

Report of the Independent Auditor to the Members of Ecobank Transnational Incorporated

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (“the Group”) which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows, a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

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

Auditor’s responsibility

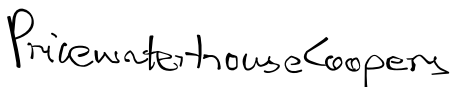
Our responsibility is to express an independent opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain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

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

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

Opinion

In our opinion the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2013 and of its profits and cash flows for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
29 April 2014



PricewaterhouseCoopers
Chartered Accountants
Abidjan, Côte d’Ivoire
29 April 2014

Consolidated income statement

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

Year ended 31 December	2013	2012 Restated
Interest income	1,599,756	1,348,086
Interest expense	(548,998)	(499,396)
Net interest income	1,050,758	848,690
Fee and commission income	626,548	515,228
Fee and commission expense	(25,402)	(26,809)
Net fee and commission income	601,146	488,419
Net trading income	308,960	255,707
Net losses from investment securities	(1,581)	(4,279)
Other operating income	44,173	141,462
Other income	351,552	392,890
Operating income before impairment loss	2,003,456	1,729,999
Impairment losses for loans and advances	(362,628)	(147,910)
Impairment losses on other financial assets	(14,102)	(7,441)
Impairment losses on financial assets	(376,730)	(155,351)
Operating income after impairment loss	1,626,726	1,574,648
Staff expenses	(639,459)	(567,464)
Depreciation and amortization	(134,898)	(131,032)
Other operating expenses	(630,607)	(537,510)
Total operating expenses	(1,404,964)	(1,236,006)
Operating profit	221,762	338,642
Share of profit/(loss) of associates	16	(613)
Profit before income tax	221,778	338,029
Income tax expense	(65,728)	(56,207)
Profit for the year from continuing operations	156,050	281,822
Profit for the year from discontinued operations	(8,277)	4,910
Profit for the year	147,773	286,732
Profit attributable to:		
Owners of the parent (total)	95,541	249,743
• Profit for the year from continuing operations	102,932	246,311
• Profit for the year from discontinued operations	(7,391)	3,432
Non-controlling interests (total)	52,232	36,989
• Profit for the year from continuing operations	53,118	35,511
• Profit for the year from discontinued operations	(886)	1,478
	147,773	286,732
Earnings per share for the profit from continuing operations attributable to owners of the parent during the year (expressed in US cents per share):		
• Basic	0.60	1.67
• Diluted	0.55	1.28
Earnings per share for the profit from discontinued operations attributable to owners of the parent during the year (expressed in US cents per share):		
• Basic	(0.04)	0.02
• Diluted	(0.03)	0.02

The notes detailed in the full Annual Report are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

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

Year ended 31 December	2013	2012
Profit for the year	147,773	286,732
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translation of foreign operations	(55,754)	(32,443)
Available-for-sale investments:		
Net valuation (loss)/gain taken to equity	(54,341)	58,555
Reclassified to income statement	-	(49)
Taxation relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	12,013	(42,990)
	(98,082)	(16,927)
Items that will not be reclassified to profit or loss:		
Property and equipment – net revaluation gain/(loss)	2,493	(1,143)
Taxation relating to components of other comprehensive income that will not be reclassified profit or loss	(517)	(34)
	1,976	(1,177)
Other comprehensive income for the year, net of tax	(96,106)	(18,104)
Total comprehensive income for the year	51,667	268,628
Total comprehensive income attributable to:		
Owners of the parent	(2,649)	230,371
• Total comprehensive income for the year from continuing operations	4,742	226,939
• Total comprehensive income for the year from discontinued operations	(7,391)	3,432
Non-controlling interests	54,317	38,257
• Total comprehensive income for the year from continuing operations	55,203	36,779
• Total comprehensive income for the year from discontinued operations	(886)	1,478
	51,667	268,628

Consolidated statement of financial position

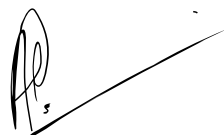
(All amounts in thousands of US dollars unless otherwise stated)

As at 31 December	2013	2012 Restated
Assets		
Cash and balances with central banks	2,877,868	1,981,625
Treasury bills and other eligible bills	1,127,927	825,883
Financial assets held for trading	114,917	92,854
Derivative financial instruments	141,346	143,417
Reinsurance assets	–	5,262
Loans and advances to banks	1,312,150	2,175,156
Loans and advances to customers	11,421,605	9,440,945
Investment securities: available-for-sale	1,893,489	2,331,748
Pledged assets	1,135,434	700,054
Investment in associates	21,993	7,530
Other assets	689,913	580,110
Intangible assets	496,748	503,149
Property and equipment	872,145	861,316
Investment properties	168,048	196,588
Deferred income tax assets	122,747	93,746
	22,396,330	19,939,383
Assets held for sale	136,123	–
Total assets	22,532,453	19,939,383
Liabilities		
Deposits from banks	706,953	662,201
Due to customers	16,489,904	14,620,478
Other deposits	677,960	369,360
Derivative financial instruments	1,454	129
Insurance liabilities	–	5,262
Borrowed funds	1,303,406	1,239,683
Other liabilities	926,098	732,659
Provisions	28,511	26,040
Current income tax liabilities	63,818	44,151
Deferred income tax liabilities	44,450	58,283
Retirement benefit obligations	8,019	7,220
	20,250,573	17,765,466
Liabilities held for sale	147,232	–
Total liabilities	20,397,805	17,765,466
Equity		
Equity attributable to the owners of the parent		
Share capital and premium	1,409,001	1,409,001
Retained earnings and reserves	527,435	597,187
	1,936,436	2,006,188
Non-controlling interests	198,212	167,729
Total equity	2,134,648	2,173,917
Total liabilities and equity	22,532,453	19,939,383

The financial statements were approved for issue by the Board of Directors on 25 April 2014 and signed on its behalf by:



André Siaka
Interim Chairman, Board of Directors



Albert Essien
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
	Share capital and premium	Retained earnings	Other reserves			
At 01 January 2012	1,080,186	315,209	(41,190)	1,354,205	105,131	1,459,336
Net changes in available-for-sale investments, net of tax	-	-	15,515	15,515	-	15,515
Foreign currency translation differences	-	-	(33,711)	(33,711)	1,268	(32,443)
Net gains on revaluation of property	-	-	(1,177)	(1,177)	-	(1,177)
Other comprehensive income for the year	-	-	(19,373)	(19,373)	1,268	(18,105)
Profit for the year	-	249,743	-	249,743	36,989	286,732
Total comprehensive income for the year		249,743	(19,373)	230,370	38,257	268,627
Dividends relating to 2011	-	(55,612)	-	(55,612)	(22,525)	(78,137)
Adjustments to opening retained earnings	-	44,715	-	44,715	-	44,715
Transfer to general banking reserves	-	(22,791)	22,791	-	-	-
Transfer to statutory reserve	-	(3,748)	3,748	-	-	-
Reclassification of share option reserve	-	181	(181)	-	-	-
Gain on shares held in Ecobank Ghana used as purchase consideration	-	102,495	-	102,495	-	102,495
Share options granted	-	-	1,200	1,200	-	1,200
Additional non-controlling interest from Ecobank Ghana	-	-	-	-	31,422	31,422
Net Proceeds from shares issued:						
• Private placement	350,000	-	-	350,000	15,444	365,444
Refund of deposit for shares	(3)	-	-	(3)	-	(3)
Treasury shares	(13,299)	-	-	(13,299)	-	(13,299)
Share issue expenses	(7,883)	-	-	(7,883)	-	(7,883)
At 31 December 2012/01 January 2013	1,409,001	630,192	(33,005)	2,006,188	167,729	2,173,917
Net changes in available-for-sale investments, net of tax	-	-	(40,685)	(40,685)	-	(40,685)
Foreign currency translation differences	-	-	(57,839)	(57,839)	2,085	(55,754)
Net gains on revaluation of property	-	-	1,976	1,976	-	1,976
Other comprehensive income for the year	-	-	(96,548)	(96,548)	2,085	(94,463)
Profit for the year	-	95,541	-	95,541	52,232	147,773
Total comprehensive income for the year		95,541	(96,548)	(1,007)	54,317	53,310
Dividends relating to 2012	-	(68,879)	-	(68,879)	(23,834)	(92,713)
Transfer to general banking reserves	-	(24,913)	24,913	-	-	-
Transfer to statutory reserve	-	(57,172)	57,172	-	-	-
Convertible loans – equity component	-	-	134	134	-	134
At 31 December 2013	1,409,001	574,769	(47,333)	1,936,436	198,212	2,134,648

Consolidated statement of cash flows

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

Year ended 31 December	2013	2012
Cash flows from operating activities		
Profit before tax	221,778	338,029
Adjustments for:		
Net trading income – foreign exchange	(228,999)	(190,450)
Net gain from investment securities	1,581	3,570
Fair value losses/(gain) on investment properties	8,472	(33,735)
AMCON refund relating to acquisition of Oceanic Bank	–	(72,364)
Impairment losses on loans and advances	362,628	140,936
Impairment losses on other financial assets	14,102	7,441
Depreciation of property and equipment	110,379	107,319
Net interest income	(1,050,758)	(848,690)
Amortization of software and other intangibles	24,519	25,050
Impairment charges:		
• Property and equipment	–	172
Profit on sale of property and equipment	–	(1,885)
Share of (profit)/loss of associates	(16)	613
Income taxes paid	(88,895)	(60,172)
Changes in operating assets and liabilities		
• Trading assets	(22,063)	(91,284)
• Derivative financial assets	2,071	–
• Other treasury bills	(391,457)	70,932
• Loans and advances to banks	451,675	656,903
• Loans and advances to customers	(2,162,352)	(2,081,005)
• Pledged assets	(435,380)	(602,608)
• Other assets	(109,803)	(5,009)
• Mandatory reserve deposits	(522,048)	(490,543)
• Other deposits	308,600	199,261
• Due to customers	1,869,426	2,543,983
• Derivative liabilities	1,325	(10,141)
• Other provisions	2,471	14,830
• Other liabilities	193,438	(296,425)
Interest received	1,599,756	1,348,086
Interest paid	(548,998)	(499,396)
Net cash flow (used in)/from operating activities	(388,547)	173,418
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	–	119,245
Disposal of subsidiaries, net of cash disposed	(5,807)	–
Purchase of software	(17,158)	(38,711)
Purchase of property and equipment	(163,877)	(160,136)
Proceeds from sale of property and equipment	36,724	25,069
Purchase of investment securities	(4,301,604)	(1,481,828)
Purchase of investment properties	(11,519)	(90,228)
Proceeds from sale and redemption of securities	4,591,754	1,747,571
Net cash flow from investing activities	128,152	120,981
Cash flows from financing activities		
Repayment of borrowed funds	(897,690)	(1,182,533)
Proceeds from borrowed funds	970,249	1,012,307
Proceeds of subscription of ordinary shares	–	344,617
Dividends paid to non-controlling shareholders	(23,834)	(22,525)
Dividends paid to owners of the parent	(68,879)	(55,612)
Net cash flow (used in)/from financing activities	(20,154)	96,254
Net (decrease)/increase in cash and cash equivalents	(280,189)	390,652
Cash and cash equivalents at start of year	1,813,053	1,330,596
Effects of exchange differences on cash and cash equivalents	108,886	91,804
Cash and cash equivalents at end of year	1,641,749	1,813,053