long-term success of the company, consistent with its fiduciary responsibilities.

The Group's governance charter requires the Board of Directors to be guided by the following principles:

- The clear delineation and segregation of Executive powers.
- Management responsibilities need to be safeguarded to ensure that the Board does not interfere in the operational management of the Group.
- The Board is responsible for developing Group policies and general strategies, whilst management ensures their day-to-day implementation.
- The Board needs to exercise objective judgment on corporate affairs, independent of Executive Management.
- The Board needs to take actions on a fully informed basis, in good faith, with due diligence and care and in the best interests of the Group and its shareholders.
- The Board needs to comply with applicable laws and regulations in line with Group strategy and direction.
- The Board needs to operate transparently to avoid conflicts of interest between the Directors and Ecobank's businesses.
- The Board needs to ensure the full disclosure of accurate, adequate and timely information regarding the personal interests of the Directors.

At the end of 2018, there were fourteen (14) Board members, comprising two (2) Executives, and twelve (12) Non-Executive Directors, of whom five (5) were Independent Directors.

Comprehensive profiles of all the Directors are to be found on pages 48-52 of this annual report. The Board of Directors met five (5) times during 2018.

Group Executive Committee

In 2018, the Group Executive Committee ('GEC') comprised the following:

- Group Chief Executive Officer;
- Group Chief Financial Officer;
- Group Executive, Consumer Banking;
- Group Executive, Operations and Technology;
- Group Executive, Corporate and Investment Bank;
- Group Company Secretary/General Counsel;
- Group Head, Internal Audit;
- Group Chief Risk Officer;
- Group Executive, Human Resources;
- Regional Executive, Central, Eastern and Southern Africa;
- Regional Executive, Nigeria;
- Regional Executive, Anglophone West Africa; and
- Regional Executive, West African Economic and Monetary Union.

The GEC meets monthly and is responsible for the day-to-day operational management of the Group and its subsidiaries.

The GEC is responsible to the Board and plays an important role in the Group's corporate governance structure. The GEC manages the broad strategic and policy direction of the Group, makes submissions to the Board for approval, where necessary, and oversees their implementation.

The GEC has decision-making powers in specific areas of Group Management. In particular, the GEC works with, and assists, the Group Chief Executive Officer to:Define and develop Group strategy;

- Confirm alignment of individual subsidiary's plans with overall Group strategy;
- Track and manage strategic and business performance against plan, at Group and subsidiary levels;
- Implement Group policy and decisions;
- Make recommendations regarding human resources issues;
- Recommend the opening or closing of subsidiaries;
- Articulate appropriate response to environmental factors, regulations, government policies, competition and other such issues across the Group;
- Articulate policies for advancing Group objectives; and
- Make important decisions in areas for which authority is delegated to the GEC.

Group Management Committee ('GMC')

The GMC is the wider arm of the GEC. For purposes of Group succession planning, critical country and business roles are consulted in the decision-making and execution of Group strategy. It comprises all members of the GEC and/or such other Executives as the GCEO may determine. The GCEO is the Chairman of the GMC. The Group Company Secretary or his/her designate is the Secretary to the Committee.

The GMC is charged with the following:

- Reviewing the operational and financial performance of the respective lines of business to ensure that actual performance is in line with overall strategy, business goals and objectives;
- Monitoring operational performance on an ongoing basis against plan and expectations;
- Assessing progress and achievements of business units and major initiatives;
- Determining appropriate responses to operational and financial performance issues; and
- Disseminating strategy and policies across the Group.

Business Leaders' Conference

The Business Leaders' Conference ('BLC') is a collegial group of all subsidiary CEOs and Group functional heads that has been constituted to encourage collaboration in strategy and policy formulation. It comprises the GMC and all subsidiary CEOs. The GCEO is the Chairman of the BLC. The Group Head, Strategy, or his/her designate, is the Secretary to the Committee.

The BLC is the primary coordinating body for Group cohesion and integration, and the implementation of Group strategy.

The BLC is a consultative body and not a decision-making body. It plays a key role in facilitating the harmonisation and integration of Group strategy. Its role includes:

- Sharing and disseminating information, experiences and best practice across the Group;
- Initiating policies that encourage integration and promote the 'One Bank' concept;
- Promoting integration and standardisation of Group policies and procedures;
- Promoting and monitoring compliance with Group operational standards; and
- Contributing to the formulation of Group policies.

CORPORATE GOVERNANCE

Country Executive Management Committee

The Country Executive Management Committee consists of the Managing Directors and other senior executives of each subsidiary. In addition to the day-to-day management of the subsidiary's operations, the role of a Subsidiary Executive Management Committee includes the following:

- Aligning strategic objectives and operational plans with overall Group strategy;
- Defining business goals and objectives for the country's operations;
- Approving business unit direction and strategies;
- Making decisions on operating plans and budgets;
- Reviewing the financial reporting and control framework;
- Tracking and managing country strategy and business performance against plan;
- Tracking and monitoring progress and accomplishments of major initiatives and projects at country level;
- Articulating appropriate response to environmental factors, regulation, government policies, competition and other such issues in the country;
- Articulating policies for advancing business objectives in the country;
- Advising the parent company on adaptation of overall strategy to the specifics of the local environment; and
- Advising on local laws and regulations impacting on Group policies.

Board attendance

	Name	Role	Year appointed to Board	Number of Meetings held	Number of Meetings attended
1	Mr. Emmanuel Ikazoboh	Chairman/Independent	2014	5	5
2	Mr. Ade Ayeyemi	Chief Executive Officer	2015	5	5
3	Mr. Greg Davis	Chief Financial Officer	2017	5	4
4	Mr. Abdulla Al Khalifa (Qatar National Bank)	Non-Executive	2015	5	3
5	Ms. Dolika Banda[1]	Non-Executive/ Independent	2014	2	2
6	Mr. Monish Dutt	Non-Executive	2017	5	5
7	Mr. Bashir Ifo (EBID)	Non-Executive	2011	5	5
8	Mr. Brian Kennedy (Nedbank Group Ltd)	Non-Executive	2017	5	4
9	Mr. Tei Mante	Non-Executive/ Independent	2014	5	5
10	Dr. Daniel Matjila (GEPF/PIC)	Non-Executive	2012	5	3
11	Dr. Catherine Ngahu	Non-Executive/ Independent	2016	5	5
12	Mr. Mfundo Nkuhlu (Nedbank Group Ltd)	Non-Executive	2015	5	5
13	Mr. Alain Nkontchou	Non-Executive/ Independent	2015	5	5
14	Mr. David O'Sullivan (Qatar National Bank)	Non-Executive	2017	5	5
15	Mrs. Aichatou Agne Pouye[2]	Non-Executive/ independent	2018	2	2

[1] Ms. Dolika Banda retired from the Board during the year.
[2] Mrs Aichatou Agne Pouye was co-opted to the Board in the course of the year 2018.

Board changes

Ms. Dolika Banda retired from the Board following the expiration of her three-year mandate at the AGM of 2018.

Mrs. Aichatou Agne Pouye was co-opted to the Board in July 2018 and has since been making contributions to the deliberations of the Board.

Attendance of Board Committees

The Governance & Nomination Committee met four (4) times to deliberate on issues under their respective responsibilities.

Governance & Nomination Committee

Composition and attendance

Name	Role	Number of Meetings held	Number of Meetings attended
Mr. Bashir Ifo	Member	4	4
Mr. David O'Sullivan	Member	4	4
Mr. Brian Kennedy	Member	4	4
Ms Dolika Banda[1]	Member	2	1

[1] Ms Dolika Banda retired from the Board on 23 April, 2018.

The Group General Counsel/Company Secretary or his/her designate is the Secretary to the Committee.

Responsibilities of Governance & Nomination Committee:

- Formulates, reviews and ensures implementation of policies applicable to all units of the Group, as well as good governance throughout the Group;
- Manages the relationship between the Company and its shareholders and subsidiaries, including relationships with the Boards of subsidiaries;
- Evaluation of the performance of directors and Senior Management;
- Develops suitable criteria for the selection and appointment of new Board members and for the selection, appointment or removal of the Group and Country Board members;
- Reviews the human resources strategy and policies of the Group; and
- Determines the policy for the remuneration (including benefits, pension arrangements and termination payments) of Non-Executive Directors, the Chairman of the Board, the Chief Executive Officer, the Executive Directors, and the Senior Executives of ETI.

CORPORATE GOVERNANCE

Audit and Compliance Committee

The Audit and Compliance Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Number of Meetings held	Number of Meetings attended
Mr. Alain Nkontchou	Chairman	4	4
Mr.Abdulla Al Khalifa[1]	Member	4	–
Mr. Monish Dutt	Member	4	4
Mr. Brian Kennedy	Member	4	3

[1] Mr. Abdulla Al Khalifa was unavoidably absent due to exceptional circumstances.

All members have relevant business knowledge and skills and familiarity with accounting practices and concepts.

The Group Head of Audit serves as Secretary to the Committee.

Responsibilities of the Audit and Compliance Committee:

- Reviews internal controls, including financial and business controls;
- Reviews internal audit function and audit activities;
- Facilitates dialogue between the auditors and Management regarding the outcomes of audit reviews;
- Makes proposals with regard to external auditors and their remuneration;
- Works with external auditors to review annual financial statements before full Board approval; and
- Ensures compliance with all applicable laws, regulations and operating standards.

Risk Committee

The Risk Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Number of Meetings held	Number of Meetings attended
Mr. Mfundo Nkuhlu	Chairman	4	4
Mr. Monish Dutt	Member	4	4
Mr. Tei Mante	Member	4	4
Mr. Alain Nkontchou	Member	4	4

All members have a good knowledge of business, finance, banking, general management and credit.

The Group Chief Risk Officer serves as Secretary to the Committee.

Responsibilities of the Risk Committee:

- Initiates the determination and definition of policies and procedures for the approval of credit, operational, market/price and other risks within the Group, defining acceptable risks and risk acceptance criteria;
- Sets and reviews credit approval limits for Management;
- Reviews and ratifies operational and credit policy changes initiated by Management;
- Ensures compliance with the bank's credit policies and statutory requirements prescribed by the regulatory or supervisory authorities;
- Reviews periodic credit portfolio reports and assesses portfolio performance; and
- Reviews all other risks (e.g. technology, market, insurance, reputation and regulatory).

CORPORATE GOVERNANCE

Information Technology Committee

The Information Technology Committee met four (4) times to deliberate on issues under their respective responsibilities.

Composition and attendance

Name	Role	Number of Meetings held	Number of Meetings attended
Dr. Daniel Matjila[1] (GEPF/PIC)	Chairman	4	1
Dr. Catherine Ngahu	Member	4	4
Mr. David O'Sullivan	Member	4	4

[1] Dr. Daniel Matjila was absent due to events beyond his control.

The Group Chief Technology Officer is the Secretary to the Committee.

Responsibilities of the Information Technology Committee:

- Alignment of the Group's information technology systems with overall Group strategy and direction;
- Oversee the maintenance of adequate information technology systems to support the Group's business;
- Approve and monitor strategic IT development programmes and projects;
- Monitor and evaluate existing and future trends in technology that may affect the Group's strategic plans, including monitoring of overall industry trends;
- Ensure Group compliance to IT policies and processes; and
- Review from time to time the overall IT development profile of the Group and ensure that the IT strategy is inclusive and coordinated and appropriately resourced to encompass all requirement of affiliates in the Group.

Finance & Regulatory Requirements Committee

The Finance & Regulatory Requirements Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Number of Meetings held	Number of Meetings attended
Mr. Tei Mante	Chairman	4	4
Mr. Abdulla Al Khalifa[1]	Member	4	1
Dr. Daniel Matjila[2]	Member	4	1
Mr. Mfundo Nkuhlu	Member	4	4

[1] Mr. Abdulla Al Khalifa was unavoidably absent due to exceptional circumstances.
[1] Dr. Daniel Matjila was absent due to events beyond his control.

Responsibilities of the Finance & Regulatory Requirements Committee:

- Oversight of finance strategies, capital and liquidity management of the Company;
- Reviewing the Company and Group's financial performance;
- Reviewing compliance with applicable financial regulatory requirements; and
- Reviewing certain corporate development matters as the Board may direct.

The Group Chief Financial Officer or his designate is the Secretary of the Committee.

CORPORATE GOVERNANCE

Social, Ethics & Reputation Committee

The Social, Ethics & Reputation Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Number of Meetings held	Number of Meetings attended
Ms. Dolika Banda[1]	Chairperson	2	2
Dr. Catherine Ngahu	Member	4	4
Mr. Bashir Ifo	Member	4	4

[1] Ms. Dolika Banda retired from the Board on 23 April, 2018.

Responsibilities of the Social, Ethics & Reputation Committee:

- Overseeing and reviewing the positioning of the Ecobank brand to ensure that a clear strategy is being delivered to increase the value of the brand, as well as the Group's standing, reputation and legitimacy in the eyes of all stakeholders;
- Reviewing the processes by which Ecobank identifies and manages reputational risk in an effective and transparent manner, consistent with the Board-approved Group Risk Appetite Statement;
- Ensuring Ecobank's adherence to statements regarding activities/businesses in which it will/will not be involved, in line with its brand promise; and
- Reviewing Ecobank's sustainable business priorities, assuring the Group has policies in place to respond to any issues arising from external factors.

The Group Manager Environmental Risk & Sustainability is the Secretary of the Committee.

Subsidiary boards

The Boards of Directors of the subsidiaries operate as separate legal entities in their respective countries.

ETI is the majority shareholder in all the subsidiaries, but host country citizens and institutions often invest in the local subsidiaries. Each subsidiary has a board of directors, the majority of whom are Non-Executive Directors. The Group Governance Charter requires that country boards be guided by the same governance principles as the parent company. The boards of directors of the subsidiaries are accountable to the subsidiaries' shareholders for the proper and effective administration of the subsidiaries in line with overall Group direction and strategy. These boards also have statutory obligations based on company and banking laws in their respective countries. In the event of any conflict with Group policies, the local laws prevail.

Subsidiary governance model

With regards to the governance of its subsidiaries, the Group adopts a dual reporting model. The subsidiary's corporate governance is administered both by the local board and the Group Board concurrently. Legally, the country board has ultimate responsibility for the subsidiary but ETI, as the majority shareholder (in some cases holding 100%) and as the 'Strategic Architect', has a duty to ensure that the subsidiary is run properly. As a result, the subsidiary CEO has dual reporting lines to the local board and to ETI's Executive Management.

The local board has access to the ETI governance and management structure. The local boards are legally constituted, and directors' duties comply with the host country's legal system.

The subsidiaries at all times comply with the Group Corporate Governance Charter, subject only to local legal requirements.

Candidates for directorship positions in the subsidiaries are shortlisted by Directors of the subsidiary and ETI Directors or other credible persons. The proposed candidates are then screened by the subsidiary board in consultation with ETI.

Thereafter, the candidates go through the formal internal Board processes of the subsidiary, including Board committees and regulatory/ shareholder approvals, as appropriate.

Directors' interests in contracts

No Director has any interest either directly or indirectly in contracts with the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

Director's interests in ETI Ordinary Shares

The Directors' interests in the issued ordinary shares of the Company as of the date of the statement of financial position are disclosed in the following table:

		Direct		Indirect*		Total	
S/N	Name	2018	2017	2018	2017	2018	2017
1	Mr. Emmanuel Ikazaboh	480,000	480,000	1,520,000	1,520,000	2,000,000	2,000,000
2	Mr. Ade Ayeyemi	16,418,000	16,418,000	0	0	16,418,000	16,418,000
3	Mr. Greg Davis	0	0	0	0	0	0
4	Mr. Abdulla Al Khalifa (Representing Qatar National Bank)	0	0	4,970,904,524	4,970,904,524	4,970,904,524	4,970,904,524
5	Ms. Dolika Banda	0	0	0	0	0	0
6	Mr. Monish Dutt	0	0	0	0	0	0
7	Mr. Bashir Mamman Ifo (Representing EBID)	6.400	6.400	240,209,077	240,209,077	240,215,477	240,215,477
8	Mr. Brian Kennedy (Representing Nedbank Group)	0	0	5,249,014,550	5,249,014,550	5,249,014,550	5,249,014,550
9	Mr. Tei Mante	500,000	500,000	0	0	500,000	500,000
10	Dr. Daniel Matjila (Representing GEPF/PIC)	0	0	3,333,333,333	3,333,333,333	3,333,333,333	3,333,333,333
11	Dr. Catherine Ngahu	0	0	0	0	0	0
12	Mr. Alain Nkontchou	0	0	0	0	0	0
13	Mr. Mfundo Nkuhlu (Representing Nedbank Group)	0	0	5,249,014,550	5,249,014,550	5,249,014,550	5,249,014,550
14	Mr. David O'Sullivan (Representing Qatar National Bank	0	0	4,970,904,524	4,970,904,524	4,970,904,524	4,970,904,524
15	Mrs. Aichatou Agne Pouye	0	0	0	0	0	0
	Total	**17,404,400**	**17,404,400**	**24,014,900,558**	**24,014,900,558**	**24,032,298,558**	**24,032,298,558**

The indirect holdings above are shares held by major institutional shareholders who have nominated the Directors to the Board. These are not shares held by the Directors in their individual capacity.

Executive share options

In 2018, no new ETI executive share options were awarded to Executives under the staff options scheme.

Securities trading policy

In accordance with the provisions of Rule 14 of the Amendment to the Listing Rules of the Nigerian Stock Exchange (***Disclosure of dealings in Issuers Shares***), the Company has established a securities trading policy which applies to all employees , directors , advisers and service providers of the Company ("Relevant Persons") who may at any time possess any inside or material information about the issuer including information on the securities of the Company.

The policy provides for a minimum holding period for the Company's shares by employees and a detailed clearance procedure for dealing on the securities by Relevant Persons and persons who are connected to them.

Furthermore, the policy provides for a close period during which dealing on the Company's securities by any Relevant Person and persons connected to such relevant persons are prohibited .

The Group Head of Compliance of the Company monitors compliance to the policy and reports to the Board.

Shareholders' rights

The Board has always placed considerable importance on effective communication with its shareholders.

It ensures that the rights of shareholders are always protected. Notice of meetings and all statutory notices and information are communicated to shareholders on time.

The Annual General Meeting is a key forum for relaying information and decision-making, thereby fostering active shareholder participation.

The shareholders' right to information is an essential principle underlying the philosophy of Corporate Governance and is a pre-requisite in establishing a meaningful dialogue.

The Board is responsible for submitting complete and comprehensive financial and management information to the Annual General Meeting to facilitate a balanced and fair exchange of views within the Company.

The Board ensures that there is ongoing dialogue with shareholders and that information furnished to the Annual General Meeting is accurate and reliable.

Shareholders are encouraged to communicate their opinions and recommendations, whenever they feel the need to do so, to the Investor Relations Unit and/or the Company Secretary. Their contact details are available on Ecobank's Group website, www.ecobank.com.

SUSTAINABILITY REPORT

Corporate Sustainability stewardship

Ecobank remains committed to the Sustainable Development Goals (SDGs) and the 2030 Agenda, which have redefined the corporate and public sectors' collective focus in creating a better world, while translating global needs and desires into development solutions. This means that Ecobank continues to recognise the interlinkages in integrating economic, social and environmental aspects in the business, so as to achieve sustainable development in all its dimensions. In doing so, Ecobank is resolute in its commitment to integrate SDGs to strengthen the business viability, identification and management of material risks and costs, the creation of, and access to, new markets, and innovation in the business models. This makes them more efficient and thus aligns the strategy and expectations of Ecobank with its employees, shareholders, customers and the communities in which we operate.

Managing Sustainability in Ecobank

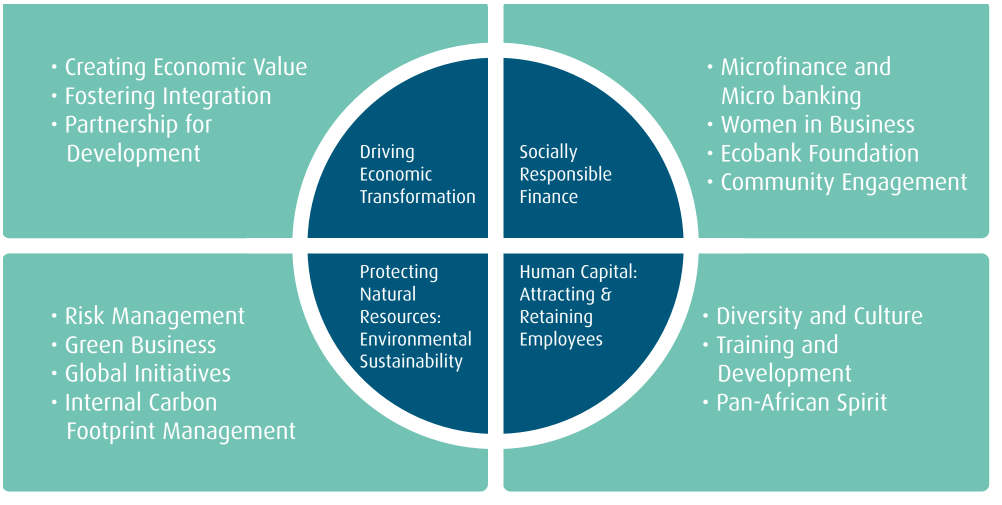
Under the auspices of the Social, Ethics and Reputation Committee of the ETI Board and direct management of the Group Chief Risk Officer, Ecobank's commitment towards the achievement of SDGs is aligned to its business interest and focus on areas where Ecobank has a comparative advantage. Ecobank assesses progress towards the achievement in these areas through the implementation reports submitted to the United Nations Global Compact and other Environment, Social and Governance (ESG) frameworks to which it has subscribed on an annual basis. In an interlinkage approach between the SDG targets and Ecobank actions, the company focuses its SDGs implementation target on the goals 1, 2, 5, 7, 9, 13, 15 and 17. This is further presented in the table below as a mapping of actions taken in the company towards the achievement of SDGs in the selected focus areas in 2018:

SDGs	Target	Ecobank's Action
1	No Poverty	Ecobank contributes to reducing the poverty gap and severity by stimulating investment-led growth in the economic performance in its host countries
2	Zero Hunger	Ecobank is actively involved in the upstream, midstream and downstream agricultural value-chain activities. The bank is driving market access efficiency, market supply consistency and market returns improvement through stakeholder partnership collaboration so as to reduce famine and ultimately eliminate hunger.
5	Gender Equality	Ecobank has adopted gender mainstreaming as an approach to achieve gender equality in its business and operations. Furthermore, the bank sanctions all forms of discrimination, particularly on the basis of gender.
7	Affordable & Clean Energy	Ecobank has adopted renewable energy technologies such as solar to power its infrastructure and office equipment and at the same time encouraging its clients to consider modern low carbon energy sources, such as gas to replace diesel in their operations. In so doing, the bank organizes training for its Account Relationship Officers with clients' interface responsibility to identify and harness opportunity for clean and affordable energy business.
9	Industry, Innovation & Infrastructure	Ecobank is investing in infrastructure development to drive industrialisation and technological innovation in an environmentally friendly, socially acceptable and energy efficient manner. This is in fulfilment of the bank's commitment to investment in infrastructure development and economic transformation as a key driver of sustainable growth.
13	Climate Action	Ecobank is acting upon the profound linkages between a healthy financial system, transition to green economy and the pursuit of long-term sustainability in the delivery of global warming and climate change actions.
15	Life on Land	Biodiversity in the Ecobank context, is the variability among living organisms from all sources, including terrestrial, coastal and other marine as well as sensitive ecosystems. Protection and conservation of biodiversity and sustainably living natural resources are an integral part of the Environmental and Social Risk Management unit, within the Group Risk Management in the bank.
17	Partnerships	Please change to 'Ecobank has been helping to shape the Goals 17 on partnership with others in business, government and civil society. through our sustainability thought leadership initiative and speaking at several events, we demonstrate our commitment to applying our knowledge, skill and experience to inspire and equip collaborators to increase their contribution to socio-environmental, economic and financial development.

Ecobank Sustainability Framework

In Ecobank, our Sustainability Framework, developed in 2011, defines our objectives, inspires our strategy and guides in the assessment of our journey and adherence to the overarching goals towards the achievements of erstwhile Millennium Development Goals (MDGs) and the current SDGs. It focuses on four thematic areas that support values and growth with indicators, which can be integrated with the Global Reporting Initiative (GRI) standards in a manner that represents the company's actions as it strives towards the achievement of its SDG focus. In this regard, the thematic areas of the framework are: stimulating sustainable economic transformation, promoting socially responsible banking, driving human capital development and managing natural resources and protecting the environment in our business and operations.

Sustainability Framework



The Framework reflects:

- Our stakeholders' approach to sustainable development.
- Our need to balance profitability with the fight against poverty and protection of our planet.
- Our taking seriously the welfare and development of the communities in which we operate.
- Our consistent factoring of social and environmental concerns into our business operations.

We are constantly exploring innovative ways to drive our business, meet the expectation of our collective stakeholders, while charting forward the Ecobank sustainability stewardship.

SUSTAINABILITY REPORT

Driving Economic Transformation

Creating Economic Values:

A vibrant economy is key to the performance of the banking sector and vice versa. Thus, Ecobank, like other banks, is stimulating Africa's economic transformation and development. In so doing, Ecobank is contributing to the growth of Gross Domestic Products (GDP) and the overall socio-economic development nexus in the countries in which it operates in. Our business operations are geared toward supporting rapid, equitable and sustainable economic growth across the continent. We are in business to ensure sustainable revenues and profits, with significant contributions to our stakeholders, wages to our employees, payments to suppliers, interest on deposits from customers, taxes to governments, dividends to our shareholders, and corporate social responsibility to our societies.

In 2018, the company generated operating income or net revenues of $1,825 million. As presented in the Distribution of Wealth Created table below, we provided loans and other financial assistance to the tune of $9,169 million, mainly to support private sector companies, enterprises, individuals as well as the public sector in Africa. These economic benefits have been distributed and applied in the form of taxes, salaries, operating expenses, dividends and retentions to support our future growth. In the same vein, we paid a total of $108 million in taxes in 2018 to governments across Africa. In addition, we also collected taxes and duties of several millions of dollars on behalf of various government entities from various revenues and duties.

Distribution of Wealth Created

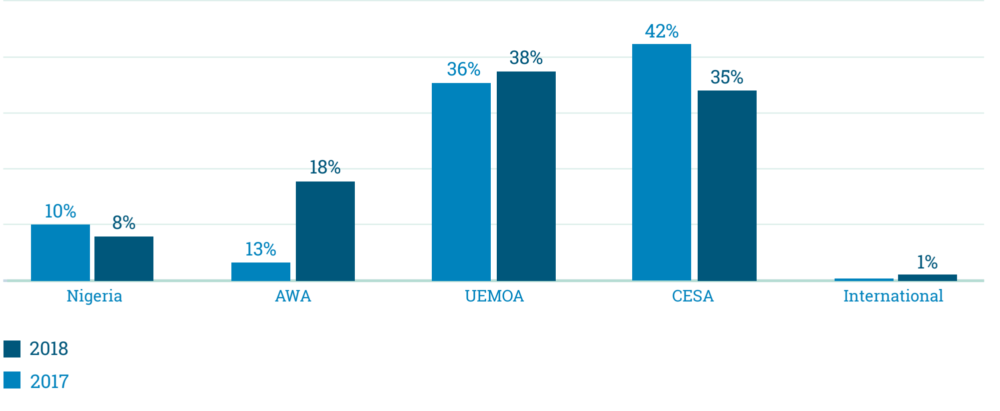
US$ Million	2018	2017	2016
Government taxes	107,544	60,757	70,924
Distribution to shareholders and non-controlling interests	267,322	291,339	186,154
Employee compensation and benefits	498,891	515,040	535,061
Operating expenses including premises and procurement from suppliers	587,989	616,511	702,150

Total Tax Contribution:

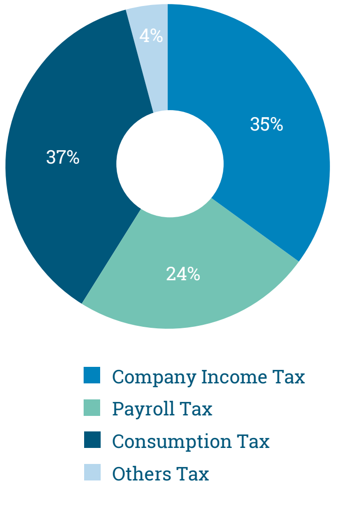
Ecobank also made contributions to its host countries to generate domestic resources through tax revenues for effective state functioning and socio-economic infrastructure financing. As of 31 December, 2018, Ecobank Group made a Total Tax Contribution (TTC) of $406 million in the 36 countries in which it operates, a 15% increase from $32 million of TTC in 2017. This increase is mainly as a result of an increase in the Group's profits in 2018.

The graph below presents a comparison between 2018 TTC and 2017 TTC by geographies.

TTC by Region – 2018 ($ million)



Taxes by Category



The Group's Total Tax Contribution to its countries of operations is in the nature of various taxes, contributions, levies, withholding taxes and fees.

Taxes by category

In terms of percentage the largest category of taxes paid in 2018 was consumption tax with 37% (vs 33% in 2017); followed by company income tax with 37% (vs 35% in 2017); people tax with 24% (vs 28% in 2017) and stamp duties with 4% (vs 2% in 2017). The doughnut chart alongside presents our taxes paid.

SUSTAINABILITY REPORT

The tables below presents the different tax categories:

Corporate Tax Borne	% TTC by Tax Type
Company Income Tax	20%
Others	1%
Corporate Tax Collected	
Tax deducted at source	14%
Total	**35%**

People Tax Borne	% TTC by Tax Type
Payroll Tax	1%
Employer SSC	4%
Other Employee Cont.	1%
People Tax Collected	
PAYE	15%
Employee SSC	3%
Total	**24%**

Consumption Tax Borne	% TTC by Tax Type
Irrecoverable VAT	2%
Reverse VAT	1%
WHT on imported Services	1%
Others	6%
Consumption Tax Collected	
Net VAT	7%
Tax on Banking Activities	9%
Tax on Money Transfer	9%
Others	2%
Total	**37%**

Property/Registration Tax Borne	% TTC by Tax Type
Property Tax	2%
Property/Registration Tax Collected	
Stamp Duty & Patent	2%
Total	**4%**

Tax borne

Taxes borne are those taxes which are a cost to the business and which therefore directly affect Ecobank's financial results. They are estimated at US$ 166 million in 2018 against US$ 138 million in 2017. The profile for these taxes across Ecobank Group is as presented below:

No	Tax Category	Tax Borne 2018 (USD'000)	% Tax Borne 2018	Tax Borne 2017 (USD'000)	% Variation 2018 vs 2017
1	Company Income Tax	86 907	52%	67 590	29%
2	Reverse Vat	3 930	2%	4 722	-17%
3	Employers' Social Sec. Cont.	16 898	10%	20 315	-17%
4	Irrecoverable Input Vat	6 085	4%	10 208	-40%
5	Other Employer Contributions	1 696	1%	1 067	59%
6	Payroll Tax	3 000	2%	3 290	-9%
7	Wht On Imported Services	3 775	2%	3 019	25%
8	Property Tax	1 192	1%	1 030	16%
9	Others	42 235	25%	26 976	57%
	Total	**165 719**	**100%**	**138 218**	**20%**

Tax collected

Taxes collected are those taxes that Ecobank collects and administers on behalf of the Government, and which are generated as a result of Ecobank's activities. Taxes collected are not a cost to Ecobank (other than the administration cost) and do not directly affect Ecobank's results. Taxes collected in 2018 are estimated at US$ 240 million against US$ 214 million in 2017. The profile of these taxes across Ecobank affiliates are presented below:

No	Tax Profile/Category	Tax Collected 2018 (USD'000)	% Tax Collected 2018	Tax Collected 2017 (USD'000)	% Variation 2018 vs 2017
1	Pay Roll Tax	60 865	25%	63 616	-4%
2	Tax Deducted At Source	55 513	23%	60 757	-9%
3	Tob/Taf	33 642	14%	34 420	-2%
4	Net Vat	27 744	12%	26 661	4%
5	Tax On Money Transfers	34 582	14%	14 658	136%
6	Employees's Social Sec.Cont.	11 538	5%	10 045	15%
7	Stamp Duty	880	0%	1 246	-29%
8	Others	15 195	6%	2 847	434%
	Total	**239 958**	**100%**	**214 250**	**12%**

Fostering Financial and Economic Integration

As a pan-African bank with a geographic footprint in 36 countries, we help to promote the economic integration of different monetary zones and the geopolitical regions of Central, Eastern, Southern and Western Africa in a coordinated and enhanced negotiated manner that promotes trade, physical development and financial services between countries for both the consumers and producers.
We continue to offer seamless cross-border transactional banking in a more convenient, accessible and efficient manner. With our unique integrated competencies and approach to business in middle Africa, we have built economies of scale based on a 'one-bank' model with extensive banking coverage in 33 countries with over 11,600 POS, 888 branches and over 2,600 ATMs.

Our geographic coverage has the largest number of intra-African migrants. The number of intra-African migrants has risen from 17 million in 2015 to 19 million in 2017. Our money transfer products such as the Ecobank online Rapidtransfer platform (My money. My Africa.) and other Ecobank money transfer partnerships such as with Western Union, Wari, Ria Money Transfer and MoneyGram remain the market leader to serve them. This product enables diaspora African clients to transfer and remit funds faster to their relatives and to support projects in their home country.

As the banking industry is experiencing a change in customer behaviour coupled with increasing expectations and disruptive digitisation of business, the transformational banking products have been enhanced. In addition to the loan and liquidity, cash management, FX and fixed income and trade financing, the electronic banking platform in the Commercial banking business segment has added new products, including the Omni Lite, PoS and EcobankPay in rendering banking services to customers in a more efficient manner, while promoting financial integration.

SUSTAINABILITY REPORT

Fostering Partnership for Economic Integration through sustainable business and digital banking

Mr. Ade Ayeyemi, Group CEO of Ecobank participated and exchanged ideas with the leading sustainability practitioners at the FMO Future of Finance Conference 2018, under the theme 'Tomorrow Matters', held in Utrecht, the Netherlands from 30 September to 2 October, 2018. He participated as a panel discussant and articulated on the need for banks to conduct their business in an environmentally friendly and socially acceptable manner. He added that doing business in this manner will help the bank to chart forward its corporate sustainability stewardship, while at the same time addressing climate change and supporting transitioning to a low-carbon, more resource-efficient and sustainable economy. He also emphasised the role of digital banking in the future of finance.

Future of Finance is a bi-annual conference of FMO that brings together over 500 leading financial experts and executives from around the world, all of whom share the conviction that 'Tomorrow Matters'. Perhaps the most obvious benefit of attending is learning and establishing professional and knowledge networking contacts for skill building on sustainability in banking.

Impacting sustainability in our consumer banking:

In 2018, we continued our push to serve millions of customers sustainably, leveraging the ubiquity of the mobile phone device. We grew the number of registered Ecobank Mobile users from 2 million at the end of 2017 to over 8.5 million, generating 32 million transactions worth over $1.5 billion in 2018. These Ecobank Mobile users can open an instant Ecobank Xpress Account, transfer funds domestically and between 33 African countries, make mobile payments using EcobankPay QR via Masterpass, Visa and Mcash, pay bills, purchase airtime and much more, all done digitally and thus reducing the usage of paper.

We launched our agency banking network, Ecobank Xpress Points this year, where customers conduct simple transactions such as making deposits and withdrawals conveniently in their neighbourhoods. With over 14,000 Ecobank Xpress Points registered, the network processed over 750,000 transactions worth $550 million, saving consumers time and transportation costs. We also expanded our network of merchants accepting EcobankPay to over 100,000, providing the QR solution to businesses large and small, with an average transaction size of $30 and some as low as $3.

To equip Africans living in the diaspora with affordable, convenient, secure and affordable means of remitting funds home, we launched the Rapidtransfer app in 2018. This makes our proprietary money transfer product, Rapidtransfer, accessible to all Africans from the 33 countries where Ecobank operates, wherever in the world they are. It is estimated that there are 33 million Africans living outside their countries of origin making over $37 billion in foreign exchange flows into and around sub-Saharan African countries. In serving Africans in the diaspora with this channel, we are focused on driving electronic flows into stored value accounts such as Ecobank Current and Savings Accounts, Ecobank Xpress Accounts, other bank accounts and mobile money wallets, with an option for beneficiaries to receive cash across the counter at Ecobank branches and Xpress Points.

We are working to serve the informal sector better in the microfinance business and partnered with MTN to extend financial services to their customers across 12 markets in which we both have a presence. In collaboration with MTN and powered by scoring engine technology, we will launch XpressLoan, a digitally run microloan platform, in select Ecobank affiliates early in 2019. Users will be able to request a microloan on their mobile devices and receive an approval instantly, without filling out any paper forms.

Socially Responsible Banking:

Ecobank Foundation:

The Ecobank Foundation is helping to address life-threatening diseases and achieve sustainable social positive change in Africa. In 2016, the Foundation adopted a collaborative focus strategy to inspire its contribution to the transformation of Africa. Fast track to 2018, we have made progress in linking our core capabilities to strengthening health systems and communities. In doing so, within our focus on health, education and financial inclusion, we established new partnerships and strengthened our ongoing collaborative initiatives, such as our partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC) and our ongoing collaboration with the Global Fund.

In partnering with the International Federation of Red Cross and Red Crescent Societies (IFRC), we have agreed to collaborate in empowering the local communities to cope with disasters in a more efficient manner. This is to ensure that innocent lives are not lost because of insufficient investment in disaster preparedness. Also, the growing gap between funds needed by humanitarian groups and funds available to them is a major cause of communities' vulnerability to disasters. In this regard, Ecobank is partnering with National Red Cross and Red Crescent Societies in Africa in fundraising to support local first aid volunteers, using the Ecobank MobileApp platform with a unique QR code. The Foundation and the Ecobank Academy are jointly committed to support the training and development of IFRC staff through the development of customised programmes in a manner that is aligned with the IFRC methodology.

SUSTAINABILITY REPORT

Global Fund

In the same vein, and in line with collaborative partnership with the Global Fund to the tune of our $1 million a year funding grant, the Foundation and the Ecobank Academy facilitated and delivered a training on fund management at the Pan-African Centre, Lomé, Togo. 25 Finance Managers of the Global Fund beneficiary organisations from 8 countries comprising Cameroon, Chad, Central African Republic, Côte d'Ivoire, Guinea, Niger, Senegal, and Togo participated in the training workshop. The blended programme ensures that leadership, financial management and strategy execution skills are delivered to the finance managers of health programmes. Working with finance managers allows us to strengthen our own understanding of health programmes. Ultimately, strengthening systems is one of our core capabilities.

Community engagement

Ecobank Day – Creating a better future for African children

Ecobank Day – Creating a better future for African children, the 2018 Ecobank flagship CSR event, was celebrated on Saturday 17 November, 2018 and was another great success for the company. Staff across the Ecobank network of countries devoted their time and resources to projects related to their communities. The 2018 Ecobank Day marks the sixth edition of the Pan-African volunteer event, which started in 2013. The theme of 2018 was: Support for Orphanages in Africa.

In Lomé, Togo, Ecobank offered to support to a local SOS Children's Villages orphanage with over 100 orphans between the ages of 8 and 15 years. Ecobank supported the drilling of a borehole for safe drinking water in an attempt to eliminate water borne diseases. The bank also donated 10 computers, video projectors and facilitated internet access in the orphanage to further stimulate digital information knowledge.

According to Mr. Ade Ayeyemi, Group CEO of Ecobank, Ecobank Day demonstrates the strong culture of the bank.

He added that many orphanages in Africa are underfunded and under-resourced and deserve all the support that they can get. So, it was an easy decision to make them the beneficiaries of this year's Ecobank Day. Furthermore, he was humbled by the willingness to volunteer, the hard work and the much evident compassion of all at Ecobank in helping such a worthy cause and making a real difference.

Natural Resource and Environmental Protection:

The Group continues to strive in managing the risks associated with Natural Resources and Environmental Protection and reaffirms its commitment to conducting business in an environmentally friendly and socially acceptable manner, while helping its clients to carry out their business operations in a more sustainable manner. In managing these risks, the Group continues to screen, classify, assess, formulate and monitor transactions in the eligible sectors such as mining, oil & gas, manufacturing, heavy construction, power (generation, transmission & distribution) and real estate for compliance with the risks within the acceptable limits for both internal and external reports.

In line with Ecobank's commitment, a new management information template was introduced in 2018 to capture E&S data. The template was designed to drive efficiency by collating E&S information on the qualifying transactions with total value of ≥US$5M and tenor ≥24 months from High E&S risk designated affiliates; and transaction with total value of ≥US$2M and tenor of ≥24months from Medium E&S risk designated affiliates and these will be reported to the Group E&S management level for detailed review and oversight. This means transactions below these value thresholds and tenor are captured and managed at the Regional and affiliate levels. Hence a reduced number of transactions were reported at the Group level in December 2018, compared to the same period in 2017. In so doing, the template offers a single view opportunity for reviewing information relating to the E&S risks and impacts, such that a request for supplementary information, where a gap exists can be made in a timely manner. Hence, the new template is helping to reduce the turnaround time in E&S relevant decisions.

Environmental & Social Management System (ESMS)

The procedures for the Ecobank ESMS implementation are as follows:

- Screening transactions against the Exclusion List activities
- Reviewing transactions for E&S risks in accordance with E&S sector guidelines
- Identifying project/transaction sectors for the Environmental and Social risk classification (E&S risk classification)
- Verifying transactions for potential E&S risk identification
- Classifying transactions for E&S risk into Low, Medium B, Medium A and High
- For E&S low risk transactions, the Relationship Officer (RO) will sign off Environmental and Social Due Diligence (ESDD) forms to be verified by the Country Risk Manager (CRM)
- For all Medium B, Medium A & High-risk transactions, detailed ESDD is required (RO and CRMs will sign-off all Medium risk rated transactions to be verified by the Group Manager for E&S):
  - General Information
  - Health, Safety & Security
  - Labour & Working Conditions
  - Internal Environmental resource efficiency (energy, waste, pollution etc.)
  - Community
  - Legislation
  - Internal Environmental & Social Management System (ESMS)
  - Mitigation & Improvement Action Plan.

Action plans are included in Credit Applications (CAs) in the table related to "covenant". As "covenant", E&S conditions are captured in the loan agreement like other "credit covenants" and periodic monitoring is carried out as indicated in the facility agreement.

SUSTAINABILITY REPORT

Ecobank Tree Planting to celebrate the 2018 World Environment Day (WED):

Drawing upon the deliberations and recommendation of the 8th meeting of the Social, Ethics and Reputation Committee (SERC) of the ETI Board in September 2017, a decision on the tree planting exercise to commemorate the 2018 World Environment Day (WED) on 5 June, 2018 was reached. This decision highlighted the healthy linkages between the tree planting, climate change and global warming phenomena. It stressed the importance of trees in removing carbon dioxide from the atmosphere, and producing the oxygen that we need to breathe. Trees also reduce the amount of storm water runoff, which mitigates erosion and pollution in our waterways as well as the effects of destructive flooding, particularly in the rainy season. Furthermore, trees also serve as a windbreak for turbulent winds and the symbiotic relationship between trees and animal species cannot be overemphasised. In line with the decision, the Ecobank tree planting exercise which was held on 5 June, 2018, helped to showcase the bank's commitment to reducing our carbon emissions footprint, while at the same time helping to make a greener environment.

Subsequently, 24 Ecobank affiliates participated in the tree planting exercise, namely: Togo, Niger, Côte d'Ivoire, Burkina Faso, Mali, Guinea Bissau, Benin, the Gambia, Ghana, Guinea, Kenya, Liberia, Tanzania, Rwanda, Cameroon, Zimbabwe, Zambia, Democratic Republic of Congo, Republic of Congo, Uganda, South Sudan, Chad, Burundi and Mozambique. Over 28,000 tree seedlings were planted with Ecobank Uganda at the top of the list with 10,000 seedlings, followed by Ecobank Kenya and Ecobank Côte d'Ivoire with 3,000 seedlings each. Overall, the tree planting exercise was well attended and appreciated by an array of collaborative stakeholders.

Theme: The global theme for the 2018 WED commemoration is 'Beating Plastic Pollution'. In Ecobank, the choice of tree planting as an event to commemorate the 2018 WED is in recognition of the increasing impact of deforestation on ecosystems and livelihoods in the community. In this regard, tree planting is an actionable activity with a measurable outcome that is meaningful, visible and resonates with the development agenda such as the Sustainable Development Goals (SDG). It is a means of inspiring corporate citizenship as well as engendering business partnerships and opportunities. Therefore, the 2018 tree planting is a support towards delivering a tangible and specific global solution that will have sufficient breadth for all Ecobank affiliates to participate.

Collaborating partners: In implementing the ETI Board's decision on tree planting on 5 June, 2018, Ecobank staff in the affiliates, in collaboration with other stakeholders in the host countries, including the public and private sectors, students, civil society organisations and international development organisations planted various tree species at different locations to commemorate the 2018 WED across the Ecobank Group. Notably, among the stakeholders that attended the event were the Ministries responsible for the environment, land and forestry in the host countries; Departments for parks and forestry; the United Nations agencies; African Development Bank; AMISTAD-NGO in Côte d'Ivoire; Green Belt Movement in Kenya (founded by Prof. Wangari Maathai – 2004 Nobel Peace Laureate for contribution to the sustainable development, democracy and peace); MTN in Benin; Group de Scouts Notre Dame de la Sagesse in DRC; Saint Thomas Aquinas Senior High School in Accra, Ghana; Lotus Primary School in Lusaka, Zambia. Others included students from the primary, secondary and tertiary institutions, as well as the Ecobank Board Chairperson and members at the affiliate level. This collaboration enabled the bank to successfully carry out the tree planting, whilst continuing to improve its own environmental performance and support community groups to do likewise.

ETI Board & Ecobank Affiliate levels: Ms. Dolika Banda, outgone Non-Executive Director of ETI and past Chairperson of the SERC of the ETI Board and Dr. Catherine Ngahu, Non-Executive Director of ETI and member of the SERC of the ETI Board participated in the tree planting exercises organised in Lusaka, Zambia and Nairobi, Kenya, respectively. Furthermore, Mr. Ade Ayeyemi, Group CEO of Ecobank led the Group Executive Committee and other ETI staff, while the Managing Director of Ecobank Togo led the Ecobank Togo staff in collaboration with the Ministry responsible for environment to plant 1500 tree seedlings in Lomé, Togo. The day's event also included the GCEO's message on the importance of tree planting, which was broadcast via email to all staff. This was followed by speeches and remarks by various Managing Directors and distinguished guests delivered at the various venues of the tree planting. On his part, the GCEO reminded the staff that on 5 June, the bank was focusing on tree planting as part of its commitment to the sustainable environment. He called on all staff to join in the campaign and take action to create the world we want, in order to support financial growth and economic prosperity in an environmentally friendly and socially acceptable manner.

Tree species: In most Ecobank affiliates, the trees planted were indigenous species selected with the support of the host country's departments responsible for parks and gardens to improve the green environment. The species planted include Guava, Mango, Orange, Lemon, Avocado and Date Palms. The tree planting activities were mainly carried out on public premises, including primary, secondary and tertiary institutions, such as the University of Kinshasa in the DRC, the beach front in Cotonou, Benin as well as at the forest reserve in Abidjan, Côte d'Ivoire.

Affiliate specific activity by Cluster:

In Zambia, several guests spoke at the tree planting exercise that was launched at the Lotus Basic School in Lusaka on 5, June 2018 by the Minister of Lands and Natural Resources, who was represented by the Permanent Secretary Mr. Trevor Kaunda. He emphasised the essence of environmental education as a means for creating awareness and stimulating interest among school pupils and teachers about environmental conservation activities in the education curricula. In her brief remarks, the Board Chairperson of Ecobank Zambia informed the participants that today's school children are tomorrow's leaders. They are the actors that will enable and champion the sustainable development in its three dimensions: economic, social, and environmental. Also speaking at the event, Ms. Dolika Banda said that it was everyone's responsibility to take care of the natural resources. She added that "Trees absorb harmful gases from the environment and they give us oxygen and food. It is for this reason that we should all take care of them". The event in Lusaka also featured a poem on 'trees as sources of hope and when the last tree dies, the last man dies', recited by the school children. Subsequently, the Managing Director of Ecobank Zambia announced that Ecobank Zambia, in collaboration with its partners, is poised to plant 50 seedlings of 5 different species at 50 schools across Zambia to celebrate the 2018 WED. The Managing Director and the school principal then led the guests and other participants to plant trees in the school orchard.

In Ghana, Ecobank, in collaboration with the office of the Wife of the Vice President, Ghana Forestry Commission, Environmental Protection Agency and selected secondary schools carried out the planting of trees across the cities of Accra, Kumasi and Tamale. The Managing Director of Ecobank Ghana and his counterpart Managing Director of Ecobank e-Process International led the staff to Saint Thomas Aquinas Senior High School, where the tree planting in Accra took place. Several dignitaries, including the wife of the Vice President, the Chief Executive Officer of Ghana Forestry Commission, the Executive Director of Ghana's Environmental Protection Agency and senior officials of ZoomLion Waste Management Company, as well as staff and students from the host school, joined the staff in planting the trees.

SUSTAINABILITY REPORT

In Côte d'Ivoire, Ecobank, in collaboration with the Ministry of Environment and Sustainable Development, the United Nations agencies and the non-governmental organisation Actions for the Mobilisation of Initiatives and Strategies for Development Assistance (AMISTAD) planted 3,000 tree seedlings at a location near Anguededou forest reserve in Abidjan. On his part, the Managing Director of Ecobank Côte d'Ivoire expressed his delight at the turnout and thanked the participants, particularly the collaborating institutions, that honoured the invitations. According to him, the tree planting exercise is a symbol of the beauty and strength of the bank's environmental commitment to nature and development. He added that planting trees is one of the important things the bank can do to contribute to the healthy planet as an essential role in mitigating the impact of climate change.

In conclusion, with the tree planting exercise on 5 June, Ecobank demonstrated its interest and commitment to a greener environment in its host countries. The event also afforded the bank an opportunity to gain more goodwill from an array of stakeholders, while charting forward our corporate sustainability programmes, aligning with internationally agreed norms as well as consolidating partnerships. Furthermore, it has helped to strengthen co-operation with the public sector on climate change, water scarcity and natural resource protection discussions.

Launching of Ecobank Group Chairman's Sustainability Award (GCSA):

Following the deliberations of the ETI Board on the Group Chairman's Sustainability Award (GCSA) in Ecobank in April 2018, the GCSA was launched by the Group Chairman, Mr. Emmanuel Ikazobo at the 28th Annual General Meeting (AGM) of ETI shareholders in Lomé, Togo in April 2018. Subsequently, an announcement has been broadcast to all staff to create awareness and guidance on the criteria and modality for the entry submissions, reviews and procedures for the award evaluation, among others. Other announcements have been made on a quarterly basis to consolidate the awareness and further stimulate the participation of Ecobank affiliates.

Global ESG Initiatives

At the global level, Ecobank continues to ensure that its commitment to sustainability goes beyond compliance with our legal requirements, whilst remaining an effective tool for gaining competitive intelligence and widening networking opportunities. Our participation in the global sustainability initiatives is aimed at leveraging best practices to improve our internal programmes for the implementation of sustainability.

Ecobank Sustainability Thought Leadership events:

ESMS Thought Leadership

Ecobank's thought leadership role in the implementation of Environmental and Social Risk Management (ESRM) was externally recognised by the Qatar National Bank (QNB) and the Belgian Investment Company for Developing Countries (BIO – a development lender). Subsequently, Ecobank has signed separate agreements with both BIO and QNB on knowledge management and the exchange of ideas on the development and implementation of ESMS.

ECOWAS Sustainable Energy Summit, 2018

Ecobank was proud to play a role as a facilitator in a side-event on the Reduction of Emission on Short-Lived Climate Pollutant (SLCP) during the Ecowas Sustainable Energy Summit in November 2018 in Dakar, Senegal. Ecobank articulated an array of financial instruments that can be applied in reducing and ultimately eliminating the SLCP emissions. Ecobank posited that addressing SLCP needs an investment in the kinds of clean technologies for growth and development, such as:

- Redirecting investments in conventional technologies to sustainable alternatives, including green energy, green real estate, social housing, climate-smart resources etc.
- Encouraging participation of institutional investors (insurance, pension funds, sovereign funds) by ensuring attractive and standard tariffs
- Easing overly time consuming bureaucracy to promote project development
- Others include:
  - Market supply efficiency
  - Favourable & customised credit lines
  - Appropriate risk sharing mechanism
  - Tailored capacity building

United Nations Environment Programme Finance Initiative ('UNEPFI')

UNEP FINANCE INITIATIVE

Ecobank remains an active member of UNEPFI and a signatory to the UNEPFI Statements of Commitment by Financial Institutions on Sustainable Development to develop and promote financing for sustainable development and an inclusive green economy. Ecobank is serving on the UNEPFI Global Steering Committee and the bank is also a working member of the UNEPFI African Task Force ('ATF') supporting the UNEPFI secretariat activities in countries across the bank's geographic footprint.

To develop the capacity needed for environmental and social analysis, selected Ecobank staff participated in an online training course on Environmental and Social Risk Analysis ('ESRA'), organised by UNEPFI. Participants learnt how to include environmental and social variables in traditional lending and investment decision-making. The ESRA course provided in-depth, personalised training, as well as facilitating delegate debates. Ecobank's delegates were involved in a range of activities, from simulating the implementation of environmental and social policy guidelines and case study analyses to carrying out exercises based on their own client ESRA experiences.

The online courses taught participants how to incorporate environmental and social variables in traditional analyses when making lending and/or investment decisions. Each course includes five consecutive modules:

- Introduction to Sustainable Finance
- Identification of Environmental and Social Risks
- Categorisation
- Evaluation of Environmental and Social Risks
- Administration of Environmental and Social Risks

SUSTAINABILITY REPORT

International Finance Corporation's ('IFC') Performance Standards on Environmental and Social Management

In line with Ecobank's contractual obligations with IFC, all the conditions related to the Environmental and Social Management System ('ESMS') have been met. Ecobank subsidiaries with direct IFC investments have also completed and submitted their Annual Environmental Performance Review ('AEPR') report. Ecobank has also prepared and published the grievance mechanism on its corporate websites, as requested by IFC. Furthermore, Ecobank subsidiaries, which have recently signed an SME Risk Sharing Facility agreement with IFC, have also been trained on ESMS.

Equator Principles

Ecobank adopted the Equator Principles ('EP') in 2012 and has modified them to help improve internal policies governing project finance and project related corporate loans for projects with a total value of $10 million or more. They are also applied to larger projects, where Ecobank's project-related corporate loans exposure is $50 million and above. Hence, Ecobank continues to demonstrate its commitment to environmental and social performance beyond the EP recommendations.

Furthermore, Ecobank has integrated the Equator Principles within its internal Environmental and Social Management Systems ('ESMS'), which were developed on the basis of our engagement with the IFC Performance Standards, as well as our association with other financial institutions.

Ecobank has gained a better understanding of how to ensure that projects financed, and eligible transactions, are developed in a socially responsible manner and reflect sound environmental management practices. We continue to ensure that negative socio-environmental impacts are avoided and, where possible, we urge project participants to implement corrective/mitigating measures. We make sure that our clients agree to these measures and put compliance monitoring and reporting into operation.

EP guidelines were taken into consideration in financing all EP eligible project finance and transactions in 2018, which were mostly in categories C and B. The bank did not compromise on its environmental and social performance obligations. Tenors of Ecobank's participation, both as sole financier and as a participant, range from renewable short-medium terms to long-term financing.

Within the EPFI, Ecobank is an active member of the Cross-Sector Biodiversity Initiative ('CSBI'). This group facilitates networking and knowledge sharing in cooperation with multilateral institutions and development banks that undertake project finance in Africa in accordance with EP guidelines.

United Nations Global Compact ('UNGC')

In November 2011, Ecobank Transnational Incorporated became a signatory to the Ten Principles of the UNGC in the areas of human rights, labour, environment and anti-corruption. In December 2012, the Bank reaffirmed its support of the UNGC and submitted its maiden annual report, 'Communication on Progress'. The report outlined the bank's actions and steps being taken towards the integration of the Global Compact's principles into our business strategies and practices.
The Ecobank Group is a registered member of UNGC and this membership covers all Ecobank subsidiaries. Thus, the annual membership obligation report to the UNGC secretariat is prepared at Group level and incorporates information from Ecobank's subsidiaries. At the country level, Ecobank is a steering committee member of the UNGC Local Networks in Ghana.

WORLD ENVIRONMENT DAY 2018

The Social Ethics and Reputation Committee of the ETI Board organised special tree planting exercises across the Group to commemorate the World Environment Day on 5th June, 2018.


Tree planting in Kenya


Tree planting in Kenya


Tree planting in Zambia


Tree Planting in Ghana


Tree planting in Cameroun

PEOPLE REPORT

Strengthening Human Capital Capabilities and Organisational Culture for Sustainable Value Creation

Our organisation recognises the strategic importance of our people. With over 16,000 employees represented by 43 nationalities from around the world, the diversity of backgrounds and skills of our workforce plays a pivotal role in our unique Pan-African platform.

Our Group Human Resources works closely with senior management to deploy the company's human capital with the end in mind to deliver sustainable value creation for our shareholders. As an organisation, we always strive to have the right talent, with motivated and committed staff. These men and women (we call them Ecobankers) work tirelessly to deliver customer service excellence, improve our portfolio, increase our profitability and deliver on our digital transformation. Our approach, our strategy, our processes and systems are being deeply integrated into our corporate strategy, the 'Roadmap to Leadership'.

Our business-driven and forward-looking approach is ingrained in our three-pillar people strategy:

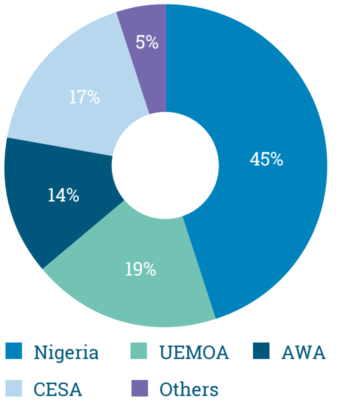
People Pillar 1	People Pillar 2	People Pillar 3
Attract, Develop and Retain the Right Talent	Deliver a Performance-Driven Culture and Environment	Leverage People and Resources in the most Productive/ Efficient Manner

In 2018, as captured throughout this report, the Human Resources department, through close collaboration with all four regions, businesses and functions, accelerated the execution of the above three pillars and further institutionalised our vision of providing the business with the key enablers for effective strategy execution.

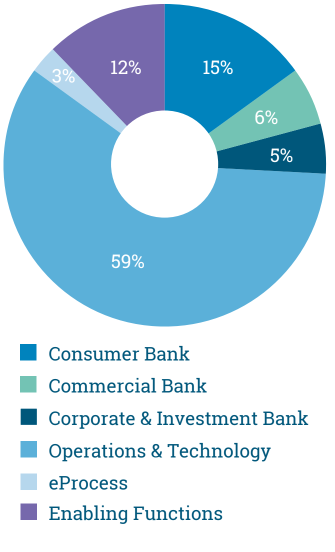
Employee data
As at 31 December 2018

	2018
Number of employees	16,386
Female Representation	44%
Nationalities	43
Attrition Rate	9%

Employees by geographic regions
(% as at 31 December 2018)



Employees by Business/Functions



2018 Strategic HR Priorities

Our activities and actions in 2018 focused on delivering the following agreed strategic Human Resources initiatives across the Group:

1. Strengthening our Learning and Development platform to develop key capabilities;
2. Institutionalising our Talent Management Process;
3. Aligning our Performance Management with Strategy Execution framework;
4. Deploying our Group-wide Employee Engagement initiative for improved organisational effectiveness; and
5. Revising our Total Reward approach to align the interest and focus of employees with that of shareholders.

Learning And Development

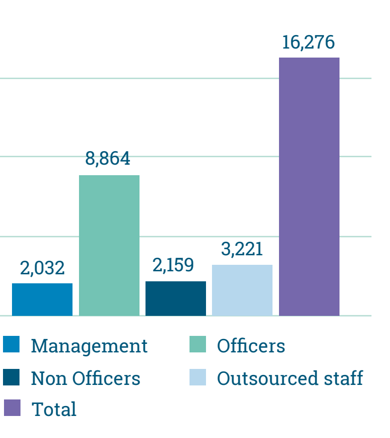
Supporting the Group's strategic priorities for 2018 and beyond, the Group Learning and Development (L&D) team continued to accelerate the delivery of its cost-effective, scalable and high impact business-driven programmes. In 2018, we further institutionalised our approach of designing training programmes centrally and deploying them locally through the regional academies/learning and development hubs. This approach has enabled us to deliver more than 1,600 courses (e-learning and instructor led) across the Group.

The 1,600 courses delivered are building capabilities to drive digitisation, sales, and customer service, enhance finance management, expand our transaction business (cash management and trade finance services), structure derivatives, drive execution processes, and operationalise new systems, e.g. Flexcube 12 in Nigeria and the UEMOA region. These are some of the learning initiatives driving Ecobank towards the achievement of profit before tax objectives and the improvement of portfolio quality.

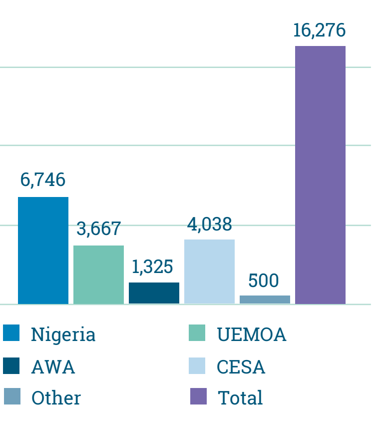
Furthermore, to complement our instructor led interventions, we have expanded our digital and e-learning capabilities by running several strategic programmes including cash management, trade finance, strategy execution, finance academy and leadership development.

During the year, for both instructor led and e-learning solutions, we reached over 16,276 staff. All training was efficiently executed within the allocated budget.

Number of Staff Trained by Level



Number of Staff Trained by Region



PEOPLE REPORT

Celebrating 4 Years of the Ecobank Academy

August 2018 marked the fourth anniversary of our corporate university, the Ecobank Academy. Over the last four years, as a delivery vehicle for our Learning and Development function, the Academy has played a crucial role in providing the needed support for the execution of the Roadmap to Leadership' strategy, based on a structured framework.

The diagram below demonstrates how the Academy's initiatives directly impact the overall Group Strategy.

Roadmap to Leadership Strategy...

- Increase digitisation to drive customer experience
- Achieve distribution leadership
- Enhance risk and compliance culture
- Drive operational efficiency
- Rationalize geographical footprint
- Achieving our Must-Win-Battles

...Informs Ecobank Academy Priorities

Roll out Strategy Driven Programmes to over 16,000 Staff

- **Strengthening risk management** through credit, operations and market risk programmes
- **Driving revenue growth** through integrated product and sales
- **Impacting digital banking** through digital financial services and distribution programmes
- **Institutionalising controls** through all staff mandatory programmes

Leverage on Digital and Action Learning

- **Rolling out mobile and e-learning interventions** using Academy's Virtual Banking Institute
- Ensuring that all key programmes have built in **action learning to drive on the job application**

Impact Leadership and Culture of Execution

- **Facilitating strategy execution process** to achieve Group's Wildly Important Goals
- **Delivering Leadership Development programmes** reaching thousands of Bank's supervisors, managers and executives

...to Achieve Group Objective

Sustained Value Creation
RoE>CoE

Talent Management

Strategic Talent Review
We have conducted a Group-wide talent review exercise. This bottom-up approach enabled us to assess the performance and potential of our staff across the entire Group.

Furthermore, we were able to identify successors for key and senior positions across the four regions in which we operate. In the first quarter of 2019, the Group Executive Committee (GEC) will have a series of Talent Days to review the consolidated talent reviews for all regions, businesses, and functions in order to validate recommended action plans and talent interventions.

Building on this progress, we are continuing to address some of the identified talent interventions by ensuring an effective transition for leadership changes. Robust recruitment processes are used to fill open positions and to provide the learning and development support for identified successors and high potential staff.

Building the Future Pipeline of Leaders
As part of our efforts to build the future pipeline of Ecobank leaders, we launched the Ecobank Management Development Program (EMDP) and the Ecobank Graduate Development Program (EGDP). These programmes were officially launched on 19 February, 2018 in Ecobank Nigeria and will be rolled out across other regions in 2019.

This development programme is an intensive 12 month-programme for EGDP and an 18-month programme for EMDP, and is designed to:

- Introduce trainees to the entire world of banking with the solid business knowledge to guide their future careers within the Ecobank Group; and
- Raise a new generation of leaders as part of the talent pool for the future of banking (Digital Financial Services) and to inculcate the right culture.

We currently have 151 trainees (76 EMDPs and 75 EGDPs).

Performance Management

We continue to reinforce our timely performance dialogue culture through weekly strategy execution sessions across the Group. These sessions take place once a week at GEC level and cover all regions, businesses and functions across the Group. It is also important to mention that the 2018 performance review cycle was implemented appropriately (the global objectives were cascaded to all staff and we conducted the mid-year performance review).

Organisational Effectiveness

Employee Engagement
Following the outcome of our employee engagement surveys of 2017 and 2018, we have completed the action planning exercise and identified two major areas to work on, namely Rewards and Career Management. Each member of the GEC and affiliate leadership teams have been provided with access to the digital tools to identify and track the implementation of initiatives to improve the overall engagement of our staff, which is currently at 68%.

Organisational Redesign
Using our international benchmark and reputable job evaluation system, we are reviewing our grades and career levels structure. The organisational redesign initiative will, among other things, enable us to improve and ensure consistency and alignment between employees' grading/career levels with compensation and benefits.

Organisational Culture
As a Group, we constantly strive to reinforce our way of working through our organisational culture. We have commenced the roll out of the Ecobank Culture Program which focuses on redefining our core values and putting processes in place to instill, measure and monitor the right conduct and ethical behaviour throughout the organisation. This programme has been successfully rolled out in Nigeria and is now being extended to our other affiliates.

PEOPLE REPORT

Total Reward (Compensation And Benefits):

In order to drive a high-performance culture and at the same time to align the interest and focus of employees with that of shareholders, we have reviewed our Total Reward strategy which has led to:

1. The review of the annual bonus scheme, the Short-Term Incentive Plan (STIP) by introducing the combination of two key drivers which are the percentage (%) achievement of Profit Before Tax (PBT) and Return on Equity (ROE) for the bonus pool allocation.

2. The introduction of the Long-Term Incentive Plan (LTIP) for senior management and selected critical staff that will ensure long-term value creation through Shares for their achievement.

The objective of these schemes is to incentivise, motivate and retain the top talents that contribute to the growth of the business, while offering employees the opportunity to share in the success of Ecobank.

Development Of Women

Ecobank puts great emphasis on promoting the women empowerment agenda across the continent. To date, 44% of Ecobank's workforce is female and 30% of them are in management/leadership positions. We continue to promote our Women's Development Program which is aimed at increasing the number of women in senior leadership positions and to build a strong pipeline of female business leaders for the future.

Ecobank's internal focus on women's empowerment mirrors engagement with our customers and partners across the continent. In 2018 we finalised the development of our Women's Development Program to:

- Provide training on financial literacy for women in procurement, maritime and other professional organisations; and
- Provide advisory support in designing financial products/services targeting women.

Strategic HR Priorities For 2019

Building on the progress already made, we are looking to accelerate the impact of our work in 2019 by focusing on the following strategic initiatives:

- Organisational Effectiveness;
- Employee Efficiency and Effectiveness; and
- Organisational Culture.

INTRODUCING

EcobankPay

Connecting your payments growing your business

Want to attract more customers and grow your business faster? Then it's time to get EcobankPay working for you.

EcobankPay makes it easy for customers to buy from you, quickly and cash-free, using simple Scan+Pay technology. All you need is your own unique QR code.

Get started right away on Facebook Messenger

- Open Facebook Messenger
- Search 'EcobankPay with Rafiki'
- Follow the simple set-up instructions to generate your unique QR code
- Start receiving payments!

masterpass | VISA

EcobankPay is_on
Ecobank_on

4

RISK MANAGEMENT

RISK MANAGEMENT

1. Risk Management Framework

Risk is inherent within our business activities. Accordingly, our risk management framework and governance structure are designed to achieve an acceptable balance between risk and reward.

The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

- **Risk Measurement:** The Group uses a variety of techniques to measure risk. These include expected and unexpected loss calculation, risk rating, stress testing and benchmarking.
- **Risk Mitigation:** The Group has specific measures to minimise or eliminate unacceptable risks. These include managed distribution across affiliates or other financial institutions, covenants (positive, negative and financial), insurance and collateralisation.
- **Risk Monitoring and Control:** The Group reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practices. Risk monitoring covers the central risk areas: credit risk (including counterparty risk), market risk, liquidity risk, operational risk and country risk. Risk management professionals and internal auditors monitor risk exposures and adherence to approved risk limits by means of reliable and up-to-date information systems on a daily, weekly and monthly basis.
- **Risk Reporting:** The Group allocates considerable resources to achieving continuous compliance with the approved risk limits. It has set guidelines for reporting to relevant management bodies, including the Board of Directors and the Group Executive Committee. Significant changes in the credit portfolio, non-performing loans and other risk measures are reported on a daily, weekly and monthly basis.

2. Risk Governance and Organisation

The Board articulates the level of risk that Ecobank is willing to accept in the normal course of business ('risk appetite') and thus sets the overall risk profile for the Group. It supervises risk management through the Risk Committee and the Audit and Compliance Committee of the Board.

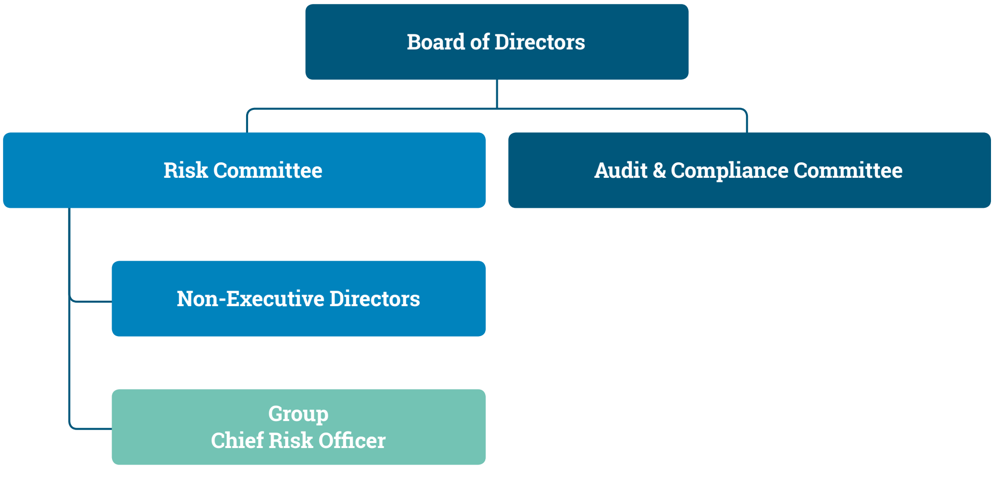
The Risk Committee proposes risk policies and the overall approach to risk management and monitors the adequacy of controls, compliance with risk policies and the Group's risk profile. The Risk Committee is composed of not less than three non-executive directors. The Group Chief Risk Officer and other senior representatives from the risk management organisation attend the Risk Committee meetings.

The Audit and Compliance Committee ensures that the financial activities of the business are subject to independent review and external audit.

The Group Chief Risk Officer is Ecobank's most senior risk management officer, responsible for all risk activities, thus:

- Develops the risk management strategy, principles, framework and policies;
- Implements appropriate risk management processes, methodologies and tools;
- Advises and instructs management and business units on risk management;
- Monitors the application and effectiveness of risk management processes; and
- Co-ordinates appropriate and timely delivery of risk management information to the Group Chief Executive Officer, the Group Executive Committee ('GEC'), the Risk Committee and the Board.

Risk Management Governance Structure

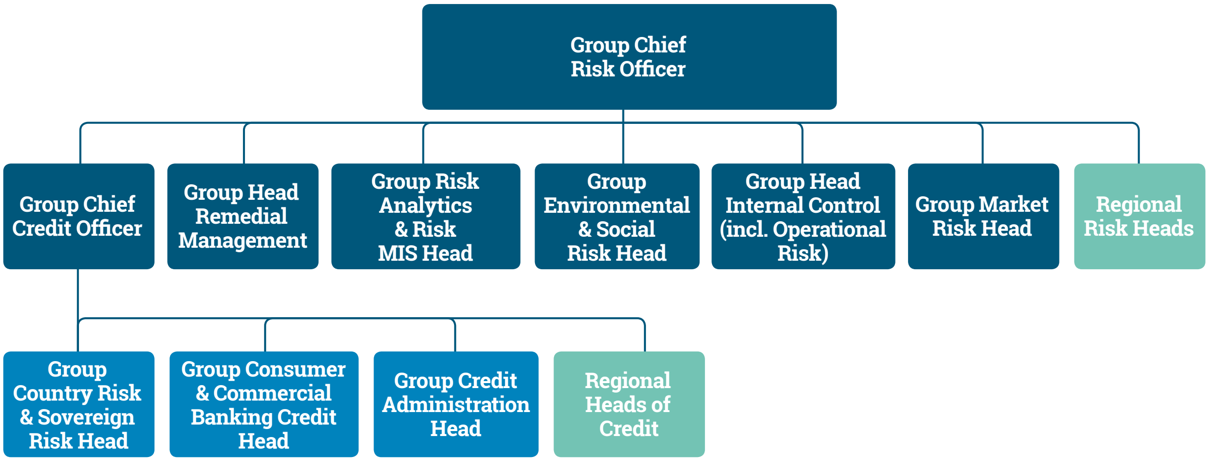


The Group Chief Risk Officer reports functionally to the Board Risk Committee and administratively to the Group Chief Executive Officer. The Group Chief Risk Officer supervises the Group Credit Risk department (comprising Regional Credit Heads, the Group Consumer and Commercial Credit Centre, the Group Credit Administration unit, the Country & Sovereign risk unit, and the Remedial Management unit), the Risk Analytics and Management Information System ('MIS') unit, the Internal Control department which includes the Operational Risk Management unit, the Market Risk Management unit, the Environmental & Sustainability unit and Regional Risk Heads.

In each subsidiary bank, the Risk Management department is completely independent from all the operating and risk-taking units. It is led by a Country Risk Manager, who reports administratively to a Country Business Head and functionally to the Regional Risk Head. Regional Risk Heads report administratively to their respective Regional Business Head and functionally to the Group Chief Risk Officer.

RISK MANAGEMENT

Organogram of Group Risk Management



3. Major Risk Types

The Group is exposed to the following main categories of risk:

Credit risk, the risk of loss arising from the default or the credit risk migration of a customer or counterparty. It can arise because the counterparty is unwilling to make payment and/or because their ability to do so has been impaired. Direct credit risk arises in connection with credit facilities, such as loans and advances, whilst indirect or contingent credit risk stems from contractual obligations to clients resulting from the issue of letters of credit and guarantees. Credit risk also exists when the Group and its clients have mutual obligations to exchange or deliver financial instruments at a future date. The types of credit risk at Ecobank includes the following:

- **Country risk,** the risk that political actions result in nationalisation, expropriation, transferability and convertibility risks. These may affect the ability of obligors in a country to honour their cross-border obligations towards Ecobank.
- **Sovereign risk,** the risk that a sovereign or State-Owned Enterprise (SOE) will not have the capacity or willingness to honour its debt obligations. Sovereign exposures may include statutory requirements for liquid assets in the form of sovereign bonds, liquidity placed with central banks, subscription for sovereign bonds, direct and contingent exposures to the sovereign and exposures to SOEs.
- **Contagion risk,** the risk that developments in one country lead to a rating downgrade or adverse credit conditions not only for that country but also other countries where the Group has interests.
- **Pre-settlement risk,** the risk of default before settlement, arising when a counterparty defaults before the contract matures and the Group suffers a financial loss in the process of replacing the unexecuted contract. Settlement risk becomes direct credit risk at the time of default.

Market risk, the risk of loss arising from adverse changes in market conditions during the period required to close out the Group's on- and off-balance sheet positions. The key categories of market risk are as follows:

- **Trading risk,** generally related to market making activities where the Group acts as a principal. It arises from open positions in interest rate and foreign currency positions and is generally affected by changes in the level and volatility of yields and exchange rates. It does not include discretionary positions that the Group undertakes for liquidity or capital hedging purposes.
- **Foreign exchange risk,** the risk to earnings and capital arising from fluctuations in currency exchange rates. It can arise directly through trading in foreign currencies, making loans in a currency other than the local currency of the obligor, buying foreign-issued securities or issuing foreign currency-denominated debt as a source of funds. It can also arise when assets and liabilities are denominated in different currencies. The Group is also exposed to foreign exchange risk arising from translation of carrying values and income streams from local currencies to the US Dollar, Ecobank's reporting currency.
- **Interest rate risk,** the exposure of earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors:
  - **Repricing risk,** due to differences in the timing of instruments' repricing.
  - **Yield curve risk,** due to mismatched maturities of instruments.
  - **Basis risk,** due to differences in the reference rates used for instruments.
  - **Options risk,** due to embedded options (for example, loan prepayment provisions) which can change the economic value of assets and liabilities.

Liquidity risk, the risk that depositors' and lenders' demands outstrip the Group's ability to realise cash from its assets. Interest rate risk and liquidity risk are interconnected in management of assets and liabilities. There are two types of liquidity risk:

- **Funding liquidity risk,** the risk that funds will not be available when needed to meet our financial commitments.
- **Trading liquidity risk,** the risk that assets cannot be liquidated at reasonable market prices. This can happen when market liquidity disappears, making it difficult or costly to close or modify positions without incurring losses.

Market risk also includes **equity price risk**, the risk of loss from share price movements, and **commodity price risk**, the risk of loss from commodity price fluctuations.

Operational risk, the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is inherent in every product and service that Ecobank provides. It occurs in a variety of ways, including internal fraud, external fraud, transaction processing errors, business interruptions and disputes with employees, clients and vendors. Operational risk includes legal risk, the risk of loss due to failure to comply with laws, ethical standards and contractual obligations, and compliance risk, the risk of loss (from sanctions, penalties, damages, or voiding of contracts) due to violation of rules and regulations in force in countries where the Group operates. A specific form of compliance risk is disclosure risk which is due to reporting of incomplete or false information, or not meeting accounting and reporting requirements of regulatory, supervisory or fiscal authorities. Compliance risk is heightened when applicable rules or regulations are ambiguous.

Operational risk events give rise to reputational risk for the Group.

RISK MANAGEMENT

Reputational risk, the risk to earnings and capital arising from an adverse perception of the Ecobank brand amongst current and potential stakeholders, such as clients, trading counterparties, employees, suppliers, regulators, governmental bodies and investors. The perceptions of stakeholders, such as the media, Non-Governmental Organisations (NGOs), trade unions, competitors and the general public, can influence the bank's ability to maintain existing relationships, generate new business or maintain access to sources of funding.

Strategic risk, the risk that our strategy may fail, causing damage to the Group's ability to generate or retain business. Strategic risk arises when the Group launches a new product or service, or when it implements a new strategy. In making strategic decisions, the Group carefully assesses the impact of external factors and the feedback from customers, shareholders and regulators.

Environmental & Social risk, where environmental risk is the risk of pollution or destruction of the natural environment (land, water, air, natural habitats, and animal and plant species) through accidental or deliberate actions, and social risk is the risk of a customer not meeting acceptable standards related to employment, working conditions and business ethics.

4. Risk Management Approach

4.1 Credit Risk

Credit governance and approval

In 2018 the Group fully implemented the enhanced credit governance structure that was approved by the Board of Directors in 2017. We amended our Credit Policy and changed the Credit Operating Model, including decentralising approvals to regions and countries.

The credit risk governance structure has clearly defined responsibilities and credit approval authority levels. The Board is the highest credit approval authority in Ecobank. It sets credit policies and ensures that all officers involved in extending credit across the Group strictly adhere to these policies. Although credit approval limits are delegated to individual credit officers, no credit officer approves credits alone. All extensions of credit are approved by a minimum of three credit officers (one of whom must be from Risk Management) who have individual authority levels equal to or greater than the amount of credit under consideration.

Through its Risk Committee, the Board has delegated its authority to senior executives, including the Group Chief Risk Officer and the Group Chief Executive Officer, to review and approve all credits, including those in excess of the policy limit. The Group's policy limit states that the maximum credit exposure to any borrower or group of related borrowers should not exceed 7.5% of the Group's consolidated shareholders' funds.

Whilst the primary responsibility for managing credit risk resides with the first line of defence, the Group Chief Risk Officer is responsible for ensuring that there are resources, expertise and controls in place for the efficient and effective management of credit risk across the Group. Ecobank's subsidiaries receive delegations of credit approval authority from their respective Boards of Directors in line with the general framework set up by the Group Chief Executive Officer and the Group Chief Risk Officer.

The credit approval process is fully independent of the businesses.

For credits to governments, financial institutions and corporations:

- Subsidiary banks initiate and approve credit applications (CAs) within their approval limits. Country approvals are provided by Country Credit Committees and ultimately by the respective country Board Credit Committees.
- After such approvals, and depending on amounts set in the Credit Policy, some of the CAs must be sent to the relevant Industry, Product and Country Risk Specialists for their 'no objection' as appropriate.
- Where credits exceed the approval limit of the subsidiary, they are referred to relevant Credit Officers or Senior Credit Officers in line with the bank's approval authority matrix for their 'no objection'.
- On receipt of the 'no objection' and other required approvals, depending on the facility limits and nature of the transaction, the initiating subsidiary submits the request to the local Board for approval for transactions that are above their Country Credit Committee approved limits.

For credits to individuals, SMEs, and local corporations:

- Credit transactions are approved under the terms and conditions of credit programmes previously approved by Group Risk Management through its Commercial and Consumer Credit Centre.
- Commercial and Consumer Credit Centre reviews credits above local limits for consistency with Group policies and procedures and provides its 'no objection'
- On receipt of 'no objection' from Commercial and Consumer Credit Centre, the initiating subsidiary submits credits above local Country Credit Committee limits to the local board for approval.

Credit risk measurement

The Group estimates probable economic losses in the event of default. This represents the losses that the Group would face from the time of default until the end of the recovery process. Credit losses include all provisions taken against bad debts, write-offs, fully reserved interest earned not collected and possibly legal fees incurred in the process of enforcing the Group's claims in court.

Credit risk measurement relies on three key metrics; risk exposure at default ('Exposure at Default' or 'EAD'), the probability of default ('PD') and the percentage of loss in the event of default (also called 'loss given default' or 'LGD'). The Group proceeds by assigning risk ratings to every credit facility in the credit portfolio. The amount of credit exposure is multiplied by loss norms (which correspond to the facility risk ratings) to arrive at measures of expected loss.

Risk ratings provide an objective means to compare obligors and facilities and to measure and manage credit risk across geographies, industry sectors and other relevant risk factors. Accordingly, the level of credit authority required to approve any credit transaction is based on the risk rating of obligors, amount of total facilities requested, and tenor.

Credit decisions are based on an in-depth review of obligor creditworthiness and ability to generate cash flows to meet operational needs and debt service obligations. The Group utilises an internal risk rating scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments and SMEs. A rating of 1 identifies obligors of the highest quality, comparable to a AAA rating by Standard & Poor's. A rating of 10 is assigned to obligors of lowest quality or highest risk, equivalent to a D rating by Standard & Poor's. Obligors rated 1 to 6 are classified as 'normal borrowers'; those risk-rated 7 are classified as 'borrowers requiring caution', those risk-rated 8 and 9 are 'substandard borrowers', and those risk-rated 10 are 'borrowers at risk of permanent default'.

Risk ratings are assigned to both obligors and individual facilities. An obligor risk rating is defined as the risk of default on long-term unsecured debt in local currency over a twelve-month period. It is assigned and approved when a credit facility is first extended and is reviewed annually and upon the occurrence of a significant adverse event. The rating is derived from an analysis of the obligor's historical and projected financial statements and such qualitative criteria as industry issues, the obligor's position in the market, the quality of the Board and management and access to financing. The obligor risk rating process is carried out through automated decision-making tools. A facility risk rating is usually equivalent to the obligor risk rating but may differ due to factors such as facility structure or collateral.

With regard to consumer lending, the Group utilises a credit programme approach, whereby credit is extended on the basis of product-specific risk parameters, using scoring systems. The products involved are secured and of a self-liquidating nature.

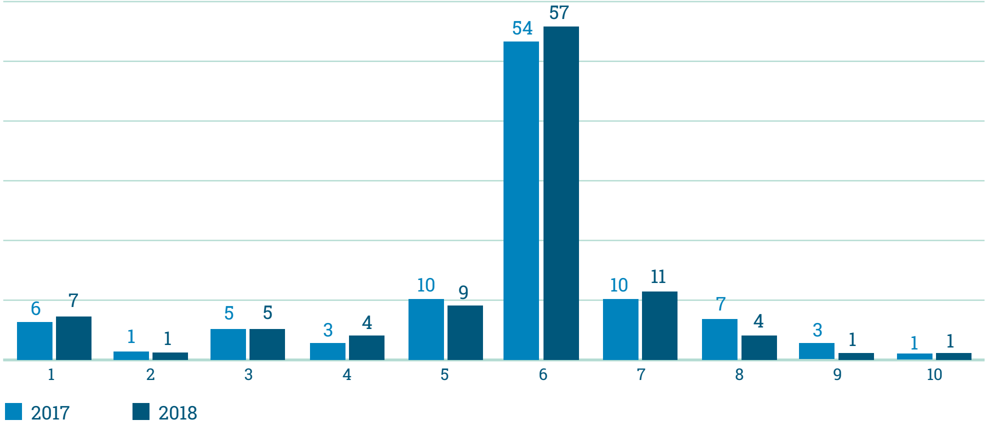
Group Risk Management also uses statistical models to determine the level of unexpected loss. The Risk Analytics and MIS unit uses unexpected loss measures to monitor that the Group is not exposed to excessive concentrations of credit risk on any one obligor, asset class, industry sector or geography.

As of 31 December, 2018, 83% of the credit portfolio was categorised as "normal credit risk", compared to 79% as of 31 December, 2017. This positive migration is largely driven by new onboarded counterparties with strong credit quality, which are mostly in the "normal risk" category.

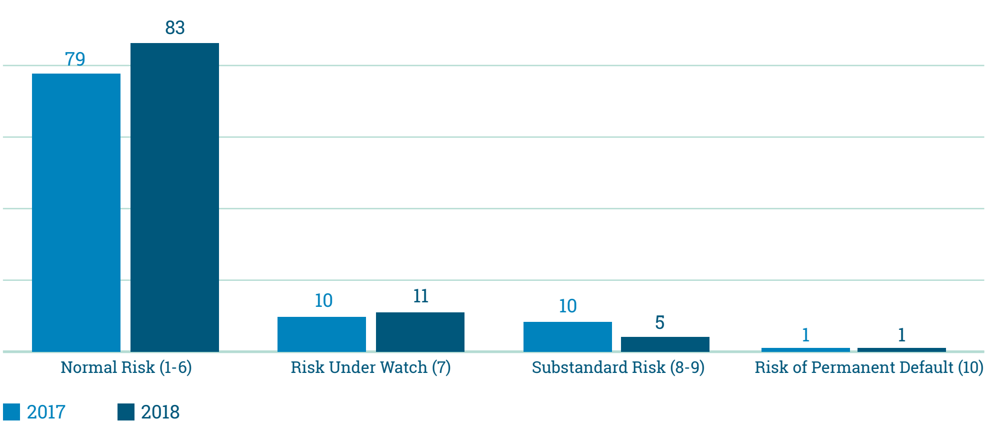
From 31 December, 2017 to 31 December, 2018, the portfolio risk rating remained stable at 6-, and the average probability of default improved from 10.17% to 9.05%.

RISK MANAGEMENT

Credit Portfolio Distribution by Facility Risk Rating
Percentage of Total Portfolio



Credit Portfolio Breakdown by Risk Category
Percentage of Total Portfolio



Credit risk monitoring and control

Credit risk exposures of subsidiaries are monitored at both subsidiary and Group level. At subsidiary level, credit administration units monitor the performance of individual exposures daily, ensure regularity of credit approvals and line utilisations, authorise disbursements of credit facilities when approval conditions are met and perform periodic reviews of collateral. These units are also responsible for the preparation of internal risk management reports for country management and Group Risk Management.

Risk control units within internal control departments provide a second line of defence as they ensure that controls are in place and are effective. Remedial management units identify early warning signals of portfolio quality deterioration and monitor past due exposures with a view to maximising collections of delinquent loans and recoveries of loans previously reserved or written-off.

At the Group level, the Risk Analytics and MIS unit monitors risks taken by subsidiaries on individual obligors and economic groupings through a review of monthly reports submitted by the country risk management units of the subsidiary banks. These reports include early warning systems designed to monitor troubled exposures and credit process problems. They also include detailed credit exposure data that enable the Group to monitor the risk profile in terms of obligors, industry sectors, geography, currencies and asset maturity at a country and Group level.

Credit portfolio overview

The credit portfolio, net of provisions, amounted to $25.35 billion as of 31 December, 2018, a 7.8% increase from the $23.51 billion as of 31 December, 2017. This was primarily driven by off-balance sheet exposures which increased by $1.4 billion during the year, and exposures to governments which increased by $0.7 billion.

The credit portfolio consisted of loans and advances to customers ($9.16 billion), government securities ($5.7 billion), deposits with central banks ($2.1 billion), loans and advances to banks and financial institutions ($1.7 billion), and off-balance sheet exposures ($5.6 billion) in the form of financial and performance guarantees, as shown in the table below.

Risk Assets ($ millions)

	2018	2017
Loans and advances to customers	9,169	9,358
Treasury bills & government bonds	5,720	4,996
Loans and advances to banks and financial institutions	1,718	1,686
Deposits with central banks	2,141	2,085
Other on-balance sheet assets	1,040	1,464
Sub-Total Direct Exposures	**19,786**	**19,588**
Import letters of credit	1,632	1,377
Other guarantees & undertakings	3,930	2,544
Sub-Total Contingent Exposures	**5,562**	**3,921**
Total Portfolio	**25,348**	**23,509**

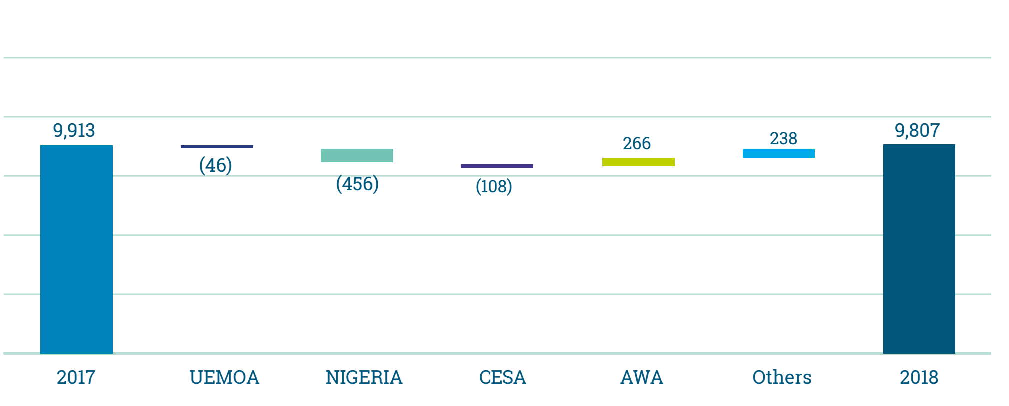
RISK MANAGEMENT

Gross loans and advances

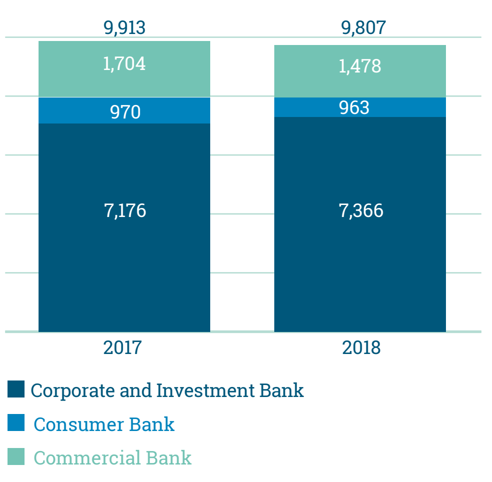
From 31 December, 2017 to 31 December, 2018, gross loans and advances to customers decreased to $9,807 million, mainly driven by a decrease in gross loans in Nigeria by $456 million, Central, Eastern and Southern Africa by $108 million, and Francophone West Africa by $46 million. However, gross loans increased by $266 million in Anglophone West Africa.

As of 31 December, 2018, the Corporate and Investment Bank segment represented 75% (31 December, 2017: 72%) of total gross loans and advances to customers, the Consumer Bank was at 10% (31 December, 2017: 11%) and the Commercial Bank accounted for 15% (31 December, 2017: 17%).

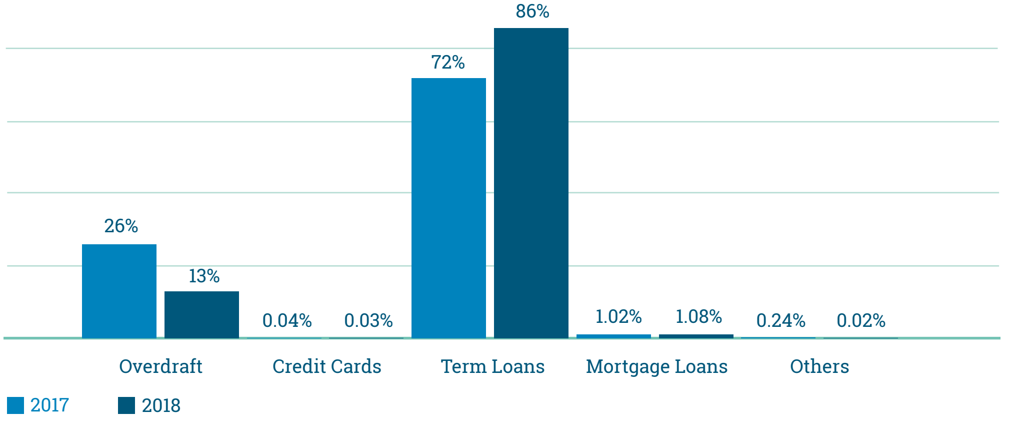
Geographical Contribution to the Decrease in Gross Loans to Customers
($ millions)



Gross Loans by Business Segment
($ millions)

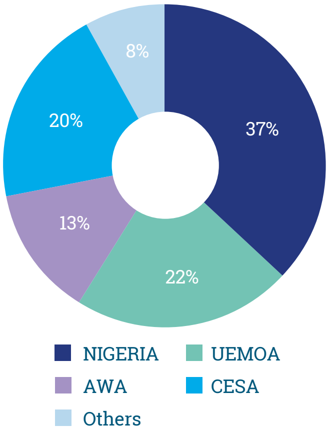


Gross Loans by Product Concentration

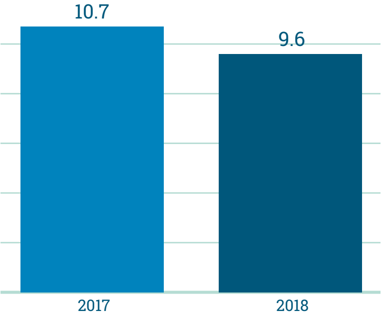


RISK MANAGEMENT

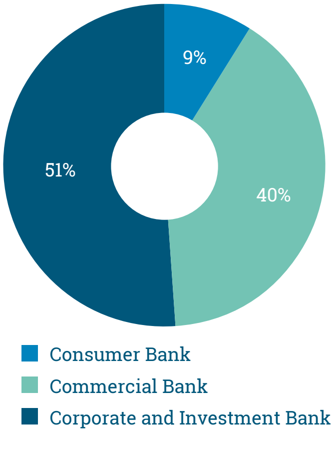
Non-Performing Loans Contribution per Cluster



Non-Performing Loan Ratio Trend (%)



Non-Performing Loans per Business Segment



At the product level, loan contraction was driven by overdrafts, which represented 13% of total loans (2017: 26%).

Asset quality

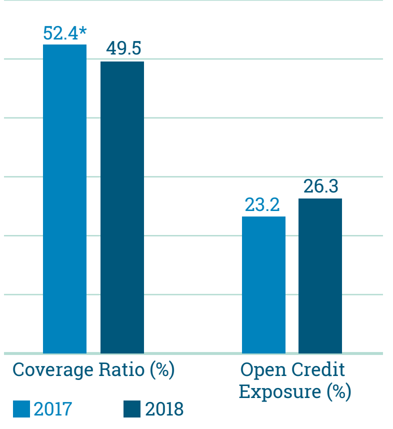
Non-performing loans ('NPLs') decreased by 10.9% from $1,060 million at 31 December, 2017 to $945 million at 31 December, 2018. At the regional level, Nigeria recorded the highest level of NPLs, accounting for 37% (37% at 31 December, 2017) of total NPLs, followed by UEMOA and CESA which accounted for 22% (28% at 31 December, 2017) and 20% (19% at 31 December, 2017) of total NPLs, respectively.

As a result of the 10.9% decrease in non-performing loans, the ratio of non-performing loans to gross loans and advances ('NPL ratio') improved from 10.7% as of 31 December, 2017 to 9.6% as of 31 December, 2018.

The Corporate and Investment Bank had the largest concentration of NPLs at 51% of total NPLs, down from 53% in 2017 with Commercial Bank accounting for 40%, up from 39% in 2017.

The Stage 3 NPL provisioning rate ('NPL coverage') deteriorated from 52.4% in 2017 to 49.5% in 2018, and the unreserved portion of the non-performing loans (i.e. the 'open credit exposure ratio') also deteriorated to 26.3% of the total equity in December 2018, compared with 23.2% in December 2017, due to lower loan loss provisions.

Non-Performing Loans Coverage and Net Open Exposure



*The 2017 NPL coverage ratio is based on IAS 39 accounting standards and not IFRS 9.

The total impairment loss on loans and advances to customers for the year amounted to $240 million, a significant decrease compared to $326 million in 2017. Defined as the ratio of impairment losses to average gross loans and advances, the cost-of-risk therefore improved from 3.3% in 2017 to 2.4% in 2018.

Credit concentration risk management

Risk concentration limits are in place to ensure compliance with the Group's risk appetite. These limits are regularly reviewed by the Risk Committee of the Board to consider changes in our operating environment or within our business segments. The Group has a framework for setting concentration limits.

Concentration risk is managed by addressing credit quality and portfolio diversification. With respect to credit quality, the probability of default by risk factor (for example, geography, sector, or product) is the main driver for limit setting because it is the main indication of portfolio quality. With regard to portfolio diversification, concentration risk is measured by the level of statistically unexpected loss associated with each risk factor. The unexpected loss measure allows Group Risk Management to identify and cap concentration risks which may not be picked up in measures like expected loss and regulatory risk weighted assets.

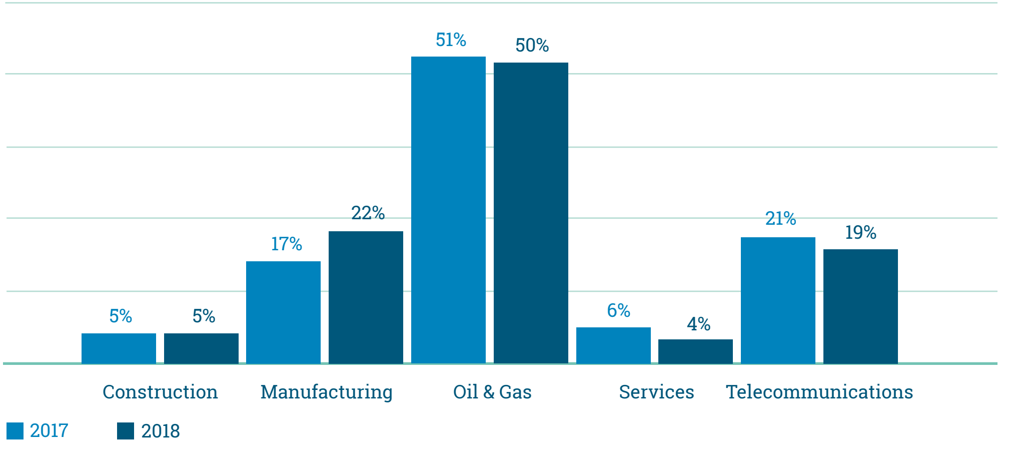
Obligor concentration

A large exposure is defined as any single exposure that represents at least 10% of the total credit portfolio, or any obligor or borrower, whose total exposure across the Group represents at least 10% of the Group's capital. As of 31 December, 2018, there was no exposure equal to or greater than 10% of total portfolio. However, two non-bank obligors had an individual outstanding balance in excess of 10% of the Group's capital.

The twenty largest non-bank exposures represented 126% of the Group's capital (31 December, 2017: 117%) and 14% of the total non-bank credit exposures (31 December, 2017: 13%). These exposures mainly emanate from the following five industry sectors: Construction, Manufacturing, Oil & Gas, Services and Telecommunications.

RISK MANAGEMENT

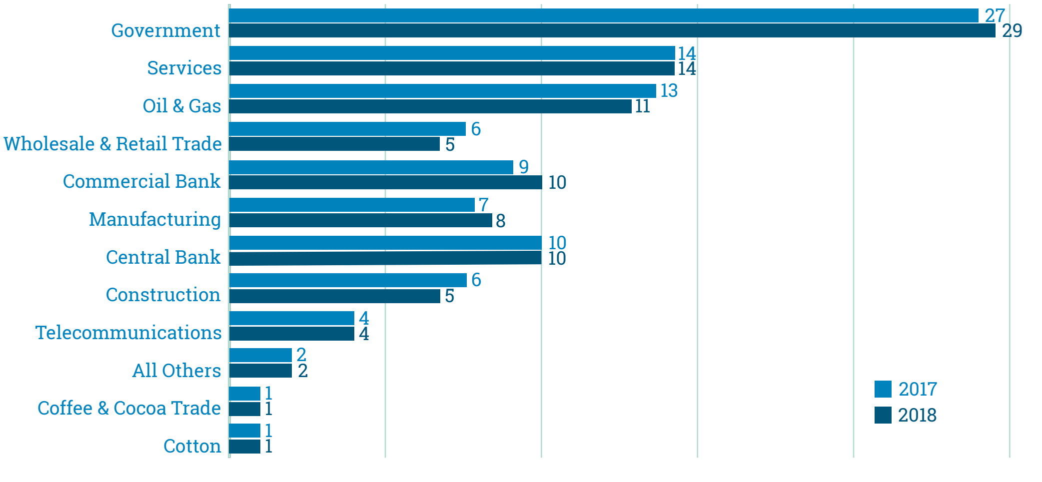
Top 20 Exposures per Industry Sector



Industry diversification

The credit portfolio was dominated by the government, services and oil & gas sectors, with an increase in the proportion of Government exposure from 31 December, 2017 to 31 December, 2018. These are mainly Treasury Bills and government bonds held for liquidity management purposes. The three major sectors (government, services, and oil & gas) accounted for 54% of the total credit portfolio (December 2017: 54%).

Diversification by Industry
(Percent of Total Credit Portfolio)

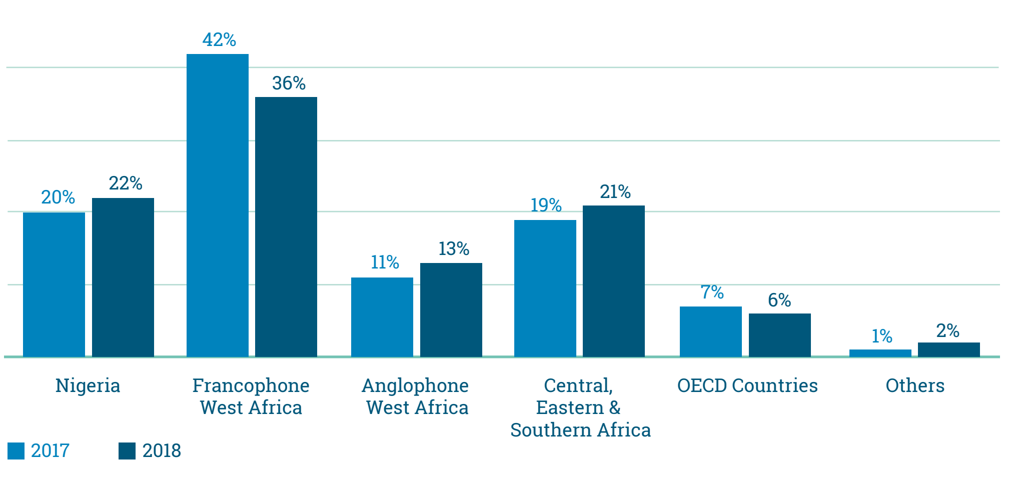


Geographic diversification

The Group has banking operations in 33 African countries and benefits substantially from the geographic diversification of its credit portfolio. As at 31 December, 2018, 22% of the Group's credit portfolio was granted to obligors in Nigeria (31 December, 2017: 20%) and 14% to obligors in Côte d'Ivoire (31 December, 2017: 12%). Apart from these, no other country represented more than 10% of the portfolio.

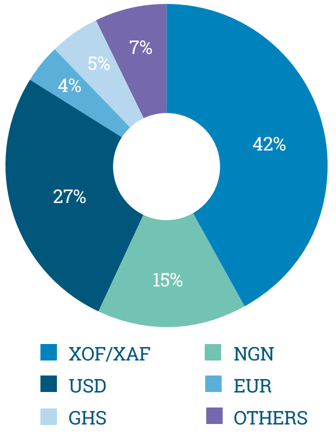
At the regional level, the breakdown of the Group credit portfolio was as follows: Nigeria (22%), Francophone West Africa (36%), Anglophone West Africa (13%), Central, Eastern & Southern Africa (CESA) (21%) and OECD Countries (6%).

Exposures by Region of Residence



RISK MANAGEMENT

Credit Portfolio per Currency



Currency breakdown

The portfolio remained predominantly denominated in 3 major currencies, namely the CFA Franc (42%), the US Dollar (27%) and the Nigerian Naira (15%). These three currencies accounted for 84% of the credit portfolio.

Portfolio stress testing

Stress tests are an important means of analysing our risk profile since they give management a better understanding of how the Group is affected by macroeconomic changes and negative events. The tests support compliance with regulatory capital requirements and are an important tool in capital planning.

For credit risk, the Group uses statistical models that transform macroeconomic scenarios into loss levels. The models are used to stress the probability of default ('PD'), causing higher loan impairment charges and erosion of capital. The models also subject collateral values to stress.

4.2 Market Risk

Market risk governance

The market risk management policy framework aims to ensure that all significant market risks are identified, measured and managed in a consistent and effective manner across the Group. This assists the bank to stabilise earnings and capital under a broad range of market conditions and to ensure adequate sources of liquidity.

The Group Asset and Liability Committee (GALCO), a sub-committee of the Group Executive Committee (GEC), is responsible for the supervision and management of market risks. Its members are the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Risk Officer, the Group Executive Consumer Bank, the Group Executive Commercial Bank, the Group Executive Corporate and Investment Bank, the Group Executive Operations and Technology, the Group Treasurer, all Regional Executives, the Group Head of Compliance and the Head of Group Asset and Liability Management (ALM). The committee meets quarterly (although more frequent or ad-hoc meetings may be constituted) to review the structure and pricing of Group assets and liabilities, to agree on the optimum maturity profile and mix of incremental assets and liabilities, to evaluate inherent market risks in new products and to articulate the Group's view regarding interest rates.

At the subsidiary level, the responsibility of asset and liability management lies with the Treasury Department. Specifically, the ALM desk of the Treasury Department manages the balance sheet. The results of balance sheet analysis, along with appropriate recommendations, are reviewed in monthly Asset and Liability Committee (ALCO) meetings where important decisions are made to minimise risk and maximise returns. Local ALCO membership includes the Country Managing Director, the Country Treasurer, the Country Risk Manager, the Head of Internal Audit, the Head of Finance and the Head of Legal.

Market risk organisation

Group Market Risk Management oversees market risks related to all assets, liabilities and off-balance sheet items. The Board Risk Committee sets the overall risk policies for Group market risk exposures, including risk limits. Group Internal Audit provides timely and objective assurance regarding the continuing appropriateness of, and the adequacy of compliance with, the policy framework.

The Head of Group Market Risk (HGMR) plays a coordination, aggregation, facilitation and enabling function. The HGMR drafts market risk policies, defines market risk management standards, develops and distributes tools and techniques and is responsible for training across the Group. The HGMR approves price risk limits and liquidity contingency plans for Ecobank's subsidiaries. In addition, the HGMR constantly monitors that market risk exposures are maintained at prudential levels. The HGMR also ensures that market risk management processes (including people, systems, operations, limits and controls) satisfy Group policies. The operational business units are responsible for the day-to-day management and control of market risk.

Market risk measurement

Consistent with an independent and centralised risk management function, Ecobank measures, monitors, manages and reports its exposure to market risk on a daily basis. It also conducts intra-day spot checks of market risks in individual subsidiaries by calculating risk exposures with internally developed systems that cover all of its positions. In addition, conventional risk measures and mathematical and statistical measures, such as Value-at-Risk (VaR), are utilised to calculate market risk.

RISK MANAGEMENT

At the subsidiary level, trading units maintain blotters for recording movements and balance sheet positions of traded instruments, which include daily monitoring of profit and loss balances of trading and non-trading positions. Internal controllers and market risk managers monitor daily trading activities to ensure that risk exposures taken are within the approved price risk limits and the overall risk tolerance levels set by the Board.

ALCOs, treasurers and market risk managers monitor market risk factors that affect the value of trading and non-trading positions, as well as income streams on non-trading portfolios, daily. They also track liquidity indicators to ensure that Ecobank's subsidiaries always meet their financial obligations.

Banking book risk management

Ecobank's traditional banking loan and deposit products are non-trading positions and are generally reported at amortised cost. However, given that the Group has banking operations in 33 African countries and exposure to over 20 currencies, the economic values of these positions may vary as a result of changes in market conditions, primarily fluctuations in interest and foreign exchange rates. The risk of adverse changes in the economic value of our non-trading positions is managed through the bank's Asset and Liability Management activities.

The Group currently uses repricing maturity gap analysis to measure exposure to interest rate risk in its non-trading book. Through this analysis, subsidiary banks compare the values of interest rate sensitive assets and liabilities that mature or reprice at various time periods in the future. In performing this analysis, the Group may make assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or repricing dates.

An interest rate sensitive gap is positive, or a gap profile is said to be asset sensitive, when the amount of interest rate sensitive assets exceeds that of interest rate sensitive liabilities maturing or repricing within a specified time period. It is negative (liability sensitive) when the amount of interest rate sensitive liabilities exceeds that of interest rate sensitive assets maturing or repricing within a specific period.

In general, an asset sensitive institution may expect net interest income to increase with rising market interest rates and decline with falling market interest rates. Conversely, a liability sensitive institution can expect net interest income to increase when market interest rates are falling and to decline when market interest rates are increasing.

Trading book risk management

The Group uses a number of tools to manage trading risk, including:

- Risk limits, set in terms of the notional size of net open positions by currency and subsidiary
- Management Action Triggers
- Stop Loss Limits
- Value-at-Risk

The Group measures and manages price risks in its foreign exchange and fixed income trading portfolios based on Value-at-Risk ('VaR') calculations and stress testing. VaR represents the potential loss in the market value of a position or portfolio at a given confidence interval level and over a pre-defined time horizon and is used for risk monitoring and economic capital assessment.

The table below shows basic statistics of the 1-day VaR for the foreign exchange and fixed income trading positions in 2018. The average VaR for 2018 was $2.27 million compared to $1.29 million in 2017. The increase in VaR was driven mainly by an increase in fixed income trading operations during 2018.

2018 Value-at-Risk
($ Millions)

Risk category	Average VaR	Minimum VaR	Maximum VaR
Interest rate risk	1.50	1.13	1.82
Foreign exchange risk	0.77	0.53	0.99
Total VaR	**2.27**	**1.67**	**2.80**

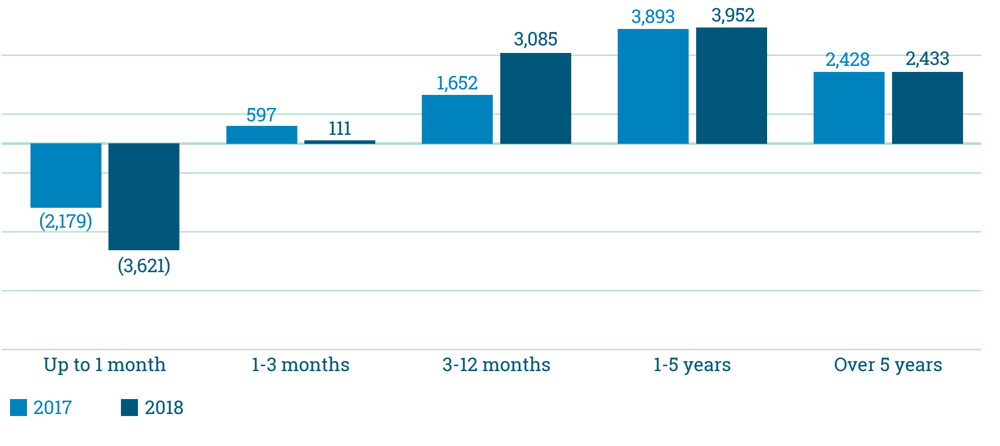
Totals may not sum due to rounding

Interest rate risk

The bank continues to be liability sensitive in the up to the 1-month bucket, and asset sensitive through the rest of the time bands.

Based on the repricing profile as of 31 December, 2018, it is estimated that a 200 basis points decrease/(increase) in rates across the maturity buckets is expected to increase/(decrease) one-year earnings by approximately $11 million ($17 million as of December 2017). This is a reflection of the repricing profile (liability sensitive on the up to 1-month bucket and asset sensitive on the rest of the tenors) because, under rising/(falling) interest rate environments, the expected negative/ (positive) impact on net interest income as the negative gap exposure in the up to 1-month bucket due to its size reprices more than offsets the positive/(negative) impact on net interest income accruing from the longer buckets which are asset sensitive.

Interest Rate Repricing Profile
($ Million)



RISK MANAGEMENT

In order to estimate the impact of varying interest rates on the economic value of Ecobank's total equity, duration-based weighting factors (based on an assumption of 200 basis points across the time frame) recommended by the Bank for International Settlements (BIS) were applied to exposures in different maturity buckets and the results were expressed as a percentage of the Group capital. The results for the position as of 31 December, 2018 are shown in the table below.

Interest Rate Risk Analysis
($ Millions)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Gap	(3,621)	111	3,085	3,952	2,433	–
Weighting Factor (%)	0.08	0.32	1.08	5.28	10.15	–
Adjusted Gap	(3)	0	33	209	247	486
Interest Rate Risk Ratio (%)	(0.16)	0.02	1.87	11.73	13.89	27.35

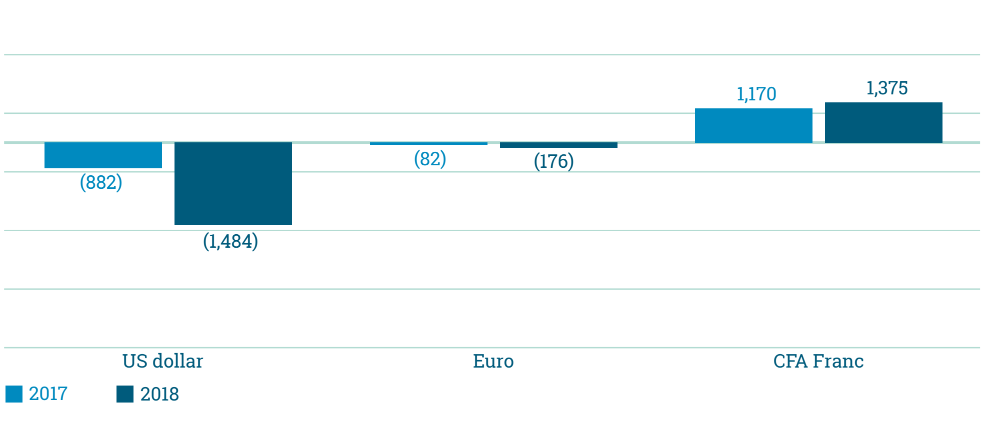
The aggregate interest rate risk ratio decreased to 27%, down from 30% as of the end of 2017. Thus, a 200 basis points increase in interest rates, is expected to reduce economic value by 27% (30% in 2017). Conversely, a 200-basis points decrease in rates is anticipated to positively impact the economic value of the Group equity by the same magnitude.

Foreign exchange risk

Ecobank is exposed to foreign exchange rate fluctuations in 20 currencies. The Group continues to have significant exposure to the Nigeria Naira, the US Dollar and the CFA Franc, accounting for 15%, 27% and 42% of the Group's credit portfolio respectively at the end of 2018. It is important to note that, the CFA Franc is a common currency for 14 out of the 40 countries in which the Group operates, and it is pegged to the Euro under financial agreements between the French Treasury and countries in the Francophone West Africa and Central Africa regions.

As of 31 December, 2018, the Group had a net on- balance sheet short open position in EUR of $176 million (net short position of $82 million as of 31 December, 2017), a net short open position in US dollars of $1,484 million (net short position of $882 million in 2017) and a net long open position in CFA of $1,375 million ($1,170 million long position as of 31 December, 2017) as shown in the graph below.

Net Foreign Exchange Position
($ Million)



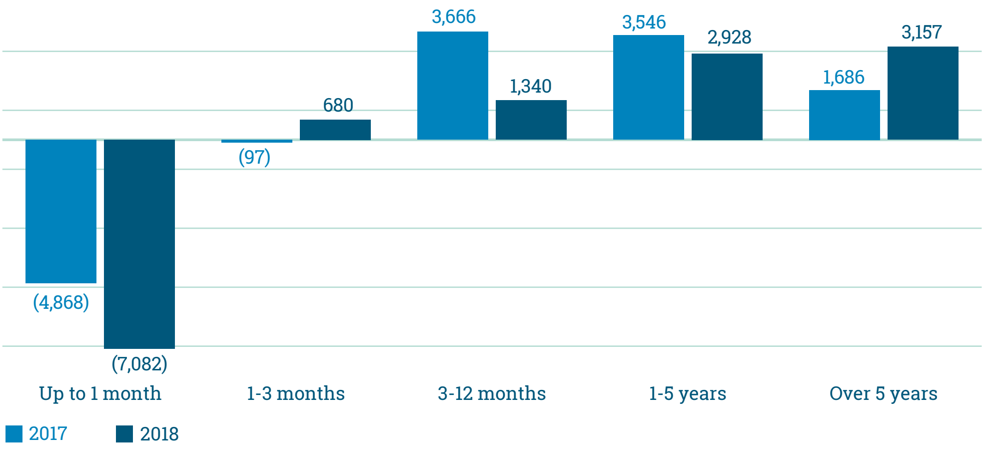
RISK MANAGEMENT

Liquidity risk

Liquidity risk is currently managed using a balance sheet approach that estimates all sources and uses of liquidity, including loans, investments, deposits and borrowings, as well as contingent off-balance sheet exposures. Subsidiary treasurers are generally responsible for formulating their liquidity and contingency planning strategies and identifying, monitoring and reporting on all liquidity risks. The main tools used for liquidity risk measurement are the contractual and behavioural maturity gaps, ratio analysis and stress testing.

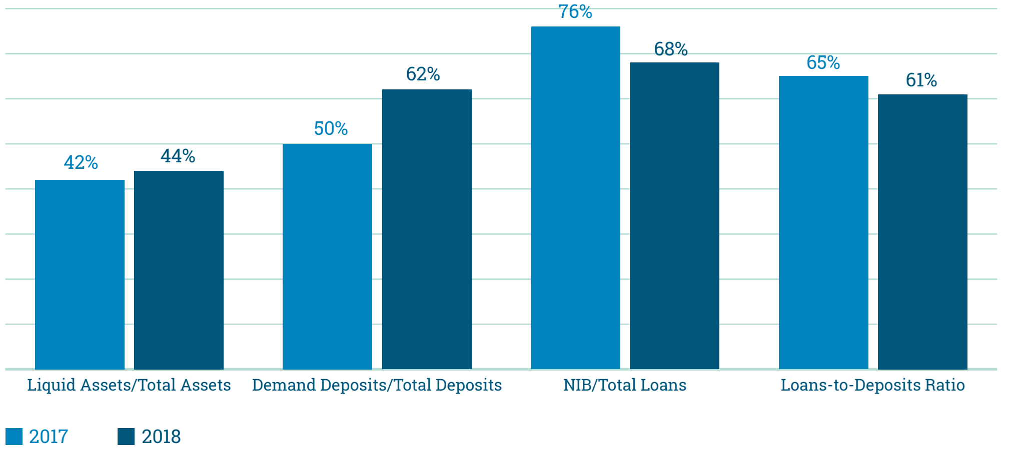
As shown in the graph below, the Group was exposed to liquidity risk as of 31 December, 2018 for maturities of up to one month. This was due mainly to the overnight contractual maturity of current and savings deposits which accounted for over 75% of total deposits and are included in this maturity bucket. However, the risk is mitigated by the stable nature of these deposits from a behavioural perspective and the Group's ability to pledge its robust investment portfolio for cash at central banks.

Contractual Liquidity Maturity Gap
($ Million)



The Group liquidity position continued its positive trajectory with all the major liquidity indicators showing improvements during 2018. The Liquidity Ratio (Liquid Assets/Total Assets) improved, increasing from 42% in December 2017 to 44% in December 2018 while the Loans-to-Deposits ratio (LDR) improved from 65.4% to 61.5%, driven by a 5% increase in Customer Deposits. In addition, the ratio of Demand Deposits/Total Deposits improved to 62% as of 31 December, 2018 compared to 50% as of 31 December, 2017, and the ratio of Non-interest-bearing deposits (NIB) decreased from 76% to 68% over this one-year period.

Key Liquidity Indicators



In line with policy, the Group conducts monthly stress tests to measure our immediate liquidity risk and to ensure that we have enough time to respond to potential crises. The stress test covers a time horizon of up to thirty days. The test estimates liquidity risk under various scenarios, including a name specific scenario and a general market crisis with different levels of severity.

RISK MANAGEMENT

The analyses assume that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. Most of the Group's unencumbered Treasury bill and bond holdings can be used as collateral for loan facilities with central banks and, thus, are considered liquid. Scenario specific haircuts are used on deposit outflows, loan reimbursement and the Treasury bill and bond portfolio. Potential liquidity outflows from unutilised, but irrevocable, loan commitments are also factored in.

The degree of possible refinancing of funding sources varies depending on the scenario in question as well as on the specific funding source. To analyse the stability of funding, the Group breaks down deposits by business unit, currency, core/non-core status, maturity, geography and Ecobank's position in each market.

The Group monitors the diversification of funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection if the markets come under pressure.

The Group Liquidity Coverage Ratio (LCR) remained above 100% as of 31 December, 2018.

4.3 1.1 Operational Risk and Internal Control

The Operational Risk Management team sits within Group Internal Control and oversees the management of the operational risk framework for Ecobank. Group Internal Control and Operational Risk Management works proactively with the business and functional units at the Group and Subsidiary levels to embed a strong operational risk management and control culture across the Group.

Ecobank's control environment has been strengthened significantly by the recent investments in people, systems and processes.

- **People:** The Group Internal Control team has been reorganised to create a more effective approach to managing controls and identifying risks. Qualified and experienced staff have been hired and redeployed, strengthening the competence of the team. Group-wide, staff have also been trained in the area of risk identification, control testing and the enhancement of the first level controls.
- **Systems:** Systems have been implemented to enhance fraud prevention, conduct control testing for business units, centralise the issue remediation process and improve reporting of open risks Group-wide.
- **Processes:** We have improved processes of risk and control governance, reviewed high risk Group wide policies, and amended Group procedures to embed adequate control in processes such as dormant accounts, new products, balance sheet substantiation, and control issue log procedures.

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Operational risk performance overview

In 2018 we implemented the Group Operational Risk Management Policy which was approved by the ETI Board in March 2017. The policy emphasises the core activities of Operational Risk Management:

- Identifying, assessing, monitoring and controlling/mitigating existing and potential operational risk exposures.
- Cost-effectively managing Operational Risk within targeted levels of the Group's risk appetite.
- End-to-end view of financial and non-financial risks, with a focus on critical risks and associated controls.
- Partnership with business and support functions for proactive risk identification and mitigation.
- Use of the Group's three lines of defence framework to emphasise individual responsibility and accountability to assess, control and mitigate risks.

There were several major developments in 2018, a number aimed at driving and enhancing the control and operational risk environment of the Group. They included:

- Better integration of affiliate operational risk and internal control teams, and improved Group oversight of affiliates' operational risk activities.
- Centralisation and automation of controls, resulting in more timely detection of risks, control lapses and remediation.
- Detailed knowledge transfer between affiliates about lessons learned from major operational loss events, successful prevention mechanisms, and comprehensive vulnerability and root cause identification.
- Introduction of advisory roles for business and support functions to partner in timely risk identification.
- New database security technology for monitoring and analysing database activities to identify and report fraudulent, illegal or other undesirable behaviours, with minimal impact on user operations and productivity.
- Implementation of analytics-based fraud monitoring for digital banking transactions and suspicious internal user activities.
- Engagement with the Group's insurance brokers for insurance payments on fraud events and pursuing of fraudsters for the recovery of funds.

Operational Risk Governance

The Group's Board of Directors and Chief Executive Officer play critical operational risk oversight roles through the Board Audit and Compliance Committee. The Board Audit and Compliance Committee has increased its focus on operational risk related events and ensures proactive implementation of preventive and mitigating controls.

The Group's senior management implements and disseminates the Operational Risk Management Policy and the expected standards of conduct to the various levels of the organisation. All business, control and support functions are responsible for risk identification, control assessment, day-to-day management and escalation to senior management.

Group Operational Risk Management (GORM) is supported by dedicated Operational Risk Managers in all subsidiaries. Operational Risk Managers across the Group drive and embed the GORM Framework as well as ensure compliance by the first and second lines of defence.

RISK MANAGEMENT

The Ecobank Lines of Defence

Ecobank employs the three lines of defence framework to ensure adequate identification, ownership, management and mitigation of actual and potential risks at all levels of the organisation. Group Internal Control and Operational Risk Management proactively engage all business and functional units across the Group to drive a strong Operational Risk Management culture and framework throughout the Group.

1st Line of Defence: Business and functional units/departments	Each Business Unit owns its risks and has the responsibility and accountability for directly assessing, controlling and mitigating their risks
2nd Line of Defence: Control Functions (Risk Management, Operatinal Risk/Internal Control, Compliance, Finance, Legal etc)	The Control Functions monitor and facilitate the implementation of effective risk management practices, enhance the effectiveness of controls and manage operational risks across products and business lines.
3rd Line of Defence: Internal Audit	Internal Audit provides independent assessment of the control environment, assurance to the board and senior management on effectiveness of the first and second lines of defence and how the organisation assesses and manages its risk.

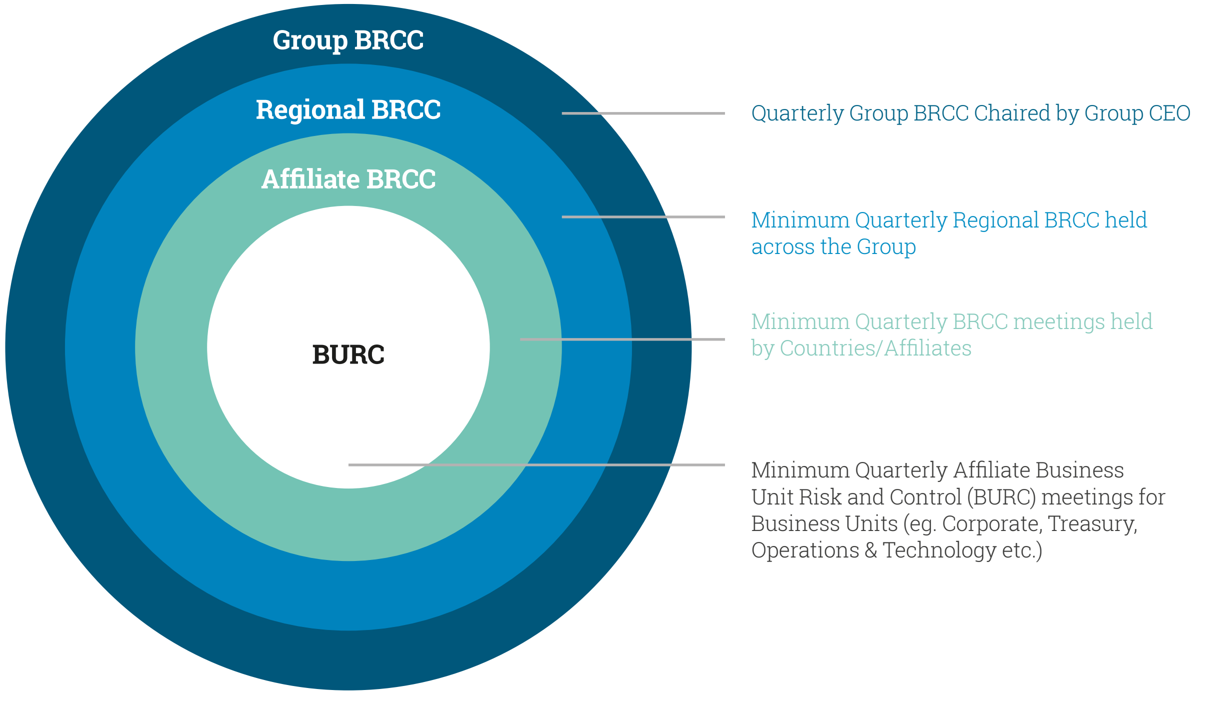
Ecobank Group is governed by multiple regulatory bodies due to its geographical footprint in Africa. These regulatory bodies have begun to introduce detailed governance models for operational risk which we implement in addition to the three lines of defence framework.

Operational Risk Reporting

All levels of management must have adequate information and oversight over control lapses in the bank. Levels of risk reporting cover from affiliate level to Group level to Group Board level where the most material issues are reported. Reporting is channelled through the Risk and Control governance committees at Departmental, Affiliate, Regional and Group level to increase Executive, Regional, and local management oversight of Operational Risk. Business Unit Risk and Control Committee -BURC and Business Risk and Control Committee-BRCC are the governance committees for operational risk reporting. All country Business Unit Risk Committees (BURCs) meet at least quarterly to review operational risks specific to their units and also to identify emerging risks. Country Operational Risk and Country Internal Control or Internal Audit personnel observe the meetings, and proceedings are documented and escalated to Regional and Group Operational Risk.

Functional Heads meet as members of the Business Risk and Control Committee (BRCC) on a quarterly basis at the country, regional and Gvroup level respectively to review, discuss, evaluate and manage significant risks that are inherent to the business in line with the RCSA. Responsibilities are assigned as appropriate to ensure follow-up on action plans.

Strengthening Management & Executive Oversight – Business Risk and Control Committee

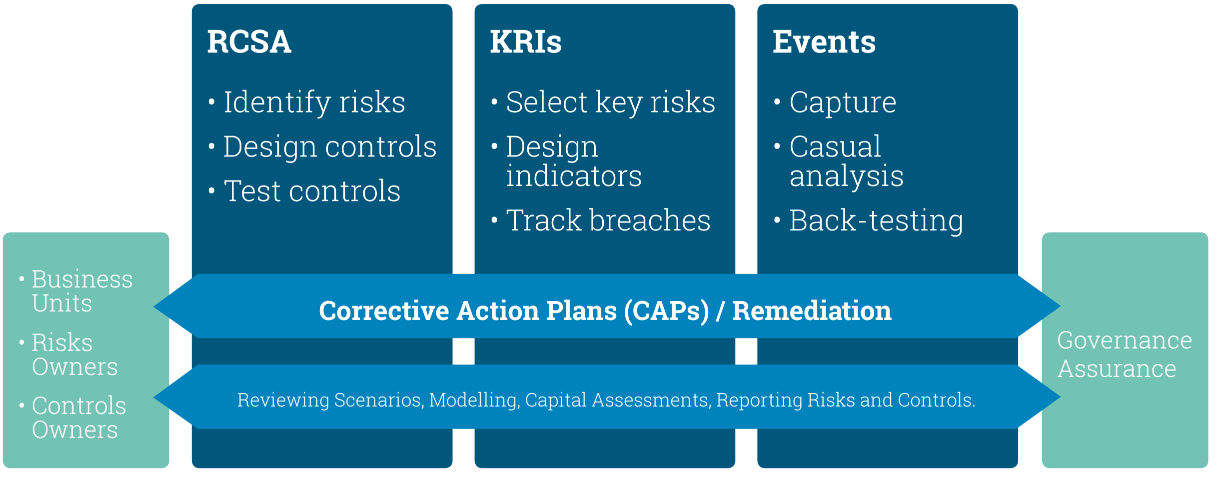


RISK MANAGEMENT

Group Operational Risk Management Framework (GORMF)

The Group Operational Risk Management Framework is based on Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Loss Events, and Remediation. It continues to evolve to align with Basel standards and other regulations.

Operational Risk Management Framework



Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) programme is the one of the key components of the Group's Operational Risk Management Framework. It facilitates comprehensive and consistent identification of risks (inherent and emerging risks), control gaps and weaknesses. The RCSA programme also provides an avenue to monitor identified risks and implement remedial actions to close identified gaps.

Ecobank's RCSA programme is governed by the RCSA Procedure which outlines the roles and responsibilities of all stakeholders.

Following the 2017 re-launch of the Group RCSA programme, control testing was moved to the Group Operational Risk Management System in 2018, replacing the previous manual method. This allows timely consolidation and interpretation of testing results; and when coupled with continuous control monitoring, it provides better oversight of controls across the Group. Conducting quality assurance for control testing in 2018 helped us to identify areas of the control testing process that required improvement and alignment. We also conducted a quarter-on-quarter controls performance analysis to evaluate changes in RCSA performance across the Group.

Issue monitoring and remediation

Information on control weaknesses across the Group comes from RCSA, internal and external audit reviews, regulatory assessments, information security reviews, peer assessments, Board committee oversight activities, internal control, and compliance activities. Group Internal Control/Operational Risk Management works with other departments to perform key procedure reviews to ensure alignment with the evolving internal and external business environment and regulatory requirements.

The Group undertook some initiatives in 2018 to address risk exposures and remediate gaps in our monitoring and control of key issues:

- **Combined Assurance** – the Group Assurance functions (Group Internal Control, Operational Risk Management, Internal Audit, Risk Management, Compliance, Corporate Security & Investigation Services, Information Security and Finance) established a combined assurance process to integrate and align assurance processes across the Group. Some of the activities performed include assessment of the Group's overall risk profile, review of key control issues and monitoring of progress of remediation of key issues within the organisation.
- **Automation of Enterprise-wide Issue Tracking** – Group Internal Control/Operational Risk Management has developed a new Electronic Corrective Action System to serve as a central repository and platform to track and manage control issues across the Group. The system provides transparency on meaningful metrics, improved Group Management visibility on control breaches and Corrective Action Plans and Issue Management Statistics across the Group.

In 2019, Group Internal Control /Operational Risk Management will focus on making improvements in conduct and people risk, scenario analysis, and key risk indicators.

Operational Loss Events

In accordance with Basel II framework on Operational Risk Management and loss data capture, the Group's operational loss events are classified into seven main categories: internal fraud, external fraud, employment practices and workplace safety, damage to physical assets, business disruption and systems failures, execution, delivery and process management and clients, products and business practice.

The Group recorded a Net Operational Risk loss of $9.4 million in 2018. The total net loss for the period was mainly driven by historical losses from 2006 to 2017 of approximately $4.8 million detected or reported in 2018. Execution, Delivery and Process Management loss events mainly consisted of regulatory fines across the Group especially in the UEMOA and CESA regions.

Internal fraud events totalled $2.2 million, representing 24% of total net loss for the year; external fraud events totalled $2.5 million, representing 27% of total net loss for 2018. Execution, delivery and process management events totalled $4.1 million representing 44% of the total net loss for the period. Other events losses categories totalled $0.4 million or 5% of total losses.

RISK MANAGEMENT

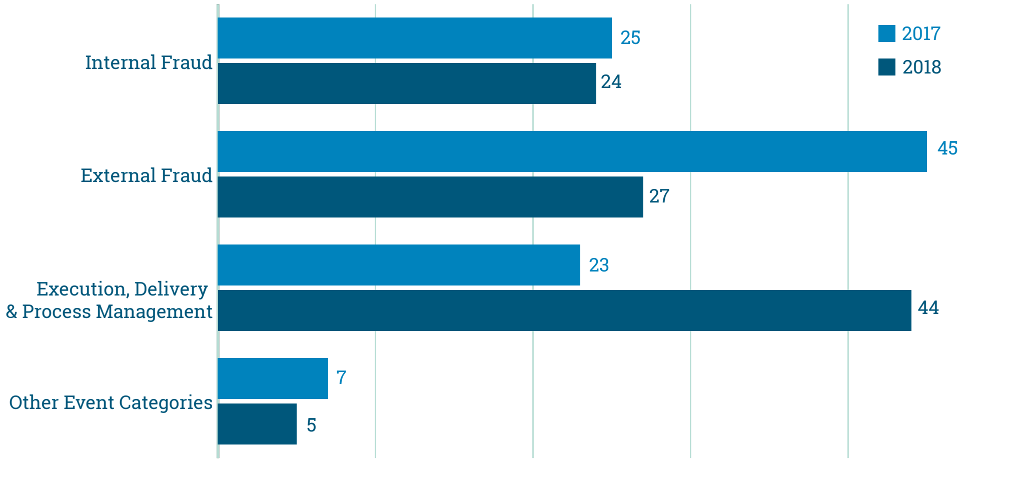
The Group Internal Control/Operational Risk Management function implemented the following activities aimed at driving and sustaining reductions in operational loss across the Group.

- **Success Transfers**
  Compulsory lessons learnt in countries for comprehensive vulnerability and root cause identification.

  Review of all major loss events to proactively identify, manage and mitigate similar risks in other affiliates before they crystallise.
- **Insurance/Recovery**
  Continuous engagement with the Group's Insurance brokers for insurance payments on fraud events and pursuing of fraudsters for the recovery of funds.
- **Combined Assurance Activities**
  Partnership with relevant stakeholder in fraud investigations to identify root causes and remediation of identified control lapses.

  Continuous collaboration with Group Compliance, other relevant departments and regulators to ensure adherence to regulatory requirements.
- **Enhanced Operational Risk Loss Reporting and Analysis**
  Dedicated resources to ensure rigorous loss escalation, reporting, consolidation and analysis. Increased oversight on affiliates and affiliate reporting, active monitoring and improved operational loss data reconciliation.

Net Operational Losses
Percentage of total



Business Continuity Management (BCM)

Ecobank's BCM programme is based on international BCM standards and principles. It outlines core business and function procedures for the recovery or relocation of operations in response to various disruptions. These procedures provide information for key Ecobank personnel to:

- Ensure staff safety and protect Ecobank property,
- Recover and resume operations to ensure business continuity,
- Carry out situation analysis and instigate appropriate action,
- Provide client access to critical applications,
- Establish communications with our employees, clients and regulators, and
- Safeguard Ecobank's records and intellectual property.

Subsidiaries and business units are guided to develop, maintain and test comprehensive business continuity plans (BCPs) regularly. The BCPs are designed to ensure provision of critical business processes and applications within predefined recovery time frames.

The BCM Programme has assigned roles and responsibilities, which are detailed in corporate policy and standards. This results in a unified approach throughout Ecobank and effective business continuity capabilities. Business continuity specialists manage the BCM Programme at both local and Group levels. Group BCM provide expertise and guidance to all Ecobank affiliates in developing, implementing, testing and maintaining effective BCPs and recovery procedures.

Compliance and regulatory risk

As a result of its pan-African footprint, Ecobank has to deal with significant regulatory requirements in each country in which it operates. These regulatory demands could negatively impact its operations, especially in the face of an anaemic world economy and an unrelentingly competitive business environment. Ecobank continues to be impacted by a significant number of new regulatory requirements from multiple sources. Therefore, management continues to provide attention and resources to ensure that regulatory reforms and their related requirements are embedded in our policies, processes, products and operations.

Ecobank has implemented robust processes to ensure that all business units comply with all relevant laws and regulations, with the support of its Compliance department, which advises business and support functions on regulatory compliance across the footprint. The Group has also designed a compliance programme to ensure that its activities are constantly aligned with the regulatory requirements of all the countries in which it is present. Our primary duties are to ensure that the businesses comply with local regulations, that identified risks are mitigated with appropriate measures and that the Group's risk appetite is adhered to.

Know-Your-Customer (KYC) and transaction monitoring

The quality of information collected from our customers is critical to improving customer service and to designing appropriate products and services. Our policies therefore require the maintenance of updated customer information within our files and systems.

RISK MANAGEMENT

The Compliance department ensures that our network is secured and protected against money laundering, corruption or terrorism financing (AML/ CFT). Ecobank monitors customers' transactions to identify suspicious transactions with an automated system. In addition, Ecobank closely collaborates with local law enforcement authorities and financial intelligence units (FIUs), who are leading the fight against money laundering and terrorism.

People risk

People risk is subcategorised into intentional or dishonest acts (fraud, unauthorised policy and procedure breaches, collusion and sabotage) and unintentional causes (mistakes or errors due to a lack of awareness of policies and procedures), both of which can lead to losses. The Group maintains zero tolerance for all dishonest acts and imposes a Code of Ethics on all staff. Management has implemented a number of control measures, including more on-site reviews, heightened control awareness training, employee screening and disciplining staff involved in dishonest behaviour. People risk is further managed through the hiring process. Management maintains a suitable balance in sales and processing staff ratios. Where services are outsourced, subsidiaries have been guided to assign less sensitive roles to such support staff. Employee screening has been extended to cover non-permanent staffing arrangements.

Reputational risk

In line with the overall determination of Ecobank to command social trust and to be deemed as a bank that stands firm on moral uprightness, transparency, integrity and credibility, the Group has set-up the Board Social Ethics and Reputation (SER) Committee to oversee and review the positioning of the Ecobank brand. In doing this, the committee is working with various stakeholders within the bank in ensuring that there is a clear strategy being delivered which increases the value of the brand and the Group's standing, reputation and legitimacy in the eyes of all stakeholders, through a periodic customer-brand affinity survey.

Legal risk

The Ecobank Group is involved in various types of litigations in the normal course of its business. In addition to cases instituted by members of the Group, the Group is also defending a number of non-recovery litigation cases from the various jurisdictions in which it operates. The total provisions that have been taken in respect of these non-recovery litigations across the Group is $12,048,157.

4.4 Environmental and social (E&S) risk

E&S oversight

Under the auspices of the Social, Ethics and Reputation Committee (SER) of the ETI Board; and the overall management and leadership of the Group Chief Risk Officer, the Environment and Sustainability (E&S) Unit, including the environment and social risk) in the Group Risk Management is responsible for managing the Bank's efforts towards the attainment of environmental sustainability tenet of the United Nations Sustainable Development Goals (SDG). The E&S unit has a direct responsibility for the implementation of Ecobank's Environmental and Social Risk policy. In so doing, the unit works to ensure that all businesses of the Bank are carried out in environmentally friendly and socially acceptable manners, and at the same time, works with the business segments in ensuring that borrowing clients are conducting their businesses in better sustainable ways. In this regard, the unit is reviewing and managing the Bank's business and operations for potential environmental and social risks and impacts, particularly for transactions in the environmental and socially sensitive sectors, such as oil and gas, mining, heavy construction, agriculture and agro-forestry as well as manufacturing.

There are three layers of E&S management in Ecobank. Starting with the relationship managers in the businesses, who are required to take a proactive role in driving E&S risk procedures by screening and classifying eligible transactions for E&S risk categorisation. The second layer is the Country Risk team with oversight role for ensuring adherence to the Ecobank E&S policy procedures for transactions rated as Low, Medium B and Medium A categories on Ecobank E&S risk classification. At the third layer is the Group E&S unit with overarching responsibility to ensure that the E&S risk procedures are duly performed for all eligible transactions, irrespective of the classification category. The Group Manager works with Country Risk team in ensuring that satisfactory evidences of the clients' E&S practices is obtained and properly documented for reviews.

Environmental & Social Management System

Key procedures in the Group's Environmental & Social Management System are:

- Screening transactions against Exclusion List activities
- Reviewing transactions for E&S risks in accordance with E&S sector guidelines
- Verifying transactions for potential E&S risk identification
- Classifying transactions for E&S risk into Low, Medium B, Medium A and High
- For E&S low risk transactions, the Relationship Officer (RO) will sign off the Environmental and Social Due Diligence (ESDD) forms to be verified by the Country Risk Manager (CRM)
- For all Medium B, Medium A & High-risk transactions, detailed ESDD is required (RO and CRMs will sign-off all Medium risk rated transactions to be verified by the Group Manager for E&S)

The Group screens, classifies, assesses, formulates and monitors transactions in sectors with significant E&S risks. Our goal is to maintain E&S risk levels within acceptable internal and external limits. E&S conditions and action plans are captured as covenants in credit applications and periodic monitoring is carried out as indicated in the facility agreement

The Group puts together all the reporting expected by the multiple Environmental and Social Governance (ESG) frameworks to which it is a signatory, including the Equator Principles, the United Nations Global Compact (UNGC) and contractual environmental and social compliance reports to lenders, such as the IFC Annual Environmental Performance Reviews (AEPR).

E&S portfolio review

As of 31 December, 2018, Group E&S management handled a total of 110 transactions in sectors with significant E&S risks such as the extractive industry activities, mid & downstream oil and gas, heavy infrastructure construction, manufacturing, power generation/transmission/distribution, and commercial real estate. The combined exposures to transactions in the severe (Medium B) and more severe (Medium A) E&S categories stood at 90. Furthermore, a total of 13 screened transactions in 2018, were in the Low E&S risk category. The Low risk category signifies that the qualifying transactions pose less severe with negligible impact on the aesthetic quality of Environmental and Social standards. replace furthermore with The table below presents an illustration of E&S eligible transactions in various categories as of December 2018:

Activity	2018
Number of transactions screened in 2018	110
Number of High risk	7
Number of Medium (A&B) risk	90
Number. of Low risk	13

RISK MANAGEMENT

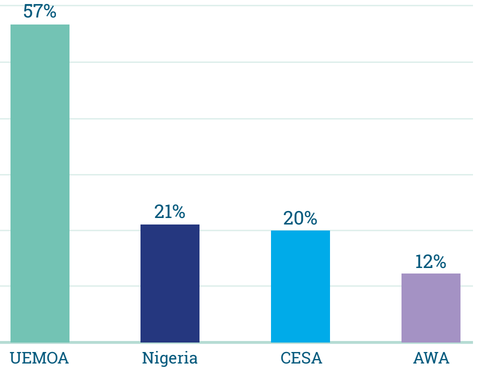
ESMS Procedures	Exclusion List	E&S Checklist E&S Classification criteria	Input E&S checklist E&S Sector Guidelines	E&S Action Plans Offer Letter	Action Plan E&S Risk level Ecobank total exposure Loan conditions Reporting template
Stage	Screening	Classification	Due Diligence	Formulation & incorporation of agreed Action Plan in offer letter	Compliance Monitoring & Reporting
Output	Decision to proceed or reject	Classification Determination of Due Diligence level	E&S specific requirements Mitigation measures Action Plan	E&S Action Plan	E&S monitoring report

Analysis of E&S risk eligible transactions

As of December 2018, a total of 110 transactions in the E&S sensitive sectors were reported and managed for E&S risks and impacts at the Group level. The UEMOA Region, as presented in the chart alongside, had the largest number of transactions managed for E&S (57 transactions), whilst AWA region had the least number of transactions (12 transactions). A further analysis of the transactions according to the severity of E&S risks and impacts revealed that 90 qualifying transactions, which corresponded to 81.8% are in the combined Medium B & A categories on Ecobank E&S risk classification.

The large concentration of E&S eligible transactions in UEMOA region reflects a positive correlation between the volume and market viability. It reinforces the market size of affiliates in the region, and the scope, volume and values of the qualifying transactions. In essence, the concentration also connotes the need for enhanced monitoring of the qualifying transactions to encourage compliance with the E&S standards in the region that ultimately will help shape practices to reduce the stark gaps in E&S outcomes observed during the portfolio review visits. Compliance is among the most important conditions of ESMS and a critically significant aspect of the implementation process, which as a bank we need to improve.

Transactions managed for E&S Risk across Ecobank Regions in 2018



In light of the above, the concentration of qualifying transactions in the combined Medium category further implies that Ecobank exposure to E&S risk transactions remains in a stable position within the management containment limit.

RISK MANAGEMENT

Capacity building

ESRM is a relatively new discipline in Ecobank. However, understanding of ESRM as a key emerging risk is growing and the Group E&S unit continues to create knowledge and stimulate awareness about ESRM. In 2018, 129 staff participated in face-to-face training workshops in 7 Ecobank affiliates. Another 35 staff participated in comprehensive online ESRM training delivered via Ecobank Virtual Banking Institute (VBI).

In 2018 we refined our ESRM procedures to improve efficiency and reduce turnaround time. Consequently, all transactions in the E&S-sensitive sectors are being managed according to the E&S risk process and procedures. For purpose of monthly reporting, all affiliates were designated into High and Medium levels for Ecobank E&S risk classification. In High E&S designated affiliates, E&S risk eligible transactions with a value of ≥US$5M and tenor of ≥24 months are to be presented to the Group office for review. This empowers the Country Risk Management team and Cluster E&S risk coordinators to review and manage transactions below these thresholds. In Medium designated affiliates affiliates, E&S risk eligible transactions with a total value of ≥US$2M with tenor between 12 months to 24 months are to be presented to the Group E&S unit for a detailed monthly review and monitoring oversight.

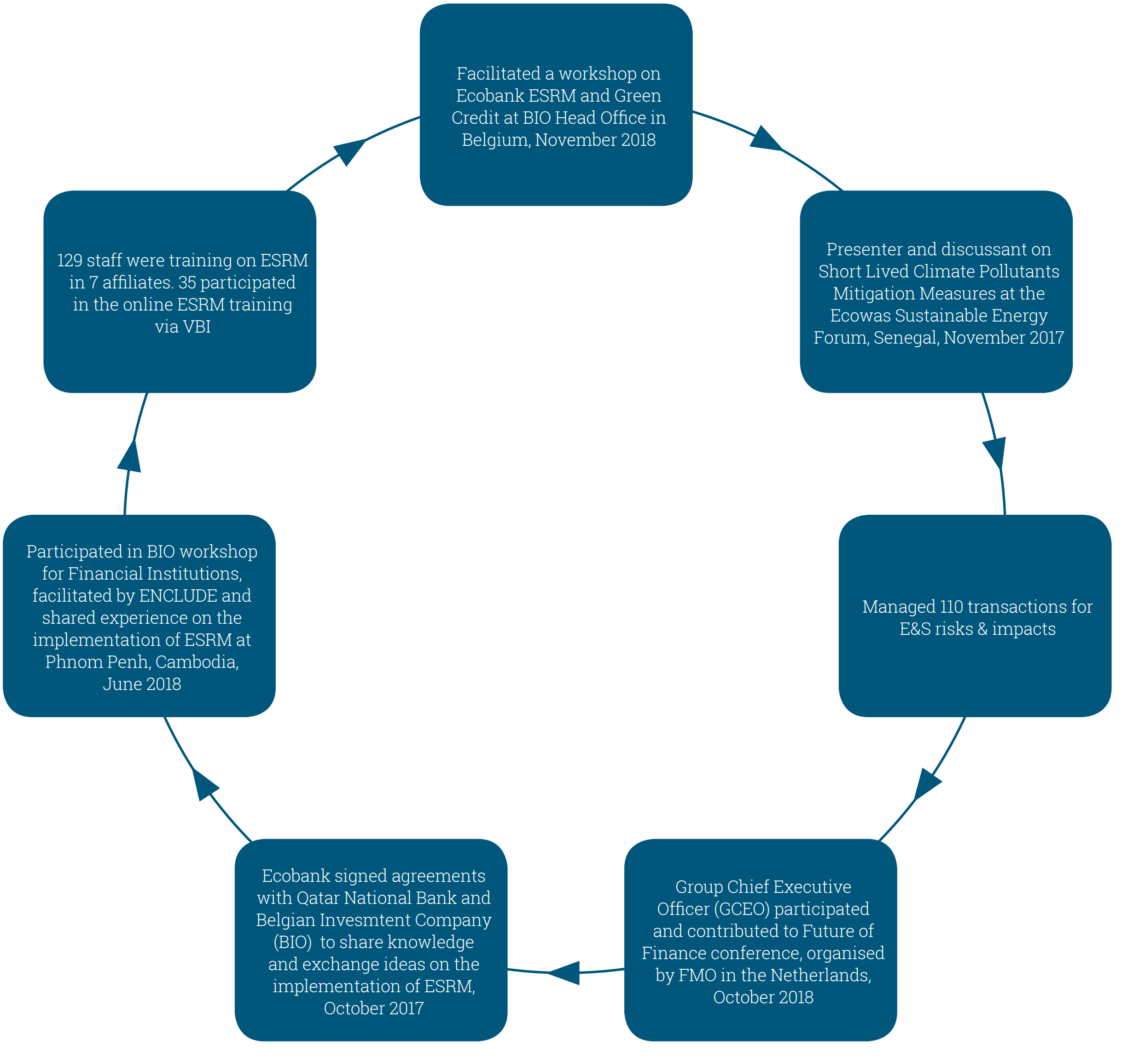
The Group E&S unit is revising the E&S risk policy manual and expects to complete the revision process in 2019. This is due to the realisation that the E&S policy, which was approved by the Board in 2014, required an update to address emerging ESRM issues and the changing scope of E&S management. The revision therefore addresses risks stemming from issues such as agri-input financing (e.g. fertilizer and storage facility) and labour abuse in projects and transactions.

As financial institutions demonstrate increasing leadership on the environment and climate change, Ecobank is dedicated to carrying on its business in an environmentally friendly and socially acceptable manner. The bank is building its corporate sustainability stewardship and harnessing opportunities to originate additional sustainable business in the areas of energy efficiency, renewable energy and all things green. We believe this is a strong complement to business viability.

In 2018 the Group CEO participated and exchanged ideas with leading sustainability practitioners at the biennial FMO Future of Finance conference, under the theme 'Tomorrow Matters', held in the Netherlands. He articulated the need for banks to champion progressive E&S practices and be stewards of corporate sustainability, while contributing to climate change solutions and supporting the transition to low-carbon, resource-efficient economies. He also emphasised the role of digital banking platforms in the future of finance.

The major highlights of the E&S team for 2018 are presented below:

Major ESMS Activities in 2018



RISK MANAGEMENT

5 Capital management

5.1 Group level

The Group Capital Management Policy aims to maintain compliance with all regulatory capital requirements and support the Group's credit rating objectives. It also establishes the principles by which capital is allocated to business activities in order to provide an optimal return to the providers of capital.

Prior to 2018, the Group voluntarily adopted Basel I standards to calculate and manage capital adequacy at the consolidated level. Effective 1 January, 2018 the consolidated Group became subject to the Banque Centrale des Etats d'Afrique de l'Ouest's (BCEAO) Basel II/III prudential regulations. These regulations are an adoption of Basel II standardised rules plus some elements of Basel III. They require the Group to maintain minimum CET 1, Tier 1, and Total capital adequacy ratios, a minimum leverage ratio, and a maximum single customer exposure.

Full implementation of Basel II/III in UEMOA will span a 5-year period, from 2018 to 2022. The Table below presents our minimum required ratios for the period 2018-2023:

	2018	2019	2020	2021	2022	2023
CET 1 ratio	5%	5%	5%	5%	5%	5%
CET 1 ratio + Conservation buffer	5.625%	6.25%	6.875%	7.50%	7.5%	7.5%
Tier 1 capital ratio	6%	6%	6%	6%	6%	6%
Tier 1 capital ratio + Conservation buffer	6.625%	7.25%	7.875%	8.50%	8.5%	8.5%
Total CAR	8%	8.25%	8.50%	8.75%	9%	9%
Total CAR + Conservation buffer	8.625%	9.5%	10.375%	11.25%	11.5%	11.5%
Tier 1 Leverage ratio	3%	3%	3%	3%	3%	3%
Target Internal Total CAR	**12.0%**	**12.5%**	**13.0%**	**13.5%**	**14.0%**	**14.0%**

As at 30 June, 2018, the Group was compliant with regulatory minimum CAR ratios and above its internal CAR targets with a Total CAR of 13.6%.

$ in millions	June 2018	December 2017
Tier 1 Capital	1,586	1,620
Total Capital	**2,272**	**2,358**
RWAs		
Credit RWAs	12,770	13,848
Market RWAs	241	362
Operational RWAs	3,678	3,677
Total RWAs	**16,689**	**17,888**
Tier 1 capital ratio	9.5%	9.1%
Total capital ratio	13.6%	13.2%
Tier 1 Leverage ratio	**7.7%**	**7.6%**

5.2 Affiliate level

In all of Ecobank's countries of operation, banking subsidiaries are required to maintain minimum capital levels and minimum capital adequacy ratios which are determined by their national or regional (in the case of the UEMOA and CEMAC zones) regulators. Of the 22 banking regulators that supervise Ecobank affiliates, 15 have so far adopted Basel II or Basel III standards.

The Group is committed to complying with all local regulations and to ensuring that our subsidiaries are well capitalised; we thus monitor the capital adequacy of all subsidiaries vis-à-vis regulatory requirements and internal risk appetite. When a potential shortage arises, appropriate actions are taken to ensure immediate compliance with regulations.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5

BUSINESS AND FINANCIAL REVIEW

BUSINESS AND FINANCIAL REVIEW

Introduction

Ecobank Transnational Incorporated (ETI) and its banks, non-bank subsidiaries and affiliates are collectively known as the 'Ecobank Group', or 'Ecobank', or 'The Group'. Ecobank is the leading Pan-African financial institution in Africa, present in 36 African countries, with international offices in Paris, London, Dubai and Beijing. Ecobank serves over 19 million customers, has $22,582 million in assets and $1,812 million in total equity as at 31 December, 2018.

For management purposes the Group's activities are organised into three major reportable business segments. The Group's consumer business is the Consumer Bank and its wholesale businesses are the Commercial Bank and the Corporate and Investment Bank.

Additionally, the Group is organised into four reportable geographical regions, namely, Francophone West Africa (UEMOA), Nigeria, Anglophone West Africa (AWA) and Central, Eastern and Southern Africa (CESA).

Ecobank prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). The following 'Business and Financial Review' provides a comparative overview and discussion of the consolidated financial results of the Ecobank Group for the years ended 31 December, 2018 and 31 December, 2017.

Income Statement Analysis

Summary of 2018 results

Ecobank generated profit before tax of $436 million, up $148 million, or 51%, compared with $288 million for 2017. Profit attributable to ETI shareholders increased $83 million, or 47%, to $262 million, compared with $179 million for 2017. Diluted earnings per ordinary share was $0.0106 (1.06 US dollar cents) for 2018, 47% higher, compared with $0.0072 (0.72 US dollar cents) for 2017. Return on tangible equity (ROTE) was 21% for 2018, compared with 13.6% for 2017. Tangible book value per ordinary share (TBVPS) was $0.06 as at 31 December, 2018, compared with $0.08 in 2017.

Financial Overview

Year ended 31 December (in thousands of US dollars, except per share data and ratios)	2018	2017
Operating income	1,825,171	1,831,202
Operating profit before impairment losses & taxation	702,404	699,651
Profit before tax	435,977	288,340
Profit for the year	328,649	228,534
Profit attributable to ETI shareholders	261,647	178,585
Return on equity (ROE)	17.8%	11.6%
Return on tangible equity (ROTE)	21.0%	13.6%
Diluted earnings per ordinary share, EPS ($)	0.0106	0.0072
Tangible book value per ordinary share, TBVPS ($)	0.05	0.06

Operating income

Operating income, which is the sum of net interest income and non-interest revenue, decreased $6 million, to $1,825 million for 2018 compared with $1,831 million for 2017. Excluding the impact of foreign exchange (FX) translation, growth in operating income was flat on 2017. The decrease in operating income was driven by growth in non-interest revenue being offset by a decrease in net interest income. The revenue mix, however, continues to be strong as we continue to drive value in the non-interest revenue lines including the digital banking products. As a result, the share of non-interest revenue to operating income increased and was 49.1% for 2018 compared with 46.6% for 2017, further reflecting the benefits of our diversified business model.

Operating income (net revenue)

Year ended 31 December (in thousands of US dollars)	2018	2017	Change
Net interest income (NII)	**929,760**	**977,319**	**(5)%**
Fees and commissions income			
Credit related fees and commissions	136,094	141,770	(4)%
Corporate finance fees	13,798	10,299	34%
Portfolio and other management fees	19,117	16,935	13%
Brokerage fees and commissions	3,439	3,364	2%
Cash management and related fees (*)	230,304	203,641	13%
Card management fees	87,041	79,901	9%
Others	17,641	13,610	30%
Fees and commissions expense	(62,993)	(69,140)	(9)%
Net fees and commissions income	**444,441**	**400,380**	**11%**
FX income	340,762	360,125	(5)%
Securities trading	41,123	55,600	(26)%
Net trading income	**381,885**	**415,725**	**(8)%**
Net losses from investment securities	(14)	(5)	180%
Other operating income	69,099	37,783	83%
Non-interest revenue (NIR)	**895,411**	**853,883**	**5%**
Operating income/Net revenue (NII + NIR)	**1,825,171**	**1,831,202**	**(0.3)%**
Net interest margin (NIM)	5.9%	6.2%	–
Contribution of NIR to operating income	49.1%	46.6%	–

*Cash management and related fees is the sum of - funds transfer commissions, Euro commissions, Rapid transfer, current account servicing, draft issuance commissions, Western Union commissions, Internet and SMS banking commissions, mobile money revenues, other cash management commissions, Money Gram commissions, RIA commissions, WARI commissions, Bancassurance commissions, Cash management from affiliates.

BUSINESS AND FINANCIAL REVIEW

Net interest income

Net interest income, which is the interest earned on loans and advances to customers and to other financial institutions, debt securities and other interest-earning assets minus the interest paid on customer deposits, other deposits, and short- and long-term borrowings, was $930 million for 2018, down $48 million, or 5%, compared with $977 million for 2017. The decrease in net interest income reflected a shift in the mix of balance sheet assets across our businesses and regions. Thus, growth in interest income generated from investment securities, treasury bills, inter-bank lending, and loans within Corporate and Investment Bank, mostly within our Francophone African countries, were offset by the decline in customer loan balances within Commercial Bank and Consumer Bank and the impact of the lower rate environment in Nigeria on Financial Trading Assets. The decrease in loans and advances to customers reflected the preference for investment securities, especially in the more economically stable Francophone African countries, to credit origination, especially in what is still an anaemic economic recovery. The net interest margin, which is the average yield on interest earning assets minus the average interest rate paid for deposits and other sources of funding, declined to 5.9% compared to 6.2% for the prior year, reflecting the impact of the shift in balance sheet asset mix. The loan growth in Corporate and Investment Bank occurred mostly in the fourth-quarter and as a result had little impact on interest income for 2018.

Non-interest revenue

Non-interest revenue was $895 million for 2018, up $42 million, or 5%, compared to $854 million for 2017. The increase in non-interest revenue was primarily due to significantly higher growth in net fees and commissions income and other related income, partially offset by significantly lower net trading income. Net fees and commissions income increased by $44 million, or 11%, to $444 million, reflecting strong growth in cash management and related fees within Corporate and Investment Bank and Commercial Bank, and growth in card management fees within Consumer Bank. This was partially offset by a decrease in credit related fees within Corporate and Investment Bank. The growth in fees from cash management and cards demonstrates the focus we continue to place on a revenue strategy driven by non-funded income. Income from client foreign exchange (FX) sales, which equates to the income we earn from buying and selling foreign currencies on behalf of our clients to meet their trade finance, payments and cash management needs, decreased by $19 million, or 5%, to $341 million, driven by spread compression, partly due to the normalisation in the currency market in Nigeria in 2018 compared to 2017. Income from trading securities, which is largely derived from trading in government debt, decreased $15 million, or 26%, to $41 million in 2018 compared with $56 million in 2017, primarily driven by a lower yield environment in the fixed income markets. Other income increased by $31 million, or 83%, to $69 million, primarily due to a gain on the sale of investment securities and properties in Nigeria.

Operating expenses

Year ended 31 December (in thousands of US dollars)	2018	2017	Change
Staff expenses	512,455	515,040	(1)%
Depreciation and amortisation	97,444	95,820	2%
Communications and technology	119,439	130,794	(9)%
Professional & legal fees	59,886	51,028	17%
Rent and utilities	63,522	66,668	(5)%
Repairs and maintenance	34,055	34,354	(1)%
Insurance	30,704	33,261	(8)%
Others[1]	205,262	204,587	0%
Other operating expenses	512,868	520,692	(2)%
Total operating expenses	**1,122,767**	**1,131,551**	**(1)%**
Cost-to-income ratio	61.5%	61.8%	

1 Others include operational losses and fines, advertising and promotion, business travels, supplies and services, fuel, etc:

Operating Expenses

Operating expenses are primarily influenced by staff expenses, headcount and levels of business activity. Staff expenses include salaries, allowances, other compensation, pension costs, and post-retirement benefits. Operating expenses declined $9 million, or 1%, to $1,123 million. Excluding the impact of FX translation, expenses were flat. Staff expenses, accounting for nearly 46% of total expenses, were $512 million for 2018, down $2.6 million, or 1%, from $515 million for 2017. The decrease in staff expenses, reflected headcount reductions in CESA, which was driven by the restructuring exercise embarked on in 2017 and headcount reductions in AWA. Depreciation and amortisation expense increased $1.6 million, or 2%, to $97 million, due to an increase in the amortisation of software and other intangibles, associated with systems development and head office investments. This was partially offset by a decrease in the depreciation of property and equipment, primarily driven by the closure of non-strategic branches and optimisation of the real estate portfolio. Other operating expenses, which accounts for nearly 46% of total expenses are mostly influenced by communications and technology, rent and utilities, professional and legal costs, repairs and maintenance, insurance and advertising, and promotional activities.

For 2018, other operating expenses decreased $7.8 million, or 2%, to $513 million. The decrease in other operating expenses was primarily driven by expense reductions primarily in the following items - communications and technology, rent and utilities, and insurance, partially offset by increases in professional and legal fees, taxes, and advertising and promotion activities. The cost-to-income ratio, a measure of efficiency, improved slightly to 61.5% for 2018, compared with 61.8% for 2017 as continued success in cost reductions compensated for slower revenue growth.

BUSINESS AND FINANCIAL REVIEW

Impairment losses

Year ended 31 December (in thousands of US dollars)	2018	2017	Change
Provision for loan impairment	558,747	385,697	45%
Provision no longer required	(179,909)	(73,203)	146%
Specific impairment losses on loans and advances	378,838	312,495	21%
Collective impairment losses on loans and advances (net)	(138,837)	13,753	n.m.
Impairment losses on loans and advances	**240,001**	**326,248**	**(26)%**
Of which stage 1: 12-month ECL[1]	(81,691)	n.a	n.m.
Of which stage 2: Life-time ECL	(16,061)	n.a	n.m.
Of which stage 3: Life-time ECL	337,753	n.a	n.m.
Impairment losses on other financial assets	23,914	84,806	(72)%
Impairment losses on financial assets	**263,915**	**411,054**	**(36)%**
Cost-of-risk	2.4%	3.3%	

n.m. = not meaningful. n.a. = non-applicable. ECL = Expected Credit Losses

Impairment Losses

Impairment losses on loans and advances continued to benefit from an effective non-performing loans (NPL) strategy, stringent credit underwriting standards, enhanced portfolio monitoring, and an improving risk culture across the businesses. Impairment losses on loans and advances were $240 million for 2018, compared with $326 million for 2017. The decrease in impairment losses on loans and advances was primarily driven by lower impairments within the loan portfolios of Commercial Bank and Corporate and Investment Bank, mostly in Nigeria. Additionally, the lower impairments in 2018, benefited from a significant increase in the reversal of impairment losses. As a result, the cost-of-risk, a measure of the health of the credit portfolio, reduced to 2.4% compared to 3.3% for 2017.

Taxation

The tax charge for 2018 was $108 million, equating to an effective tax rate of 24.8%, compared with a tax charge of $61 million for 2017 (an effective tax rate of 21.1%). The higher tax charge in 2018 was driven by profit growth.

Balance Sheet Analysis

Consolidated balance sheet overview

The Group's assets totalled $22,582 million as at 31 December, 2018 compared with assets of $22,432 million as at 31 December, 2017. The marginal increase in the balance sheet was primarily driven by growth in the following – customer loans within Corporate and Investment Bank, investment securities, and treasury bills, offset by significantly lower customer loan balances within Commercial Bank and Consumer Bank.

There follows a year-on-year analysis of significant changes to specific items within the Consolidated Balance Sheet.

Selected Consolidated Balance Sheets data

At 31 December (in thousands of US dollars)	2018	2017	Change
Assets			
Cash and balances with central banks	2,797,417	2,661,745	5%
Loans and advances to banks	1,717,575	1,685,806	2%
Trading financial assets	122,283	36,558	234%
Investment securities:			
Treasury bills and other eligible bills	1,828,251	1,718,977	6%
Derivative financial instruments	49,914	39,267	27%
Investment securities	4,568,262	4,405,240	4%
Pledged assets	240,434	298,561	(19)%
Loans and advances to customers (gross)	9,807,209	9,912,777	(1)%
Less, accumulated impairment losses	(638,540)	(554,914)	15%
Loans and advances to customers (net)	9,168,669	9,357,863	(2)%
Intangible assets	278,334	283,664	(2)%
Property and equipment	827,165	924,163	(10)%
Other assets	983,892	1,019,760	(4)%
Total assets	**22,582,196**	**22,431,604**	**1%**

BUSINESS AND FINANCIAL REVIEW

Assets

Cash and balances with central banks

We deposit cash with central banks to meet reserve requirements and to facilitate liquidity management as part of the normal course of our business. As at 31 December, 2018, cash and balances with central banks amounted to $2,797 million, up $136 million, compared with $2,662 million in 2017. The increase in cash and balances with central banks was driven by growth in customer deposits, which led to an increase in cash balances at central banks other than mandatory reserves.

Loans and advances to banks

Loans and advances to banks largely constitute deposits held with other banks to facilitate correspondent banking relationships and to manage our liquidity and interest rate risks. Loans and advances to banks amounted to $1,718 million as at 31 December, 2018, an increase of $32 million, when compared to loans and advances to banks of $1,686 million as at 31 December, 2017. The increase in loans and advances to banks was primarily driven by episodic opportunities within the interbank market.

Trading securities

These are securities held for trading purposes and are mostly government bonds held primarily in Nigeria (79% of total trading securities) and CESA (14%). Trading securities were $122 million as at 31 December, 2018, up $86 million, or 234%, primarily driven by purchased securities in Nigeria. The increase in trading securities in Nigeria was driven by emergent trading opportunities as interest rates declined.

Investment securities

We hold investment securities in the normal course of our business. We also hold securities for the purposes of cash, liquidity, and asset and liability management. The investment securities portfolio consists mainly of treasury bills and other eligible bills, debt, and equity securities.

Treasury bills and other eligible bills

The Group holds deposits that are not immediately loaned to clients, mostly in treasury bills and other eligible bills. These holdings amounted to $1,828 million as at 31 December, 2018, up $109 million from 2017, reflecting the significant increase in customer deposit balances, the strategic imperative to boost liquidity buffers, and the lower risk appetite for loans that was a dominant theme during 2018. The CESA region, accounting for 44% of total treasury bills holdings, led with the increase in treasury bills with a growth of $309 million, reflecting the decision to hold off lending, as the region underwent right-sizing. Treasury bills holdings increased by $61 million in AWA, primarily driven by growth in deposits. These increases were partially offset by a decrease of $93 million in treasury bill holdings in Nigeria, which accounts for 35% of total treasury bills holdings, driven by the lower rate environment.

Investment securities (debt and equity securities)

These are investment securities, other than treasury bills, comprising of listed and non-listed debt and equity instruments, with debt securities accounting for nearly 99% of total investment securities. As at 31 December, 2018, the investment securities portfolio amounted to $4,568 million, an increase of $163 million, or 4%, compared with $4,405 million in 2017. The increase in investment securities was driven by growth in debt securities of $328 million, reflecting significantly higher increases in all geographic regions, particularly in UEMOA, where investment securities grew by $177 million. These increases were partially offset by a $166 million decline in equity securities to $5.6 million.

Loans and advances to customers

The Group provides loans to customers, ranging from households and small businesses to regional and multinational corporates, and sovereign-related entities. Gross loans and advances to customers were $9,807 million as at 31 December, 2018, slightly lower if compared with loans of $9,913 million as at 31 December, 2017. Net loans and advances to customers were $9,167 million as at 31 December, 2018, down $189 million, if compared with loans of $9,358 million as at 31 December, 2017. The decline in customer loan balances was primarily driven by FX translation effects, the day one impact of the implementation of IFRS 9, and a lesser emphasis on credit origination. In November 2018, ETI's Board decided that the Group would move away from using the Central Bank of Nigeria (CBN) official rate ($1: NGN306) and instead use the Nigerian Autonomous Foreign Exchange Fixing (NAFEX) rate ($1: NGN364) for translating Ecobank Nigeria's financial statements into US dollars, which is the Group's reporting currency. The change was necessitated because of the persistent divergence from the official rate and developments in the industry, especially with ETI's peers moving away from the use of the CBN official rate. Excluding the impact of FX translation, customer loans grew by $608 million, primarily driven by an increase in loans within Corporate and Investment Bank and Consumer Bank, in the UEMOA, AWA, and CESA regions, mostly in the fourth quarter.

For the business segments, net customer loans within Corporate and Investment Bank increased by $144 million, or 2%, to $7,026 million, reflecting an increase in loans to governments, mining, and construction sectors, in UEMOA and AWA. In Commercial Bank, customer loan balances at year end were $1,253 million, down $269 million, or 18%, compared to $1,522 million in 2017, primarily driven by a reduction in overdraft loans, especially in the wholesale and retail sectors and services sector, reflecting lower risk appetite in this early stage of the economic recovery. Customer loans within Consumer Bank declined by $64 million, or 7%, to $890 million, driven by decreases in overdraft loans in Personal Banking.

For the regions, UEMOA grew customer loans by $111 million, or 3%, to $3,946 million, while customer loans declined by $404 million, or 15%, to $2,313 million in Nigeria largely due to FX translation effects and management's strategic decision to curb loan growth. Loans increased by $276 million, or 33%, to $1,123 million in AWA, led by Corporate and Investment Bank. While the right-sizing exercise we embarked on in CESA, necessitated management's review of credit origination, causing loan balances for 2018 to decline by $92 million, or 5%, to $1,619 million from the previous year.

The loan loss allowance for impairment losses was $639 million compared with $555 million in the prior year. The increase was driven by higher impairment losses on stage 3 loans due to the refreshment of model inputs under IFRS 9, largely offset by write-offs.

Non-performing loans were $945 million as at 31 December, 2018 compared with $1,060 million as at 31 December, 2017. The decrease in non-performing loans was driven by write-offs within Commercial and Corporate and Investment Bank portfolios. Importantly, the continued implementation of our NPL strategy aimed at maximisation of cash recoveries and NPL reduction targets, contributed effectively to reducing our NPLs in 2018. The non-performing loans ratio improved to 9.6% compared with 10.7% in the prior year.

BUSINESS AND FINANCIAL REVIEW

Loans and advances to customers

At 31 December (in thousands of US dollars)	2018	2017	Change
Group			
Loans and advances to customers (gross)	9,807,209	9,912,778	(1)%
Less: allowance for impairment	(638,540)	(554,914)	15%
Loans and advances to customers (net)	**9,168,669**	**9,357,864**	**(2)%**
Non-performing loans	944,539	1,059,836	(11)%
Loan-to-deposit ratio	61.5%	65.2%	–
Non-performing loans ratio	9.6%	10.7%	–
NPL coverage ratio	67.6%	52.4%	–
Business Segments			
Corporate and Investment Bank	7,026,183	6,882,428	2%
Commercial Bank	1,252,537	1,521,689	(18)%
Consumer Bank	889,949	953,747	(7)%
Total loans and advances to customers	**9,168,669**	**9,357,864**	**(2)%**
Geographic Regions			
UEMOA	3,946,140	3,835,521	3%
Nigeria	2,313,347	2,717,557	(15)%
AWA	1,122,898	847,238	33%
CESA	1,619,120	1,711,465	(5)%
OTHERS	167,164	246,082	(32)%
Total loans and advances to customers	**9,168,669**	**9,357,864**	**(2)%**

Liabilities and Equity

Selected Consolidated Balance Sheet data

At 31 December (in thousands of US dollars)	2018	2017	Change
Liabilities			
Deposits from other banks	1,465,646	1,772,414	(17)%
Deposits from customers	15,935,999	15,203,271	5%
Borrowed funds	2,059,690	1,728,755	19%
Other liabilities	1,308,370	1,555,081	(16)%
Total Liabilities	**20,769,705**	**20,259,521**	**3%**
Shareholders' equity	1,536,952	1,880,745	(18)%
Non-controlling interest	275,539	291,338	(5)%
Total equity	1,812,491	2,172,084	(17)%
Total liabilities and equity	**22,582,196**	**22,431,604**	**1%**

Deposits from banks

We take deposits from other banks to facilitate correspondent banking relationships and to manage liquidity, interest rate and currency risks. Deposits from other banks decreased by $307 million, or 17%, to $1,466 million.

Deposits from Customers

At 31 December (in thousands of US dollars)	2018	2017	Change
Deposits from customers by Business Segment			
Corporate and Investment Bank	7,347,094	6,991,973	5%
Commerical Bank	3,346,640	3,066,252	9%
Consumer Bank	5,242,265	5,145,046	2%
	15,935,999	**15,203,271**	**5%**
Deposits from customers by Geographic Region			
UEMOA	5,737,320	5,697,700	1%
NIGERIA	3,523,457	3,516,735	0%
AWA	2,446,784	2,227,544	10%
CESA	4,046,553	3,541,849	14%
OTHERS	181,885	219,443	(17)%
	15,935,999	**15,203,271**	
Deposits from customers by Type			
Current	9,910,388	9,067,104	9%
Savings	2,644,533	2,650,165	(0.2)%
Term	3,381,078	3,486,002	(3)%
	15,935,999	**15,203,271**	
Loan-to-deposit ratio	61.5%	65.2%	

BUSINESS AND FINANCIAL REVIEW

Deposits from customers

Customer deposits account for approximately 72% of the Group's liabilities and equity and represent the Group's primary source of funding. As such, the focus on growing deposit balances, especially low-cost deposits, is a key strategic priority. Consequently, the business segments, using technology where it is appropriate, have created financial products that meet the financial needs of customers with ease and convenience, enabling the Group to accelerate deposit generation. Products such as Bank Collect, EcobankPay, Omni, coupled with the Africa Rapid Transfer App and Xpress Points, our agency network, have contributed immensely to the growth in customer deposits. Customer deposits, as a result, increased by $733 million, or 5%, to $15,936 million, compared with $15,203 million in 2017. Excluding the impact of FX translation, customer deposits increased by $2,024 million. The increase in deposits was led by a $843 million increase in the more stable and low-cost current accounts across all the business segments thanks to the enhanced digital products and offerings. The growth in current accounts was partially offset by a decrease in term deposits of $105 million, reflecting the strategic decision to improve the mix of deposits by substituting low-cost current account deposits for more expensive term deposits.

On a regional basis, the increase in customer deposits was led by CESA and AWA, which grew customer deposits by $505 million and $219 million respectively. The increase was mainly due to deposit product enhancements, target savings plans, and, to a lesser extent, by transactional balances on our digital platforms. Nigeria and UEMOA saw relatively flat growth in customer deposits. However, excluding the impact of FX translation, customer deposits growth in Nigeria increased by $677 million. The loan-to-deposit ratio for the Group was 61.5%, lower compared to the 65.2% in 2017, reflecting the cautious stance on credit origination and instead the focus on driving non-funded income through cash management, trade finance, and digitisation.

Borrowed funds

Borrowed funds are an alternative source of relatively long-term funding and are a critical component of the Group's liquidity and capital management activities. ETI, the parent company of the Ecobank Group, oversees the capital planning and funding strategy for the Group. As at 31 December, 2018, total borrowed funds for the Group were $1,823 million, an increase of $95 million from 2017. For further information on the composition of our borrowed funds, please refer to Note 32: Borrowed Funds on pages 277-280 of this annual report.

Total equity

Total equity of $1,812 million decreased 3%, as the positive contribution from profit was partially offset by the adverse impact from other comprehensive income (OCI) items and the full impact of the implementation of IFRS 9. The primary OCI drivers were the foreign currency translation reserves (FCTR), which moved by $295 million, which negatively impacted equity, due primarily to the Group's decision to adopt the NAFEX rate. As a result, Nigeria's contribution to the FCTR movement was approximately $158 million. Equity was additionally impacted by the depreciation of the XOF/XAF and GHS against the US dollar. Also, changes in the fair value of debt instruments (the equivalent of AFS movements pre-IFRS 9) of $73 million, which primarily emanated from the revaluation of investments held in Nigeria and other affiliates, negatively impacted equity.

Business segment results

For management purposes the Group's activities are organised into three major reportable business segments. The Groups' consumer business is the Consumer Bank and its wholesale businesses are the Commercial Bank and the Corporate and Investment Bank.

BUSINESS AND FINANCIAL REVIEW
Corporate and Investment Bank

The Corporate and Investment Bank (CIB) division offers relevant financial solutions to global and regional corporates, public corporates, financial institutions and international organisations. It delivers tailor-made solutions for the success of clients, which are characterised by a strong customer-centric approach. Its product spectrum and services include corporate lending, trade services, cash management solutions and value-chain finance. The CIB division also provides treasury services, corporate finance, investment banking, and securities, wealth and asset management services.

Corporate and Investment Bank

Year ended 31 December (in millions of US dollars)	2018	2017	Change
Selected income statement highlights			
Net interest income	464	511	(9)%
Credit related fees and commissions	97	101	(4)%
Corporate finance fees	14	10	34%
Portfolio and other management fees	17	14	16%
Brokerage fees and commissions	3.4	3.4	2%
Cash management and related fees	73	60	22%
Card management fees	0.8	0.05	1,629%
Other fees	8.6	5.1	69%
Fees and commissions expenses	(36)	(29)	24%
Net fees and commissions income	177	165	7%
Other income	294	294	0%
Non-interest revenue	471	459	3%
Operating income (Net revenue)	**935**	**970**	(4)%
Operating expenses	473	472	0%
Operating profit before impairment losses & taxation	**462**	**499**	(7)%
Impairment losses on financial assets	194	230	(16)%
Profit before tax	**268**	**268**	(0)%
Selected balance sheet highlights			
Total assets	13,101	14,863	(12)%
Loans & advances to customers (net)	7,026	6,886	2%
Deposits from customers	7,347	6,992	5%
Selected ratios			
Cost-to-income ratio	50.6%	48.6%	–
Loan-to-deposit ratio	100.3%	102.7%	–
NPL ratio	6.5%	7.9%	–
NPL coverage	71.0%	52.1%	–

Note: selected income statement lines only and thus may not sum up

BUSINESS AND FINANCIAL REVIEW

Performance overview

Corporate and Investment Bank delivered a profit before tax of $268 million for 2018, flat on 2017.

Operating income decreased $35 million, or 4%, to $935 million for 2018, compared with $970 million for 2017. The decrease was primarily driven by lower operating income from Nigeria, significantly driven by lower client FX sales and trading income, partially offset by operating income growth in all other regions. Net interest income was $464 million for 2018, down $47 million, or 9%, compared to $511 million in 2017. The decrease was primarily driven by lower net interest margin, partially offset by marginal growth in customer loans and investment securities. Non-interest revenue of $471 million, increased $12 million, or 3%, from the prior year, primarily driven by significantly higher growth in cash management and related fees, due to investments in innovative cash management solutions for businesses, both small and large.

Operating expenses of $473 million for 2018, was flat on 2017, reflecting the continued commitment to cost containment. The cost-to-income ratio was 50.6% compared to 48.6% in 2017 with the marginal increase largely due to slower growth in operating income.

Impairment losses were $194 million in 2018 compared with $230 million in 2017. The decrease in impairment losses reflected impairment loss releases on term loans.

BUSINESS AND FINANCIAL REVIEW
Commercial Bank

Commercial Bank focuses on delivering relevant financial solutions and growing African businesses by providing lending, cash management, trade finance, FICC, and cards and e-banking to a wide array of customers in its primary lines of business namely, Small and Medium-Sized Enterprises (SMEs), Public Sector, and Local Corporates. The SME line of business consistently contributes 60% of operating income, with plans to reduce this share by growing income from the other business lines. Commercial Bank leverages digital technology in its product offerings. Products such as EcobankPay, Bank Collect, Omni Lite, and eGovernment, enable clients to digitally effect payments and collections and manage cash flow.

Commercial Bank

Year ended 31 December (in millions of US dollars)	2018	2017	Change
Selected income statement highlights			
Net interest income	163	190	(14)%
Credit related fees and commissions	31	31	(1)%
Cash management and related fees	74	64	17%
Card management fees	1.4	0.6	131%
Other fees	5.1	1.8	182%
Fees and commissions expenses	(14)	(11)	25%
Net fees and commissions income	98	86	14%
Other income	93	85	10%
Non-interest revenue	191	171	12%
Operating income (Net revenue)	**354**	**361**	(2)%
Operating expenses	264	268	(1)%
Operating profit before impairment losses & taxation	**90**	**93**	(3)%
Impairment losses on financial assets	61	125	(51)%
Profit before tax	**29**	**(32)**	(192)%
Selected balance sheet highlights			
Total assets	1,253	1,522	(18)%
Loans & advances to customers (net)	1,253	1,522	(18)%
Deposits from customers	3,347	3,066	9%
Selected ratios			
Cost-to-income ratio	74.6%	74.1%	–
Loan-to-deposit ratio	44.2%	55.6%	–
NPL ratio	25.8%	24.3%	–
NPL coverage	59.3%	44.0%	–

Note: selected income statement lines only and thus may not sum up

Performance overview

Commercial Bank generated a profit before tax of $29 million for 2018, compared with a loss before tax of $32 million for 2017.

Operating income decreased $6.5 million, or 2%, to $354 million with growth in non-interest revenue more than offset by a decrease in net interest income. Net interest income declined by $27 million, or 14%, to $163 million. The decrease in net interest income was primarily driven by a combination of the impact of lower rates and reduced interest-earning assets, offset by lower interest expense driven by the growth in low-cost deposit balances. Non-interest revenue increased $20 million, or 12%, to $191 million, due to significantly higher cash management and related fees and client FX sales and trading, mostly in the CESA and UEMOA regions.

Operating expenses of $264 million, were down $3.2 million, reflecting continued expense savings. However, the cost-to-income ratio of 74.6% was little changed from the previous year on account of lower revenue growth.

Impairment losses were $61 million for 2018, compared to $125 million for 2017. The decrease in impairment losses was largely driven by the reversal of a significant amount of provisions for credit loss.

BUSINESS AND FINANCIAL REVIEW
Consumer Bank

Consumer Bank offers deposit products, remittances, cards, personal loans, and mortgages to Premier, Advantage, and Mass Market/Youth, customers through agency banking (Xpress Points), ATMs, mobile and online banking. In addition, Consumer Bank provides the digital platforms that enable customers to effectively make payments and collections, and transfer money in and outside of Africa. Consumer Bank aims to be the preferred bank for convenient banking across Africa by efficiently and profitably delivering basic banking products and services to consistently delight customers.

Consumer Bank

Year ended 31 December (in millions of US dollars)	2018	2017	Change
Selected income statement highlights			
Net interest income	240	248	(3)%
Credit related fees and commissions	8	9	(10)%
Portfolio and other management fees	2	3	(3)%
Brokerage fees and commissions	0.002	0.008	(75)%
Cash management and related fees	83	80	4%
Card management fees	84.8	79.2	7%
Other fees	1.7	2.1	(19)%
Fees and commissions expenses	(9)	(7)	28%
Net fees and commissions income	171	166	3%
Other income	35	33	7%
Non-interest revenue	206	199	4%
Operating income (Net revenue)	**447**	**447**	0%
Operating expenses	371	371	0%
Operating profit before impairment losses & taxation	**75**	**75**	(0)%
Impairment losses on financial assets	13	30	(55)%
Profit before tax	**62**	**46**	35%
Selected balance sheet highlights			
Total assets	890	954	(7)%
Loans & advances to customers (net)	890	954	(7)%
Deposits from customers	5,242	5,145	2%
Selected ratios			
Cost-to-income ratio	83.2%	83.1%	–
Loan-to-deposit ratio	85.9%	96.7%	–
NPL ratio	8.8%	7.9%	–
NPL coverage	18.4%	20.1%	–

Note: selected income statement lines only and thus may not sum up

Performance overview

Consumer Bank generated profit before tax of $62 million, up $16 million, or 35%, from 2017.

Operating income of $447 million was flat on 2017 with modest growth in non-interest revenue, largely offset by a decrease in net interest income. Net interest income declined by $7.4 million, or 3%, to $240 million for 2018, compared to $248 million for 2017, primarily driven by lower customer loan balances, partially offset by spread expansion from a combination of higher average yields on earning assets and lower cost of funds from an increase in current account deposits. Non-interest revenue increased $7.4 million, or 4%, to $206 million, driven by cash management and related fees and card management fees.

Operating expenses of $371 million was flat on 2017. The cost-to-income ratio was essentially flat at 83.2%.

There were impairment losses of $13 million for 2018, compared with $30 million for 2017. The lower impairments in 2018 reflected the benefits of reversals in impairment losses and improvement in the credit risk of the portfolio.

BUSINESS AND FINANCIAL REVIEW
FRANCOPHONE WEST AFRICA

Comparative analysis of Ecobank's full year financial results for 2018 and 2017 by geographical region.

Francophone West Africa (UEMOA)

Year ended 31 December (in millions of US dollars)	2018	2017	Change	In Constant Currency $[1] 2018
Selected income statement highlights				
Net interest income	283	260	9%	271
Non-interest revenue	228	217	5%	218
Operating income	**511**	**477**	7%	490
Operating expenses	310	285	9%	298
Operating profit before impairment losses & taxation	**201**	**193**	4%	192
Impairment losses on financial assets	50	81	(39)%	47
Profit before tax	**151**	**111**	36%	146
Profit after tax	143	114	25%	137
Selected balance sheet highlights				
Loans & advances to customers (net)	3,744	3,836	(2)%	3,921
Total assets	8,819	9,222	(4)%	9,237
Deposits from customers	5,737	5,698	1%	6,009
Total equity	592	610	(3)%	620
Selected ratios				
Cost-to-income ratio	60.7%	59.7%	–	–
ROE	23.7%	22.7%	–	–
Loan-to-deposit ratio	70.7%	68.5%	–	–
NPL ratio	5.5%	5.2%	–	–
NPL coverage	50.5%	32.2%	–	–

Note: selected income statement lines only and thus may not sum up
[1] Reflects the impact of FX translation into US dollars assuming average and end-of-period exchange rates for 2018

Performance overview

UEMOA increased profit before tax by $40 million, or 36%, to $151 million, as operating profit before impairment losses and taxation growth of $8.2 million was complemented by a $32 million reduction in impairment losses from 2017. Excluding the impact of FX translation, profit before tax increased $34 million. ROE was 23.7% versus 22.7% in the prior year.

Operating income increased by $33 million, or 7%, to $511 million, predominantly driven by net interest income. Excluding the impact of FX translation, operating income increased by $12 million. Net interest income increased $23 million, or 9%, to $283 million, primarily driven by increased holdings of investment securities and marginal loan growth in Corporate and Investment Bank.

Non-interest revenue increased by $10 million, or 5%, to $228 million, primarily driven by client FX sales and cash management and related fees.

Operating expenses increased by $25 million, or 9%, to $310 million. Excluding the impact of FX translation, the growth in expenses would have been $13 million, driven by revenue-related expense drivers. The cost-to-income ratio was largely unchanged at 60.7%.

Impairment losses on financial assets were $50 million compared with $81 million in the prior year, driven by recoveries. The ratio of non-performing loans to total loans deteriorated marginally to 5.5%, compared with 5.2% in 2017. The non-performing loans coverage ratio was 50.5% compared with 32.2% in the preceding year.

BUSINESS AND FINANCIAL REVIEW
NIGERIA

Nigeria

Year ended 31 December (in millions of US dollars)	2018	2017	Change	In Constant Currency $[1] 2018
Selected income statement highlights				
Net interest income	259	332	(22)%	262
Non-interest revenue	185	225	(18)%	187
Operating income	**444**	**557**	(20)%	448
Operating expenses	275	285	(4)%	281
Operating profit before impairment losses & taxation	**169**	**272**	(38)%	167
Impairment losses on financial assets	78	205	(62)%	77
Profit before tax	**91**	**67**	37%	90
Profit after tax	90	66	36%	89
Selected balance sheet highlights				
Loans & advances to customers (net)	2,313	2,718	(15)%	2,753
Total assets	5,431	6,056	(10)%	6,464
Deposits from customers	3,523	3,517	0%	4,193
Total equity	716	927	(23)%	853
Selected ratios				
Cost-to-income ratio	61.9%	51.2%	–	–
ROE	11.0%	7.8%	–	–
Loan-to-deposit ratio	72.2%	85.3%	–	–
NPL ratio	13.7%	14.5%	–	–
NPL coverage	66.3%	65.0%	–	–

Note: selected income statement lines only and thus may not sum up
[1] Reflects the impact of FX translation into US dollars assuming average and end-of-period exchange rates for 2018

Performance overview

Nigeria increased profit before tax by $24 million, or 36%, to $91 million. Excluding the impact of FX translation, profit before tax increased by $23 million. ROE increased to 11% for 2018 compared to 7.8% for 2017. In November 2018, ETI's Board decided that the Group adopts the NAFEX rate of approximately NGN364 to the US dollar in translating the financials of Ecobank Nigeria, away from using the CBN official rate of NGN306 to the US dollar. This had an adverse impact on Nigeria's capital adequacy ratio. A capital injection of $64 million was made into Ecobank Nigeria by ETI in December 2018.

Operating income decreased by $114 million, or 20%, to $444 million. Excluding the impact of FX translation, operating income declined $109 million, led by declines in both net interest income and non-interest revenue. Net interest income decreased by $74 million, or 22%, to $259 million, driven by lower average yields on interest earning assets and a decline in earning asset balances. Non-interest revenue decreased by $40 million, or 18%, to $185 million, as growth in fees and commissions income was largely offset by the impact of lower yields on fixed income trading and significantly lower spreads in FX sales, following normalisation in the currency market.

Operating expenses of $275 million fell by $11 million, or 4%. Excluding the impact of FX translation, expenses fell by $4 million, benefiting from ongoing cost containment initiatives. The cost-to-income ratio was 61.9% compared to 51.2%, primarily due to lower revenues.

Impairment losses on financial assets were $78 million compared to $205 million in the prior year. The lower impairment losses for 2018 reflected improvements in the credit risk of the portfolio. The non-performing loans to total loans ratio was 13.7%, which was a slight improvement from the prior year. The non-performing loans coverage ratio improved to 66.3% from 65% in the previous year.

BUSINESS AND FINANCIAL REVIEW
ANGLOPHONE WEST AFRICA

Anglophone West Africa (AWA)

Year ended 31 December (in millions of US dollars)	2018	2017	Change	In Constant Currency $[1] 2018
Selected income statement highlights				
Net interest income	242	219	10%	258
Non-interest revenue	151	135	12%	163
Operating income	**393**	**354**	11%	421
Operating expenses	204	192	7%	220
Operating profit before impairment losses & taxation	**189**	**162**	16%	201
Impairment losses on financial assets	42	58	(27)%	45
Profit before tax	**148**	**105**	41%	156
Profit after tax	103	71	45%	109
Selected balance sheet highlights				
Loans & advances to customers (net)	1,123	847	33%	1,233
Total assets	3,233	2,951	10%	3,508
Deposits from customers	2,447	2,228	10%	2,654
Total equity	374	318	18%	407
Selected ratios				
Cost-to-income ratio	52.0%	54.2%	–	–
ROE	29.7%	22.8%	–	–
Loan-to-deposit ratio	48.8%	41.6%	–	–
NPL ratio	10.3%	14.7%	–	–
NPL coverage	57.8%	58.8%	–	–

Note: selected income statement lines only and thus may not sum up
[1] Reflects the impact of FX translation into US dollars assuming average and end-of-period exchange rates for 2018

Performance overview

AWA increased profit before tax by $43 million, or 41%, to $148 million, driven by a combination of positive operating leverage and lower impairment losses. Excluding the impact of FX translation, profit before tax would have increased by $51 million. ROE was 29.7% compared to 22.8% in the prior year.

Operating income increased by $39 million, or 11%, to $393 million, led by growth in both net interest income and non-interest revenue. Excluding the impact of FX translation, operating income rose by $66 million. Net interest income increased $23 million, or 10%, to $242 million, driven by an increase in loans within Corporate and Investment Bank and investment securities, partially offset by the impact of spread compression. Non-interest revenue increased by $16 million, or 12%, to $151 million, primarily driven by client FX sales and trading income.

Operating expenses were up $13 million, or 7%, to $204 million. Excluding the impact of FX translation, expenses rose $28 million, driven by operating income related expense drivers. The cost-to-income ratio improved to 51.9% compared to 54.2% on positive operating leverage.

There were impairment losses on financial assets of $42 million compared with $58 million in the previous year. The lower impairment losses benefited from improved credit portfolio management and economic conditions, especially in Ghana. Non-performing loans as a percentage of total loans were 10.3%, compared with 14.7% in 2017. Ecobank Ghana's exposure to the Bulk Distribution Companies (BDCs) is still yet to be resolved. The NPL ratio of 10.3% is expected to materially decrease upon resolution of these energy-related exposures. The NPL coverage ratio was 57.8% compared with 58.8% in 2017.

BUSINESS AND FINANCIAL REVIEW
CENTRAL, EASTERN AND SOUTHERN AFRICA

Central, Eastern, and Southern Africa (CESA)

Year ended 31 December (in millions of US dollars)	2018	2017	Change	In Constant Currency $[1] 2018
Selected income statement highlights				
Net interest income	207	193	7%	208
Non-interest revenue	242	200	21%	242
Operating income	**450**	**393**	14%	450
Operating expenses	271	288	(6)%	272
Operating profit before impairment losses & taxation	**178**	**106**	69%	177
Impairment losses on financial assets	67	56	20%	66
Profit before tax	**111**	**49**	125%	112
Profit after tax	108	28	285%	69
Selected balance sheet highlights				
Loans & advances to customers (net)	1,619	1,711	(5)%	1,671
Total assets	5,394	4,657	16%	5,573
Deposits from customers	4,047	3,542	14%	4,180
Total equity	513	501	2%	530
Selected ratios				
Cost-to-income ratio	60.3%	73.1%	–	–
ROE	13.5%	6.0%	–	–
Loan-to-deposit ratio	43.5%	52.8%	–	–
NPL ratio	10.7%	15.8%	–	–
NPL coverage	75.3%	53.2%	–	–

Note: selected income statement lines only and thus may not sum up
[1] Reflects the impact of FX translation into US dollars assuming average and end-of-period exchange rates for 2018

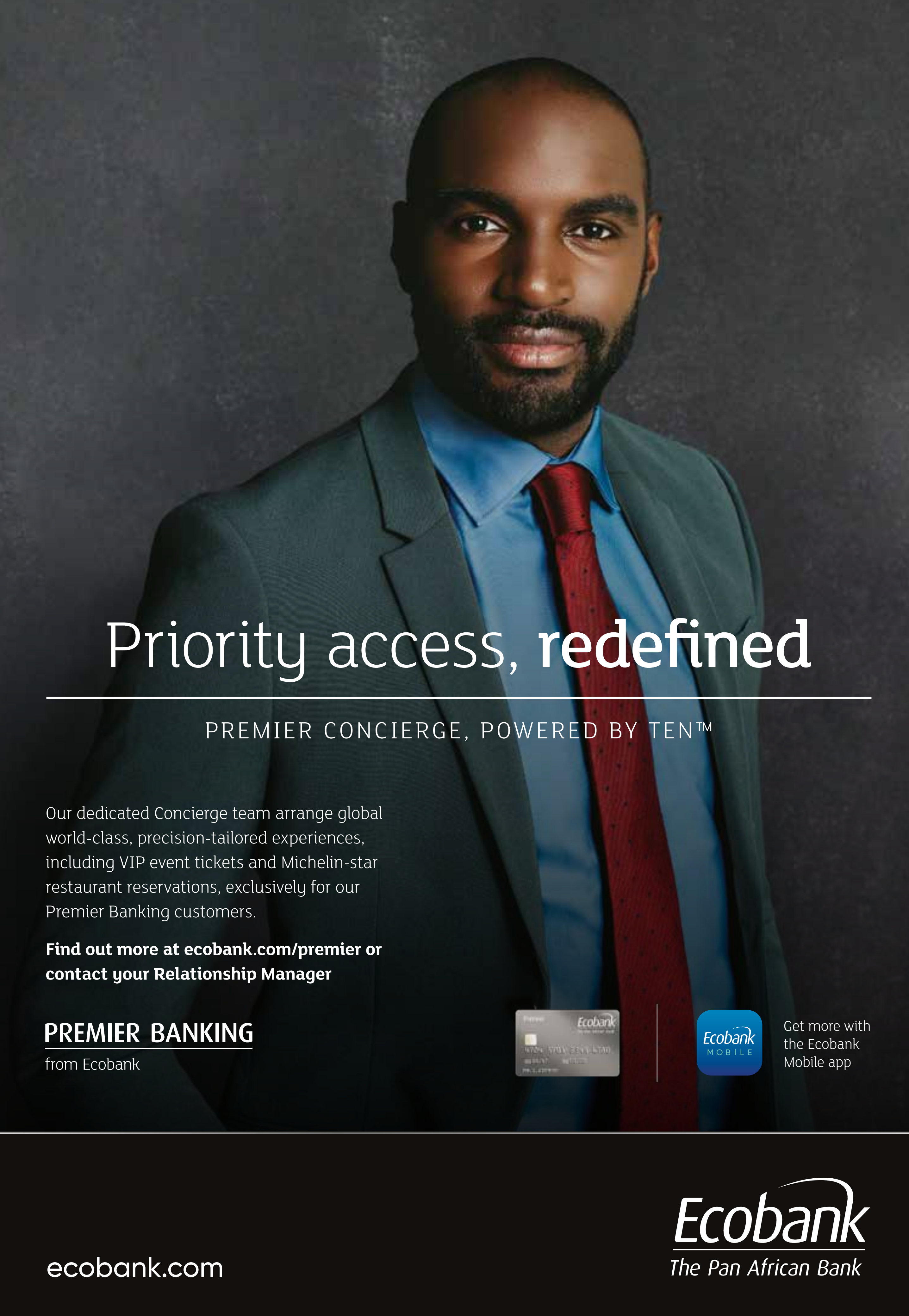
Performance overview

CESA's profit before tax increased by $62 million, or 125%, to $111 million, benefiting significantly by strong operating income growth and the positive benefits from the restructuring exercise in 2017. Excluding the impact of FX translation, profit before tax also increased by $62 million. ROE, as a result, improved markedly to 13.5% compared with 6.0% in 2017.

Operating income increased by $56 million, or 14%, to $450 million, primarily led by growth in non-interest revenue. Excluding the impact of FX translation, operating income increased $57 million. Net interest income increased by $14 million, or 7%, to $207 million, driven by an increase in the holdings of investment securities. Non-interest revenue increased by $42 million, or 21%, to $242 million, primarily driven by cash management and related fees, credit related fees and commissions, and FX and fixed-income sales.

Operating expenses decreased by $16 million, or 6% to $271 million, and by $15 million if impact of FX translation is excluded, reflecting accrued benefits from continued right-sizing of the business. The cost-to-income ratio improved significantly to 60.3% versus 73.1% in 2017, driven by positive operating leverage.

Impairment losses on financial assets for the year were $67 million compared to $56 million in the prior year due to provisioning of specific challenged assets, largely in East Africa, and the enhanced NPL strategy implementation which was part of the right-sizing exercise. The NPL ratio was 10.7%, compared to 15.8% in 2017, helped by aggressive recoveries and effective borrower engagements. The NPL coverage ratio improved to 75.3% versus 53.2% in 2017.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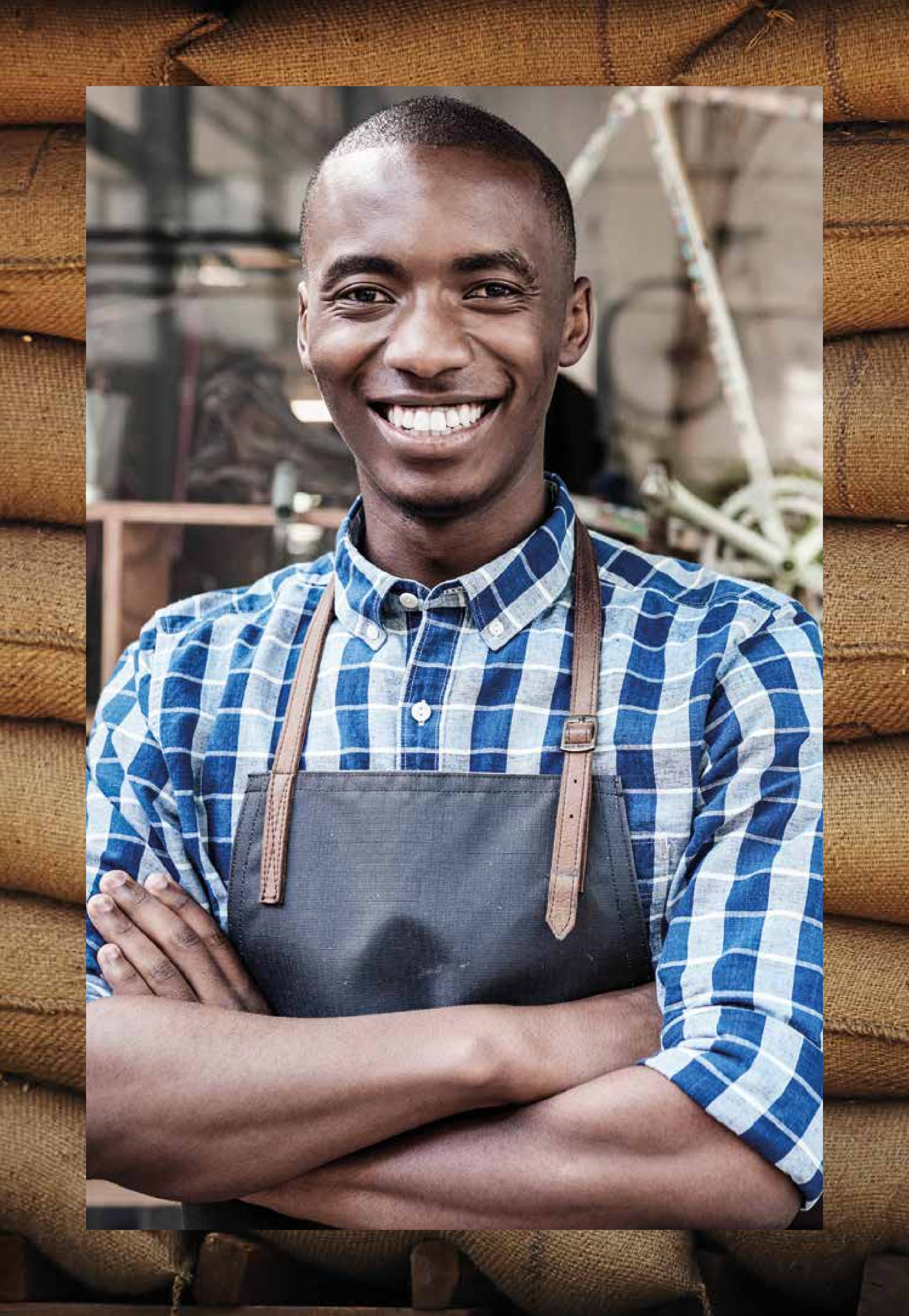

6

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Responsibility for annual consolidated financial statements

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

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

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

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

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

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

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

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

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

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

Approval of annual consolidated financial statements

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

Emmanuel Ikazoboh
Group Chairman

Greg Davis
Group Chief Financial Officer

Ade Ayeyemi
Group Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Report on the Consolidated Financial Statements

Opinion

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

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

Basis for opinion

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

Key Audit Matters

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers	
Loans and advances to customers constitute a significant portion of the total assets of Ecobank Transnational Incorporated. At 31 December, 2018, gross loans and advances were US$9,807 million against which total loan impairment amount of US$ 638 million was recorded, thus leaving a net loan balance of US$9,169 million which represents about 41% of the total assets as at the reporting date (see note 21). The basis of the impairment amount is summarised in the Accounting policies in the consolidated financial statements. The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss impairment amounts on loans and advances to customers. On 1 January, 2018, the Group implemented IFRS 9 . This new and complex standard requires the Group to recognise Expected Credit Losses ('ECL') on financial instruments, which involves exercise of significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include : i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters – • probabilities of default (PDs) -12-month and lifetime, • loss given default, • exposure at default. iv. Completeness and accuracy of data used to calculate the ECL; The change from IAS 39 to IFRS 9 has led to an increased impairment charge of $299 million compared to that recognised under IAS 39 as at 31 December, 2017. Because of the significance of these estimates, judgements and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included: • Testing the opening balances to gain assurance on the transition from IAS 39 to IFRS 9; • Testing the design and operating effectiveness of key controls across the processes relevant to the Expected Credit Loss ('ECL') (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and production of journal entries and disclosures); • Assessing the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • Challenging the criteria used to allocate assets to stage 1, 2 or 3 in accordance with IFRS 9; • Testing assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage; • Testing the assumptions, inputs and formulas used in a sample of ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models); • Testing the data used in the ECL calculation by reconciling to source systems; • Recalculating the risk ratios for a sample of performing loans in order to test credit monitoring; • Assessing the completeness and appropriateness of post model adjustments and recalculating a sample; and • Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39. Based on our review, we found that the Group's impairment methodology , including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill	
Goodwill carrying value of US$199.1 million was included in Intangible assets (Note 27) in the Group's statement of financial position as at 31 December, 2018. This asset has been recognised in the consolidated statement of financial position as part of Intangible assets as a consequence of the acquisitive nature of the Group. In line with the requirements of the applicable accounting standard, IAS 36, Impairment of Assets, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 27, there are a number of key sensitive judgements adopted by Management in determining the inputs into these models which include: • Projected financial information; • Operating margins; • Exchange rate fluctuations; and • The discount rates applied to the projected future cash flows. Accordingly, the impairment test of this asset is considered to be a key audit matter. The Management have developed a valuation model to enable a fair determination of the discounted cash flows for the significant Cash Generating Units (CGUs) to which the goodwill relates.	We reviewed the Group's goodwill impairment assessment and calculations looking specifically into the valuation model, inputs and key assumptions made by the Management. Our audit procedures included: • Testing all relevant controls over the generation of the key inputs, e.g. financial forecasts, discount rate, revenue growth rate, etc. that go into the valuation calculation. • Engaging our internal specialists to assist with: • Critically evaluating whether 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 qoodwill to be relevant and useful.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's interest in investment properties is made up of landed properties and buildings (see note 29). Investment properties are carried at fair value in line with the Group's accounting policies and in compliance with IAS 40, Investment Property. However, due to the non-current nature of the asset class, the materiality of the carrying amount to the consolidated financial statements , and determination of their fair value which involve the exercise of significant management judgement, and use of several key inputs and assumptions, we consider this to be a key audit matter. The Management have engaged some Specialists , mostly professional Estate Surveyors and aluers, 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 the generation of key inputs that go into the fair value determination of the investment properties and the carrying amount of related indebtedness. Our audit procedures included: • Critically evaluating whether the model used by Management to arrive at the fair value estimate of the investment property complies with the requirements of IAS 40, Investment Property. • Validating the assumptions used to estimate the fair value and recalculating the valuation. • Analyzing future projected cash flows that underline the fair value determination used in the models to determine whether they are reasonable and supportable given the current macro economic climate and prevailing market data vis-a-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 them circumstances.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted investments	
The Group's investment securities include unlisted equities for which there is no liquid market. As contained in note 23, the assets are designated as investment securities (available-for -sale instruments under IAS 39) and are carried at fair value in line with the Group's accounting policies and requirements of IFRS 9, Financial Instruments. Given the non -availability of market prices for these securities, determination of their fair valuation by management involves the 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.	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. • Critically evaluating whether the model used by Management to calculate the fair value of the unquoted securities complies with the requirements of IFRS 9, Financial Instruments. • Validating the assumptions used to calculate the discount rates used and recalculating these rates. • Subjecting the key assumptions to sensitivity analysis. • Obtaining direct confirmation of the existence and units of the different holdings with the investees' registrars and/or secretariats. • Checking mathematical accuracy of the valuation calculations. We found that the assumptions used by Management were comparable with the market, accord with best practice, key data and the discount rates used in estimating the fair value of the instruments were appropriate in the circumstances. We consider the disclosure relating to these instruments to be appropriate in the circumstances.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

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 t hat 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 bas is 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

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 derivable of such communication.

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

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

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

Engagement Partner: Georges Yao-Yao

CONSOLIDATED INCOME STATEMENT

(All amounts in thousands US dollar unless otherwise stated)

For the year ended 31 December	Notes	2018	2017
Interest income	7	1,528,410	1,570,320
Interest expense	7	(598,650)	(593,001)
Net interest income		**929,760**	**977,319**
Fee and commission income	8	507,434	469,520
Fee and commission expense	8	(62,993)	(69,140)
Net trading income	9	381,885	415,725
Net losses from investment securities	10	(14)	(5)
Other operating income	11	69,099	37,783
Non-interest revenue		**895,411**	**853,883**
Operating income		**1,825,171**	**1,831,202**
Staff expenses	12	(512,455)	(515,040)
Depreciation and amortization	12	(97,444)	(95,820)
Other operating expenses	12	(512,868)	(520,691)
Operating expenses		**(1,122,767)**	**(1,131,551)**
Operating profit before impairment losses and taxation		**702,404**	**699,651**
Impairment losses on :			
• loans and advances	13	(240,001)	(326,248)
• other financial assets	14	(23,914)	(84,806)
Impairment losses on financial assets		**(263,915)**	**(411,054)**
Operating profit after impairment losses		**438,489**	**288,597**
Share of loss of associates	26	(2,512)	(257)
Profit before tax		**435,977**	**288,340**
Taxation	15	(108,129)	(60,757)
Profit for the year from continuing operations		**327,848**	**227,583**
Profit for the year from discontinued operations	30	801	951
Profit for the year		**328,649**	**228,534**
Profit for the year attributable to:			
Owners of the parent		**261,647**	**178,585**
• Continuing operations		261,214	178,071
• Discontinued operations		433	514
Non-controlling interests		**67,002**	**49,949**
• Continuing operations		66,634	49,512
• Discontinued operations		368	437
		328,649	**228,534**
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents per share)			
• Basic	16	1.06	0.72
• Diluted	16	1.06	0.72
Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in United States cents per share)			
• Basic	16	0.00	0.00
• Diluted	16	0.00	0.00

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

For the year ended 31 December	Notes	2018	2017
Profit for the year		**328,649**	**228,534**
Other comprehensive income:			
Items that may be subsequently reclassed to profit or loss:			
Exchange difference on translation of foreign operations		(295,361)	101,172
Net fair value gain on available-for-sale financial assets		–	43,970
Fair value loss (profit) on debt instruments at FVOCI	40	(75,962)	–
Taxation relating to components of other comprehensive income that may be subsequently reclassed to profit or loss	40	2,695	(1,805)
		(368,628)	143,337
Items that will not be reclassed to profit or loss:			
Property and equipment – net revaluation gain	28	(643)	6,255
Fair value in equity instruments designated at FVOCI	40	348	–
Remeasurements of defined benefit obligations	40	1,374	(6,064)
Taxation relating to components of other comprehensive income that will not be subsequently reclassed to profit or loss	40	(4,342)	(3,144)
		(3,263)	(2,953)
Other comprehensive (Loss)/profit for the year net of tax		**(371,891)**	**140,384**
Total comprehensive (Loss)/profit for the year		**(43,242)**	**368,918**
Total comprehensive (Loss)/profit attributable to:			
Owners of the parent		**(65,289)**	**304,611**
– Continuing operations		(65,226)	304,097
– Discontinued operations		(63)	514
Non-controlling interests		**22,047**	**64,307**
– Continuing operations		22,101	63,870
– Discontinued operations		(54)	437
		(43,242)	**368,918**

Items in the statement above are disclosed net of tax. The deferred income tax relating to each component of other comprehensive income is disclosed in Note 36.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

As at 31 December	Notes	2018	2017
Assets			
Cash and balances with central banks	17	2,797,417	2,661,745
Trading financial assets	18	122,283	36,557
Derivative financial instruments	19	49,914	39,267
Loans and advances to banks	20	1,717,575	1,685,806
Loans and advances to customers	21	9,168,669	9,357,864
Treasury bills and other eligible bills	22	1,828,251	1,718,977
Investment securities	23	4,568,262	4,405,240
Pledged assets	24	240,434	298,561
Other assets	25	739,168	760,724
Investment in affiliate associates	26	6,147	9,964
Intangible assets	27	278,334	283,664
Property and equipment	28	827,165	924,163
Investment properties	29	29,787	43,514
Deferred income tax assets	36	118,715	121,715
		22,492,121	22,347,761
Assets held for sale and discontinued operations	30	90,075	83,843
Total assets		**22,582,196**	**22,431,604**
Liabilities			
Deposits from banks	31	1,465,646	1,772,414
Deposits from customers	32	15,935,999	15,203,271
Derivative financial instruments	19	29,907	32,497
Borrowed funds	33	2,059,690	1,728,756
Other liabilities	34	996,557	1,210,908
Provisions	35	52,979	52,450
Current income tax liabilities		52,076	58,107
Deferred income tax liabilities	36	55,099	64,269
Retirement benefit obligations	37	3,896	24,064
		20,651,849	20,146,736
Liabilities held for sale and discontinued operations	30	117,856	112,785
Total liabilities		**20,769,705**	**20,259,521**
Equity			
Share capital and premium	39	2,113,957	2,113,957
Retained earnings and reserves	40	(577,005)	(233,213)
Equity attributable to owners of the parents		**1,536,952**	**1,880,744**
Non-controlling interests		**275,539**	**291,339**
Total equity		**1,812,491**	**2,172,083**
Total liabilities and equity		**22,582,196**	**22,431,604**

The accompanying notes are an integral part of these financial statements.
The financial statements were approved for issue by the Board of Directors on 22 February, 2019 and signed on its behalf by:
The Group CEO and Group CFO who are both signatories to the financial statements of ETI, were granted a waiver by the Financial Reporting Council (FRC) of Nigeria allowing them to sign the ETI financial statements (without indicating their FRC registration numbers) together with the Chairman on behalf of the board.

Emmanuel Ikazoboh
Group Chairman

Greg Davis
Group Chief Financial Officer

Ade Ayeyemi
Group Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

		Attributable to equity holders of the Company			Total	Non-controlling interests	Total equity
	Note	Share capital and premium	Retained earnings /(Accumulated deficit)	Other reserves			
At 1 January 2017		**2,114,332**	**230,847**	**(767,255)**	**1,577,924**	**186,154**	**1,764,078**
Net changes in available for sale investments, net of taxes	40	–	–	42,165	42,165	–	42,165
Foreign currency translation differences	41	–	–	86,814	86,814	14,358	101,172
Remeasurements of post-employment benefit obligations	37	–	–	(6,064)	(6,064)	–	(6,064)
Net gains on revaluation of property	40	–	–	3,111	3,111	–	3,111
Other comprehensive income for the year		–	–	126,026	126,026	14,358	140,384
Profit for the year		–	178,585	–	178,585	49,949	228,534
Total comprehensive income for the year		**–**	**178,585**	**126,026**	**304,611**	**64,307**	**368,918**
Transfer to other Group reserve		–	(130,447)	130,447	–	–	–
Dividend relating to 2016	40	–	–	–	–	(23,378)	(23,378)
Change in minority interest	40	–	–	–	–	64,256	64,256
Treasury shares	40	(375)	–	–	(375)	–	(375)
Transfer from share option reserve		–	(344)	344	–	–	–
Transfer to general banking reserves	40		(17,049)	17,049	–	–	–
Transfer to statutory reserve		–	(45,450)	45,450	–	–	–
Convertible loans – equity component	40	–	–	(1,416)	(1,416)	–	(1,416)
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**
Net changes in debt instruments, net of taxes	41	–	–	(65,265)	(65,265)	(8,002)	(73,267)
Net changes in equity instruments, net of taxes	41	–	–	348	348	–	348
Foreign currency translation differences	41	–	–	(258,408)	(258,408)	(36,953)	(295,361)
Remeasurements of post-employment benefit obligations	37	–	–	1,374	1,374	–	1,374
Net gains on revaluation of property	41	–	–	(4,985)	(4,985)	–	(4,985)
Other comprehensive income for the year		–	–	(326,936)	(326,936)	(44,955)	(371,891)
Profit for the year		–	261,647	–	261,647	67,002	328,649
Total comprehensive income for the year		**–**	**261,647**	**(326,936)**	**(65,289)**	**22,047**	**(43,242)**
Transfer to other Group reserves		–	(12,591)	12,591	–	–	–
Dividend relating to 2017	40	–	–	–	–	(17,050)	(17,050)
Change in minority interest		–	–	–	–	–	–
Transfer to share option reserve	40	–	(219)	219	–	–	–
Transfer from general banking reserves	40	–	124,262	(124,262)	–	–	–
Transfer to statutory reserve	40	–	(45,376)	45,376	–	–	–
At 31 December 2018		**2,113,957**	**265,362**	**(842,367)**	**1,536,952**	**275,539**	**1,812,491**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

For the year ended 31 December	Notes	2018	2017
Cash flows from operating activities			
Profit before tax		435,977	288,340
Adjustments for:			
Foreign exchange income		(46,917)	(37,498)
Net losses from investment securities	10	14	5
Fair value(gain) loss on investment properties	11	1,077	827
Impairment losses on loans and advances	13	240,001	326,248
Impairment losses on other financial assets	14	23,914	84,806
Depreciation of property and equipment	12	77,541	80,557
Net interest income		(929,760)	(977,319)
Amortisation of software and other intangibles	12	19,903	15,263
Profit on sale of property and equipment		(63)	(3,253)
Share of loss of associates	26	2,512	257
Income taxes paid		(118,862)	(77,608)
Changes in operating assets and liabilities			
• Trading financial assets		(85,726)	40,851
• Derivative financial instruments		(10,647)	28,937
• Treasury bills and other eligible bills		(51,142)	(542,527)
• Loans and advances to banks		84,298	(156,834)
• Loans and advances to customers		(105,569)	(244,255)
• Pledged assets		58,127	219,644
• Other assets		(7,782)	33,931
• Mandatory reserve deposits with central banks		60,386	(163,158)
• Other deposits from banks		(500,781)	–
• Deposits from customers		732,728	1,706,551
• Derivative liabilities		(2,590)	9,395
• Provisions		529	23,668
• Other liabilities		(214,351)	(131,727)
Interest received		1,528,410	1,570,320
Interest paid		(598,650)	(593,001)
Net cash flow from operating activities		**592,577**	1,502,420
Cash flows from investing activities			
Purchase of software	27	(21,471)	(26,355)
Purchase of property and equipment	28	(200,945)	(256,194)
Proceeds from sale of property and equipment		222,163	147,896
Purchase of investment securities	23	(1,684,041)	(1,631,773)
Purchase of investment properties		(10,481)	(10,012)
Disposal of investment properties		22,604	1,324
Proceeds from sale and redemption of investment securities		1,314,559	809,340
Net cash flow used in investing activities		**(357,612)**	**(965,774)**
Cash flows from financing activities			
Repayment of borrowed funds		(110,022)	(533,110)
Proceeds from borrowed funds		440,958	410,980
Dividends paid to non-controlling shareholders		(17,050)	(23,378)
Net cash flow from/(used) financing activities		**313,886**	**(145,508)**
Net increase in cash and cash equivalents		**548,851**	**391,138**
Cash and cash equivalents at start of year	41	1,965,611	2,020,838
Effects of exchange differences on cash and cash equivalents		(372,607)	(446,365)
Cash and cash equivalents at end of year	**41**	**2,141,855**	**1,965,611**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1 General information

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of presentation and measurement

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

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

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

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

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

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

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

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

2.2 New and amended standards adopted by the Group

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

I) IFRS 9 Financial Instruments

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

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

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

Classification and measurement

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

Impairment

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

The increase in impairment charge is driven by:

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

II) IFRS 15 Revenue from Contracts with Customers

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

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

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

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

I) IFRS 16 Leases

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

II) IFRS 17 Insurance Contracts

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

The impact of this standard is currently being assessed.

2.4 Foreign currency translation

a) Functional and presentation currency

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

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

b) Transactions and balances

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

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

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

c) Group companies

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

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

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

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

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

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

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

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

2.5 Sale and repurchase agreements

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

2.6 Determination of fair value

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

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

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

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position. The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2.7 Fee and commission income

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

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

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

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

2.8 Dividend income

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

2.9 Net gains on trading financial assets

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

2.10 Impairment of non-financial assets

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

2.11 Share-based payments

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

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

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

2.12 Cash and cash equivalents

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

2.13 Repossessed collateral

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

2.14 Leases

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

(a) A Group company is the lessee

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

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

(b) A Group company is the lessor

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(c) Fees paid in connection with arranging leases

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

2.15 Investment properties

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

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

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

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

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

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

2.16 Property and equipment

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

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

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

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

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

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

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

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

2.17 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 capitalised 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 programmes 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.

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

2.18 Income tax

a) Current income tax

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

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

b) Deferred income tax

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

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

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

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

2.19 Provisions

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

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

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

2.20 Employee benefits

a) Pension obligations

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

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

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

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

Past-service costs are recognised immediately in income.

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

b) Other post-retirement obligations

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

c) Termination benefits

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

d) Profit-sharing and bonus plans

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

e) Short term benefits

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

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.

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2.22 Compound financial instruments

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

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

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

2.23 Fiduciary activities

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

2.24 Share capital

a) Share issue costs

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

b) Dividends on ordinary shares

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

c) Treasury shares

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

2.25 Segment reporting

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

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

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

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

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

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

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

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

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

2.27 Discontinued operations:

As discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation, is part of single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with 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 amortised 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 recognised on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognised 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 amortised 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 amortised cost using the effective interest rate method. Amortised 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 amortised 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.

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(iii) 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 recognised immediately in the Consolidated Income Statement as part of Net trading income. Realised and unrealised gains and losses are recognised 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 its equity instruments as FVTOCI. Gains and losses on these instruments including when derecognised/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 recognised 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 applies for equity instruments measured at FVTOCI).

e) Business model assessment

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

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

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

The Group may decide to sell financial instruments held with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met: (i) When the Group sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Group considers sales of financial assets that may occur in assets held with the sole objective of collecting cash flows 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 cash flows category that will not constitute a change in business model:

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

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

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

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

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

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

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

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

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a) Financial assets at fair value through profit or loss

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

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

Financial assets and financial liabilities are designated at fair value through profit or loss when:

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

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

(iii) Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit or loss. Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net trading income'.

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

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

b) Loans and receivables

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

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

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

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

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

c) Available-for-sale

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

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

2.29.3 Financial liabilities – Policy applicable from 1 January, 2018

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

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

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

2.29.4 Financial liabilities – Policy applicable before 1 January, 2018

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

a) Derivative liabilities at fair value through profit or loss

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

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

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

b) Other liabilities measured at amortised cost

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

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

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

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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 (lifetime 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 derecognised 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 amortised cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

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

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

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

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

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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 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

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

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

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

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

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

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a semi-annual basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

h) Significant Increase in Credit Risk (SICR)

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

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

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i) Forward-looking information incorporated in the ECL models

The assessment of ECLs 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 of 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 a high degree of inherent uncertainty and therefore the actual outcomes may significantly differ from those projected. The Group considers these forecasts to represent its best estimate of possible outcomes and has analysed the non-linearities an asymmetry within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of scenarios.

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

	2019	2020
Nigeria oil exports		
Base	1.96m b/day	1.83m b/day
Upside	2.02m b/day	2.18m b/day
Downside	1.70m b/day	0.85m b/day
Prime lending rate		
Base	17.51	17.05
Upside	17.07	16.94
Downside	17.51	19.36
UEMOA/CESA Commodity price index		
Base	428.53	428.53
Upside	614.08	671.17
Downside	242.98	183.88
AWA Prime lending rate		
Base	18.13	17.99
Upside	12.41	9.85
Downside	26.71	32.92
Average exchange rate		
Base	5.19	5.56
Upside	4.63	4.64
Downside	5.75	6.49

Summary of forward-looking information and associated sensitivity:

		Aggregate Impairment					
		Nigeria	UEMOA	AWA	CESA	ETI and Others	Total
Gross Loans		2,544,197	4,053,889	1,193,947	1,760,674	254,502	9,807,209
Impairment		(230,850)	(107,749)	(71,049)	(141,554)	(87,338)	(638,540)
Commodity Price Index	5% Increase	(230,850)	(107,966)	(71,049)	(141,84)	(87,336)	(639,041)
	5% Decrease	(230,850)	(107,533)	(71,049)	(141,271)	(87,336)	(638,039)
Oil Exports	5% Increase	(308,690)	(107,749)	(71,049)	(141,554)	(87,336)	(716,378)
	5% Decrease	(231,408)	(107,749)	(71,049)	(141,554)	(87,336)	(639,096)
Prime Lending Rate	5% Increase	(245,466)	(107,749)	(70,924)	(141,554)	(87,336)	(653,030)
	5% Decrease	(217,216)	(107,749)	(71,013)	(141,554)	(87,336)	(624,867)
Average Exchange Rate	5% Increase	(230,850)	(107,679)	(71,086)	(141,554)	(87,336)	(638,505)
	5% Decrease	(230,850)	(107,679)	(71,013)	(141,554)	(87,336)	(638,432)

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

j) Expected Life

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

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

a) Assets carried at amortised cost

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

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

i) significant financial difficulty of the issuer or obligor;

ii) a breach of contract, such as a default or delinquency in interest or principal payments;

iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

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v) the disappearance of an active market for that financial asset because of financial difficulties; or

vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

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

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

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

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

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

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

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

b) Assets classified as available-for-sale

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

c) Renegotiated loans

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

2.29.7 Interest income – Policy applicable from 1 January, 2018

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

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

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

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

2.29.8 Interest income – Policy applicable before 1 January, 2018

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

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

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

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

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

A change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

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

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

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

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

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

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

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

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

2.29.11 Modification of financial assets – Policy applicable from 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.
- 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 derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss in the Other operating income item.

Quantitative criteria

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

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

Qualitative criteria

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

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

If the cash flows of the modified asset carried at amortised 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 recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

2.29.12 Modification of financial assets - Policy applicable before 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.

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

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

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

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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 asset.

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

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 recognised in other comprehensive income is recognised 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 IFRS, or for gains and losses arising from a group of similar transactions such as in the trading activity.

2.32 Classes of financial instruments

2.32.1 Classes of financial instruments from 1 January, 2018

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)	Note
Fair Value Through Profit or Loss (FVTPL)	Trading financial assets	18
	Derivative financial instruments	19
Amortised Cost	Cash and balances with central banks	17
	Loans and advances to banks	20
	Loans and advances to customers	21
	Other assets excluding prepayments	25
Fair Value Through Other Comprehensive Income (FVTOCI)	Treasury bills and other eligible bills	22
	Investment securities	23
	Pledged assets	24

Financial liabilities

Category (as defined by IFRS9)	Class (as determined by the Group)	Note
Financial liabilities at fair value through profit or loss	Derivative financial instruments	19
Financial liabilities at amortised cost	Deposits from banks	31
	Deposits from customers	32
	Borrowed funds	33
	Other liabilities, excluding non-financial liabilities	34

Off balance sheet financial instruments

Category (as defined by IFRS9)	Class (as determined by the Group)	Note
Loan commitments	Loan commitments	38
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	38

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2.32.2 Classes of financial instruments before 1 January, 2018

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 IAS 39)	Class (as determined by the Group)	Note
Financial assets at fair value through profit or loss	Financial assets held for trading	18
	Derivative financial assets	19
Loans and receivables	Cash and balances with central banks	17
	Loans and advances to banks	20
	Loans and advances to customers	21
	Other assets excluding prepayments	25
Held-to-maturity Investments	None	Not applicable
Available-for-sale financial assets	Treasury bills and other eligible bills	22
	Investment securities – available for sale	23
	Pledged assets	24
Hedging derivatives	None	Not applicable

Financial liabilities

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Financial liabilities at fair value through profit or loss	Derivative financial liabilities	19
Financial liabilities at amortised cost	Deposits from banks	31
	Deposits from customers	32
	Borrowed funds	33
	Other liabilities, excluding non-financial liabilities	34

Off balance sheet financial instruments

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Loan commitments	Loan commitments	38
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	38

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.

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

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

c) Fair value of financial instruments

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

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

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

e) Goodwill impairment

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

f) Taxes

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

g) Business model assessment

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

4 Transition to IFRS 9: Financial Instruments

4.1 Changes in accounting policies

The Group has adopted IFRS 9 with a date of transition of 1 January, 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of IFRS 9, The Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. The Group does not currently apply hedge accounting.

Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail below as well as in the accounting policies in Note 2 to these financial statements.

4.2 Classification and measurement of financial instruments

US$'000	IAS 39		IFRS 9	
Financial Assets	Measurement category	Carrying amount	Measurement category	Carrying amount
Cash and balances with central banks	Loans and receivables	2,661,745	Amortised cost	2,661,745
Loans and advances to banks	Loans and receivables	1,685,806	Amortised cost	1,677,170
Loans and advances to customers	Loans and receivables	9,357,864	Amortised cost	9,079,972
Other assets	Loans and receivables	760,724	Amortised cost	752,403
Pledged assets	Available for sale	298,561	FVTOCI	298,561
Treasury bills and other eligible bills	Available for sale	1,718,977	FVTOCI	1,718,977
Equity Investment securities	Available for sale	111,297	FVTPL	111,297
Equity Investment securities	Available for sale	60,165	FVTOCI (Designated)	60,165
Debt Investment securities	Available for sale	4,233,778	FVTOCI	4,229,327
Trading financial assets	FVTPL (Held for trading)	36,557	FVTPL	36,557
Derivative financial instruments	FVTPL	39,267	FVTPL	39,267

There is no change in the classification and measurement rules of financial liabilities between IAS 39 and IFRS 9, except in the recognition of fair value gains or losses due to changes in own credit risk for financial liabilities measured at fair value through profit or loss. The Group does not currently hold any such instruments.

The Group does not have any financial liabilities measured at fair value through profit or loss.

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4.3 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 as at 31 December, 2017 to their new measurement categories upon transition to IFRS 9 on 1 January, 2018:

US$'000	Ref	IAS 39 carrying amount	Reclassifications	Remeasurements	IFRS 9 carrying amount
a) Amortised cost					
Cash and balances with central banks					
Opening and closing balance under IAS 39		2,661,745	–	–	2,661,745
Loans and advances to banks					
Opening balance under IAS 39		1,685,806			
ECL Allowance			–	(8,636)	
Closing balance under IFRS 9					1,677,170
Loans and advances to customers					
Opening balance under IAS 39		9,357,864			
ECL Allowance – Loans and advances to customers			–	(253,500)	
ECL Allowance – Loan commitments			–	(24,392)	
Closing balance under IFRS 9					9,079,972
Other assets					
Opening balance under IAS 39		760,724			
ECL allowance			–	(8,321)	
Closing balance under IFRS 9					752,403
Total financial assets measured at amortised cost		**14,466,139**	**–**	**(294,849)**	**14,171,290**

4.3 Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

US$'000	Ref	IAS 39 carrying amount	Reclassifications	Remeasurements	IFRS 9 carrying amount
b) Fair Value through profit or loss (FVTPL)					
Trading financial assets					
Opening and closing balance under IAS 39		36,557	–	–	36,557
Closing balance under IFRS 9					
Derivative financial instruments					
Opening balance under IAS 39		39,267	–	–	39,267
Closing balance under IFRS 9					
Equity instruments FVTPL					
Opening balance under IAS 39		–			
Addition: From available for sale (IAS 39)			111,297	–	
Closing balance under IFRS 9					111,297
Total financial assets measured at FVTPL		**75,824**	**111,297**	**–**	**187,121**
c) Fair value through other comprehensive income (FVTOCI)					
Investment securities – FVTOCI (debt instruments)					
Opening balance under IAS 39		–			
Addition: From available for sale (IAS 39)			6,251,316	(4,451)	
Closing balance under IFRS 9					6,246,865
Investment securities - FVTOCI (equity instruments)					
Opening balance under IAS 39		–			–
Addition: From available for sale (IAS 39) – designated			60,165		
Closing balance under IFRS 9					60,165
Investment securities – Available for sale financial assets					
Opening balance under IAS 39		6,422,778			
Transferred: To FVTOCI – equity instruments			(60,165)		
Transferred: To FVTPL – equity instruments			(111,297)		
Transferred: To FVTOCI – debt instruments			(6,251,316)		
Closing balance under IFRS 9					
Total financial assets measured at FVTOCI		**6,422,778**	**(111,297)**	**(4,451)**	**6,307,030**

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above:

i) Designation of equity instruments at FVTOCI
The Group has elected to irrevocably designate strategic equity investments of $60 million at FVTOCI as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

ii) Reclassification from retired categories with no change in measurement
In addition to the above, debt instruments previously classified as available for sale have now been classified as measured at FVTOCI and to FVTPL. The Group did not have any financial assets or liabilities that were reclassified to the amortised cost category as part of transition to IFRS 9.

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4.4 Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January, 2018:

Measurement category US$'000	Loan loss allowance under IAS 39 / Provision under IAS 37	Remeasurement/ Transition adjustment	Loss allowance – IFRS 9
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)			
Cash and balances with central banks	–	–	–
Loans and advances to Banks	–	8,636	8,636
Loans and advances to Customers	554,914	253,500	808,414
Other assets	111,796	8,321	120,117
Investment securities	–	–	–
Total	**666,710**	**270,457**	**937,167**
Available for sale financial instruments (IAS 39) / Financial assets at FVTOCI (IFRS 9)			
Investment securities: Debt instruments	1,534	4,451	5,985
Loan commitments and financial guarantee contracts			
Letters of credit (Loan commitments)	–	24,392	24,392
Provisions (Financial guarantees)	–	–	–
Total	**668,244**	**299,300**	**967,544**

5 Financial Risk Management

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

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

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

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

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

5.1 Credit Risk

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

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

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

5.1.1 Credit quality analysis

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

Credit risk grading

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

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

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

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

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

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

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

<table>
<tr><th>Credit rating</th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th>6</th><th>7</th><th>8</th><th>9</th><th>10</th></tr>
<tr><td>S&P</td><td>AAA</td><td>AA</td><td>A</td><td>BBB</td><td>BB</td><td>B</td><td>CCC</td><td>CC</td><td>C</td><td>D</td></tr>
<tr><td>Description of the grade</td><td colspan="3">Investment Grade</td><td colspan="6">Speculative Grade</td><td>Default</td></tr>
<tr><td rowspan="4">Classification</td><td colspan="6">Performing</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td colspan="3">Watchlist</td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="2">Substandard</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Doubtful or Loss</td></tr>
<tr><td rowspan="3">Stages</td><td colspan="6">Stage 1</td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="2">Stage 2</td><td></td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td colspan="2">Stage 3</td></tr>
</table>

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

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require.

5.1.2 Risk limit control and mitigation policies

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

(a) Collateral

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

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

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

(b) Credit-related commitments

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

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

5.1.3 Expected credit loss measurement

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

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

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

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

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

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

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

Further explanation is also provided of how the Group determines appropriate Groupings when ECL is measured on a collective basis. The following diagram summarises the impairment requirements under IFRS 9 (other than POCI financial assets):

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5.1.4 Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the Group is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

a) Forward transitions: Credit Ratings

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

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

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

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

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

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

b) Forward transitions: Days past due

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption.

Stage	Days Past Due
1	0 to 29
2	30 to 89
3	90+

c) Forward transitions: Watchlist & Restructure

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

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d) Forward transitions: Classification

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

Classification	Days Past Due
Performing (Current + Watchlist)	0 to 89
Substandard	90 to 179
Doubtful	180 to 364
Loss	365+

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

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

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

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

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

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

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

5.1.5 Grouping of instruments for losses measured on a collective basis

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

Retail – Groupings for collective measurement

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

Wholesale – Groupings for collective measurement

- Collateral type
- Credit Rating band

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

5.1.5 Maximum exposure to credit risk

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

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

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

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

Loans and advances to customers						
US$'000	December 2018					December 2017
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total	Total
Gross carrying amount	7,676,882	1,185,788	944,539	–	9,807,209	9,912,778
Loss allowance	(89,093)	(81,468)	(467,979)	–	(638,540)	(554,914)
Carrying amount	**7,587,789**	**1,104,320**	**476,560**	**–**	**9,168,669**	**9,357,864**

Loans and advances to banks						
US$'000	December 2018					December 2017
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total	Total
Gross carrying amount	1,718,940	–	–	–	1,718,940	1,685,806
Loss allowance	(1,365)	–	–	–	(1,365)	–
Carrying amount	**1,717,575**	**–**	**–**	**–**	**1,717,575**	**1,685,806**

Investment securities – debt instruments						
US$'000	December 2018					December 2017
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total	Total
Gross carrying amount	4,563,604	–	–	–	4,563,604	4,235,312
Loss allowance	(949)	–	–	–	(949)	(1,534)
Carrying amount	**4,562,655**	**–**	**–**	**–**	**4,562,655**	**4,233,778**

Other assets						
US$'000	December 2018					December 2017
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total	Total
Gross carrying amount	880,302	–	–	–	880,302	872,520
Loss allowance	(141,134)	–	–	–	(141,134)	(111,796)
Carrying amount	**739,168**	**–**	**–**	**–**	**739,168**	**760,724**

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

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

US$'000	December 2018	December 2017
Trading assets		
• Debt securities	122,283	36,064
• Derivatives	49,914	39,267
Financial assets designated at fair value		
• Debt securities	–	4,235,312
• Loans and advances to customers	–	–

5.1.5.3 Maximum exposure to credit risk before collateral held

	Maximum exposure	
Maximum exposure to credit risk before collateral held	**31 December 2018**	**31 December 2017**
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Balances with central banks	2,140,632	2,084,883
Treasury bills and other eligible bills	1,828,251	1,718,977
Loans and advances to banks	1,717,575	1,685,806
Loans and advances to customers:		
CIB		
• Overdrafts	830,063	1,948,955
• Term loans	6,185,506	4,909,915
• Others	–	23,558
Commercial		
• Overdrafts	234,516	432,566
• Credit cards	–	5
• Term loans	984,180	1,089,117
• Others	1,654	—
Consumer		
• Overdrafts	19,494	80,882
• Credit cards	1,740	3,795
• Term loans	806,230	768,816
• Mortgages	105,286	100,255
Trading financial assets		
• Debt securities	122,283	36,064
Derivative financial instruments	49,914	39,267
Financial assets designated at fair value:		
Investment securities:		
• Debt securities	4,563,603	4,235,312
Pledged assets	240,434	298,561
Other assets	574,044	479,868
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	4,340,213	3,207,163
Loan commitments	1,221,440	713,654
	25,967,058	**23,857,419**

The above table represents a worse case scenario of credit risk exposure of the Group at 31 December, 2018 and 31 December, 2017, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 42% (2017: 46.3%) of the total maximum exposure is derived from loans and advances to banks and customers; 18% (2017: 17.8%) represents investments securities in debt securities.

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

- 81.8% (2017: 80.9%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 67% (2017: 44%) of loans and advances are backed by collateral;
- Investment in debt securities are largely government securities.

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5.1.6 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are also collateralised.

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

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is USD106 million as at 31 December, 2018.

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

5.1.7 Loss allowance

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

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

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

Loans and advances to customers

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018*	52,937	129,623	650,246	–	832,806
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Transfer from Stage 1 to Stage 2	(7,956)	7,956	–	–	–
Transfer from Stage 1 to Stage 3	(41,085)	–	41,085	–	–
Changes in PDs/LGDs/EADs	(81,691)	(16,061)	327,208	–	229,456
Changes to model assumptions and methodologies	–	–	8,842	–	8,842
Modification of contractual cash flows of financial assets	–	–	1,703	–	1,703
Total net P&L charge during the period	**(130,732)**	**(8,105)**	**378,838**	**–**	**240,001**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	166,888	(40,868)	(120,414)	–	5,606
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	818	(818)	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	(439,873)	–	(439,873)
Loss allowance as at 31 December 2018**	**89,093**	**81,468**	**467,979**	**–**	**638,540**
Credit commitments (current)	**–**	**–**	**–**	**–**	**–**

*Includes loss allowance on loan commitments of $24 million

**Includes loss allowance on loan commitments of $12 million

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowances were as follows:

- The write-off of loans with a total gross carrying amount of $205 million resulted in the reduction of the Stage 3 loss allowance by the same amount.

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Investment securities – Debt instruments

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	5,985	–	–	–	5,985
Movements with P&L impact					
Changes in PDs/LGDs/EADs	(5,036)	–	–	–	(5,036)
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**(5,036)**	**–**	**–**	**–**	**(5,036)**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**949**	**–**	**–**	**–**	**949**

Other assets

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018*	–	120,117	–	–	120,117
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	–	23,914	–	–	23,914
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–		–	–	–
Total net P&L charge during the period	**–**	**23,914**	**–**	**–**	**23,914**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	(2,897)	–	–	(2,897)
Loss allowance as at 31 December 2018	**–**	**141,134**	**–**	**–**	**141,134**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Loans and advances to banks

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	8,636	–	–	–	8,636
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	(7,271)	–	–	–	(7,271)
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**(7,271)**	**–**	**–**	**–**	**(7,271)**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**1,365**	**–**	**–**	**–**	**1,365**

5.1.8 Loans and advances exposure by internal rating

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

Credit Rating	31 December 2018		31 December 2017	
	Loans and advances US$'000		Loans and advances US$'000	
1	700,821	7%	573,280	6%
2	95,535	1%	139,540	1%
3	495,418	5%	536,327	5%
4	392,725	4%	293,961	3%
5	857,756	9%	978,625	10%
6	5,556,745	57%	5,353,154	54%
7	1,117,677	11%	965,970	10%
8	369,733	4%	732,978	7%
9	135,416	1%	270,156	3%
10	85,383	1%	68,787	1%
	9,807,209	**100%**	**9,912,778**	**100%**

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

Group's rating	31 December 2018				31 December 2017			
	Loans and advances		Impairment provision		Loans and advances		Impairment provision	
1 Current	7,352,962	75%	25,388	0%	7,575,258	76%	100,354	1%
1A. Watchlist	323,920	3%	63,705	20%	391,773	4%	52,861	13%
II. Substandard	1,185,788	12%	81,468	7%	885,911	9%	16,476	2%
III. Doubtful	679,404	7%	318,226	47%	905,929	9%	262,456	29%
IV. Loss	265,135	3%	149,753	56%	153,907	2%	122,767	80%
	9,807,209	**100%**	**638,540**	**7%**	**9,912,778**	**100%**	**554,914**	**6%**
Credit commitments "Current"	5,561,653		11,890		3,920,817			

5.1.9 Loans and advances by status

Loans and advances are summarised as follows:

Loans and advances are summarised as follows:	31 December 2018		31 December 2017	
	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers
Neither past due nor impaired	1,718,940	7,676,882	1,685,806	7,967,031
Past due but not impaired	–	1,185,788	–	885,911
Impaired	–	944,539	–	1,059,836
Gross	**1,718,940**	**9,807,209**	**1,685,806**	**9,912,778**
Less: allowance for impairment	(1,365)	(638,540)	–	(554,914)
Net	**1,717,575**	**9,168,669**	**1,685,806**	**9,357,864**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Loans and advances neither past due nor impaired

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

31 December 2018

	Loans and advances to customers											
	CIB			Commercial				Consumer				Total
Grades:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgages	
Current	724,694	4,872,075	–	148,381	–	789,475	1,654	29,299	1,662	689,209	96,513	7,352,962
Watchlist	20,515	199,848	–	12,201	–	55,383	–	3,687	–	23,966	8,320	323,920
Total	**745,209**	**5,071,923**	**–**	**160,582**	**–**	**844,858**	**1,654**	**32,986**	**1,662**	**713,175**	**104,833**	**7,676,882**

31 December 2017

	Loans and advances to customers											
	CIB			Commercial				Consumer				Total
Grades:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	
Current	1,146,689	4,514,934	23,794	204,075	–	851,982	–	11,332	2,050	721,095	99,307	7,575,258
Watchlist	72,899	241,130	–	9,848	–	57,712	–	1,496	–	7,772	916	391,773
Total	**1,219,588**	**4,756,064**	**23,794**	**213,923**	**–**	**909,694**	**–**	**12,828**	**2,050**	**728,867**	**100,223**	**7,967,031**

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

(b) Loans and advances past due but not impaired

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

31 December 2018

	CIB			Commercial				Consumer				Total
Past due:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	
Past due up to 30 days	16,366	278,392	–	2,953	–	45,351	–	2,953	1,439	2,946	70	350,470
Past due 30-60 days	5,084	86,755	–	566	–	25,008	–	566	–	2,968	48	120,995
Past due 60-90 days	37,497	622,827	–	9,686	–	31,321	–	9,686	–	1,997	1,309	714,323
Total	**58,947**	**987,974**	–	**13,205**	–	**101,680**	–	**13,205**	**1,439**	**7,911**	**1,427**	**1,185,788**
Fair value of collateral	34,477	769,632	–	8,809	–	29,264	–	12,242	1,439	2,701	584	859,148
Amount of (over)/under collateralisation	**24,470**	**218,342**	**–**	**4,396**	**–**	**72,416**	**–**	**963**	**–**	**5,210**	**843**	**326,640**

31 December 2017

	CIB			Commercial				Consumer				Total
Past due:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	
Past due up to 30 days	29,092	130,771	–	3,527	–	19,132	–	937	–	1,838	1	185,298
Past due 30-60 days	36,896	16,669	–	7,864	–	15,833	–	1,405	–	3,753	636	83,056
Past due 60-90 days	373,645	25,680	–	105,921	5	13,813	–	55,421	1,697	41,370	5	617,557
Total	**439,633**	**173,120**	**–**	**117,312**	**5**	**48,778**	**–**	**57,763**	**1,697**	**46,961**	**642**	**885,911**
Fair value of collateral	36,901	61,598	–	227,643	–	8,109	–	4,944	–	144	–	339,340
Amount of (over)/under collateralisation	**402,732**	**111,522**	**–**	**(110,331)**	**5**	**40,669**	**–**	**52,819**	**1,697**	**46,817**	**642**	**546,571**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

c) Loans and advances individually impaired

i) Loans and advances to customers

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

31 December 2018

	CIB			Commercial				Consumer				Total
Past due:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Credit cards	Term Loans	Mortgages	
Gross	88,650	413,179	–	120,866	–	235,596	–	40,597	–	45,651	–	944,539
Impairment allowance	(19,127)	(181,019)	–	(56,895)	(2)	(184,650)	–	(19,337)	–	(6,949)	–	(467,979)
	69,523	**232,160**	**-**	**63,971**	**(2)**	**50,946**	**-**	**21,260**	**-**	**38,702**	**-**	**476,560**
Fair value of collateral	(33,330)	357,482)	–	(63,908)	–	(73,150)	–	(28,297)	–	(9,301)	–	(565,468)
Amount of (over)/under collateralisation	**36,193**	**(125,322)**	**-**	**63**	**(2)**	**(22,204)**	**-**	**(7,037)**	**-**	**29,401**	**-**	**(88,908)**

31 December 2017

	CIB			Commercial				Consumer				Total
Past due:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Credit cards	Term Loans	Mortgages	
Gross	334,788	229,122	–	162,773	–	251,499	–	57,445	48	23,626	535	1,059,836
Impairment allowance	(121,963)	(171,718)	–	(42,907)	–	(139,388)	–	(57,199)	–	(21691)	(48)	(554,914)
	212,825	**57,404**	**–**	**119,866**	**–**	**112,111**	**–**	**246**	**48**	**1,935**	**487**	**504,922**
Fair value of collateral	(220,116)	(149,300)	–	(109,260)	–	(93,154)	–	(600)	–	(12,933)	(206)	(585,569)
Amount of (over)/under collateralisation	**(7,291)**	**(91,896)**	**–**	**10,606**	**–**	**18,957**	**–**	**(354)**	**48**	**(10,998)**	**281**	**(80,647)**

(d) Other assets with exposure to credit risks

	Balances with central banks	Trading financial assets	Derivative financial instruments	Treasury bills and other eligible bills	Investment securities	Pledged assets	Other assets less prepayments	Total
31 December 2018								
Neither past due nor impaired	2,140,632	122,283	49,914	1,828,251	4,564,552	240,434	574,044	9,520,110
Past due but not impaired								–
Impaired	–	–	–	–	–	–	141,134	141,134
Gross	**2,140,632**	**122,283**	**49,914**	**1,828,251**	**4,564,552**	**240,434**	**715,178**	**9,661,244**
Less: allowance for impairment					(949)		(141,134)	(142,083)
Net	**2,140,632**	**122,283**	**49,914**	**1,828,251**	**4,563,603**	**240,434**	**574,044**	**9,519,161**
Carrying amounts	2,140,632	122,283	49,914	1,828,251	4,563,603	240,434	574,044	9,519,161
31 December 2017								
Neither past due nor impaired	2,084,883	36,064	39,267	1,718,977	4,235,312	298,561	479,868	8,892,932
Past due but not impaired	–	–	–	–	–	–	111,796	111,796
Impaired								
Gross	**2,084,883**	**36,064**	**39,267**	**1,718,977**	**4,235,312**	**298,561**	**591,664**	**9,004,728**
Less: allowance for impairment	–	–	–	–	–	–	(111,796)	(111,796)
Net	**2,084,883**	**36,064**	**39,267**	**1,718,977**	**4,235,312**	**298,561**	**479,868**	**8,892,932**
Carrying amounts	2,084,883	36,064	39,267	1,718,977	4,235,312	298,561	479,868	8,892,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

5.1.10 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December, 2018 and 31 December, 2017. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

As at 31 December 2018

	UEMOA	NIGERIA	AWA	CESA	OTHERS	Total
Balances with central banks other than mandatory reserve deposits	111,827	–	83,338	698,344	117,942	1,011,451
Trading financial assets	8,675	96,421	–	17,187	–	122,283
Derivative financial instruments	–	24,202	–	25,000	712	49,914
Loans and advances to banks	468,977	395,817	230,511	352,527	269,743	1,717,575
Loans and advances to customers:						
CIB						
• Overdrafts	348,857	60,227	30,595	139,925	250,548	830,152
• Term loans	2,191,124	2,254,910	128,864	398,949	1,222,184	6,196,031
• Others	–	–	–	–	–	–
Consumer						
• Overdrafts	16,938	38,949	5,803	11,253	2,930	75,873
• Credit cards	–	1,443	–	185	215	1,843
• Term loans	373,328	37,423	22,591	91,043	182,401	706,786
• Mortgages	73,993	1,028	2,722	7,119	20,585	105,447
Commercial						
• Overdrafts	74,642	67,555	31,565	59,518	–	233,280
• Credit cards	–	–	–	–	–	–
• Term loans	598,033	82,684	66,065	211,244	59,577	1,017,603
• Others	–	–	–	–	1,654	1,654
Treasury bills and other eligible bills	122,186	640,347	256,327	807,857	1,534	1,828,251
Investment securities – debt securities	3,010,342	488,711	647,536	411,060	5,954	4,563,603
Pledged assets	–	240,434	–	–	–	240,434
Other assets	–	50,580	72,696	31,469	95,888	574,044
	7,722,333	**4,480,731**	**1,578,613**	**3,262,680**	**2,231,867**	**19,276,224**
Credit commitments	**897,275**	**1,685,985**	**813,500**	**635,412**	**1,529,481**	**5,561,653**

5.1.10 Concentration of risks of financial assets with credit risk exposure (continued)

As at 31 December 2017

	UEMOA	Nigeria	AWA	CESA	Others	Total
Balances with central banks other than mandatory reserve deposits	158,445	62,523	94,018	488,636	91,694	895,316
Financial assets held for trading	12,194	10,614	–	13,750	–	36,557
Derivative financial instruments	–	29,267	–	10,000	–	39,267
Loans and advances to banks	418,461	376,098	299,952	232,949	358,346	1,685,806
Loans and advances to customers:						
CIB						
• Overdrafts	545,330	952,564	120,913	341,928	33,275	1,994,011
• Term loans	1,973,099	1,508,857	553,647	973,449	149,251	5,158,304
• Others	23,328	–	–	–	466	23,794
Commercial						
• Overdrafts	86,586	191,858	69,603	89,177	56,784	494,008
• Credit cards	–	5	–	–	–	5
• Term loans	631,946	168,268	104,694	288,934	16,130	1,209,971
• Others	–	–	–	–	–	–
Consumer						
• Overdrafts	13,938	89,681	5,802	18,615	–	128,036
• Credit cards	-	1,868	1,665	261	–	3,795
• Term loans	552,554	38,006	62,078	146,504	311	799,454
• Mortgages	74,635	7,708	8,987	10,071	–	101,400
Treasury bills and other eligible bills	154,205	733,435	195,652	498,731	136,953	1,718,977
Investment securities – debt securities	2,832,937	443,104	592,406	359,050	7,816	4,235,312
Pledged assets	–	298,561	–	–	–	298,561
Other assets	121,093	140,709	124,970	71,690	21,406	479,868
Total	**7,598,751**	**5,053,126**	**2,234,387**	**3,543,745**	**872,432**	**19,302,442**
Credit commitments	**894,621**	**827,563**	**542,458**	**1,024,940**	**631,235**	**3,920,817**

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

(b) Industry sectors

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

	Financial institutions	Wholesale & retail trading	Manufacturing	Government	Mining & construction	Services & others	Total
31 December 2018							
Balances with central banks other than mandatory reserve deposits	1,011,451	–	–	–	–	–	1,011,451
Trading financial assets	–	–	–	122,283	–	–	122,283
Derivative financial instruments	25,712	–	–	–	–	24,202	49,914
Loans and advances to banks	1,409,847	–	–	–	–	307,728	1,717,575
Loans and advances to customers:							
• Overdrafts	18,501	272,598	139,382	91,168	186,431	377,879	1,085,959
• Credit cards	–	–	–	–	–	1,841	1,841
• Term loans	264,474	1,584,991	973,637	1,064,763	1,298,733	2,787,170	7,973,768
• Mortgages	–	687	1,704	4,888	289	97,879	105,447
• Others	–	1,654	–	–	–	–	1,654
Treasury bills and other eligible bills	213,879	–	–	1,558,312	–	56,060	1,828,251
Investment securities – debt securities	533,011	–	–	3,891,321	–	139,272	4,563,604
Pledged assets		–	–	240,434	–	–	240,434
Other assets	291,984	–	1	3,159	–	278,900	574,044
Total	**3,768,859**	**1,859,930**	**1,114,724**	**6,976,328**	**1,485,453**	**4,070,931**	**19,276,225**
Credit commitments	**2,362,606**	**177,454**	**1,502,638**	**83,114**	**437,045**	**998,796**	**5,561,653**
31 December 2017							
Balances with central banks	895,316	–	–	–	–	–	895,316
Trading financial assets	1,797	–	–	34,760	–	–	36,557
Derivative financial instruments	39,267	–	–	–	–	–	39,267
Loans and advances to banks	1,393,068	–	–	4,279	–	288,460	1,685,806
Loans and advances to customers:							
• Overdrafts	147,588	784,213	381,425	82,722	458,478	761,628	2,616,054
• Credit cards	–	–	–	–	–	3,801	3,801
• Term loans	162,977	1,571,691	1,032,336	966,415	790,969	2,643,341	7,167,729
• Mortgages	8,520	12,179	–	1,565	1,915	77,222	101,400
• Others	804	–	22,702	–	–	288	23,794
Treasury bills and other eligible bills	–	–	–	1,718,977	–	–	1,718,977
Investment securities – debt securities	1,144,851	–	8,422	2,943,520	–	138,519	4,235,312
Pledged assets	–	–	–	298,561	–	–	298,561
Other assets	141,813	40,000	–	3,721	–	294,334	479,868
Total	**3,936,001**	**2,408,083**	**1,444,885**	**6,054,519**	**1,251,362**	**4,207,592**	**19,302,442**
Credit commitments	**567,776**	**497,315**	**262,518**	**84,186**	**746,348**	**1,762,674**	**3,920,817**

5.2 Market risk

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

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

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

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

	31 December 2018			31 December 2017		
	Low	Average	High	Low	Average	High
Foreign exchange risk	533	766	986	234	652	1,435
Interest risk	1,134	1,500	1,816	342	614	1,001

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

5.2.1 Foreign exchange risk

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

31 December 2018	Dollar	Euro	CFA	Naira	Cedi	Others	Total
Assets							
Cash and balances with central banks	687,311	176,598	551,507	919,242	146,866	315,893	2,797,417
Trading financial assets	–	–	8,754	96,421	–	17,108	122,283
Derivative financial instruments	25,000	430	–	24,202	–	282	49,914
Loans and advances to banks	630,575	359,483	407,401	121,740	104,623	93,753	1,717,575
Loans and advances to customers	2,293,549	387,579	4,601,592	1,020,339	478,252	387,358	9,168,669
Treasury bills and other eligible bills	388,178	–	427,746	464,176	35,927	512,224	1,828,251
Investment securities	144,192	–	3,143,329	604,669	482,783	193,289	4,568,262
Pledged assets	–	–	–	240,434	–	–	240,434
Other assets	96,452	19,188	188,654	83,905	54,037	131,808	574,044
Total financial assets	**4,265,257**	**943,278**	**9,328,983**	**3,575,128**	**1,302,488**	**1,651,715**	**21,066,849**
Liabilities							
Deposits from banks	310,569	465,482	444,541	102,286	9,749	133,019	1,465,646
Deposits from customers	3,544,731	509,571	7,135,663	2,613,041	964,232	1,168,761	15,935,999
Derivative financial instruments	–	–	–	4,640	–	25,267	29,907
Other borrowed funds	1,584,275	124,328	169,396	84,969	436	96,286	2,059,690
Other liabilities	309,788	20,037	204,751	211,757	115,086	77,984	939,403
Total financial liabilities	**5,749,363**	**1,119,418**	**7,954,351**	**3,016,693**	**1,089,503**	**1,501,317**	**20,430,645**
Net on-statement of financial position	**(1,484,106)**	**(176,140)**	**1,374,632**	**558,435**	**212,985**	**150,398**	**636,204**
Credit commitments	**1,054,309**	**703,559**	**499,681**	**1,680,384**	**313,753**	**1,309,967**	**5,561,653**

31 December 2017	Dollar	Euro	CFA	Naira	Cedi	Others	Total
Assets							
Cash and balances with central banks	317,054	141,345	724,316	949,173	247,011	282,847	2,661,745
Trading financial assets	–	–	15,087	10,613	–	10,857	36,557
Derivative financial instruments	39,267	–	–	–	–	–	39,267
Loans and advances to banks	650,524	459,858	342,310	98,286	30,349	104,479	1,685,806
Loans and advances to customers	2,152,253	270,989	4,808,460	1,271,481	490,766	363,914	9,357,864
Treasury bills and other eligible bills	185,939	–	358,625	733,435	24,316	416,662	1,718,977
Investment securities	426,436	776	3,072,140	411,213	309,346	185,329	4,405,240
Pledged assets	–	–	–	298,561	–	–	298,561
Other assets	140,717	38,927	156,782	24,710	54,476	64,256	479,868
Total financial assets	**3,912,190**	**911,895**	**9,477,720**	**3,797,473**	**1,156,264**	**1,428,344**	**20,683,884**
Liabilities							
Deposits from banks	314,122	491,222	631,742	177,876	84,994	72,458	1,772,414
Deposits from customers	2,942,446	415,173	7,221,288	2,480,708	886,502	1,257,155	15,203,271
Derivative financial instruments	22,399	392	–	–	–	9,705	32,497
Other borrowed funds	1,229,071	50,849	176,593	230,447	11,688	30,108	1,728,756
Other liabilities	286,469	36,623	277,960	381,117	166,032	14,074	1,162,275
Total financial liabilities	**4,794,507**	**994,259**	**8,307,583**	**3,270,147**	**1,149,216**	**1,383,500**	**19,899,212**
Net on-statement of financial position	**(882,317)**	**(82,364)**	**1,170,136**	**527,325**	**7,048**	**44,844**	**784,672**
Credit commitments	**1,546,583**	**671,136**	**992,261**	**291,661**	**1,444**	**417,732**	**3,920,817**

Currency Sensitivity Analysis

ETI periodically performs sensitivity analysis to determine the impact on Group earnings resulting from a potential appreciation of the United States Dollar (USD) relative to the currencies to which the Group has major exposure namely; CFA Franc (FCFA), the Euro (EUR), the Nigerian Naira (NGN) and the Ghana Cedi (GHS). The results using data as of 31 December, 2018 and 31 December, 2017 are shown in the table below.

		December 2018			December 2017	
Overall Impact						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(47)	(89)	(163)	(77)	(147)	(270)
Impact for NGN						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(13)	(25)	(47)	(25)	(48)	(87)
Impact for CFA						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(33)	(62)	(114)	(56)	(106)	195
Impact for EUR						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	4	8	15	4	8	14
Impact for GHS						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(5)	(10)	(18)	(0.3)	(0.6)	(1.2)

5.2.2 Interest rate risk

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

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

5.2.2 Interest rate risk (continued)

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

As at 31 December 2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	965,080	–	12,539	–	–	1,819,798	2,797,417
Financial assets held for trading	79	–	121,990	–	–	214	122,283
Derivative financial instruments	15,430	10,000	24,484	–	–	–	49,914
Loans and advances to banks	550,772	423,877	661,781	81,145	–	–	1,717,575
Loans and advances to customers	2,327,186	1,432,854	1,613,675	2,972,438	822,516	–	9,168,669
Treasury bills and other eligible bills	150,739	237,073	1,300,574	111,804	28,061	–	1,828,251
Investment securities – available-for-sale	91,210	50,247	266,697	2,313,762	1,846,346	–	4,568,262
Pledged assets	–	–	164,160	76,274	–	–	240,434
Other assets	256,561	99,005	47,435	34,316	3,082	133,645	574,044
Total financial assets	**4,357,057**	**2,253,056**	**4,213,335**	**5,589,739**	**2,700,005**	**1,953,657**	**21,066,849**
Liabilities							
Deposits from banks	1,240,476	43,076	15,544	–	–	166,550	1,465,646
Deposits from customers	5,987,363	1,992,038	667,254	561,846	83,420	6,644,078	15,935,999
Derivative financial instruments	15,314	9,953	4,640	–	–	–	29,907
Borrowed funds	593,383	32,940	256,753	1,006,412	170,134	68	2,059,690
Other liabilities	141,915	64,263	184,476	69,164	13,803	465,782	939,403
Total financial liabilities	**7,978,451**	**2,142,270**	**1,128,667**	**1,637,422**	**267,357**	**7,276,478**	**20,430,645**
Total interest repricing gap	**(3,621,394)**	**110,786**	**3,084,668**	**3,952,317**	**2,432,648**	**(5,322,821)**	**636,204**
As at 31 December 2017							
Assets							
Cash and balances with central banks	148,948	–	8,808	–	200	2,503,789	2,661,745
Financial assets held for trading	–	–	36,335	–	–	223	36,557
Derivative financial instruments	–	10,000	29,267	–	–	–	39,267
Loans and advances to banks	593,374	457,869	209,750	424,813	–	–	1,685,806
Loans and advances to customers	2,390,127	1,147,811	1,415,887	3,286,874	1,117,166	–	9,357,864
Treasury bills and other eligible bills	107,169	231,083	1,332,840	41,902	5,983	–	1,718,977
Investment securities	76,878	81,577	690,188	2,043,266	1,513,330	–	4,405,240
Pledged assets	–	–	97,003	109,477	92,080	–	298,561
Other assets	162,254	8,548	70,683	38,177	–	200,205	479,868
Total financial assets	**3,478,750**	**1,936,889**	**3,890,761**	**5,944,510**	**2,728,759**	**2,704,216**	**20,683,885**
Liabilities							
Deposits from banks	1,442,898	39,354	244,812	–	–	45,350	1,772,414
Deposits from customers	4,092,104	1,115,636	1,534,489	826,260	97,044	7,537,738	15,203,271
Derivative financial instruments	517	9,705	22,274	–	–	–	32,497
Borrowed funds	108,237	85,414	139,204	1,192,523	201,999	1,379	1,728,756
Other liabilities	13,966	89,905	298,382	33,176	1,543	725,303	1,162,275
Total financial liabilities	**5,657,723**	**1,340,014**	**2,239,161**	**2,051,959**	**300,586**	**8,309,770**	**19,899,213**
Total interest repricing gap	**(2,178,973)**	**596,875**	**1,651,600**	**3,892,551**	**2,428,173**	**(5,605,553)**	**784,672**

5.2.2 Interest rate risk (continued)

Interest Rate Sensitivity Analysis

The Group performs a periodic analysis of the sensitivity of its one-year projected earnings to an increase or decrease in market interest rates assuming a parallel shift in yield curves and a constant balance sheet position and the results using data as of 31 December, 2017 and 31 December, 2018 are shown below.

31 December 2018

Projected Change in Interest Rates	25 basis points Increase	50 basis points Increase	100 basis points Increase	25 basis points decrease	50 basis points decrease	100 basis points decrease
Estimated Impact on Earnings/ Equity ($ Million)	3.8	7.7	15.3	(3.8)	(7.7)	(15.3)

31 December 2017

Projected Change in Interest Rates	25 basis points Increase	50 basis points Increase	100 basis points Increase	25 basis points decrease	50 basis points decrease	100 basis points decrease
Estimated Impact on Earnings/ Equity ($ Million)	2.2	4.5	9	(2.2)	(4.5)	(9)

5.3 Liquidity risk

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

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5.3.2 Undiscounted cash flows

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

As at 31 December 2018	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Cash and balances with central banks	1,630,386	–	–	–	1,129,181	2,759,567
Trading financial assets	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**
Off-balance sheet items						
Loan commitments	–	–	830,864	390,576	–	1,221,440
Guarantees, acceptances and other financial facilities	–	–	2,952,356	1,387,857	–	4,340,213
Total	**–**	**–**	**3,783,220**	**1,778,433**	**–**	**5,561,653**

As at 31 December 2017	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	2,661,745	–	–	–	–	2,661,745
Financial Asset held for trading	5,462	2,982	33,682	–	–	42,126
Derivative financial instruments	10,078	–	29,267	–	–	39,345
Loans and advances to banks	2,663,406	630,757	1,149,797	–	–	4,443,960
Loans and advances to customers	3,240,788	1,391,683	1,865,723	3,700,792	820,737	11,019,724
Treasury bills and other eligible bills	108,186	459,218	1,568,174	58,859	2,845	2,197,282
Investment securities – available-for-sale	681,468	94,629	983,698	2,079,853	898,295	4,737,944
Pledged assets	–	–	98,005	110,608	93,032	301,645
Other assets	146,138	148,967	151,318	33,445	–	479,868
Total assets (expected maturity dates)	**9,517,272**	**2,728,237**	**5,879,663**	**5,983,557**	**1,814,910**	**25,923,639**
Liabilities						
Deposits from banks	1,702,872	374,740	221,129	4,631	–	2,303,371
Deposit from customers	11,855,580	1,374,410	765,769	2,238,263	–	16,234,022
Other borrowed funds	485,877	813,513	711,654	50,440	129,085	2,190,569
Other liabilities	340,121	250,319	490,864	129,604	–	1,210,907
Derivative financial instruments	348	12,087	23,981	14,481	–	50,898
Total liabilities (contractual maturity dates)	**14,384,798**	**2,825,068**	**2,213,398**	**2,437,418**	**129,085**	**21,989,767**
Gap analysis	**(4,867,526)**	**(96,832)**	**3,666,265**	**3,546,139**	**1,685,825**	**3,933,871**
Off-balance sheet items						
Loan commitments	–	–	492,421	221,233	–	713,654
Guarantees, acceptances and other financial facilities	–	–	2,607,181	599,982	–	3,207,163
Total	**–**	**–**	**3,099,602**	**821,215**	**–**	**3,920,817**

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

5.4. Offsetting

At 31 December 2018

	Gross amount	Gross amount set-off on SOFP	Net amount presented on SOFP	Related amount not set-off on SOFP	Net amount
Derivative financial assets					
• forwards	24,632	–	24,632	–	24,632
• swaps	25,282	–	25,282	–	25,282
• options	–	–	–	–	–
Derivative financial liabilities					
• forwards	5,051	–	5,051	–	5,051
• swaps	24,856	–	24,856	–	24,856
• options	–	–	–	–	–

At 31 December 2017

	Gross amount	Gross amount set-off on SOFP	Net amount presented on SOFP	Related amount not set-off on SOFP	Net amount
Derivative financial assets					
• forwards	29,267	–	29,267	–	29,267
• swaps	10,000	–	10,000	–	10,000
• options	–	–	–	–	–
Derivative financial liabilities					
• forwards	22,274	–	22,274	–	22,274
• swaps	10,223	–	10,223	–	10,223
• options	–	–	–	–	–

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5.5 Fair value of financial assets and liabilities

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

(a) Financial instruments not measured at fair value

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets:				
Cash and balances with central banks	2,797,417	2,661,745	2,797,417	2,661,745
Loans and advances to banks (*)	1,717,575	1,685,806	1,691,762	1,601,516
Loans and advances to customers	9,168,669	9,357,864	9,008,813	11,019,724
Other assets (excluding prepayments)	715,178	479,868	715,178	479,868
Financial liabilities:				
Deposits from banks	1,465,646	1,772,414	2,099,272	2,303,371
Deposit from customers	15,935,999	15,203,271	15,267,906	16,234,022
Other liabilities (excluding deferred income)	939,403	1,162,275	939,403	1,162,275
Borrowed funds	2,059,690	1,728,756	2,054,326	1,728,756

*2017 balance has been updated due to a printing error in the 2017 annual report

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

5.5 Fair value of financial assets and liabilities (continued)

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

(i) Cash
The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

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

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

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

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

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

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

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

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

(b) Fair value hierarchy

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

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

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

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	31 December 2018			31 December 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Treasury and other eligible bills	701,994	1,126,257	–	965,646	753,331	–
Trading financial assets	96,500	25,783	–	25,854	10,703	–
Derivative financial instruments	–	49,914	–	–	39,267	–
Pledged assets	–	240,434	–	–	298,561	–
Investment securities	2,073,032	2,495,140	90	1,980,020	2,365,055	60,165
Total financial assets	**2,871,526**	**3,937,528**	**90**	**2,971,520**	**3,466,917**	**60,165**
Derivative financial instruments	–	29,907	–	–	32,497	–
Total financial liabilities	**–**	**29,907**	**–**	**–**	**32,497**	**–**

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

	2018	2017
	Level 3	Level 3
Opening balance	60,165	142,236
Disposal	(60,075)	–
Transfer from level 3 to level 2*	–	–
Gains & losses recognised in other comprehensive income	–	(82,071)
Closing balance	**90**	**60,165**
Total losses or gains 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 Dec 2018	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

5.5 Fair value of financial assets and liabilities (continued)

(c) Financial instrument classification

At 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 amortised 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**	**1,828,251**	**5,518**	**90**	**–**	**–**	**21,208,932**
Liabilities								
Deposits from banks	–	–	–	–	–	–	1,465,646	1,465,646
Deposits 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**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

At 31 December 2017	Assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Assets						
Cash and balances with central banks	–	2,661,745	–	–	–	2,661,745
Financial assets held for trading	36,557	–	–	–	–	36,557
Derivative financial instruments	39,267	–	–	–	–	39,267
Loans and advances to banks	–	1,685,806	–	–	–	1,685,806
Loans and advances to customers	–	9,357,864	–	–	–	9,357,864
Treasury bills and other eligible bills	–	–	1,718,977	–	–	1,718,977
Investment securities: available-for-sale	–	–	4,405,240	–	–	4,405,240
Pledged assets	–	–	298,561	–	–	298,561
Other assets, excluding prepayments	–	479,868	–	–	–	479,868
Total	**75,824**	**14,185,283**	**6,422,778**	**–**	**–**	**20,683,885**
Liabilities						
Deposits from banks	–	–	–	–	1,772,414	1,772,414
Deposit from customers	–	–	–	–	15,203,271	15,203,271
Derivative financial instruments	–	–	–	32,497	–	32,497
Borrowed funds	–	–	–	–	1,728,756	1,728,756
Other liabilities, excluding non-financial liabilities	–	–	–	–	1,210,908	1,210,908
Total	**–**	**–**	**–**	**32,497**	**19,915,349**	**19,947,846**

5.6 Capital Management

The Group's objectives in managing capital are:

- To comply with the capital requirements set by regulators in the markets where the Group's entities operate and safeguard the Group's ability to continue as a going concern;
- To maintain a strong capital base that supports the development of the business; and
- To sustain a sufficient level of returns for the Group's shareholders.

On a consolidated basis, the Group is required to comply with 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 non-controlling 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.

Prior to 1 January, 2018, the Group's consolidated capital adequacy ratios were calculated voluntarily based on Basel I guidelines. Following the adoption of Basel II/III regulations in UEMOA in 2018, a parallel calculation as at 31 December 2017 was performed according to Basel II/III standardised rules. The change in calculation methodology resulted in substantially lower reported ratios for the Group due primarily to the following changes in the calculation methodology:

- The foreign currency translation reserve which arises on consolidation became an adjustment to Tier 1 capital; and
- Operational risk weighted assets and market risk weighted assets were added.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The table below summarises the composition of regulatory capital and the ratios of the Group as at 30 June, 2018. As at that date, the individual entities within the Group complied with all of the externally imposed capital adequacy requirements to which they are subject. Basel 2/3 calculations for the period ended 31 December 2018 were not yet available as at the reporting date.

	30 June 2018 Basel 2/3	31 Dec 2017 Basel 2/3	31 Dec 2017 Basel 1
Tier 1 capital			
Share capital	2,113,957	2,113,957	2,113,957
Reserves	(1,092,424)	(1,037,068)	357,344
Statutory reserve	432,856	432,856	432,856
Retained earnings	51,535	216,142	216,142
IFRS 9 transition adjustment	200,531	–	–
Non-controlling interests	170,819	220,917	291,339
Less: goodwill	(232,262)	(232,682)	(232,682)
Less: intangibles	(58,914)	(50,982)	–
Less: deferred tax assets not arising from temporary differences	–	(43,236)	–
Total qualifying Tier 1 capital	**1,586,098**	**1,619,904**	**3,178,957**
Tier 2 capital			
Subordinated debt and other instruments	513,378	533,013	514,925
Revaluation reserve	116,097	132,370	5,513
Minority interests included in Tier 2 capital	56,252	72,695	–
Total qualifying Tier 2 capital	**685,727**	**738,078**	**520,438**
Less investments in associates	–	–	9,964
Total regulatory capital	**2,271,825**	**2,357,982**	**3,689,431**
Risk-weighted assets:			
Credit risk weighted assets	12,769,685	13,848,480	12,798,767
Market risk weighted assets	241,500	362,486	–
Operational risk weighted assets	3,677,509	3,677,509	–
Total risk-weighted assets	**16,688,694**	**17,888,475**	**12,798,767**
Tier 1 Capital Adequacy Ratio	**9.5%**	**9.1%**	**24.8%**
Total Capital Adequacy Ratio	**13.6%**	**13.2%**	**28.8%**

6 Segment Analysis

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

The group operating segments are described below:

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

At 31 December 2018	CIB	Commercial	Consumer	Others	Total business segment	Consolidation adjustments	Ecobank Group
Net interest income	464,160	163,358	240,217	62,025	929,760	-	929,760
Net fees and commission income	176,858	97,768	171,337	32,126	478,089	(33,648)	444,441
Other income	293,696	93,359	35,012	139,623	561,690	(110,720)	450,970
Operating income	**934,714**	**354,485**	**446,566**	**233,774**	**1,969,539**	**(144,368)**	**1,825,171**
Impairment losses on financial assets	(194,270)	(60,931)	(13,237)	(37,562)	(306,000)	42,085	(263,915)
Operating expenses	(472,747)	(264,324)	(371,422)	(126,171)	(1,234,664)	111,897	(1,122,767)
Operating profit after impairment losses	**267,697**	**29,230**	**61,907**	**70,042**	**428,875**	**9,614**	**438,489**
Share of profit from associates	66	–	–	(3,039)	(2,973)	461	(2,512)
Profit before tax from continuing operations	**267,763**	**29,230**	**61,907**	**67,003**	**425,903**	**10,074**	**435,977**
Total assets	**13,101,476**	**1,252,536**	**889,996**	**3,340,465**	**18,584,473**	**3,997,723**	**22,582,196**
Total liabilities	**11,678,343**	**3,346,639**	**5,242,265**	**2,125,486**	**22,392,733**	**(1,623,028)**	**20,769,705**
At 31 December 2017							
Net interest income	511,235	189,886	247,599	28,599	977,319	—	977,319
Net fees and commission income	165,264	86,033	166,068	14,052	431,417	(31,037)	400,380
Other income	293,590	85,069	32,847	224,917	636,423	(182,920)	453,503
Operating income	**970,089**	**360,988**	**446,514**	**267,568**	**2,045,159**	**(213,957)**	**1,831,202**
Impairment losses on financial assets	(230,442)	(125,293)	(29,547)	(43,270)	(428,552)	17,498	(411,054)
Operating expenses	(471,528)	(267,561)	(371,260)	(127,211)	(1,237,559)	106,008	(1,131,551)
Operating profit after impairment losses	**268,119**	**(31,866)**	**45,707**	**97,087**	**379,048**	**(90,451)**	**288,597**
Share of profit from associates	147	—	—	(404)	(257)	—	(257)
Profit before tax from continuing operations	**268,266**	**(31,866)**	**45,707**	**96,683**	**378,791**	**(90,451)**	**288,340**
Total assets	**14,863,433**	**1,521,689**	**953,747**	**10,325,345**	**27,664,214**	**(5,232,610)**	**22,431,604**
Total liabilities	**11,548,925**	**3,066,252**	**5,145,046**	**2,881,070**	**22,641,293**	**(2,381,772)**	**20,259,521**

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

6.1 Entity-wide disclosures

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

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

ii) Nigeria region is made up of Ecobank Nigeria.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Segment results of operations

The segment information provided to the Group Executive Board for the reportable segments for the period ended 31 December 2018 is as follows:

	UEMOA	NIGERIA	AWA	CESA	Others and conso adjustment	Subtotal entities	Non Core	Ecobank Group
At 31 December 2018								
Net interest income	282,895	258,816	241,823	207,281	(61,055)	929,760	–	929,760
Non interest income	227,669	184,924	152,365	242,237	88,216	895,411	–	895,411
Operating income	**510,564**	**443,740**	**394,188**	**449,518**	**27,161**	**1,825,171**	**–**	**1,825,171**
Impairment losses on financial assets	(49,519)	(77,858)	(41,890)	(67,477)	(39,677)	(276,421)	12,506	(263,915)
Operating expenses	(309,803)	(274,622)	(204,470)	(271,104)	(62,228)	(1,122,227)	(540)	(1,122,767)
Operating profit (loss)	**151,242**	**91,260**	**147,828**	**110,937**	**(74,744)**	**426,523**	**11,966**	**438,489**
Share of profit from associates	-	-	284	(217)	(2,579)	(2,512)	–	(2,512)
Profit (loss) before tax	**151,242**	**91,260**	**148,112**	**110,720**	**(77,323)**	**424,011**	**11,966**	**435,977**
Taxation	(8,616)	(1,160)	(45,457)	(42,525)	(10,371)	(108,129)	–	(108,129)
Profit after tax	**142,626**	**90,100**	**102,655**	**68,195**	**(87,693)**	**315,882**	**11,966**	**327,848**
Total assets	**8,818,980**	**5,431,151**	**3,232,902**	**5,393,881**	**(295,646)**	**22,581,268**	**928**	**22,582,196**
Total liabilities	**8,227,131**	**4,714,677**	**2,859,106**	**4,881,086**	**(203,548)**	**20,478,452**	**291,253**	**20,769,705**
At 31 December 2017								
Net interest income	259,765	332,442	219,012	193,060	(26,960)	977,319	–	977,319
Net fees and commission income	126,469	47,033	79,501	117,365	30,012	400,380	–	400,380
Other income	91,013	177,919	55,861	82,619	46,091	453,503	–	453,503
Operating income	**477,247**	**557,394**	**354,374**	**393,044**	**49,143**	**1,831,202**	**–**	**1,831,202**
Impairment losses on financial assets	(81,055)	(205,453)	(57,701)	(56,308)	(31,100)	(431,617)	20,563	(411,054)
Operating expenses	(284,720)	(285,182)	(191,901)	(287,509)	(82,536)	(1,131,848)	297	(1,131,551)
Operating profit	**111,472**	**66,759**	**104,772**	**49,227**	**(64,493)**	**267,737**	**20,860**	**288,597**
Share of profit from associates	–	–	110	37	(404)	(257)	–	(257)
Profit before tax	**111,472**	**66,759**	**104,882**	**49,264**	**(64,897)**	**267,480**	**20,860**	**288,340**
Taxation	2,715	(677)	(34,014)	(21,086)	(7,695)	(60,757)	–	(60,757)
Profit after tax	**114,187**	**66,082**	**70,868**	**28,178**	**(72,592)**	**206,723**	**20,860**	**227,583**
Total assets	**9,222,369**	**6,056,253**	**2,950,696**	**4,656,926**	**(461,243)**	**22,425,001**	**6,603**	**22,431,604**
Total liabilities	**8,612,783**	**5,129,338**	**2,632,760**	**4,156,111**	**(552,218)**	**19,978,774**	**280,747**	**20,259,521**

7 Net interest income

	2018	2017
Interest income		
Loans and advances to banks	101,498	51,358
Loans and advances to customers:		
• Corporate	635,575	731,181
• Commercial	98,147	174,232
• Consumer	133,925	101,581
Treasury bills and other eligible bills	224,086	195,453
Investment securities	239,932	211,175
Trading financial assets	78,461	101,235
Others	16,786	4,105
	1,528,410	**1,570,320**
Interest expense		
Deposits from banks	97,766	103,191
Due to customers:		
• Corporate	182,292	153,971
• Commercial	50,690	48,200
• Consumer	139,244	126,184
Borrowed funds	31,492	151,349
Others	97,166	10,106
	598,650	**593,001**

8 Net fee and commission income

	2018	2017
Fee and commission income		
Credit related fees and commissions	136,094	141,770
Corporate finance fees	13,798	10,299
Portfolio and other management fees	19,117	16,935
Brokerage fees and commissions	3,439	3,364
Cash management and related fees	230,304	203,641
Card management fees	87,041	79,901
Other fees	17,641	13,610
	507,434	**469,520**
Fee and commission expense		
Brokerage fees paid	1,314	1,317
Other fees paid	61,679	67,823
	62,993	**69,140**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8 Net fee and commission income (continued)

Analysis of Net fees and commissions by Region

	UEMOA	NIGERIA	AWA	CESA	Other and consolidation adjustment	Total
At 31 December 2018						
Fee and commission income						
Credit related fees and commissions	39,165	18,081	24,319	44,757	9,772	136,094
Corporate finance fees	8,322	–	1,054	–	4,422	13,798
Portfolio and other management fees	–	–	–	–	19,117	19,117
Brokerage fees and commissions	69	2,284	–	2	1,084	3,439
Cash management and related fees (*)	73,435	19,040	36,722	97,831	3,276	230,304
Card management fees	20,618	21,797	16,914	27,434	278	87,041
Other fees	4,627	-	1,619	6,078	5,317	17,641
Total	**146,236**	**61,202**	**80,628**	**176,102**	**43,266**	**507,434**
Fee and commission expense						
Brokerage fees paid	–	567	–	136	611	1,314
Other fees paid	17,168	5,593	1,975	27,364	9,579	61,679
Total	**17,168**	**6,160**	**1,975**	**27,500**	**10,190**	**62,993**
Net Fees and Commission	**129,068**	**55,042**	**78,653**	**148,602**	**33,076**	**444,441**
At 31 December 2017						
Fee and commission income						
Credit related fees and commissions	43,878	28,662	27,806	35,057	6,367	141,770
Corporate finance fees	4,218	–	1,399	21	4,661	10,299
Portfolio and other management fees	–	–	159	–	16,776	16,935
Brokerage fees and commissions	–	499	–	–	2,865	3,364
Cash management and related fees (*)	64,401	18,309	35,043	80,962	4,926	203,641
Card management fees	20,082	20,537	15,829	23,453	-	79,901
Other fees	2,913	926	988	3,705	5,078	13,610
Total	**135,493**	**68,933**	**81,225**	**143,197**	**40,673**	**469,520**
Fee and commission expense						
Brokerage fees paid	1	598	–	131	587	1,317
Other fees paid	9,025	21,301	1,724	25,701	10,072	67,823
Total	**9,026**	**21,900**	**1,724**	**25,832**	**10,659**	**69,140**
Net Fees and Commission	**126,466**	**47,033**	**79,501**	**117,365**	**30,014**	**400,380**

8 Net fee and commission income (continued)

Analysis of Net fees and commissions by Business unit

	CIB	Commercial	Consumer	Other and consolidation adjustment	Total
At 31 December 2018					
Fee and commission income					
Credit related fees and commissions	96,721	31,121	8,253	(1)	136,094
Corporate finance fees	13,798	–	–	0	13,798
Portfolio and other management fees	16,644	–	2,473	(0)	19,117
Brokerage fees and commissions	3,437	–	2	(0)	3,439
Cash management and related fees (*)	72,656	74,431	83,218	(1)	230,304
Card management fees	778	1,427	84,835	1	87,041
Other fees	8,599	5,051	1,660	2,331	17,641
Total	**212,633**	**112,030**	**180,440**	**2,330**	**507,434**
Fee and commission expense					
Brokerage fees paid	1,297	–	17	(0)	1,314
Other fees paid	34,478	14,262	9,086	3,853	61,679
Total	**35,775**	**14,262**	**9,103**	**3,853**	**62,993**
Net Fees and Commission	**176,858**	**97,768**	**171,337**	**(1,523)**	**444,441**
At 31 December 2017					
Fee and commission income					
Credit related fees and commissions	101,276	31,286	9,210	(2)	141,770
Corporate finance fees	10,299	–	–	(0)	10,299
Portfolio and other management fees	14,393	–	2,542	(0)	16,935
Brokerage fees and commissions	3,357	–	8	(1)	3,364
Cash management and related fees (*)	59,728	63,782	80,131	(0)	203,641
Card management fees	45	619	79,238	(0)	79,901
Other fees	5,101	1,790	2,059	4,660	13,610
Total	**194,199**	**97,477**	**173,188**	**4,657**	**469,520**
Fee and commission expense					
Brokerage fees paid	1,317	–	–	0	1,317
Other fees paid	27,618	11,444	7,119	21,642	67,823
Total	**28,935**	**11,444**	**7,119**	**21,642**	**69,140**
Net Fees and Commission	**165,264**	**86,033**	**166,068**	**(16,985)**	**400,380**

*Cash management and related fees is the sum of: Funds transfer commissions, Euro commissions, Rapidtransfer, Current account servicing, Draft issuance commissions, Western Union commissions, Internet and SMS banking commissions, Mobile money revenues, Other cash management commissions, MoneyGram Commissions, RIA Commissions, WARI Commissions, Bancassurance Commissions, Cash management from affiliates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

9 Net trading income

	2018	2017
Foreign exchange	340,762	360,125
Trading income on securities	41,123	55,600
	381,885	**415,725**

10 Net loss from investment securities

	2018	2017
Impairment of investment securities	(14)	(5)
	(14)	**(5)**

11 Other operating income

	2018	2017
i) Lease income		
Equipment	2,086	2,477
Motor vehicles	108	95
Other leased assets	32	31
	2,226	**2,603**
ii) Dividend income		
Trading securities	869	1,009
Other equity securities	4,167	4,585
	5,036	**5,594**
iii) Others		
Fair value loss on investment properties	(1,077)	(828)
Profit on sale of property and equipment	63	3,253
Others	62,851	27,161
	61,837	**29,586**
Total other operating income	**69,099**	**37,783**

12 Operating expenses

Year ended 31 December	2018	2017
a) Staff expenses		
Salaries, allowances and other compensation	458,359	455,815
Social security costs	35,392	39,889
Pension costs:		
• defined contribution plans	17,037	15,110
Other post retirement benefits	1,667	4,226
	512,455	**515,040**
b) Depreciation and amortisation		
Depreciation of property and equipment (Note 28)	77,541	80,557
Amortisation of software and other intangibles (Note 27)	19,903	15,263
	97,444	**95,820**
c) Other operating expenses		
Directors' emoluments	1,637	1,498
Restructuring costs	-	10,229
Social responsibility	1,427	2,040
Rent and utilities	63,522	66,668
Insurance	30,704	33,261
Advertising and promotion	24,355	22,878
Professional and legal costs	59,886	51,028
Operational losses and fines	17,121	12,551
Communications and technology	119,439	130,794
Business travels	17,733	18,637
AGM and board activities	2,643	2,636
Training	11,621	11,377
Employee activities	18,176	16,788
Repairs and maintenance	34,055	34,354
Supplies and services	10,868	12,512
Cash transportation	18,736	18,448
Fuel	14,125	13,764
Other taxes	24,954	11,021
Non capitalised items	621	733
Pre-opening expenses	89	164
Listing fees	2,258	2,444
Banking resolution sinking fund cost (AMCON)	13,578	15,141
Other administrative expenses	25,320	31,726
Total	**512,868**	**520,691**
Total operating expenses	**1,122,767**	**1,131,551**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

13 Impairment losses on loans and advances

	2018	2017
Loans and advances to customers (Note 21)	**810,656**	**441,733**
• Specific allowance	558,747	385,697
• Collective allowance	251,909	56,036
Provisions no longer required (Note 21)	**(570,655)**	**(115,485)**
• Specific allowance	(179,909)	(73,202)
• Collective allowance	(390,746)	(42,283)
	240,001	**326,248**

The Group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved given that the comparative financial information was prepared under IAS 39. The Group has, however, aligned its categories for loans and advances disclosed in FY17 to those disclosed in FY18. This did not result in a restatement to the Group's statement of financial position as at 31 December 2017.

14 Impairment losses on other financial assets

Year ended 31 December	2018	2017
Impairment charge on other financial assets (Note 25)	23,914	84,806

15 Taxation

	2018	2017
Current income tax	112,831	81,176
Deferred income tax (Note 36)	(4,702)	(20,419)
	108,129	**60,757**

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

Further information about deferred income tax is presented in Note 36. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

Profit before tax	435,977	288,340
Tax calculated at local tax rates applicable to profits in the respective countries	115,154	70,900
Tax impact on income not subject to tax	(13,700)	(2,409)
Tax impact on expenses not deductible for tax purposes:	7,099	(3,617)
Utilisation of previously unrecognised tax losses	(424)	(4,117)
Income tax expense	**108,129**	**60,757**

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

16 Earnings per share

Basic

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

	2018	2017
Profit attributable to equity holders of the Company from continuing operations	**261,214**	**178,071**
Profit attributable to equity holders of the Company from discontinued operations	**433**	**514**
Weighted average number of ordinary shares in issue (in thousands)	**24,592,619**	**24,607,640**
Basic earnings per share (expressed in US cents per share) from continuing operations	**1.06**	**0.72**
Basic earnings per share (expressed in US cents per share) from discontinued operations	**0.00**	**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 dilution impact of share options granted are immaterial in the computation of dilutive earnings per share.

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.

Profit attributable to equity holders of the company from continuing operations	261,214	178,071
Interest expense on dilutive convertible loans	752	3,590
	261,966	181,661
Profit/(Loss) attributable to equity holders of the company from discontinued operations	433	514
Interest expense on dilutive convertible loans	–	–
Weighted average number of ordinary shares in issue (in thousands)	24,592,619	24,607,640
Adjustment for dilutive convertible loans	226,865	706,536
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	24,819,484	25,314,176
Dilutive earnings per share (expressed in US cents per share) from continuing operations	1.06	0.72
Dilutive earnings per share (expressed in US cents per share) from discontinued operations	0.00	0.00

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17 Cash and balances with central banks

	2018	2017
Cash in hand	656,785	576,862
Balances with central banks other than mandatory reserve deposits	1,011,451	895,316
Included in cash and cash equivalents (Note 41)	**1,668,236**	**1,472,178**
Mandatory reserve deposits with central banks	1,129,181	1,189,567
	2,797,417	**2,661,745**

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

18 Trading financial assets/Financial assets held for trading

	2018	2017
Debt securities:		
Government bonds	122,283	36,557
Total	**122,283**	**36,557**
Current	122,283	36,557
Non current	–	–
	122,283	**36,557**

19 Derivative financial instruments

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

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

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

	At 31 December 2018			At 31 December 2017		
		Fair Value			Fair Value	
Derivatives	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Currency forwards	64,043	24,632	5,051	75,937	29,267	22,274
Currency swaps	288,213	25,282	24,856	113,949	10,000	10,223
Total	**352,256**	**49,914**	**29,907**	**189,886**	**39,267**	**32,497**

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

20 Loans and advances to banks

	2018	2017
Items in course of collection from other banks	46,884	65,771
Deposits with other banks (Note 41)	1,152,337	1,036,270
Placements with other banks	518,354	583,765
	1,717,575	**1,685,806**

All loans and advances to banks are current.

21 Loans and advances to customers

	31 December							
	CIB		Commercial		Consumer		Total	
	2018	207	2018	2017	2018	2017	2018	2017
a) Analysis by type:								
Overdrafts	892,806	1,994,010	294,653	494,008	86,788	128,036	1,274,247	2,616,054
Credit cards	–	–	–	5	3,101	3,795	3,101	3,800
Term loans	6,473,076	5,158,304	1,182,134	1,209,971	766,737	799,454	8,421,947	7,167,729
Mortgage loans	–	–		–	106,260	101,400	106,260	101,400
Others	–	23,795	1,654	–	–	–	1,654	23,795
Gross loans and advances	**7,365,882**	**7,176,109**	**1,478,441**	**1,703,984**	**962,886**	**1,032,685**	**9,807,209**	**9,912,778**
Less: allowance for impairment	(339,699)	(293,681)	(225,904)	(182,295)	(72,937)	(78,938)	(638,540)	(554,914)
	7,026,183	**6,882,428**	**1,252,537**	**1,521,689**	**889,949**	**953,747**	**9,168,669**	**9,357,864**
b) Analysis by security:								
Secured against real estate	1,079,901	1,372,527	579,504	666,097	212,701	182,449	1,872,106	2,221,073
Otherwise secured	5,141,114	5,654,065	823,003	541,521	302,897	430,106	6,267,014	6,625,692
Unsecured	1,144,867	149,517	75,934	496,366	447,288	420,130	1,668,089	1,066,013
	7,365,882	**7,176,109**	**1,478,441**	**1,703,984**	**962,886**	**1,032,685**	**9,807,209**	**9,912,778**
Current							6,092,890	5,735,873
Non current							3,714,319	4,176,905
							9,807,209	**9,912,778**
c) Analysis by performance								
Non-impaired	6,887,316	6,612,199	1,097,378	1,289,712	877,976	951,031	8,862,670	8,852,942
Impaired	478,566	563,910	381,063	414,272	84,910	81,654	944,539	1,059,836
	7,365,882	**7,176,109**	**1,478,441**	**1,703,984**	**962,886**	**1,032,685**	**9,807,209**	**9,912,778**

The Group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved given that the comparative financial information was prepared under IAS 39. The Group has, however, aligned its categories for loans and advances disclosed in FY17 to those disclosed in FY18. This did not result in a restatement to the Group's statement of financial position as at 31 December 2017.

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

21 Loans and advances to customers (continued)

d) Movements in loans and advances

Reconciliation of loans and advances by class is as follows:

At 31 December 2018

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January	1,994,010	5,158,304	23,795	494,008	5	1,209,971	–	128,036	3,795	799,454	101,400	9,912,778
Disbursed during the period	1,479,039	2,193,034	10,462	113,269	–	580,947	1,654	24,578	2,961	912,839	250,753	5,569,536
Paid off during the period	(2,425,892)	(849,381)	(32,824)	(375,682)	(4)	(395,086)	–	(209,089)	(3,220)	(599,121)	(242,792)	(5,133,091)
Amounts written off as uncollectible	(564)	(225,408)	–	(23,636)	–	(137,651)	–	(6,116)	–	(8,917)	(37,582)	(439,874)
Reclassification	(89,483)	47,834	–	(42,665)	–	(167,455)	–	248,013	–	1,883	1,873	–
Exchange difference	(64,304)	148,693	(1,433)	129,359	(1)	91,408	–	(98,634)	(435)	(339,401)	32,608	(102,140)
At 31 December 2018	**892,806**	**6,473,076**	**–**	**294,653**	**–**	**1,182,134**	**1,654**	**86,788**	**3,101**	**766,737**	**106,260**	**9,807,209**

At 31 December 2017

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January	1,614,810	5,550,185	196	493,003	5	1,240,285	48	102,886	3,015	768,969	95,470	9,868,872
Disbursed during the year	1,286,710	2,130,793	24,294	297,250	–	833,387	182	53,214	1,948	163,761	53,281	4,844,819
Paid off during the year	(986,582)	(2,520,814)	(1,073)	(252,518)	–	(772,267)	(236)	(64,121)	(1,101)	(221,206)	(103,309)	(4,923,227)
Amounts written off as uncollectible	(434)	(150,272)	–	(24,086)	–	(68,825)	–	(4,116)	–	(4,458)	(798)	(252,989)
Reclassification	6,971	(1,941)	334	(4,806)	–	(29,582)	–	(94)	–	(542)	(1,869)	(31,528)
Exchange difference	72,535	150,353	44	(14,835)	–	6,973	6	40,267	(67)	92,930	58,625	406,831
At 31 December 2017	**1,994,010**	**5,158,304**	**23,795**	**494,008**	**5**	**1,209,971**	**–**	**128,036**	**3,795**	**799,454**	**101,400**	**9,912,778**

The Group has, as permitted by IFRS 9, elected not to restate its comparative financial statements. Therefore comparability will not be achieved given that the comparative financial information was prepared under IAS 39. The Group has, however, aligned its categories for loans and advances disclosed in FY17 to those disclosed in FY18. This did not result in a restatement to the Group's statement of financial position as at 31 December 2017.

21 Loans and advances to customers (continued)

e) Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

At 31 December 2018

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Specific impairment (stage 3)												
At 1 January	22,499	158,836	210	43,334	–	107,974	–	2,207	–	50,073	90	385,223
IFRS 9 Day 1 impact	2,586	–	–	2,789	–	21,998	–	2,267	–	3,360	–	33,000
Provision for loan impairment	62,451	206,068	13,263	11,884	1,230	243,421	89	7,634	–	12,685	22	558,747
Provisons no longer required	(20,772)	(85,060)	(2,000)	–	(1,228)	(18,378)	(8,843)	–	–	(43,516)	(112)	(179,909)
Loans written off during the period	(23,694)	(248,984)	–	–	–	(167,195)	–	–	–	–	–	(439,873)
Reclassification	(23,568)	153,511	(11,473)	4	–	(271)	8,754	7,608	–	(14,775)	–	119,790
Exchange difference	(375)	(3,352)	–	(1,116)	–	(2,899)	–	(379)	–	(878)	–	(8,999)
At 31 December 2018	**19,127**	**181,019**	**–**	**56,895**	**2**	**184,650**	**–**	**19,337**	**–**	**6,949**	**–**	**467,979**

At 31 December 2018

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Collective impairment (Stage 1 and 2)												
At 1 January	22,556	89,553	27	18,108	–	12,880	–	44,947	–	(19,435)	1,055	169,691
IFRS 9 Day 1 impact	44,676	197,827	324	(2,673)	–	247	18	5,002	–	706	95	246,222
Provision for loan impairment	49,926	24,219	2,010	37,481	–	5,264	69	131,142	1,258	28	512	251,909
Provisions no longer required	–	(103,214)	(249)	(263,481)	–	(4,686)	(18)	–	–	(18,398)	(700)	(390,746)
Reclassification	(76,404)	(110,225)	(2,112)	213,532	–	(1,529)	(69)	(136,775)	–	(6,154)	(54)	(119,790)
Exchange difference	2,862	8,392	–	275	–	1,127	–	3,641	103	(3,191)	66	13,275
At 31 December 2018	**43,616**	**106,552**	**–**	**3,242**	**–**	**13,303**	**–**	**47,957**	**1,361**	**(46,444)**	**974**	**170,561**
Total allowance for impairment	**62,743**	**287,571**	**–**	**60,137**	**2**	**197,953**	**–**	**67,294**	**1,361**	**(39,495)**	**974**	**638,540**

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

e) Allowance for impairment (continued)

At 31 December 2017

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Specific allowance for impairment												
At 1 January	11,199	282,519	–	41,700	–	119,220	–	12,979	–	39,791	10	507,418
Provision for loan impairment	9,999	281,571	312	21,267	–	48,202	2	8,602	–	14,826	915	385,697
Provisons no longer required	3,776	(44,351)	(102)	(4,882)	–	(16,543)	(2)	(6,643)	–	(3,656)	(798)	(73,202)
Loans written off during the year	(655)	(341,173)	–	(8,500)	–	(48,540)	(2)	(22,116)	–	(1,611)	(798)	(423,394)
Reclassification	(1,982)	–	–	(5,222)	–	(6,783)	–	8,791	–	5,196	–	–
Exchange difference	162	(19,730)	–	(1,029)	–	12,418	2	594	–	(4,473)	761	(11,296)
At 31 December 2017	**22,499**	**158,836**	**210**	**43,334**	**–**	**107,974**	**–**	**2,207**	**–**	**50,073**	**90**	**385,223**

At 31 December 2017

	CIB			Commercial				Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Collective allowance for impairment												
At 1 January	5,946	39,751	–	2,964	–	32,169	–	1,223	–	19,005	1,022	102,080
Provision for loan impairment	4,503	33,478	27	752	–	12,029	–	604	–	3,245	1,398	56,036
Provisions no longer required	(3,998)	(22,132)	–	(3,074)	–	(7,470)	–	(1,002)	–	(3,242)	(1,365)	(42,283)
Reclassification	737	192	–	5,987	–	(7,042)	–	(6)	–	133	–	–
Exchange difference	15,368	38,264	–	11,479	–	(16,805)	–	44,128	–	(38,576)	–	53,858
At 31 December 2017	**22,556**	**89,553**	**27**	**18,108**	**–**	**12,880**	**–**	**44,947**	**–**	**(19,435)**	**1,055**	**169,691**
Total allowance for impairment	**45,055**	**248,390**	**237**	**61,442**	**–**	**120,854**	**–**	**47,154**	**–**	**30,638**	**1,145**	**554,914**

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21 Loans and advances to customers (continued)

f) Investment in finance leases

At 31 December	2018	2017
Loans and advances to customers include finance lease receivables analysed below.		
Gross investment in finance leases, receivable		
No later than 1 year	568	496
Later than 1 year and no later than 5 years	17,579	26,255
	18,147	**26,751**
Unearned future finance income on finance leases	(13)	–
Net investment in finance leases	**18,134**	**26,751**
Analysis by industry on gross loans		
The net investment in finance lease may be analysed as follows:		
No later than 1 year	568	620
Later than 1 year and no later than 5 years	17,566	26,131
	18,134	**26,751**

22 Treasury bills and other eligible bills

At 31 December	2018	2017
Maturing within three months (Note 41)	396,384	338,252
Maturing after three months	1,431,867	1,380,725
	1,828,251	**1,718,977**
Current	396,384	338,252
Non current	1,431,867	1,380,725
	1,828,251	**1,718,977**

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

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

23 Investment securities

At 31 December	2018
As per IFRS 9	
Debt securities	
• At FVTOCI listed	1,677,336
• At FVTOCI unlisted	2,886,267
Total	4,563,603
Equity securities	
• At FVTOCI unlisted	90
• At FVTPL listed	3,131
• At FVTPL unlisted	2,387
Total	5,608
Total investment securities before impairment	4,569,211
Allowance for impairment	(949)
Total investment securities	**4,568,262**
Current	357,041
Non current	4,211,211
	4,568,262

The movement in investment securities may be summarised as follows:

	2018
At 1 January	4,405,240
Additions	1,684,041
Disposals (sale and redemption)	(1,314,559)
Losses from impairment of investment securities	585
Gains/(loss) from changes in fair value	(67,960)
Exchange differences	(139,085)
At 31 December	**4,568,262**

23 Investment securities (continued)

At 31 December	2017
As per IAS 39	
Securities available for sale	
Debt securities - available for sale	
• listed	1,774,141
• unlisted	2,461,171
Total	4,235,312
Equity securities - available for sale	
• listed	12,689
• unlisted	158,773
Total	171,462
Total securities available-for-sale before impairment	4,406,774
Allowance for impairment	(1,534)
Total securities available-for-sale	4,405,240
Current	599,150
Non current	3,806,090
	4,405,240

The movement in securities available for sale may be summarised as follows:

	2017
At 1 January	3,272,824
Additions	1,631,773
Disposals (sale and redemption)	(809,340)
Losses from impairment of available for sale equity securities	230
Gains/(loss) from changes in fair value	43,970
Exchange differences	265,783
At 31 December	**4,405,240**

The Group has not reclassified any financial asset measured at amortised cost to fair value during the period (2017: nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

24 Pledged assets

At 31 December	2018	2017
Treasury bills	164,122	74,128
Government bonds	36,292	224,433
Eurobonds	40,020	–
	240,434	**298,561**
Pledged assets have been stated at fair values		
Current	36,274	97,003
Non-current	204,160	201,558
	240,434	**298,561**

25 Other assets

At 31 December	2018	2017
Fees receivable	9,850	12,867
Accounts receivable	599,818	416,777
Prepayments	165,124	280,856
Sundry receivables	105,510	162,020
	880,302	**872,520**
Impairment charges on receivable balances	(141,134)	(111,796)
	739,168	**760,724**
Current	700,405	722,688
Non-current	38,763	38,036
	739,168	**760,724**
The movement in impairment allowance on other assets may be summarised as follows:		
1 January	111,796	55,630
Day 1 Impact	8,321	–
Increase in impairment	23,914	84,806
Write-off	(2,897)	(28,640)
At 31 December	**141,134**	**111,796**

26 Investment in associates

At 31 December	2018	2017
At 1 January	9,964	10,135
Share of results	(2,512)	(257)
Exchange differences	(1,305)	86
At 31 December	**6,147**	**9,964**

Investment in associates balances are non-current.

26 Investment in associates (continued)

	At 31 December 2018					At 31 December 2017				
	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Ghana	EB-ACCION Cameroon	EB-ACCION Nigeria	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Ghana	EB-ACCION Cameroon	EB-ACCION Nigeria
Current assets	18,625	21,306	15,982	12,078	28,263	21,132	21,678	13,919	11,936	27,685
Non- current assets	133	141	424	711	2,097	344	3,432	808	1,383	1,457
Total assets	**18,758**	**21,447**	**16,406**	**12,789**	**30,360**	**21,476**	**25,110**	**14,727**	**13,319**	**29,142**
Liabilities	12,772	16,056	14,173	12,313	11,082	8,984	12,338	12,042	11,472	15,874
Total Liabilities	**12,772**	**16,056**	**14,173**	**12,313**	**11,082**	**8,984**	**12,338**	**12,042**	**11,472**	**15,874**
Revenues	1,074	3,985	7,314	176	15,583	3,795	4,810	6,161	3,529	12,670
Profit after tax	(5,205)	(5,105)	623	124	3,588	(2,417)	(1,208)	214	86	3,138

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

	At 31 December 2018			At 31 December 2017		
	Principal place of business/Country of incorporation	Net assets of associates	Share Holding (Direct and Indirect)	Country of incorporation	Net assets of associate	Share Holding (Direct and Indirect)
EB-ACCION Ghana	Ghana	2,232	39.78%	Ghana	2,685	39.78%
EB-ACCION Cameroon	Cameroon	477	49.87%	Cameroon	1,847	49.87%
EB-ACCION Nigeria	Nigeria	19,278	21.73%	Nigeria	13,268	21.73%
OLD MUTUAL Life insurance	Nigeria	5,985	29.00%	Nigeria	12,492	29.00%
OLD MUTUAL General insurance	Nigeria	5,391	30.00%	Nigeria	12,772	30.00%

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

At 31 December 2018	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Nigeria	EB-ACCION Ghana	EB-ACCION Cameroon	Total
Opening net assets	9,314	12,772	13,268	2,685	1,847	39,886
Profit/(loss) for the year	(5,205)	(5,105)	3,588	623	124	(5,975)
Exchange differences	1,877	(2,276)	2,422	(1,075)	(1,495)	(547)
Closing net assets	**5,985**	**5,391**	**19,278**	**2,232**	**477**	**33,363**
Interest in associates	1,736	1,617	4,189	888	238	8,668
Notional goodwill	239	(0)	4,144	(1,155)	34	3,262
Carrying value	**1,497**	**1,618**	**45**	**2,043**	**204**	**5,407**

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

26 Investment in associates (continued)

At 31 December 2017	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Nigeria	EB-ACCION Ghana	EB-ACCION Cameroon	Total
Opening net assets	11,194	12,550	18,645	2,549	1,564	46,502
Profit/(loss) for the year	(2,417)	(1,208)	3,138	214	86	(187)
Exchange differences	537	1,430	(8,515)	(78)	197	(6,429)
Closing net assets	**9,314**	**12,772**	**13,268**	**2,685**	**1,847**	**39,886**
Interest in associates	3,623	3,832	2,883	1,068	921	12,327
Notional goodwill	547	3,686	(2,838)	1,364	434	3,194
Carrying value	**4,170**	**7,518**	**45**	**2,432**	**1,356**	**15,521**

27 Intangible assets

At 31 December	2018	2017
Goodwill		
At 1 January	232,683	232,888
Exchange differences	(33,578)	(205)
At 31 December	**199,105**	**232,683**

Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2018 (2017 : nil).

Software costs		
At 1 January	50,981	47,878
Purchase	21,471	26,355
Amortisation (Note 12)	(19,903)	(15,262)
Exchange differences	26,680	(7,989)
At 31 December	**79,229**	**50,981**
Total intangible assets	**278,334**	**283,664**

Impairment testing for cash-generating units containing goodwill

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

27 Intangible assets (continued)

The goodwill is arising on acquisitions in the following subsidiaries:

At 31 December	2018	2017
Ecobank Nigeria (Oceanic Bank)	168,886	200,996
Ecobank Ghana (The Trust Bank)	8,384	9,155
Ecobank Rwanda	4,319	4,493
Ecobank Zimbabwe	6,550	6,550
SOFIPE	4,481	4,693
Ecobank Chad	2,671	2,798
Ecobank Central Africa	1,644	1,722
Ecobank Burundi	1,037	1,062
Ecobank Sierra Leone (ProCredit)	492	548
Ecobank Malawi	134	134
Ecobank Burkina Faso	507	531
	199,105	**232,682**

The calculation of value-in-use was based on the following key assumptions:

At 31 December	2018		2017	
	Discount factor	Long term growth rate	Discount factor	Long term growth rate
Ecobank Nigeria (Oceanic Bank)		0.50%		0.50%
Ecobank Ghana (The Trust Bank)		6.10%		3.75%
Ecobank Rwanda		6.05%		4.00%
Ecobank Zimbabwe		1.90%		1.15%
SOFIPE		6.10%		4.91%
Ecobank Chad	11.32%	0.00%	13.43%	0.00%
Ecobank Central Africa		4.42%		4.67%
Ecobank Burundi		-0.05%		-2.25%
Ecobank Sierra Leone (ProCredit)		5.00%		0.00%
Ecobank Malawi		3.25%		2.64%
Ecobank Burkina Faso		6.10%		4.91%

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

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

3. Discount rates of averaging 11.32%, representing post-tax weighted average cost of capital (WACC), was applied in determining the value in use. The growth rate used to extrapolate terminal cash flows for goodwill impairment testing is consistent with long term average growth rate for industry and countries.

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

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

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28 Property and equipment

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Construction in progress	Total
At 1 January 2017						
Cost or Valuation	75,479	579,138	355,743	151,114	194,585	1,356,059
Accumulated depreciation	54,234	104,694	254,930	81,154	–	495,012
Net book amount	**21,245**	**474,444**	**100,813**	**69,960**	**194,585**	**861,047**
Year ended 31 December 2017						
1 January	21,245	474,444	100,813	69,960	194,585	861,047
Additions	3,612	108,848	90,668	9,367	43,699	256,194
Revaluation	–	6,360	(19)	(86)	–	6,255
Disposals – cost	(8,138)	(52,453)	(52,266)	(5,185)	(70,483)	(188,525)
Disposals – accumulated depreciation	7,327	4,429	20,779	4,947	52	37,534
Reclassifications – cost	(35)	8,889	2,143	(9,023)	(240)	1,734
Reclassifications – accumulated depreciation	6	304	(1,921)	(121)	3	(1,729)
Depreciation charge	(8,282)	(14,205)	(42,739)	(15,331)	–	(80,557)
Exchange rate adjustments	2,757	22,979	4,679	6,570	(4,775)	32,210
31 December 2017	**18,492**	**559,595**	**122,137**	**61,098**	**162,841**	**924,163**
At 31 December 2017/1 January 2018						
Cost or Valuation	72,834	677,911	415,347	160,909	162,841	1,489,842
Accumulated depreciation	54,342	118,316	293,210	99,811	–	565,679
Net book amount	**18,492**	**559,595**	**122,137**	**61,098**	**162,841**	**924,163**
Year ended 31 December 2018						
1 January	18,492	559,595	122,137	61,098	162,841	924,163
Additions	4,417	83,500	92,260	6,864	13,904	200,945
Revaluation	–	(643)	–	–	–	(643)
Disposals – cost	(116,132)	(73,796)	(465,752)	(365,676)	(15,150)	(1,036,506)
Disposals – accumulated depreciation	65,022	6,243	383,888	359,204	(77)	814,280
Reclassifications – cost	(516)	249	1,586	375	(2,323)	(629)
Reclassifications – accumulated depreciation	43	(50)	647	262	(273)	629
Depreciation charge	(7,600)	(15,487)	(41,851)	(12,603)	–	(77,541)
Exchange rate adjustments	46,547	(49,770)	27,785	(2,879)	(19,216)	2,467
31 December 2018	**10,273**	**509,841**	**120,700**	**46,645**	**139,706**	**827,165**
At 31 December 2018						
Cost	51,384	625,641	423,800	152,502	139,706	1,393,033
Accumulated depreciation	41,111	115,800	303,100	105,857	–	565,868
Net book amount	**10,273**	**509,841**	**120,700**	**46,645**	**139,706**	**827,165**

28 Property and equipment (continued)

Land and buildings are measured using the revaluation model. The valuation of land and buildings has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset). There has been no change in the valuation techniques used in the valuation of the land and buildings. The valuation of the Group's land and buildings was performed by independent valuers to determine the fair value of the land and buildings as at 31 December 2018. The fair values are derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For this, appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

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

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

At 31 December	2018	2017
Cost	889,169	688,224
Accumulated depreciation	217,726	140,185
Net book amount	**671,443**	**548,039**

29 Investment property

At 31 December	2018	2017
1 January	43,514	35,819
Additions	10,481	9,854
Fair value gains	(1,077)	(828)
Disposal	(22,604)	(1,324)
Exchange rate adjustments	(527)	(7)
At 31 December	**29,787**	**43,514**

The following amounts have been recognised in the income statement:

Rental income	349	–
Direct operating expenses arising from investment properties that generate rental income	(77)	–
Fair value	–	(828)
	272	**(828)**

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

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30 Assets held for sale and discontinued operations

The assets and liabilities of Union Bank of Cameroon (UBC) have been classified as held for sale in line with IFRS 5 (Non current assets held for sale and discontinued operations). UBC was acquired as part of the Oceanic transaction in 2011 but was deemed as non-core to ETI's operations. Regulatory approval has been obtained for the sale and it is expected to be completed during 2019. UBC is classified under 'others' in the segment reporting. The assets and performance reviewed by the CODM does not include assets held for sale.

At 31 December	2018	2017
a) Assets held for sale		
Cash and balances with central banks	4,125	10,206
Treasury bills and other eligible bills	59,252	34,421
Loans and advances to banks	885	751
Loans and advances to customers	9,949	15,302
Investment securities	15,840	19,264
Intangible assets	24	73
Property and equipment	–	2,890
Other assets	–	936
	90,075	**83,843**
b) Liabilities classified as held for sale		
Due to customers	97,322	98,052
Other liabilities	19,460	13,535
Retirement benefit obligation	883	998
Deferred income tax liabilities	191	200
	117,856	**112,785**
c) Profit from discontinued operations		
Revenue	7,330	6,780
Costs	(6,529)	(5,829)
Profit before tax of discontinued operations	801	951
Profit from discontinued operations after tax	801	951
Profit from discontinued operations	801	951
Profit attributable to:		
Owners of the parent	433	514
Non controlling interests	368	437
	801	**951**
Cash and Flow statement		
Cash flow used in operating activities	(6,345)	(16,425)
Cash flow from investing activities	2,387	(5,101)
Total cash flows	**(3,958)**	**(21,526)**

31 Deposits from other banks

At 31 December	2018	2017
Operating accounts with banks	1,075,102	881,089
Other deposits from banks	390,544	891,325
	1,465,646	**1,772,414**

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

32 Deposit from customers

At 31 December	2018	2017
CIB		
• Current accounts	5,365,450	4,970,428
• Term deposits	1,981,644	2,021,545
	7,347,094	6,991,973
Commercial		
• Current accounts	2,717,251	2,390,924
• Term deposits	563,376	610,225
• Savings deposits	66,013	65,103
	3,346,640	3,066,252
Consumer		
• Current accounts	1,827,687	1,705,752
• Term deposits	836,058	854,232
• Savings deposits	2,578,520	2,585,062
	5,242,265	5,145,046
Total	**15,935,999**	**15,203,271**
Current	15,287,496	14,140,406
Non current	648,503	1,062,865
	15,935,999	**15,203,271**

Customer deposits carry variable interest rates.

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32 Deposit from customers (continued)

Customer deposits carry variable interest rates.

At 31 December 2018	CIB		Commercial			Consumer			Total
	Current account	Term deposits	Current account	Term deposits	Savings	Current account	Term deposits	Savings	
At 1 January	4,970,428	2,021,545	2,390,924	610,225	65,103	1,705,752	854,232	2,585,062	15,203,271
Additions	1,786,981	601,085	1,378,651	88,038	10,738	337,170	99,801	300,484	4,602,948
Withdrawals	(1,499,115)	(700,824)	(1,089,224)	(78,926)	(3,568)	(299,743)	(49,785)	(348,669)	(4,069,854)
Exchange difference	107,156	59,838	36,900	(55,961)	(6,260)	84,508	(68,190)	41,643	199,634
At 31 December 2018	**5,365,450**	**1,981,644**	**2,717,251**	**563,376**	**66,013**	**1,827,687**	**836,058**	**2,578,520**	**15,935,999**

At 31 December 2017	CIB		Commercial			Consumer			Total
	Current account	Term deposits	Current account	Term deposits	Savings	Current account	Term deposits	Savings	
At 1 January	4,174,861	1,898,729	2,199,666	585,265	49,826	1,556,069	681,981	2,350,323	13,496,720
Additions	4,630,457	516,965	1,657,696	107,150	22,634	927,576	214,067	477,029	8,553,574
Withdrawals	(4,243,523)	(473,310)	(1,589,163)	(105,780)	(7,404)	(859,818)	(71,589)	(364,235)	(7,714,822)
Exchange difference	408,633	79,161	122,725	23,590	47	81,925	29,773	121,945	867,799
At 31 December 2017	**4,970,428**	**2,021,545**	**2,390,924**	**610,225**	**65,103**	**1,705,752**	**854,232**	**2,585,062**	**15,203,271**

33 Borrowed funds

	At 31 December	2018	2017
a	African Development Bank (AfDB)	317,199	214,074
b	Eurobond Nigeria	256,575	254,657
c	Deutsche Bank	249,160	248,453
d	TMFG Services UK Limited	199,004	149,265
e	FMO	199,585	–
f	Qatar National Bank	151,943	147,687
g	Bank of Industry of Nigeria (BOI)	79,763	131,362
h	PIC (Public Investment Corporation)	88,959	88,879
i	A/B Syndicated Subordinated Term Facility	76,958	75,341
j	European Investment Bank	36,201	54,381
k	Societe de Promotion et Participation pour la Coopération Economique (PROPARCO)	38,639	50,418
l	Nigeria Sovereign Investment Authority -- NSIA	56,807	50,114
m	Opec Fund for International Development (OFID)	8,571	17,629
n	Central Bank of Nigeria	–	9,644
o	Caisse Régionale de Refinancement Hypothécaire (CRRH)	7,146	9,047
p	Belgium Investment Company for Developing Countries (BIO)	3,347	6,748
q	Government Bonds (Ivory Coast)	4,586	9,047
	Other loans	285,247	212,010
		2,059,690	**1,728,756**
	Current	471,203	246,566
	Non current	1,588,487	1,482,190
		2,059,690	**1,728,756**

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

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

c) Deutsche AG as original lender and facility agent granted a facility of USD 250million to ETI being PIC's convertible bond on September 5, 2017 for a 5 year tenure maturing on September 5, 2022.

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

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33 Borrowed funds (continued)

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

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

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

h) Public Investment Corporation (PIC) granted to ETI a USD 98,841,206,79 facility for 3 years Term, on December 29, 2016, with a Margin of 4% per annum plus 3 months Libor, annual revolving deposit. 10 million pledged out of the Principal. Net amount USD 88,841,206.79 as at December 2017

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

j) European Investment Bank (II) Loan is a convertible and subordinated loan repayable in ten equal semi-annual instalments which started from 2010. The subsidiaries that benefitted from this loan are: Ecobank Burkina, Côte d'Ivoire, DR Congo, Ghana, Guinea Bissau, Mali, Rwanda, Chad, Senegal, Togo, Uganda, and Zambia. The loan was fully paid in July 2018. European Investment Bank (III) granted a third facility to ETI for on-lending to some affiliates. The sum received on July 6, 2015 was USD 40,000,000.00 out of USD 100,000,000.00 as per the contract. The applicable rate is 1.57% plus Floating rate plus 6 months LIBOR for a tenure of 7 years and 3 years moratorium. The funds received were on-lent to affiliates as per the following list: Nigeria, eprocess, Tanzania, Rwanda & ETI Holding. The final repayment date will be July 6, 2022.

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

l) Nigeria Sovereign Investment Authority (NSIA) extended a USD 50 million loan to ETI for a tenure of 9 months on September 20, 2017 repayable on June 4, 2018. This facility was on lent to Ecobank Nigeria.

m) Opec Fund for International Development (OFID) Loan is a convertible and subordinated loan repayable in seven (7) equal semi-annual instalments starting from 2016. The subsidiaries that benefitted from this loan are: Ecobank Senegal, Cameroon, Kenya and Côte d'Ivoire.

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

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

p) Belgium Development Company (BIO) Loan was not for on-lending to affiliates. It started from July 2012 payable in eleven equal semi-annual instalments. The loan was used to support technological development and programme development of its affiliates.

q) Government Bonds (Ivory Coast) are bonds issued by Ecobank Côte d'Ivoire with an interest rate of 6.5%. The borrowing is maturing in 2020.

33 Borrowed funds (continued)

Analysis of the convertible loans

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

Name of Institution	Contract interest	Effective interest rate	Tenor (Years)	Face value	Amount
European Investment Bank (II)	4.267% + 6 months Libor	6.80%		27,712	13,917
OFID	4.75% + 6 month LIBOR	6.51%	8	26,341	17,629
Deutsche Bank	6.46% + 3 month LIBOR	8.15%	5	250,000	248,453
Qatar National Bank	6.46% + 3 month LIBOR	8.05%	5	148,890	147,687
CBICMU	6.46% + 3 month LIBOR	14.96%	5	1,110	842
				454,053	**428,528**

	2018	2017
Initial recognition:		
• Face value of convertible bond issued	417,629	470,584
• Equity conversion component net of deferred tax liability (Note 39)	(7,779)	(7,779)
Liability component	**409,850**	**462,805**
Summary of subordinated loans		
European Investment Bank (II)	–	13,917
Opec Fund for International Development	8,571	17,629
	8,571	**31,546**

Interest on the convertible loan is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2018 amounted to US$410.9 million (2017: $428.5million). The actual interest paid in 2018 was US$32,2 million (2017: $7.4million).

Borrowed funds Movement

Borrowed funds Movement	2018	2017
Opening balance	1,728,756	1,698,564
Additions	440,958	410,980
Repayments	(110,024)	(380,788)
Closing balance	**2,059,690**	**1,728,756**

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

33 Borrowed funds (continued)

Debt Covenants

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

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

As at 31 December 2018, the waivers cover technical breaches in respect of historical periods (including the 2017 financial year) and a period from the date of the waiver and were executed as follows: (1) the finance contract entered into between the company, as borrower, and the European Investment Bank, as lender. As at 31 December 2018, there was US$35,555,555 outstanding and the facility is scheduled to mature on 6 July 2022. The waiver expires on 31 December 2020; and (2) the term facilities agreement between the company, as borrower, and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO). As at 31 December 2018, US$150,000,000 and EUR42,000,000 were outstanding under the facility and the facility is scheduled to mature on 10 January 2025. The waiver expires on 31 March 2019.

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

34 Other liabilities

At 31 December	2018	2017
Accrued income	57,154	48,633
Unclaimed dividend	3,567	4,018
Accruals	380,403	190,616
Obligations under customers' letters of credit	28,896	101,314
Bankers draft	61,303	44,980
Accounts payable	143,447	142,978
Others liabilities	321,787	678,369
	996,557	**1,210,908**

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

35 Provisions

	2018	2017
At 1 January	52,450	28,782
Additional provisions charged to income statement	18,203	32,202
Provision no longer required	402	(1,253)
Utilised during year	(17,033)	(6,202)
Exchange differences	(1,043)	(1,079)
At 31 December	**52,979**	**52,450**

Provisions represent amounts provided for in respect of various litigations pending in court. Based on professional advice, the amounts for pending litigations have been set aside to cover the expected losses to the Group on the determination of these litigations.

36 Deferred income taxes

Deferred income taxes are calculated using substantively enacted tax rate of each subsidiary.

The movement on the deferred income tax account is as follows:

	2018	2017
At 1 January	(57,446)	(41,838)
Income statement charge	(4,702)	(20,419)
Investment securities directly in OCI:		
• fair value remeasurement	(2,695)	(1,805)
Revaluation of property and equipment (directly in OCI)	(4,342)	(3,144)
Exchange differences	5,569	9,760
At 31 December	**(63,616)**	**(57,446)**
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred income tax liabilities		
Accelerated tax depreciation	1,030	1,701
Investment securities	1,927	2,280
Revaluation of property and equipment	34,444	42,859
Provision for loan impairment (recovery)	14,387	14,334
Other temporary differences	3,311	3,095
	55,099	**64,269**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

36 Deferred income taxes (continued)

Deferred income tax assets		
Pensions and other post retirement benefits	272	202
Provisions for loan impairment	19,081	20,525
Other provisions	16,606	10,393
Tax loss carried forward	37,282	43,236
Other temporary differences	37,728	7,839
On untilised capital allowances	844	34,822
On revaluation PPE	315	363
Investment securities	6,587	4,335
	118,715	**121,715**
Deferred tax liabilities		
• To be recovered within 12 months	53,805	62,636
• To be recovered after more than 12 months	1,294	1,633
	55,099	**64,269**
Deferred tax assets		
• To be recovered within 12 months	96,507	86,530
• To be recovered after more than 12 months	22,208	35,185
	118,715	**121,715**
The deferred tax charge in the income statement comprises the following temporary differences:		
Accelerated tax depreciation	(671)	(322)
Provision for loan impairment (recovery)	53	4,261
Pensions and other post retirement benefits	(70)	251
Allowances for loan losses	1,444	(10,157)
Other provisions	(6,213)	(6,479)
Tax losses carry forward	5,954	(18,776)
Other temporary differences	216	29,692
Exchange differences	(5,415)	(18,889)
	(4,702)	**(20,419)**

36 Deferred income taxes (continued)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

Income tax effects relating to components of other comprehensive income:

	31 December 2018			31 December 2017		
	Gross	Tax	Net	Gross	Tax	Net
Fair value gains/loss on investment securities	(143,922)	2,695	(141,227)	43,970	(1,805)	42,165
Revaluation gains/loss on property and equipment	(643)	(4,342)	(4,985)	6,255	(3,144)	3,111
	(144,565)	**(1,647)**	**(146,212)**	**50,225**	**(4,949)**	**45,276**

37 Retirement benefit obligations

Other post-retirement benefits

Apart from the pension schemes, the Group operates a post employment gratuity payment scheme. The method of accounting and the frequency of valuations are as described in Note 2.20. The Group operates a post employment gratuity payment scheme. The amounts recognised in the statement of financial position are as follows:

	2018	2017
Present value of funded obligations	39,168	55,177
Fair value of plan assets	(48,667)	(47,289)
	(9,499)	**7,888**
Present value of unfunded obligations	13,395	16,176
Liability in the statement of financial position	**3,896**	**24,064**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

37 Retirement benefit obligations (continued)

In 2018, the movement in the defined benefit obligation over the year is as follows :

	31 December 2018			31 December 2017		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
At 1 January	**71,353**	**(47,289)**	**24,064**	**61,696**	**(45,965)**	**15,731**
Current service cost	3,325	–	3,325	2,019	–	2,019
Interest expense and income	3,432	(2,364)	1,068	3,197	(2,298)	899
	6,757	(2,364)	4,393	5,216	(2,298)	2,918
Remeasurements						
Return on plan assets	–	(3,525)	(3,525)	–	(2,108)	(2,108)
Actuarial (gain)/losses	(4,637)	232	(4,405)	(3,085)	958	(2,127)
	(4,637)	(3,293)	(7,930)	(3,085)	(1,150)	(4,235)
Exchange difference	(16,971)	2,683	(14,288)	7,069	–	7,069
Contributions	–	6,233	6,233	457	(4,046)	(3,589)
Benefit payments	(3,939)	(4,637)	(8,576)	–	6,170	6,170
At 31 December	**52,563**	**(48,667)**	**3,896**	**71,353**	**(47,289)**	**24,064**

The defined benefit obligation and plan assets are composed by regions/countries as follows :

	31 December 2018					31 December 2017				
	Nigeria	ETI	UEMOA/ CEMAC	Others	Total	Nigeria	ETI	UEMOA/ CEMAC	Others	Total
Present value obligation	21,334	13,395	13,978	3,856	52,563	26,252	16,176	12,520	16,405	71,353
Fair value of plan assets	(30,097)	–	(18,570)	–	(48,667)	(28,520)	–	(15,443)	(3,326)	(47,289)
Total liability	(8,763)	13,395	(4,592)	3,856	3,896	(2,268)	16,176	(2,923)	13,079	24,064

37 Retirement benefit obligations (continued)

Income tax effects relating to components of other comprehensive income

At 31 December	2018	2017
The amounts recognised in the income statement are as follows:		
Current service cost	3,325	2,019
Net interest cost	3,432	3,197
Total included in staff costs	6,757	5,216
Other Comprehensive Income		
Actuarial gain/(losses) on obligations	1,143	852
Actuarial gain/(losses) on plan assets	231	(6,064)
	1,374	**(5,212)**

As the plan assets include significant investments in government bonds, the Group is also exposed to interest rate risks and impact of changes monetary policies on bond yields. The defined benefit plan does not have any significant impact on the group's cash flows.

The net actuarial gain on the fair value of plan assets arose as a result of the actual returns on the assets being greater than the calculated expected return on assets.

Plan assets are comprised as follows:

	31 December 2018				31 December 2017			
	%	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total
Cash	36%	–	17,507	17,507	13%	–	6,148	6,148
Equity instruments		–	–	–	23%	10,876	–	10,876
Debt instruments (Bonds)	64%	31,160	–	31,160	64%	30,265	–	30,265
	100%	**31,160**	**17,507**	**48,667**	**100%**	**41,141**	**6,148**	**47,289**

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The principal assumptions used for ETI and the subsidiaries operating in Nigeria and UEMOA region were as follows:

	ETI		Nigeria		UEMOA	
	2018	2017	2018	2017	2018	2017
Discount rate	5.5%	3.0%	16%	16%	4%	3%
Expected return on plan assets	4.85%	4.85%	9%	9%	1.8%	1.8%
Future salary increases	1.80%	1.80%	5%	5%	2%	2%

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37 Retirement benefit obligations (continued)

Sensitivity analysis on actuarial assumptions for ETI	Increase in assumption by 1%	Liability changes to	Decrease in assumption by 1%	Liability changes to
Discount rate	Decrease in the liability by 15%	11,331	Increase in the liability by 22%	16,366
Exit rate	Decrease in the liability by 17%	11,102	Increase in the liability by 22%	16,869
Dismissal rate	Increase in the liability by 8%	14,521	Decrease in the liability by 9%	12,231

Sensitivity analysis on actuarial assumptions for Ecobank Nigeria	Increase in assumption by 1%	Liability changes to	Decrease in assumption by 1%	Liability changes to
Discount rate	Decrease in the liability by 6.1%	20,026	Increase in the liability by 6.9%	22,789
Exit rate	Increase in the liability by 7.5%	22,927	Decrease in the liability by 6.1%	20,016
Dismissal rate	Increase in the liability by 0.5%	21,430	Decrease in the liability by 0.4%	21,228

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

38 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 materialise are disclosed in Note 35.

b) Capital commitments

At 31 December 2018, the Group had capital commitments of $5.9 m (December 2017: $2m) 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 2018 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:

	2018	2017
Guaranteed commercial papers and banker acceptances	342,181	101,038
Documentary and commercial letters of credit	1,631,689	1,377,024
Performance bond, guarantees and indemnities	2,366,343	1,729,101
Loan commitments	1,221,440	713,654
	5,561,653	**3,920,817**

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 a 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 2018 is $80 million (December 2017: $44 million). Based on Group's assessment, the probable liability is not likely to exceed $7 million (December 2017: $3 million) which provisions have been made in the books in Note 35.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

39 Share capital

	No of shares ('000)	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2017	**24,607,639**	**618,254**	**1,499,145**	**(3,068)**	**2,114,332**
Treasury shares	–	–	–	(375)	(375)
At 31 December 2017/ 1 January 2018	**24,607,639**	**618,254**	**1,499,145**	**(3,443)**	**2,113,957**
Treasury shares	(15,020)	–	–	–	–
At 31 December 2018	**24,592,619**	**618,254**	**1,499,145**	**(3,443)**	**2,113,957**

The total authorised number of ordinary shares at period end was 50 billion (December 2017: 50 billion) with a par value of US$0.025 per share (December 2017: US$0.025 per share). Total issued shares as of 31 December 2018 were 24,730 billion shares. The adjustment for treasury shares on consolidation resulted in the share count of 24.592 billion shares.

Treasury shares were ETI shares held by subsidiaries and related entities within the Group as at period end. The treasury shares count as at 31 December 2018 is 137.7 million shares.

Share options

The Group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movement in the number of share options outstanding are as follows:

	2018	2017
At 1 January	124,988	138,988
Forfeited	(12,500)	(14,000)
Lapsed	–	–
At 31 December	**112,488**	**124,988**

The share options exercised during the period were done at a price of US$0.08.

The range of exercise price of outstanding shares as at 31 December 2018 is 6 cents to 9.2 cents (average price 7.6 cents). All of the outstanding shares as at 31 December 2018 were exercisable.

New share options totalling 119 million shares were also granted on 16 July 2012 with a contractual life of 5 years. New share options totalling 50 million shares were also granted in September 2015 with a contractual life of 5 years.

39 Share capital (continued)

The number of shares outstanding at the end of the year was as follows:

Expiry date:	2018	2017
2016	–	–
2017	–	–
2019	50,000	50,000
2022	62,488	74,988
	112,488	**124,988**

For the general employees share option plan, options may be exercised prior to the tenth anniversary of the grant.

Measurement of fair values – share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

Fair value of share options and assumptions	2012 scheme	2015 scheme
Fair value at grant date (US$)	0.012	0.025
Share price at grant date (US$)	0.063	0.092
Exercise price (US$)	0.063	0.092
Expected volatility	0.75%	1.73%
Expected life (number of years)	4	5
Expected dividends	6%	3%
Risk-free interest rate	11.8%	11.8%

The expected volatility is based on both historical average share price.

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

40 Retained earnings and other reserves

	2018	2017
Retained earnings	265,362	216,142
Other reserves	(842,367)	(449,355)
	(577,005)	**(233,213)**

a) Retained earnings

Movements in retained earnings were as follows:

At 1 January	216,142	230,847
Profit for year	261,647	178,585
Day 1 IFRS 9 Impact	(278,503)	–
Transfer from / (to) general banking reserve	124,262	(17,049)
Transfer to statutory reserve	(45,376)	(45,450)
Transfer to share option	(219)	(344)
Transfer to other Group reserve	(12,591)	(130,447)
At 31 December	**265,362**	**216,142**

b) Other Reserves

General banking reserve	233,082	357,344
Statutory reserve	478,232	432,856
Revaluation reserve – Investment securities	(59,404)	5,513
Convertible bond – equity component	7,779	7,779
Revaluation reserve – property and equipment	136,580	141,565
Share option reserve	1,157	938
Remeasurements of post-employment benefit obligations	(7,801)	(9,175)
Translation reserve	(1,879,311)	(1,620,903)
Other Group reserves	247,319	234,728
	(842,367)	**(449,355)**

Movements in the other reserves were as follows:

i) General banking reserve

At 1 January	357,344	340,295
Transfer from retained earnings	(124,262)	17,049
At 31 December	**233,082**	**357,344**

40 Retained earnings and other reserves (continued)

The general banking reserve represents transfers from retained earnings for unforeseeable risks and future losses. General banking reserves can only be distributed following approval by the shareholders in general meeting.

ii) Statutory reserve

	2018	2017
At 1 January	432,856	387,406
Transfer from retained earnings	45,376	45,450
At 31 December	**478,232**	**432,856**

Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable.

iii) Share option reserve

At 1 January	938	594
Transfer to retained earnings	219	344
At 31 December	**1,157**	**938**

Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable.

iv) Remeasurements of post-employment benefit obligations

At 1 January	(9,175)	(3,111)
Actuarial gains on retirement benefit	1,374	(6,064)
At 31 December	**(7,801)**	**(9,175)**

v) Revaluation reserves

At 1 January	5,513	(36,652)
Net gain/(loss) from changes in fair value debt securities	(67,960)	43,970
Deferred income taxes (Note 36)	2,695	(1,805)
Net gain/(loss) from changes in fair value equity securities	348	
At 31 December	**(59,404)**	**5,513**

The revaluation reserve shows the effects from the fair value measurement of investment securities after deduction of deferred taxes.

Convertible bond – equity component

Movement in equity component of convertibles were as follows:

At 1 January	7,779	9,195
Exercise of the convertible option	–	(1,416)
At 31 December	**7,779**	**7,779**

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40 Retained earnings and other reserves (continued)

The equity component of the convertible bond is computed as a residual amount after determining the loan amount using the loan.

vi) Revaluation Reserve – property and equipment

	2018	2017
At 1 January	141,565	138,454
Net gains from changes in fair value	(643)	6,255
Deferred income taxes	(4,342)	(3,144)
At 31 December	**136,580**	**141,565**

vii) Translation reserve

At 1 January	(1,620,903)	(1,707,717)
Currency translation difference arising during the year	(258,408)	86,814
At 31 December	**(1,879,311)**	**(1,620,903)**

viii) Other Group reserve

At 1 January	234,728	104,281
Movement arising during the year	12,591	130,447
At 31 December	**247,319**	**234,728**

41 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity.

	2018	2017
Cash and balances with central banks (Note 17)	1,668,236	1,472,178
Treasury Bills and other eligible bills (Note 22)	396,384	338,252
Deposits with other banks (Note 20)	1,152,337	1,036,270
Deposits from other banks (Note 31)	(1,075,102)	(881,089)
	2,141,855	**1,965,611**

42 Group entities

a) Significant subsidiaries

	Country of incorporation	Ownership interests 2018	Ownership interests 2017
Ecobank Nigeria Limited	Nigeria	100%	100%
Ecobank Ghana Limited	Ghana	69%	69%
Ecobank Côte d'Ivoire	Côte d'Ivoire	75%	75%
Ecobank Burkina	Burkina Faso	85%	85%
Ecobank Senegal	Senegal	80%	80%
Ecobank Benin	Benin	79%	79%
Ecobank Cameroon	Cameroon	80%	80%
Ecobank Mali	Mali	93%	93%
Ecobank Togo	Togo	82%	82%

b) Non-controlling interests in subsidiaries that are material to the Group

The following table summarises the information relating to the Group's subsidiary that has material non-controlling interests (NCI), before any intra-group eliminations.

Entity	Ecobank Ghana		Ecobank Côte d'Ivoire		Ecobank Burkina	
NCI percentage	31%	31%	25%	25%	15%	15%
Period	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Loans and advances to customers	860,894	598,238	1,321,469	1,229,365	690,861	732,948
Investment securities	612,278	546,238	933,411	850,779	401,556	433,957
Other assets	32,842	912,534	35,812	633,434	70,067	483,682
Deposits from customers	1,578,192	1,481,955	1,445,108	1,487,239	1,227,472	1,013,620
Other liabilities	237,764	340,170	93,759	2,506,881	51,140	1,553,448
Net assets	278,432	234,884	192,834	206,698	92,926	97,138
Carrying amount of NCI	**86,314**	**72,979**	**48,209**	**51,674**	**13,939**	**14,571**
Operating income	284,285	256,397	150,244	136,684	77,767	78,238
Profit before tax	110,051	82,308	45,029	50,166	18,109	24,265
Profit after tax	77,383	58,246	43,159	49,960	16,260	22,648
Total comprehensive income	81,163	70,232	40,777	55,432	28,760	25,078
Profit allocated to NCI	**24,043**	**18,097**	**10,790**	**12,490**	**2,439**	**3,397**
Cashflows from operating activities	110,051	473,757	45,029	77,983	18,109	92,395
Cashflows from investing activities	77,383	(565,035)	43,159	(165,845)	16,260	(116,282)
Cashflows from financing activities	81,163	(97,196)	40,777	(18,279)	28,760	(15,243)
Net increase/(decrease) in cash and cash equivalents	**268,597**	**(188,474)**	**128,965**	**(106,140)**	**63,129**	**(39,130)**

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

42 Group entities (continued)

c) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

d) Involvement with unconsolidated structured entities

The table below describes the structured entities in which the Group does not hold an interest but is a sponsor. The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. These entities were not consolidated in 2018.

Name	Type of structured entity	Nature and purpose	Investment held by the Group
FCP UEMOA DIVERSIFIE (Incorporated in Ivory Coast in 2007)	Asset-backed structured entity	a) Provide investors with an exposure to a referenced asset such as debt instrument	None
FCP UEMOA RENDEMENT (Incorporated in Ivory Coast in 2007)	Asset-backed structured entity	b) Generate fees for agent activities and funding for the Group's lending activities	None

The table below sets out information as at 31 December 2018 in respect of structured entities that the Group sponsors, but which the Group does not have an interest.

Asset-backed structured entities	FCP UEMOA DIVERSIFIE	FCP UEMOA RENDEMENT
Fee income earned from asset-backed structured entities	982	104
*Carrying amount of assets transferred by third parties to conduit vehicle	32,176	3,425
Carrying amount of the financing received from unrelated third parties	31,980	3,721

The carrying value is stated at book value (costs less impairment)

The Group does not have any exposure to any loss arising from these structured entities.

43 Related party transactions

The related party is the key management personnel, their related companies and close family relations. The key management personnel included directors (executive and non-executive),and other members of the Group Executive Committee.

A number of banking transactions are entered into with related parties in the normal course of business and at commercial terms. These transactions include loans, deposits, and foreign currency transactions. The volumes of related party transactions, outstanding balances at the end of the period, and relating expense and income for the period as follows:

Loans and advances to related parties	Directors and key management personnel		Related companies	
	2018	2017	2018	2017
Loans outstanding at 1 January	177	177	35,970	11,645
Loans issued during the year	179	–	–	24,325
Loan repayments during the year	(356)	–	(24,071)	–
Exchange difference	–	–	–	–
Loans outstanding at 31 December	**(0)**	**177**	**11,899**	**35,970**
Interest income earned	147	(28)	745	–

No provisions have been recognised in respect of loans given to related parties (2017: nil).

43 Related party transactions (continued)

The loans issued to executive directors during the year and related companies controlled by directors were given on commercial terms and market rates.

Deposits from related parties	Directors and key management personnel	
	2018	2017
Deposits at 1 January	2,381	2,381
Deposits received during the year	3,672	–
Deposits repaid during the year	(4,683)	–
Exchange difference	–	–
Deposits at 31 December	**1,370**	**2,381**
Interest expense on deposits	–	–

	2018	2017
Directors' remuneration		
Total directors fees and allowances	1,637	1,481

Related party credits

During the period the Group through its subsidiaries granted various credit facilities to directors and companies whose directors are also directors of ETI at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of US$11.9 million was outstanding on these facilities at the end of the reporting period. The status of performance of each facility is as shown below:

Name of company/ individual	Relationship	Type	Status	Nature of security	Amount
BIDC	Director related	Bonds	Non-impaired	Unsecured	11,899
					11,899

Parent

The parent company, which is also the ultimate parent company, is Ecobank Transnational Incorporated

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

44 Banking subsidiaries

	Ownership interests
Ecobank Cameroon	80%
Ecobank Chad	74%
Ecobank Sao Tomé	100%
Ecobank Central Africa	75%
Ecobank Congo Brazzaville	86%
Ecobank Gabon	75%
Ecobank Guinea Equatoriale	60%
Ecobank Benin	79%
Ecobank Burkina Faso	85%
Ecobank Côte d'Ivoire	75%
Ecobank Mali	93%
Ecobank Niger	70%
Ecobank Sénégal	80%
Ecobank Togo	82%
Ecobank Guinea Bissau	84%
Ecobank Cape Verde	99%
Ecobank Ghana	69%
Ecobank Guinea	83%
Ecobank Liberia	100%
Ecobank Sierra Leone	100%
Ecobank Gambia	97%
Ecobank Rwanda	95%
Ecobank Tanzania	100%
Ecobank Kenya	100%
Ecobank Burundi	75%
Ecobank Uganda	100%
Ecobank South Sudan	100%
Ecobank Nigeria	100%
Ecobank Malawi	96%
Ecobank Congo RDC	100%
Ecobank Zambia	100%
Ecobank Zimbabwe	100%
Ecobank Mozambique	98%
Non Banking subsidiaries	
SOFIPE Burkina	85%
Ecobank Micro Finance Sierra Leone	100%
EDC Holding	91%
Treasury Bond Protected Investment Company (TBPIC) (*)	0%
FCP Obligataire	80%
E Process international	100%
EBI SA (France)	100%
Bewcastle	100%
Ecobank Specialised Finance Company LLC	100%

45 Major business acquisitions

There were no major business acquisitions in 2018.

46 Subsequent Events: Establishment of a local currency in Zimbabwe and possible change in functional currency

The Reserve Bank of Zimbabwe (RBZ) through its Monetary Policy Statement issued on 20 February, 2019, confirmed the establishment of an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS balances and bond notes with US$ and other currencies on a willing-buyer willing-seller basis through banks and bureaux de change. This would be effective 22 February, 2019. In doing so, the RBZ officially introduced the movement away from the 1:1 parity between the US$ and RTGS balances/ bond notes which had been the official rate hitherto. The RBZ went on denominate existing RTGS balances, bond notes and coins in circulation as RTGS dollars (RTGS$) to establish an exchange rate between these balances and the US$. The exchange rate between the RTG$ and US$ would be 1:1 on the effective date and subsequently change driven by market forces of demand and supply. The RTG$ dollars thus become part of the multi-currency system in Zimbabwe.

Prior to this pronouncement the prevailing currencies in Zimbabwe (i.e. Bond notes and RTGS balances) were deemed to have 1:1 parity with the US$ and this was the official exchange rate. Though informal/black market trades yielded different rates, these markets were not official and such trades were not legal and this could not be relied upon. Ecobank Zimbabwe (a subsidiary of the Group), like all other corporates in Zimbabwe had the US$ as both the functional currency and presentation currency. Similar to other organisations is Zimbabwe, all transactions, whether done in US$ or in other RTGS, bond notes etc were deemed to US$ equivalent (as the official exchange rate was deemed 1:1) and recorded as such. The results and balances from Ecobank Zimbabwe were consolidated into the results of the Group in keeping with International Accounting Standards (IAS 21, The effects of changes in foreign exchange rates).

STATEMENT OF VALUE ADDED

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

Statement of value added

Year ended 31 December (in thousands of US dollars)	2018	2017
Interest expenses paid	(598,650)	(593,001)
Fee and commission expenses	(62,993)	(69,140)
	1,825,972	**1,832,153**
Impairment loss on financial assets	(263,915)	(411,054)
	1,562,057	**1,421,099**
Bought in material & services	(515,380)	(520,948)
Value Added	**1,046,677**	**900,151**
Distributions		
Employees		
Staff salaries and benefits	512,455	515,040
Government		
Income tax	108,129	60,757
Retained in the group		
Asset replacement (depreciation and amortisation)	97,444	95,820
Expansion(transfer to reserves and non-controlling interest)	328,649	228,534
	1,046,677	**900,151**

FIVE-YEAR SUMMARY FINANCIALS

	2018	2017	2016	2015	2014
At the year end					
Total assets	22,582,196	22,431,604	20,510,974	23,553,919	24,243,562
Loans and advances to customers	9,168,669	9,357,864	9,259,374	11,200,349	12,311,642
Deposit from customers	15,935,999	15,203,271	13,496,720	16,427,553	17,436,970
Total equity	1,812,491	2,172,083	1,764,078	2,523,245	2,655,085
For the year					
Revenue	1,825,171	1,831,202	1,972,263	2,105,975	2,279,881
Profit / (loss) before tax	435,977	288,340	(131,341)	205,239	519,549
Profit / (loss) for the Year	328,649	228,534	(204,958)	107,464	394,770
Profit / (loss) attributable to owners of the parent	261,647	178,585	(249,898)	65,539	337,863
Earnings per share – basic (US dollar cents)	1.06	0.72	(1.01)	0.28	1.69
Earnings per share – diluted (US dollar cents)	1.06	0.72	(1.01)	0.28	1.6
Dividend per share (US dollar cents)	–	–	–	0.20	–
Return on average equity (%)	17.8%	11.6%	(9.6%)	4.2%	16.5%
Return on average assets (%)	1.5%	1.1%	(0.9%)	0.4%	1.7%
Cost-to-income ratio (%)	61.5%	61.8%	62.7%	64.9%	65.4%

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

PARENT COMPANY'S FINANCIAL STATEMENTS

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

Statement of comprehensive income

Year ended 31 December	2018	2017
Interest income	38,826	36,356
Finance cost	(88,387)	(55,502)
Net interest income	(49,561)	(19,146)
Net fees and commission income	33,712	31,674
Other operating income	18,970	6,707
Personnel expense	(22,158)	(33,496)
Depreciation and amortisation expense	(3,470)	(4,517)
Other operating expense	(14,873)	(15,307)
Foreign exchange translation gain/(loss)	10,989	(566)
	(26,391)	(34,651)
Provision for other assets	(50,065)	(38,756)
Operating loss for the year	**(76,456)**	**(73,407)**
Share of loss of associates	(3,038)	(1,067)
Share of profit	488,626	302,754
Share of affiliate's tax	(87,030)	(46,174)
Profit for the year	**322,102**	**182,106**
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Share of affiliates other comprehensive loss/(income)	(43,748)	106,877
Net valuation gain/(loss) for sale securities OCI	45,728	(82,966)
Other comprehensive income for the year	**1,980**	**23,911**
Total comprehensive income for the year	**324,082**	**206,017**

PARENT COMPANY'S FINANCIAL STATEMENTS

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

Statement of financial position

As at 31 December	2018	Restated 2017	Restated 2016
Assets			
Loans and advances to banks	474,662	603,203	269,461
Investment in securities	5,064	68,183	151,149
Share of subsidiaries OCI	29,180	72,928	(33,949)
Other assets	163,545	129,433	301,630
Investment properties	10,819	11,895	12,144
Investment in associates	4,315	6,836	8,212
Investment in subsidiaries and structured entities	2,581,242	2,273,754	2,022,550
Intangible assets	383	46	18
Property and equipment	36,142	43,780	46,589
Total assets	**3,305,352**	**3,210,058**	**2,777,804**
Liabilities			
Other liabilities	143,006	49,375	65,794
Borrowed funds	1,425,887	1,149,025	952,195
Retirement benefit obligations	13,396	16,175	13,879
Total liabilities	**1,582,289**	**1,214,575**	**1,031,868**
Equity			
Share capital	618,255	618,255	618,255
Share premium	1,499,144	1,499,144	1,499,144
Retained earnings	600,722	633,137	451,031
Other reserves	(995,058)	(755,053)	(822,494)
Total equity	1,723,063	1,995,483	1,745,936
Total liabilities and equity	**3,305,352**	**3,210,058**	**2,777,804**

The financial statements were approved for issue by the Board of Directors on 22 February, 2019 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman

Greg Davis
Group Chief Financial Officer

Ade Ayeyemi
Group Chief Executive Officer

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Other reserves	Total
At 1 January 2017	**618,255**	**1,499,144**	**451,031**	**(822,494)**	**1,745,936**
Profit for the year	–	–	182,106	–	182,106
Exchange difference on translation of foreign operations (associates)	–	–	–	(309)	(309)
Net unrealised gain on investments	–	–	–	23,911	23,911
Total Comprehensive loss	**–**	**–**	**182,106**	**23,602**	**205,708**
Adjustment due to equity accounting changes (translation gain)	–	–	–	44,912	44,912
Equity component on convertible loan issued during the year	–	–	–	5,084	5,084
Share option granted	–	–	–	343	343
Redemption of preference shares	–	–	–	(6,500)	(6,500)
At 31 December 2017 / 1 January 2018	**618,255**	**1,499,144**	**633,137**	**(755,053)**	**1,995,483**
IFRS 9 impact adjustment	–	–	(248,552)	–	(248,552)
Restated opening balance 1 January 2018	**618,255**	**1,499,144**	**384,585**	**(755,053)**	**1,746,931**
Profit for the year	–	–	322,102	–	322,102
Exchange difference on translation of foreign operations (associates)	–	–	–	516	516
Net unrealised gain on investments	–	–	–	1,980	1,980
Total comprehensive income	**–**	**–**	**322,102**	**2,496**	**2,071,529**
Transferred to retained earning	–	–	(105,965)	–	(105,965)
Adjustment equity accounting (translation loss)	–	–	–	(240,525)	(240,525)
Share option granted	–	–	–	219	219
Equity component on convertible loan not converted during the year	–	–	–	(2,194)	(2,194)
At 31 December 2018	**618,255**	**1,499,144**	**600,722**	**(995,058)**	**1,723,063**

PARENT COMPANY'S FINANCIAL STATEMENTS

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

Statement of cash flows

	2018	2017
Profit for the year	322,102	182,106
Adjustment for non cash items:		
Interest income	(38,826)	(36,356)
Finance cost	88,387	55,502
Fair value loss on investment property	1,077	249
Share of associates loss	3,038	1,067
Adjustments to equity accounting	(333,185)	(159,452)
Loss/gain on disposal of property plant and equipment	(63)	(53)
Depreciation and amortisation	3,470	4,517
Amortisation of government grant	(192)	(192)
Provision for doubtful receivables	50,065	38,756
Share option vested during the year	219	344
Foreign exchange loss/gain on retirement benefit obligation	(732)	1,887
Current service cost and interest on benefit obligation	(2,052)	409
	93,308	**88,783**
Interest paid	(71,168)	(49,178)
Interest received	38,826	36,356
Changes in working capital		
– Other assets	(47,952)	133,441
– Other liabilities	93,823	(16,226)
– Loans and advances	1,285	(327,483)
Net cash used in operating activities	**108,121**	**(134,307)**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(411)	(1,715)
Proceeds from the sale of property, plant and equipment	15,019	522
Addition to investment in subsidiaries	(231,511)	(46,842)
Net cash used in investing activities	**(216,903)**	**(48,035)**
Cash flows from financing activities		
Proceeds from borrowings	745,396	758,308
Repayment of borrowed funds	(553,753)	(569,707)
Net cash from financing activities	**191,642**	**188,601**
Net increase in cash and cash equivalents	82,860	6,259
Cash and cash equivalent at the beginning of the year	**36,542**	**30,283**
Cash and cash equivalents at end of the year	**119,402**	**36,542**


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Ecobank MOBILE
Get more with the Ecobank Mobile app
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The Pan African Bank
ecobank.com

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CORPORATE INFORMATION

EXECUTIVE MANAGEMENT

Group Management Committee

Ade Ayeyemi
Group Chief Executive Officer

Paul-Harry Aithnard
Regional Executive, UEMOA & MD of Ecobank Côte D'Ivoire

Samuel Ashitey Adjei
Regional Executive, CESA & MD of Ecobank Kenya

Daniel Sackey
Regional Executive, AWA & MD of Ecobank Ghana

Greg Davis
Group Executive Director, Finance

Patrick Akinwuntan
Regional Executive & MD of Ecobank Nigeria

Yves Mayilamene
Group Executive, Human Resources

Moustapha Fall
Group Head, Internal Audit

Eric Jones Odhiambo
Group Chief Risk Officer

Madibinet Cisse
Group Executive, Legal, Compliance & Company Secretariat

Eddy Ogbogu
Group Executive, Operations and Technology

Amin Manekia
Group Executive, Corporate and Investment Bank

Nana Araba Abban (Acting)
Group Executive, Consumer Bank

Josephine Ankomah
Group Executive, Commercial Bank

Managing Directors (African banking subsidiaries)

Lazare Noulekou
Benin

Cheick Travaly
Burkina Faso

Victor Noumoue
Burundi

Tene Sonia Abo
Bissau Guinea

Gwendoline Abunaw
Cameroon

Jose Mendes
Cape Verde

Sylvain Pendi-Bisseyou
Central African Republic

Alassane Sorgo
Chad

Ibrahim Aboubakar Bagarama
Congo (Brazzaville)

Yves Coffi Quam-Dessou
Congo (Democratic Republic)

Paul-Harry Aithnard
Côte d'Ivoire

Kouame Olivier Brou
Equitorial Guinea

Nicholas Achiri
Gabon

Carl Asem
Gambia

Daniel Sackey
Ghana

Moukaram Chanou
Guinea (Conakry)

Samuel Adjei
Kenya

Georges Mensah-Asante
Liberia

Charles Asiedu
Malawi

Coumba Touré
Mali

Nadeem Cabral de Almada
Mozambique

Didier Correa
Niger

Patrick Akinwuntan
Nigeria

Alice Kilonzo-Zulu
Rwanda

Dalton Costa Gonçalves
Sao Tomé and Príncipe

Serge Ackre
Senegal

Aina Moore
Sierra Leone

Leonard Munene
South Sudan

Mwanahiba Muhammed Mzee
Tanzania

Mamady Diakite
Togo

Clement Dodoo
Uganda

Kola Adeleke
Zambia

Moses Kurunjekwa
Zimbabwe

Heads of Representative Offices and Paris Subsidiary

Amin Manekia
South Africa
(Johannesburg)

Ibrahima Diouf
France
(Paris)

Nathalie Villette (Acting)
United Kingdom
(London)

Ara Bakjejian
United Arab Emirates
(Dubai)

Shen Li
China
(Beijing)

James R Kanagwa
Ethiopia
(Addis Ababa)

Disclaimer

This annual report or any extract thereof including its abridged version could or may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events.

These forward looking statements involve known and unknown risks, uncertainties and other important factors that could in future cause actual results, performance or achievements of the Group to be materially different from those expressed or implied in the forward looking statements.

These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of similar meaning.

Such forward looking statements are based on assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

The Group expressly disclaims any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

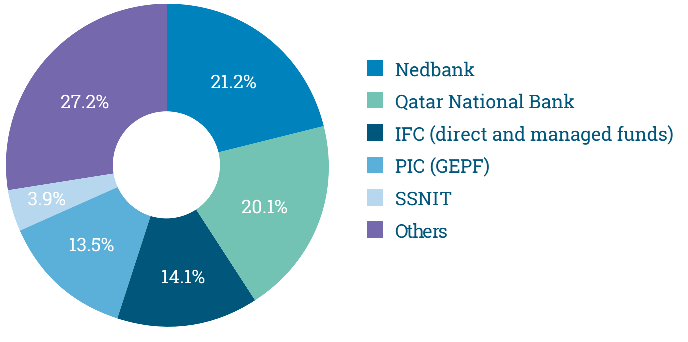
Ecobank has made every effort to ensure the accuracy of the information contained in this annual report relating to such forward looking statements and believes such information is reliable but does not warrant its completeness or accuracy. The Company shall not be held liable for errors of fact or opinion connected to such forward looking statements. This however does not exclude or restrict any duty or liability that Ecobank has to its customers under any regulatory system.

SHARE CAPITAL OVERVIEW

Share capital

Ordinary shares	Authorised share capital of 50,000,000,000 at 2.5 US cents ($0.025) per share, out of 24,730,354,443 are issued and outstanding.

Major shareholders
(as of 31 December 2018)



Potential dilutive securities

ETI has a number of potential dilutive securities as outlined below. For more details please refer to the full 2018 Annual Report.

Opec Fund for International Development (OFID) – convertible and subordinated loan

A total outstanding balance of $8.57 million (as of 31 Dec.2018) in loans granted by OFID are convertible into ETI ordinary shares. The conversion price is the lower of (i) $0.1041 or 10.41 $ cents plus a premium that varies from 30% to 50%, depending on the exercise date; and (ii) the prevailing market price based on a 45-day average. The convertible and subordinated loan can be converted any time from 15 June 2016 until 3 July 2019.

ETI $400 million convertible debt

The $400 million convertible debt due 2022 will have a maturity of five (5) years from date of issuance, a coupon rate comprising a reference rate of 3-month LIBOR plus a spread of 6.46% (i.e. 3-month LIBOR + 6.46%), payable semi-annually in arrears. The debt will be convertible into ETI ordinary shares at an exercise price of $0.06 (6.00 $ cents or which translates into NGN21.60, GHS0.26 and XOF34.26 at current exchange rates for illustrative purposes only), during the conversion period of 19 October 2019 to 13 October 2022. These debt will be redeemed at 110% of principal amount if the conversion option is not exercised.

Share options

These are options outstanding to staff and management in respect of 112 million shares.

Ordinary share dividend history

Financial Year	Dividend per ordinary share		Total dividend
	US$	US$ cents	US$ thousands
2006	0.030	3.0	18,355
2007	0.020	2.0	26,940
2008	0.002	0.2	17,500
2009	0.003	0.3	29,744
2010	0.004	0.4	39,653
2011	0.004	0.4	51,349
2012	0.004	0.4	68,849
2013	Nil	Nil	Nil
2014	Nil	Nil	Nil
2015	0.002	0.2	48,200
2016	Nil	Nil	Nil
2017	Nil	Nil	Nil
2018	Nil	Nil	Nil

Listings

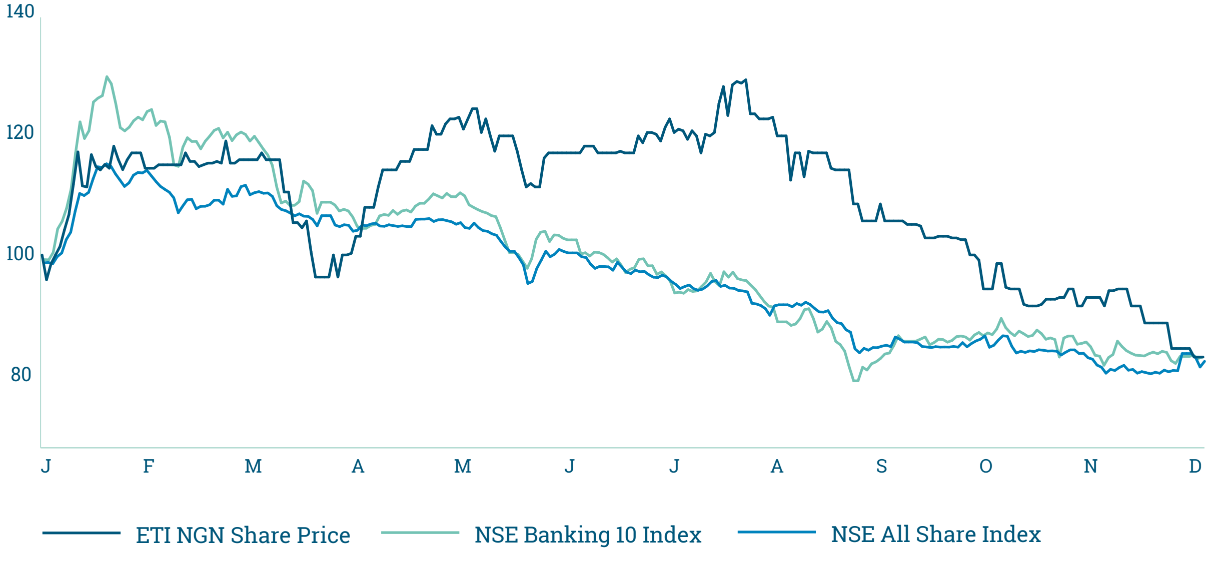
Ecobank Transnational Incorporated's (ETI's) ordinary shares are listed on three stock markets in Africa:

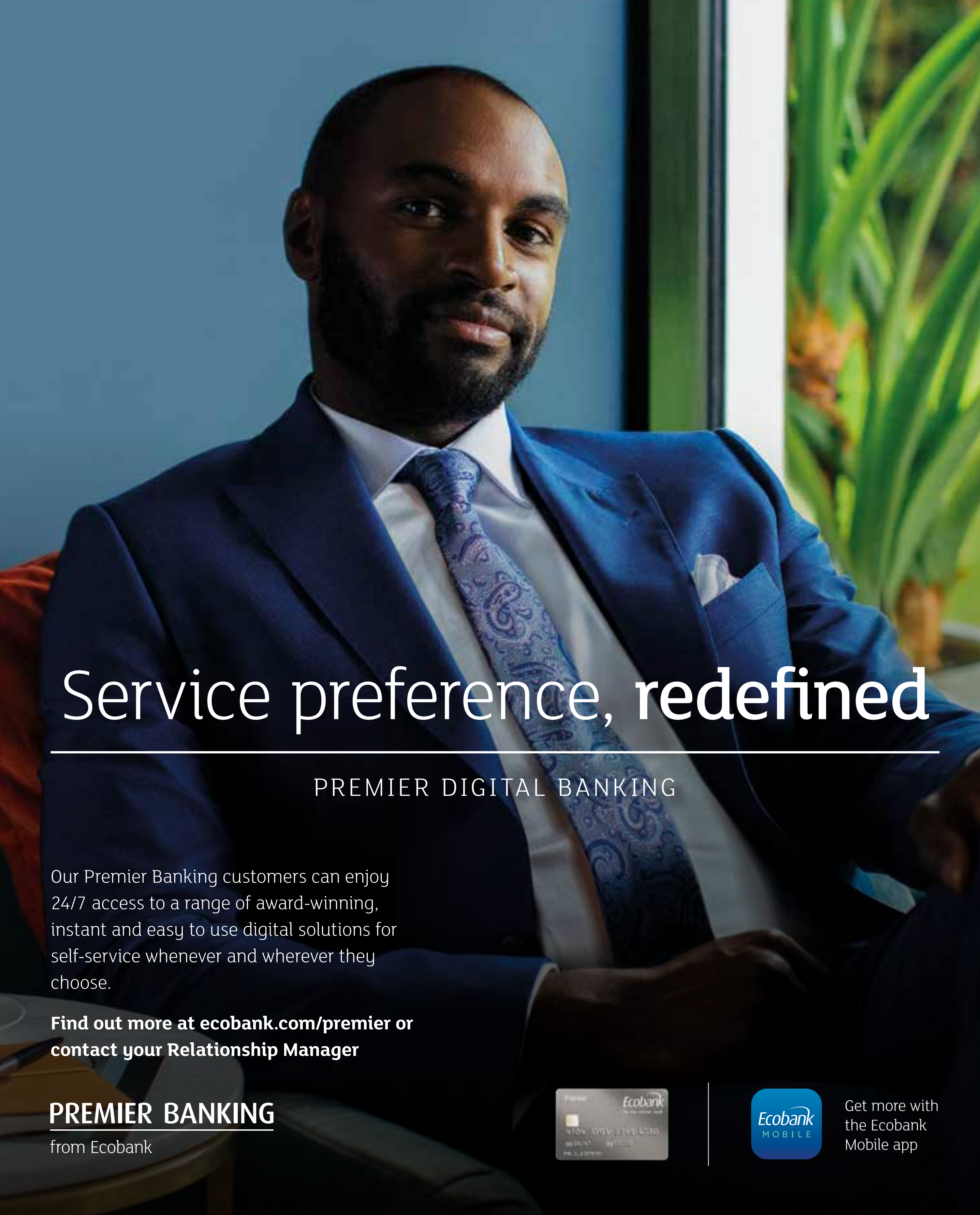
Stock Market	NSE	GSE	BRVM
Location	Lagos, Nigeria	Accra, Ghana	Abidjan, Côte d'Ivoire
Share price as of 31 December 2018	NGN 14.00	GHS 0.16	XOF 18.00
% change year-on-year	-18%	0%	6%
Average daily trading volume	3,228,256	72,306	786,437
% change from 2017	-2%	-39%	-64%
Shares held (millions)	20,381,059,217	2,563,352,770	1,785,942,456

ETI NSE share price (NGN) performance relative to the NSE All-share and NSE Banking 10 indices (data rebased to 100)

The graph below plots the performance of ETI's share price on the Nigerian Stock Exchange (NSE) against that of the NSE All-share and NSE Banking 10 indices over the course of 2018. The NSE All-share index tracks the general market movement of all listed equities, including those on the Alternative Securities Market (ASeM), regardless of market capitalisation. The NSE Banking 10 index comprises the largest 10 banking stocks. ETI is a component of both NSE indices.

ETI share price (NGN) indexed to the NSE All-Share index and NSE Banking 10 Index (1 Jan 2018 = 100)





ecobank.com
Ecobank
The Pan African Bank

SHARE CAPITAL HISTORY

Year	Operation	Additional shares	Share capital
2006	Private Placement	53,648,147	454,920,279
2006	Conversion of Convertible Debt	47,500,000	502,420,279
2006	5th Bonus Issue (1:5)	101,533,183	603,953,462
2006	Private Placement	5,248,881	609,202,343
2006	Issue for Market Making at Listing	1,801,205	611,003,548
2006	Employee Share Issue	1,284,449	612,287,997
2007	Share Split (2:1)	612,287,997	1,224,575,994
2007	6th Bonus Issue (1:10)	122,457,599	1,347,033,593
2008	Share Option (CEO)	7,920,000	1,354,953,593
May 2008	Share Split (5:1)	5,419,814,372	6,774,767,965
Aug-Oct 2008	Rights Issue	681,958,227	7,456,726,192
Aug-Oct 2008	Public Offer	1,275,585,719	8,732,311,911
Nov 2009	Conversion of the IFC Convertible loan	1,181,055,863	9,913,367,774
Nov 2011	Issue to Oceanic Shareholders	2,488,687,783	12,402,055,557
Dec 2012	Issue to Ecobank Nigeria minority shareholders	401,524,001	12,803,579,558
Dec 2012	Share Option (CEO)	33,572,650	12,837,152,208
Jul 2012	Issue to GEPF-PIC	3,125,000,000	15,962,152,208
Sep 2012	Issue to IFC CAP FUND	596,590,900	16,558,743,108
Sep 2012	Issue to AFRICA CAP FUND	340,909,100	16,899,652,208
Sep 2012	Issue to IFC ALAC HOLDING COMPANY II	312,500,000	17,212,152,208
Jul 2014	Issue to IFC CAP FUND	628,742,514	17,840,894,722
Jul 2014	Issue to IFC ALAC HOLDING COMPANY II	209,580,838	18,050,475,560
Oct 2014	Issue to NEDBANK GROUP LIMITED	4,512,618,890	22,563,094,450
Dec 2014	Share Option Staff	425,000	22,563,519,450
Jun 2015	Share Option Staff	3,300,000	22,566,819,450
Jul 2015	Conversion of preference shares	26,988,980	22,593,808,430
Jul 2015	Bonus Issue	1,506,220,104	24,100,028,534
Oct 2016	Conversion of preference shares	630,325,909	24,730,354,443

HOLDING COMPANY AND SUBSIDIARIES

**Headquarters:
Ecobank Transnational Incorporated**
2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03
(228) 22 21 31 68
Fax: (228) 22 21 51 19

1. Benin
Rue du Gouverneur Bayol
01 B.P. 1280, Cotonou – Benin
Tel: (229) 21 31 30 69
(229) 21 31 40 23
Fax: (229) 21 31 33 85

2. Burkina Faso
49, Rue de l'Hôtel de Ville
01 B.P. 145
Ouagadougou 01 – Burkina Faso
Tel: (226) 25 33 33 33
(226) 25 49 64 00
Fax: (226) 25 31 89 81

3. Burundi
6, Rue de la Science
B.P. 270, Bujumbura – Burundi
Tel: (257) 22 20 8100
Fax: (257) 22 22 5437

4. Chad
Avenue Charles de Gaulle
B.P. 87, N'Djaména – Chad
Tel: (235) 22 52 43 14/21
Fax: (235) 22 52 23 45

5. Cameroon
Rue Ivy French– Bonanjo
B.P 582, Douala – Cameroon
Tel: (237) 33 43 82 51
(237) 33 43 82 53
Fax: (237) 33 43 84 87

6. Cape Verde
Avenida Cidade de Lisboa
C.P. 374 / Praia
Cape Verde
Tel: (238) 260 36 60
Fax: (238) 261 82 50

7. Central African Republic
Place de la République
B.P. 910 Bangui – République Centrafricaine
Tel: (236) 21 61 00 42
Fax: (236) 21 61 61 36

8. Congo
Immeuble de l'ARC, 3ème étage
Avenue du Camp
B.P. 2485, Brazzaville – Congo
Tel: (242) 06 621 08 08

9. Côte d'Ivoire
Immeuble Ecobank
Avenue Houdaille
Place de la République
01 B.P. 4107 – Abidjan 01
Côte d'Ivoire
Tel: (225) 20 31 92 00
(225) 20 21 10 41
Fax: (225) 20 21 88 16

10. Democratic Republic of the Congo
47, Avenue Ngongo Lutete
Gombe – RD Congo
B.P. 7515, Kinshasa
Tel: (243) 99 60 16 000
Fax: (243) 99 60 17 070

11. Equatorial Guinea
Avenida de la Independencia
APDO.268, Malabo –
República de Guinea Ecuatorial
Tel: (240) 333 098 271
(240) 555 300 203

12. Gabon
214, Avenue Bouët
9 Étages, Montagne Sainte
B.P. 12111
Libreville – Gabon
Tel: (241) 01 76 20 71
(241) 01 76 20 73
Fax: (241) 01 76 20 75

13. The Gambia
42 Kairaba Avenue
P.O. Box 3466
Serrekunda – The Gambia
Tel: (220) 439 90 31 – 33
Fax: (220) 439 90 34

14. Ghana
2 Morocco Lane, Off
Independence Avenue, Ministerial Area
P. O. Box AN16746 Accra, Ghana
Tel: (+233) 302 251 720 / 23 / 24
Fax: (+233) 302 251 734

15. Guinea (Conakry)
Immeuble Al Iman
Avenue de la République
B.P. 5687
Guinea – Conakry
Tel: (224) 631 70 14 34
(224) 631 70 14 35
Fax: (224) 30 45 42 41

16. Guinea-Bissau
Avenue Amilcar Cabral
B.P. 126, Bissau – Guinea-Bissau
Tel: (245) 95 560 40 26
Fax: (245) 320 73 63

17. Kenya
Fortis Office Park
Muthangari Drive, Nairobi
P.O. Box 49584, Code 00100
Nairobi – Kenya
Tel: (254) 20 288 30 00
(254) 20 496 80 00
(254) 719 098 000
Fax: (254) 20 288 33 04

18. Liberia
Sinkor, 11th Street
Tubman Boulevard
P.O. Box 4825
1000 Monrovia, 10 – Liberia
Tel: (231) 886 514 298
(231) 886974 494
Cell: (231) 886 484 116

19. Malawi
Ecobank House
Corner Victoria Avenue and
Henderson Street, Private Bag 389
Chichiri, Blantyre 3 – Malawi
Tel: (265) 01 822 099
Fax: (265) 01 820 583

20. Mali
Place de la Nation
Quartier du Fleuve
B.P. E1272
Bamako – Mali
Tel: (223) 20 70 06 00
Fax: (223) 20 23 33 05

21. Mozambique
Avenue Vladimir Lenine
nº 210 – C.P. 1106
Maputo – Mozambique
Tel: (258) 21 31 33 44
Fax: (258) 21 31 33 45

22. Niger
Angle Boulevard de la Liberté
et Rue des Bâtisseurs
B.P.: 13804, Niamey – Niger
Tel: (227) 20 73 71 81/82
Fax: (227) 20 73 72 03/04

23. Nigeria
Plot 21, Ahmadu Bello Way
P.O.: Box 72688, Victoria Island
Lagos – Nigeria
Tel: (234) 1 271 0391/92
Fax: (234) 1 271 0111

24. Rwanda
314, KN4 Avenue
P.O Box 3268
Kigali – Rwanda
Tel: (250) 788 16 10 00
(250) 788 16 33 00
Fax: (250) 252 50132

25. São Tomé and Príncipe
Edifício HB, Travessa do Pelourinho
C.P. 316
São Tomé – São Tomé e Príncipe
Tel: (239) 222 21 41
Fax: (239) 222 26 72

26. Senegal
Km 5 Avenue Cheikh Anta DIOP
B.P. 9095, Centre Douanes
Dakar – Senegal
Tel: (221) 33 859 99 99
Fax: (221) 33 859 99 98

27. Sierra Leone
3 Charlotte Street
P.O. Box 1007
Freetown – Sierra Leone
Tél: (232) 88 141 015
Fax: (232) 22 290 450

28. South Sudan
Koita Complex, Ministries Road,
P.O. Box 150, Juba
South Sudan
Tel: (211) 922 018 018
(211) 922 118 118

29. Tanzania
Acacia Building
Plot no. 84, Kinondoni Road
P.O.Box 20500,
Dar es Salaam – Tanzania
Tel: (255) 22 292 3471
Fax: (255) 22 292 3470

30. Togo
20, Avenue Sylvanus Olympio
B.P. 3302
Lomé – Togo
Tel: (228) 22 21 72 14
Fax: (228) 22 21 42 37

31. Uganda
Plot 4, Parliament Avenue
P.O. Box 7368
Kampala – Uganda
Tel: (256) 417 700 100
Fax: (256) 312 266 079

32. Zambia
22768 Thabo Mbeki Road
P.O. Box 30705
Lusaka – Zambia
Tel: (260) 211 67 390
(260) 211 250 056
(260) 211 250 057
Fax: (260) 211 250 171

33. Zimbabwe
Block A, Sam Levy's Office Park
2 Piers Road
P.O. Box BW1464, Borrowdale
Harare – Zimbabwe
Tel: (263–4) 851644-9/885 231
Fax: (263–4) 851630

34. EBI SA Groupe Ecobank
Les Collines de l'Arche
Immeuble Concorde F
76 route de la Demi-Lune
92057 Paris La Défense Cedex
France
Tel: (33) 1 70 92 21 00
Fax: (33) 1 70 92 20 90

35. EBI SA Representative Office
2nd Floor, 20 Old Broad Street
London EC2N 1DP, United Kingdom
Tel: +44 (0)20 3582 8820
Fax: +44 (0)20 7382 0671

36. Ecobank Office in China
Representative Office
Suite 611, Taikang International Tower
2 Wudinghou, Financial Street
Xicheng District, 100033
Beijing, China
Tel: (8610) 66 29 00 98
Fax: (8610) 66 29 05 33

37. Ecobank South Africa
Representative Office
135 Rivonia Road
Block F, 8th Floor
Sandown 2196
Johannesburg – South Africa
Tel: (27) 11 505 0300
Fax: (27) 11 783 6852

38. Ecobank Office in Dubai
Representative Office
Level 26d, Jumeirah Emirates Towers
Shaikh Zayed Road, P.O. Box: 29926
Dubai – UAE
Tel: (971) 4 327 6996
Fax: (971) 4 327 6990

39. Ecobank Office in Ethiopia
Gerdi Rd Yerer Ber Area,
SAMI Building, 6th Floor 602A
P.O. Box 90598
Addis Ababa – Ethiopia
Tel: (251) 116 291 101
Cell: (251) 934 169 784
Fax: (251) 116 291 425

eProcess International SA
2365, Boulevard du Mono
B.P. 3261, Lomé –Togo
Tel: (228) 22 22 23 70
Fax: (228) 22 22 24 34

SHAREHOLDER CONTACTS

Questions about your shares?

Please contact the Registrars for queries about:

- Missing or outstanding dividend cheques
- Share verification and de-materialisation or lost share certificate
- Estate questions
- Change/update of address on the share register
- Direct payment of dividends into bank (e-dividend registration)
- Eliminating duplicate mailings of shareholder materials
- Uncashed dividend cheques.

Registrars

Abidjan

EDC Investment Corporation
Avenue Houdaille,
Place de la République,
Plateau Imm. Ecobank,
2ème étage
01 BP 4107 Abidjan 01 – C.I.
Tel: +225 20 21 50 00/72
+225 20 21 50 00/20
Contact: Moise Cocauthrey
Email: myao@ecobank.com

Accra

GCB Bank Limited
Share Registry Department
Thorpe Road, High Street
P. O. Box 134, Accra-Ghana
Tel: (233) 0 302 668 656
Fax: (233) 0 302 668 712
Contact: Michael K. Wereko
mwereko@gcb.com.gh
shareregistry@gcb.com.gh

Lagos

Greenwich Registrars and Data Solutions Limited
274 Murtala Mohammed Way
Yaba, Lagos
Tel: +234 (01) 2793168
+234 (01) 2793160-2

To buy or sell shares in ETI

Nigeria
EDC Securities Limited

EDC Securities Limited
19A Adeola Odeku Street
Victoria Island
Lagos, Nigeria
Tel: (234) 1 270 8955
(234) 1 271 3407
EDC-clientservice-ng@ecobank.com

Côte d'Ivoire
EDC Investment Corporation

Avenue Houdaille,
Place de la République,
Plateau Imm. Ecobank,
2ème étage
01 BP 4107 Abidjan 01 – C.I.
Tel: +225 20 21 50 00/72
+225 20 21 50 00/20
Email: eic@ecobank.com

Cameroon
EDC Investment Corporation

2ème Etage, Immeuble ACTIVA
Rue Prince de Galles, Akwa
BP 15385 Douala – Cameroon
Tel: (237) 233 43 13 71
Contact: edcceeac@ecobank.com

Ghana
EDC Stockbrokers Ltd

2nd Floor, 2 Morocco Lane,
Off Independence Avenue, Ministerial Area
P. O. Box AN16746 Accra, Ghana
Tel: (+233) 302 251 720 / 23 / 24
Fax: (+233) 302 251 734
Email: edctrading@ecobank.com

Other investor queries

For other queries about investing in ETI shares:

Ecobank Transnational Incorporated

Investor Relations

2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03
Fax: (228) 22 21 51 19
Contact: Ato Arku
ir@ecobank.com

Company Secretary

Madibinet Cisse
2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03
(228) 22 21 31 68
Fax: (228) 22 21 51 19
Contact: madicisse@ecobank.com

CUSTOMER CONTACT CENTRES

Services

Account services	• Balance enquiry • Account restriction • Transaction confirmations • Transfer confirmations
Card services	• Card activation for online transaction • PIN reset • Card blocking
Complaints	• ATM & POS complaints • Card complaints • Transaction complaints • Service/product delivery days • Staff attitude
General enquiries	• Information on Ecobank services/products • Interest rates and FX rates • ATMs and Branch locations • Branch contacts • Account opening requirements • Fees and charges

For all enquiries and complaints, kindly call one of our Regional Contact Centres or Email:

Regional Contact Centres

	Country	Main Number	Toll Free	
1.	Cote d'Ivoire	+225 21 21 00 21	800 80 088	For French, Portuguese & Spanish speaking customers
2.	Nigeria	+234 700 500 0000		For English speaking customers

Customer email address for all countries

Email: ecobankenquiries@ecobank.com

Customer Access Numbers

	Country	Main Number	Toll Free
1.	Benin	+229 21 31 50 30	
2.	Burkina Faso	+226 25 32 79 00	
3.	Burundi	+257 22 28 03 92	
4.	Cameroon	+237 233 505 300	
5.	Congo Brazzaville	+242 058 020 100	
6.	Gabon	+241 01 79 17 00	
7.	Ghana	+233 302 213 999	3225
8.	Guinea Bissau	+245 965 296 800	
9.	Guinea Conakry	+224 664 100 100	
10.	Kenya	+254 719 098 000	
11.	Liberia	+231 881 506 900	
12.	Mali	+223 44 97 94 44	
13.	Niger	+227 20 73 13 60	
14.	Rwanda	+250 788 161 000	
15.	Senegal	+221 338 492 300	
16.	Tanzania	+255 746 810 480	
17.	Togo	+228 22 53 76 50	

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Ecobank Transnational Incorporated
2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
ecobank.com