ECOBANK TRANSNATIONAL INCORPORATED

Condensed Unaudited Consolidated Interim Financial Statements

For period ended 30 September 2018

Ecobank Transnational Incorporated
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For the period ended 30 September 2018

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Ecobank Group reports performance for the nine months ended 30 September 2018

- Profit before tax up by 39% to $314.5 million (up 50% to GHC 1,496.3 million)
- Operating profit before impairment losses up 2% to $531.2 million (up 11% at GHC 2,527.3 million)
- Revenue of $1,367,0 million up 1% compared to September 2017 (up 9% to GHC 6.5 billion)
- Total assets up 4% to $21.9 billion (up 13% to GHC 104.4 billion)
- Total equity down 1% $2.0 billion (up 10% to GHC 9.6 billion)

Financial Highlights	Period ended 30 September 2018		Period ended 30 September 2017		% Change	
Income Statement :	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Revenue	1,366,952	6,503,694	1,352,524	5,956,039	1%	9%
Operating profit before impairment losses	531,181	2,527,257	518,631	2,283,868	2%	11%
Profit before income tax	314,495	1,496,307	226,908	999,223	39%	50%
Taxation	(67,935)	(323,222)	(38,081)	(167,695)	-78%	-93%
Profit for the period	247,223	1,176,239	189,467	834,346	30%	41%

Financial Highlights	Period ended 30 September 2018		Period ended 30 September 2017		% Change	
Statement of Financial Position :						
Total assets	21,873,301	104,392,516	20,958,572	92,255,442	4%	13%
Loans & advances to customers	8,641,501	41,242,428	9,257,902	40,751,433	-7%	1%
Deposits from customers	15,520,521	74,073,239	14,126,294	62,181,121	10%	19%
Total equity	2,022,662	9,653,357	2,034,191	8,954,101	-1%	8%

Ade Ayeyemi, Group CEO said, “Profit before tax for the nine months ended September 2018 increased by 39% or 48% on a constant currency basis to $314 million. Our return on tangible equity was 19.9% compared with 15.6% in the previous year.

“The initiatives we took in phase-one of our 5-year strategic plan are starting to show results in our financial and business performance. The risk profile of our credit portfolio is improving; we are increasingly becoming leaner and more cost efficient; and thanks to our digitisation strategy, broadening our products and services to include the unbanked. Thus, we are seeing encouraging growth in trade loans, remittances, cards and e-banking, and foreign exchange and fixed income sales in some of our regions. Loan growth, however, has been tepid, despite the fact that we are seeing strong deposit generation in all of our businesses and regions, largely because we are seeing limited credit opportunities that meet our risk appetite.

“That said, we remain excited about the prospects for our diversified pan-African banking business model and in our operating regions. Economic activity is forecast to grow in Africa and we believe the firm is rightly placed to benefit from this growth. At the same time we are also keenly planning for any contingencies that will arise from any one of the global geo-political uncertainties.”

The financial statements were approved for issue by the board of directors on 23 October 2018.

Emmanuel Ikazoboh
Group Chairman

Ade Ayeyemi
Group Chief Executive Officer

Greg Davis
Group Chief Financial Officer

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Condensed Unaudited Consolidated Income Statement

	Period ended 30 September 2018		Period ended 30 September 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Interest income	1,156,100	5,500,501	1,155,297	5,087,521	0%	8%
Interest expense	(453,396)	(2,157,171)	(448,127)	(1,973,393)	1%	9%
Net interest income	**702,704**	**3,343,330**	**707,170**	**3,114,128**	**-1%**	**7%**
Fee and commission income	377,630	1,796,691	337,681	1,487,028	12%	20.8%
Fee and commission expense	(48,528)	(230,887)	(44,699)	(196,839)	9%	17%
Net trading income	277,627	1,320,896	330,539	1,455,577	-16%	-9%
Other operating income	57,519	273,664	21,833	96,145	163%	185%
Non-interest revenue	**664,248**	**3,160,364**	**645,354**	**2,841,911**	**3%**	**11%**
Operating income	**1,366,952**	**6,503,694**	**1,352,524**	**5,956,039**	**1%**	**9%**
Staff expenses	(373,573)	(1,777,388)	(380,205)	(1,674,289)	-2%	6%
Depreciation and amortisation	(74,439)	(354,166)	(70,224)	(309,242)	6%	15%
Other operating expenses	(387,759)	(1,844,883)	(383,464)	(1,688,640)	1%	9%
Operating expenses	**(835,771)**	**(3,976,437)**	**(833,893)**	**(3,672,171)**	**0%**	**8%**
Operating profit before impairment losses and taxation	**531,181**	**2,527,257**	**518,631**	**2,283,868**	**2%**	**11%**
Impairment losses on :						
- loans and advances	(202,444)	(963,190)	(236,587)	(1,041,846)	-14%	-8%
- other financial assets	(14,469)	(68,840)	(55,356)	(243,768)	-74%	-72%
Impairment losses on financial assets	**(216,913)**	**(1,032,030)**	**(291,943)**	**(1,285,614)**	**-26%**	**-20%**
Operating profit after impairment losses	**314,268**	**1,495,227**	**226,688**	**998,254**	**39%**	**50%**
Share of profit of associates	227	1,080	220	969	3%	11%
Profit before tax	**314,495**	**1,496,307**	**226,908**	**999,223**	**39%**	**50%**
Taxation	(67,935)	(323,222)	(38,081)	(167,695)	78%	93%
Profit for the period from continuing operations	**246,560**	**1,173,085**	**188,827**	**831,528**	**31%**	**41%**
Profit for the period from discontinued operations	663	3,154	640	2,818	4%	12%
Profit for the period	**247,223**	**1,176,239**	**189,467**	**834,346**	**30%**	**41%**
Attributable to:						
Owners of the parent	**197,373**	**939,062**	**162,099**	**713,827**	**22%**	**32%**
- Continuing operations	197,015	937,359	161,753	712,305	22%	32%
- Discontinued operations	358	1,703	346	1,522	4%	12%
Non-controlling interests	**49,850**	**237,177**	**27,368**	**120,519**	**82%**	**97%**
- Continuing operations	49,545	235,726	27,074	119,223	83%	98%
- Discontinued operations	305	1,451	294	1,296	4%	12%
	247,223	**1,176,239**	**189,467**	**834,346**	**30%**	**41%**

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

- Basic (cents and pesewas)	0.80	3.82	0.66	2.90	22%	32%
- Diluted (cents and pesewas)	0.80	3.80	0.65	2.85	23%	33%

Condensed Unaudited Consolidated Statement of Comprehensive Income

	Period ended 30 September 2018		Period ended 30 September 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Profit for the period	**247,223**	**1,176,239**	**189,467**	**834,346**	**30%**	**41%**
Other comprehensive income:						
Items that will be subsequently reclassified to profit or loss:						
Exchange difference on translation of foreign operations	(149,778)	(712,616)	6,808	29,982	-2300%	-2477%
Fair value (loss) in investments securities (FVOCI)	68,742	327,061	-	-	n/a	n/a
Fair value gain on available for sale financial asset	-	-	102,141	449,795	n/a	n/a
Remeasurements of defined benefit obligations	-	-	981	4,318	n/a	n/a
Taxation relating to components of other comprehensive income that will be subsequently reclassed to profit or loss	214	1,020	(5,700)	(25,104)	104%	104%
Items that will not be reclassified to profit or loss:						
Property and equipment - net revaluation gain	-	-	736	3,241	n/a	n/a
Other comprehensive (loss) / profit for the period, net of taxation	**(80,822)**	**(384,535)**	**104,966**	**462,232**	**-177%**	**-183%**
Total comprehensive income for the period	**166,401**	**791,704**	**294,433**	**1,296,578**	**-43%**	**-39%**
Total comprehensive income attributable to:						
Owners of the parent	**146,359**	**696,347**	**252,218**	**1,110,678**	**-42%**	**-37%**
- Continuing operations	146,001	694,644	251,872	1,109,156	-42%	-37%
- Discontinued operations	358	1,703	346	1,522	4%	12%
Non-controlling interests	**20,042**	**95,357**	**42,215**	**185,900**	**-53%**	**-49%**
- Continuing operations	19,737	93,906	41,921	184,604	-53%	-49%
- Discontinued operations	305	1,451	294	1,296	4%	12%
	166,401	**791,704**	**294,433**	**1,296,578**	**-43%**	**-39%**

Condensed Unaudited Consolidated Statement of Financial Position

Assets	As at 30 September 2018		As at 31 December 2017		%Change		As at 30 September 2017	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC	US$'000	GHC'000
Cash and balances with central banks	3,148,133	15,024,780	2,661,745	11,749,475	18%	28%	2,317,468	10,201,031
Trading financial assets	138,084	659,020	36,557	161,370	278%	308%	24,288	106,911
Derivative financial instruments	37,638	179,631	39,267	173,332	-4%	4%	10,000	44,018
Loans and advances to banks	1,405,354	6,707,193	1,685,806	7,441,485	-17%	-10%	1,535,550	6,759,184
Loans & advances to customers	8,641,501	41,242,428	9,357,864	41,307,483	-8%	0%	9,257,902	40,751,433
Treasury bills and other eligible bills	1,669,100	7,965,947	1,718,977	7,587,908	-3%	5%	1,327,502	5,843,398
Investment securities	4,316,964	20,603,142	4,405,240	19,445,610	-2%	6.0%	3,764,194	16,569,229
Pledged assets	314,335	1,500,195	298,561	1,317,908	5%	14%	544,763	2,397,938
Others assets	797,111	3,804,292	760,724	3,357,988	5%	13%	754,323	3,320,379
Investments in associates	9,473	45,211	9,964	43,983	-5%	3%	9,672	42,574
Intangible assets	290,826	1,387,996	283,664	1,252,150	3%	11%	284,051	1,250,336
Property and equipment	896,889	4,280,492	924,163	4,079,440	-3%	4.9%	907,148	3,993,084
Investment properties	20,583	98,234	43,514	192,079	-53%	-49%	33,425	147,130
Deferred income tax assets	107,583	513,451	121,715	537,274	-12%	-4%	112,402	494,771
	21,793,574	104,012,012	22,347,761	98,647,485	-2%	5%	20,882,688	91,921,416
Assets held for sale	79,727	380,504	83,843	370,101	-5%	3%	75,884	334,026
Total Assets	21,873,301	104,392,516	22,431,604	99,017,586	-2%	5%	20,958,572	92,255,442
Liabilities								
Deposits from banks	1,050,452	5,013,387	1,772,414	7,823,790	-41%	-36%	1,517,329	6,678,979
Deposits from customers	15,520,521	74,073,239	15,203,271	67,110,279	2%	10%	14,126,294	62,181,121
Derivative financial instruments	30,850	147,235	32,497	143,448	-5%	3%	11,969	52,685
Borrowed funds	1,908,687	9,109,400	1,728,756	7,631,075	10%	19%	1,647,867	7,253,581
Other liabilities	1,038,451	4,956,112	1,210,908	5,345,190	-14%	-7%	1,321,029	5,814,905
Provisions	47,124	224,903	52,450	231,525	-10%	-3%	54,667	240,633
Current income tax liabilities	50,592	241,455	58,107	256,496	-13%	-6%	45,864	201,884
Deferred income tax liabilities	58,662	279,970	64,269	283,696	-9%	-1%	60,542	266,494
Retirement benefit obligations	37,606	179,478	24,064	106,223	56%	69%	34,137	150,264
	19,742,945	94,225,179	20,146,736	88,931,722	-2%	6.0%	18,819,698	82,840,546
Liabilities held for sale	107,694	513,980	112,785	497,855	-4.5%	3%	104,683	460,795
Total Liabilities	19,850,639	94,739,159	20,259,521	89,429,577	-2%	5.9%	18,924,381	83,301,341
Equity								
Capital and reserves attributable to the equity holders of the parent entity								
Share capital and premium	2,113,957	4,536,378	2,113,957	4,536,378	0%	0%	2,113,958	4,536,382
Retained earnings and reserves	(386,154)	3,709,735	(233,213)	3,765,602	66%	-1%	(302,839)	3,435,801
Shareholders Equity	1,727,803	8,246,113	1,880,744	8,301,980	-8%	-1%	1,811,119	7,972,183
Non-controlling interests	294,859	1,407,244	291,339	1,286,029	1%	9%	223,072	981,918
Total Equity	2,022,662	9,653,357	2,172,083	9,588,009	-7%	1%	2,034,191	8,954,101
Total Liabilities and Equity	21,873,301	104,392,516	22,431,604	99,017,586	-2%	5%	20,958,572	92,255,442

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Condensed Unaudited Consolidated Statement of Changes in Equity for the Nine Months ended 30 September

	Share Capital	Other Reserves	Retained Earnings	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 1 January 2017	2,114,332	(767,254)	230,847	1,577,924	186,154	1,764,078
Changes in Equity for 1 Jan to 30 Sept 2017:						
Foreign currency translation differences	-	(26,687)	-	(26,687)	33,495	6,808
Net changes in available for sale investments net of taxes	-	96,441		96,441	-	96,441
Net gains on revaluation of property	-	736	-	736	-	736
Remeasurements of post-employment benefit obligations	-	981	-	981	-	981
Profit for the period	-	-	162,099	162,099	27,368	189,467
Total comprehensive income for the period	-	71,471	162,099	233,570	60,863	294,433
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	(23,945)	(23,945)
Treasury shares	(375)	-	-	(375)	-	(375)
Share option exercised	-	172	(172)	-	-	-
Transfer to general banking reserves	-	129,601	(129,601)	-	-	-
Transfer to statutory reserve	-	30,940	(30,940)	-	-	-
At 30 September 2017	2,113,957	(535,071)	232,233	1,811,119	223,072	2,034,191
Changes in Equity for 1 October to 31 Dec 2017:						
Foreign currency translation differences	-	113,501	-	113,501	(19,137)	94,364
Net changes in available for sale investments net of taxes	-	(54,276)	-	(54,276)	-	(54,276)
Net gains on revaluation of property	-	2,375	-	2,375	-	2,375
Remeasurements of post-employment benefit obligations	-	(7,045)	-	(7,045)	-	(7,045)
Profit for the period	-	-	16,486	16,486	22,581	39,067
Total comprehensive income for the period	-	54,555	16,486	71,041	3,444	74,485
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	567	567
Change in minority interest		-	-	-	64,256	64,256
Transfer to other group reserve	-	130,447	(130,447)	-		-
Transfer to share option reserve	-	172	(172)	0	-	0
Transfer to general banking reserves	-	(112,552)	112,552	-	-	-
Transfer to statutory reserve	-	14,510	(14,510)	-	-	-
Conversion of preference shares	-	-	-	-	-	-
Convertible loans - equity component	-	(1,416)	-	(1,416)	-	(1,416)
At 31 December 2017 / 1 January 2018	2,113,957	(449,355)	216,142	1,880,744	291,339	2,172,083
Changes in Equity for 2018 :						
IFRS 9 day 1 adjustment	-	-	(299,300)	(299,300)	-	(299,300)
Restated opening balance 1 January 2018	2,113,957	(449,355)	(83,158)	1,581,444	291,339	1,872,783
Foreign currency translation differences	-	(119,970)	-	(119,970)	(29,808)	(149,778)
Net changes in debt investment securities net of taxes	-	68,956	-	68,956	-	68,956
Profit for the period	-	-	197,373	197,373	49,850	247,223
Total comprehensive loss for the period	-	(51,014)	197,373	146,359	20,042	166,401
Dividend paid to NCI by affiliates relating to 2017	-	-	-	-	(16,522)	(16,522)
At 30 September 2018	2,113,957	(500,369)	114,215	1,727,803	294,859	2,022,662

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Condensed Unaudited Consolidated Statement of Changes in Equity for the Nine Months ended 30 September

	Share Capital	Other Reserves	Retained Earnings	Total equity and reserves attributable	Non-Controlling Interest	Total Equity
At 1 January 2017	4,538,034	2,558,411	(498,986)	6,597,459	778,328	7,375,787
Changes in Equity for 1 Jan to 30 Sept 2017:						
Foreign currency translation differences	-	230,298	-	230,298	188,517	418,815
Net changes in available for sale investments net of taxes	-	424,692	-	424,692	-	424,692
Net gains on revaluation of property	-	3,241	-	3,241	-	3,241
Remeasurements of post-employment benefit obligations	-	4,318	-	4,318	-	4,318
Profit for the period	-	-	713,827	713,827	120,519	834,346
Total comprehensive income for the period	-	662,549	713,827	1,376,376	309,036	1,685,412
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	(105,446)	(105,446)
Treasury shares	(1,651)	-	-	(1,651)	-	(1,651)
Transfer to share option reserve		757	(757)	-		
Share option exercised	-	-	-	-	-	-
Transfer to general banking reserves	-	561,590	(561,590)	-	-	-
Transfer to statutory reserve	-	134,070	(134,070)	-	-	-
At 30 September 2017	4,536,382	3,917,377	(481,576)	7,972,183	981,918	8,954,101
Changes in Equity for 1 October to 31 Dec 2017:						
Foreign currency translation differences	-	521,162	-	521,162	(81,563.63)	439,598
Net changes in available for sale investments net of taxes	-	(238,652)	-	(238,652)	-	(238,652)
Net gains on revaluation of property	-	10,485	-	10,485	-	10,485
Remeasurements of post-employment benefit obligations	-	(31,074)	-	(31,074)	-	(31,074)
Profit for the year	-	-	74,128	74,128	99,865.44	173,993
Total comprehensive income for the period	-	261,921	74,128	336,049	18,302	354,351
Dividend paid to NCI by affiliates relating to 2016	-	-	-	-	2,296	2,296
Change in minority interest	-	-	-	-	283,513	283,513
Treasury shares	(5)	-	-	(5)	-	(5)
Transfer to other group reserve	-	575,559	(575,559)	-	-	-
Transfer to share option reserve	-	761	(761)	-	-	-
Share option exercised	-	-	-	-	-	-
Transfer to general banking reserves	-	(486,366)	486,366	-	-	-
Transfer to statutory reserve	-	66,465	(66,465)	-	-	-
Conversion of preference shares	-	-	-	-	-	-
Convertible loans - equity component	-	(6,248)	-	(6,248)	-	(6,248)
At 31 December 2017 / 1 January 2018	4,536,378	4,329,469	(563,867)	8,301,980	1,286,029	9,588,009
Changes in Equity for 2018 :						
IFRS 9 day 1 adjustment	-	-	(1,424,012)	(1,424,012)	-	(1,424,012)
Restated opening balance 1 January 2018	4,536,378	4,329,469	(1,987,879)	6,877,968	1,286,029	8,163,997
Foreign currency translation differences	-	101,002	-	101,002	(37,351)	63,650
Net changes in debt investment securities net of taxes	-	328,081	-	328,081	-	328,081
Profit for the period	-	-	939,062	939,062	237,177	1,176,239
Total comprehensive loss for the period	-	429,082	939,062	1,368,144	199,826	1,567,970
Dividend paid to NCI by affiliates relating to 2017	-	-	-	-	(78,610)	(78,610)
At 30 Sept 2018	4,536,378	4,758,551	(1,048,817)	8,246,113	1,407,244	9,653,357

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Condensed Unaudited Consolidated Statement of Cash Flows

	Period ended 30 September 2018		Period ended 30 September 2017		% Change	
	US$'000	GHC'000	US$'000	GHC'000	US$	GHC
Cash flows from operating activities						
Profit before tax	314,495	1,496,307	226,908	999,223	39%	50%
Adjusted for:						
Net trading income - foreign exchange	(6,961)	(33,117)	(61,059)	(268,884)	-89%	-88%
Net gain from investment securities	(32)	(152)	3,066	13,500	-101%	-101%
Impairment losses on loans and advances	202,444	963,190	236,587	1,041,846	-14%	-8%
Impairment losses on other financial assets	14,469	68,841	55,356	243,768	-74%	-72%
Depreciation of property and equipment	59,284	282,062	59,348	261,348	0%	8%
Net interest income	(702,704)	(3,343,330)	(707,170)	(3,114,127)	-1%	7%
Amortisation of software and other intangibles	15,155	72,105	10,876	47,894	39%	51%
Profit on sale of property and equipment	(296)	(1,409)	(3,102)	(13,660)	-90%	-90%
Share of loss of associates	(227)	(1,080)	(220)	(969)	3%	11%
Income taxes paid	(80,161)	(381,389)	(61,620)	(271,353)	30%	41%
Changes in operating assets and liabilities						
Trading assets	(101,527)	(483,046)	53,120	233,922	-291%	-306%
Derivative financial assets	1,629	7,750	58,204	256,310	-97%	-97%
Other treasury bills	(36,898)	(175,552)	(29,814)	(131,292)	-24%	-34%
Loans and advances to banks	162,839	774,755	(192,566)	(847,991)	185%	191%
Loans and advances to customers	476,828	2,268,655	(93,112)	(410,031)	612%	653%
Pledged assets	(15,774)	(75,050)	(26,558)	(116,952)	41%	36%
Other assets	(36,387)	(173,122)	96,498	424,943	-138%	-141%
Mandatory reserve deposits	(102,223)	(486,356)	(65,758)	(289,575)	-55%	-68%
Due to customers	317,250	1,509,414	629,574	2,772,422	-50%	-46%
Derivative liabilities	(1,647)	(7,836)	(11,133)	(49,026)	85%	84%
Other liabilities	(172,457)	(820,516)	(8,675)	(38,202)	-1888%	-2048%
Other provisions	(5,326)	(25,341)	25,885	113,988	-121%	-122%
Interest received	1,156,100	5,500,501	1,155,297	5,087,521	0.1%	8%
Interest paid	(453,396)	(2,157,171)	(448,127)	(1,973,393)	1%	9%
Net cashflow from operating activities	**1,004,478**	**4,779,113**	**901,805**	**3,971,230**	**11%**	**20%**
Cash flows from investing activities						
Purchase of software	(24,137)	(114,841)	(11,371)	(50,073)	112%	129%
Purchase of property and equipment	(117,021)	(556,764)	(171,307)	(754,378)	-32%	-26%
Proceeds from sale and redemption of securities	88,276	420,000	(491,370)	(2,163,820)	-118%	-119%
Net cashflow used in investing activities	**(52,883)**	**(251,605)**	**(674,048)**	**(2,968,271)**	**-92%**	**-92%**
Cash flows from financing activities						
Net proceeds /repayment from borrowed funds	(17,038)	(81,065)	39,303	173,077	-143%	-147%
Dividends paid to non-controlling shareholders	(16,522)	(78,610)	(23,945)	(105,446)	-31%	-25%
Net cashflow (used in) / from financing activities	**(33,561)**	**(159,675)**	**15,358**	**67,631**	**-319%**	**-336%**
Net increase cash and cash equivalents	**918,035**	**4,367,833**	**243,114**	**1,070,590**	**278%**	**1697%**
Cash and cash equivalents at beginning of period	1,965,611	8,676,601	2,020,838	8,449,325	-3%	3%
Effects of exchange differences on cash and cash equivalents	(139,469)	52,424	(363,232)	(1,153,321)	62%	105%
Cash and cash equivalents at end of the period	**2,744,177**	**13,096,858**	**1,900,721**	**8,366,594**	**44%**	**57%**

Notes

1 General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, 'the Group') provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The Group had operations in 40 countries and employed over 16,310 people as at 30 September 2018 (30 September 2017: 16,286).

Ecobank Transnational Incorporated is a limited liability company and is incorporated and domiciled in the Republic of Togo. The address of its registered office is as follows: 2365 Boulevard du Mono, Lomé, Togo. The company has a primary listing on the Ghana Stock Exchange, the Nigerian Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Cote D'Ivoire.

The condensed consolidated interim financial statements for the period ended 30 September 2018 have been approved by the Board of Directors on 23 October 2018.

2 Summary of significant accounting policies

This note provides a list of the significant changes in accounting policies adopted in the preparation of these condensed consolidated interim 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 condensed consolidated interim financial statements and their potential impact on the Group. For a full list of the accounting policies used to prepare the financial statements, we refer the readers to the Group annual financial statements for the year ended 31 December 2017. These have remained unchanged except for as stated below. The financial statements are for the Group consisting of Ecobank Transnational Incorporated and its subsidiaries.

2.1 Basis of presentation

The Group's unaudited condensed consolidated interim financial statements ('Condensed Financial Statements') for the period ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited 31 December 2017 Annual Consolidated Financial Statements and the accompanying notes included on pages 120 to 212 in our 2017 Annual Report. The Condensed Financial Statements have been prepared on a going concern basis.

Except as indicated below, the Condensed Financial Statements have been prepared using the same accounting policies and methods used in preparation of our audited 2017 Annual Consolidated Financial Statements. Our significant accounting policies and future changes in accounting policies and disclosures that are not yet effective for us are described in Note 2.1 (b) of our audited 2017 Annual Consolidated Financial Statements.

(a) New and amended standards adopted by the Group

In the current period, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

I) IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement 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 issued by the IASB in July 2014 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. 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 and other reserves of the current period. The Group does not currently apply hedge accounting and as such the adoption of IFRS 9 does not have any impact. Based on current assessment, 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.

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 OCI and fair value through profit or loss. 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 fair value through profit 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, 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 new Standard did not have any significant impact on the Group.

III) Amendment to IFRS 15 - Revenue from contracts with customers Contracts

These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Adoption of the standard did not have a significant impact on the Group.

Notes

Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

IV) IAS 40 – Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate diversity in practice. Adoption of the standard did not have a significant impact on the Group.

V) IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or nonmonetary liability relating to advance consideration received or paid in foreign currency. Adoption of the standard did not have a significant impact on the Group.

2.2 Changes in accounting policy on adoption of new standard: Financial assets and liabilities

Recognition and measurement

All financial assets and liabilities – which include derivative financial instruments – have to be recognized in the consolidated statement of financial position and measured in accordance with their classification. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. 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.

2.2.1 Financial assets - Policy applicable from January 1, 2018

a) Classification and measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in accordance with this standard. 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 (FVOCI) or amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

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

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

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

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.

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

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

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

Debt instruments are those instruments that meet the definition of a financial liability from the issuer'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 Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On adoption of the standard, the Group did designate some of it equity instruments as FVOCI.

All other financial assets not classified as measured at amortized cost or FVOCI as discussed above are measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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 FVPL. 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 FVPL. 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.

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.

Notes

Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

2.2. Financial assets - Policy applicable from January 1, 2018 (Continued)

Assessment 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. '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.

***b)* Reclassification**

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

2.2.2 Financial liabilities

The accounting for financial liabilities remains largely the same under IFRS 9 as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement. The Group does not currently have such instruments. Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' and 'interest expense' in the consolidated income statement using the effective interest method. The Bank 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 2.5) and is, therefore, regarded as 'Stage 3', the Bank 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 Bank 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 FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

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

2.5 Impairment of financial assets

2.5.1 Impairment of financial assets - Policy applicable from January 1, 2018

The adoption of IFRS 9 has fundamentally changed the Bank'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 Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with lease receivables loan commitments and financial guarantee contracts. No impairment loss is recognized on equity investments.

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

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

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

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

Notes

2.5 Impairment of financial assets (Continued)

2.5.1 Impairment of financial assets - Policy applicable from January 1, 2018 (Continued)

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.

Restructured financial assets

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI 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.

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. 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.

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.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

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:

. The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

. 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.

. 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.

Notes

2.5 Impairment of financial assets (Continued)

2.5.1 Impairment of financial assets - Policy applicable from January 1, 2018 (Continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)

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.

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

. 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:

. 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.

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

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.
The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a semi-annual basis.

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

Forward-looking information incorporated in the ECL models

The assessment of significant increase in credit risk (SICR) and the calculation of ECL both incorporate forward-looking information. 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 also been applied in this process. Forecasts of these economic variables (the “base economic scenario”) are provided by Ecobank Group’s Economics team 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, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. 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 other 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 30 June 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 is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, 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). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). 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 Group’s different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

3 Critical accounting estimates, and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

a) *Impairment losses on loans and advances*

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. 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 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 FVOCI 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).

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.

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.

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.

4 Significant Events and Transactions

Losses recognised on impairment of financial assets are disclosed in note 9 to these Condensed Financial Statements.
Details of the Group's principles, methodology, valuation techniques and level of inputs used in the valuation of the Group's financial instruments are contained in the Group's annual financial statements for the year ended 31 December 2017. There have been no significant change to these principles, methodology, valuation techniques and level of inputs used in the valuation of the Group's financial instruments for the period ended 30 June 2018.

There have no other significant events or transactions in the period that have had a significant impact on the financial position or performance of the Group during the 6 month period ended 30 June 2018 other than as disclosed above.

Ecobank Transnational Incorporated

Notes to the Condensed Unaudited Consolidated Statement of Comprehensive Income

		Period ended 30 September 2018		Period ended 30 September 2017	
		US$'000	GHC'000	US$'000	GHC'000
5	**Net interest income**				
	Interest income				
	Loans and advances to banks	32,332	153,831	37,597	165,562
	Loans and advances to customers	695,132	3,307,305	752,143	3,312,171
	Treasury bills and other eligible bills	171,986	818,274	143,485	631,859
	Investment securities	249,023	1,184,805	135,411	596,301
	Financial assets held for trading measured at FVTPL	6,269	29,828	85,258	375,445
	Others	1,358	6,458	1,404	6,183
		1,156,100	**5,500,501**	**1,155,297**	**5,087,521**
	Interest expense				
	Deposits from banks	59,271	281,999	68,471	301,524
	Due to customers	282,485	1,344,010	243,766	1,073,459
	Other borrowed funds	100,229	476,871	91,363	402,329
	Others	11,411	54,291	44,527	196,081
		453,396	**2,157,171**	**448,127**	**1,973,393**
6	**Net fee and commission income**				
	Fee and commission income:				
	Credit related fees and commissions	100,936	480,232	107,685	474,206
	Portfolio and other management fees	6,243	29,704	6,719	29,586
	Corporate finance fees	11,148	53,042	11,333	49,908
	Cash management and related fees	172,027	818,470	140,668	619,454
	Card management fees	68,145	324,219	58,554	257,852
	Brokerage fees and commissions	3,263	15,524	2,576	11,344
	Other fees	15,869	75,500	10,146	44,678
		377,630	**1,796,691**	**337,681**	**1,487,028**
	Fee and commission expense				
	Brokerage fees paid	922	4,389	973	4,284
	Other fees paid	47,606	226,498	43,726	192,555
		48,528	**230,887**	**44,699**	**196,839**
7	**Net trading income**				
	Foreign exchange	242,733	1,154,877	299,853	1,320,447
	Trading income on securities	34,894	166,019	30,686	135,130
		277,627	**1,320,896**	**330,539**	**1,455,577**
8	**Other operating income**				
	Lease income	1,629	7,748	2,021	8,900
	Dividend income	2,538	12,075	4,727	20,816
	Gains less losses from investment securities	32	154	(3,066)	(13,502)
	Other	53,320	253,687	18,151	79,931
		57,519	**273,664**	**21,833**	**96,145**
9	**Impairment losses on loans and advances and other financial assets**				
	Impairment losses on loans and advances	202,444	963,190	236,587	1,041,846
	Impairment charge on other financial assets	14,469	68,840	55,356	243,768
		216,913	**1,032,030**	**291,943**	**1,285,614**
10	**Taxation**				
	Current income tax	72,646	345,636	52,946	233,156
	Deferred income tax	(4,711)	(22,414)	(14,864)	(65,451)
		67,935	**323,222**	**38,082**	**167,705**
11	**Operating expenses**				
	Staff expenses	373,573	1,777,388	380,205	1,674,289
	Depreciation and amortisation	74,439	354,166	70,224	309,242
	Other operating exepnses	387,759	1,844,883	383,464	1,688,640
		835,771	**3,976,437**	**833,893**	**3,672,171**

Ecobank The Pan African Bank

Ecobank Transnational Incorporated

Notes to the Condensed Unaudited Consolidated Statement of Financial Position

		As at 30 September 2018		As at 31 December 2017	
		US$'000	GHC'000	US$'000	GHC'000
12	**Cash and balances with central banks**				
	Cash in hand	673,194	3,212,886	576,862	2,546,383
	Balances with central banks other than mandatory reserve deposits	1,183,149	5,646,696	895,316	3,952,104
	Included in cash and cash equivalents	**1,856,343**	**8,859,582**	**1,472,178**	**6,498,487**
	Mandatory reserve deposits with central banks	1,291,790	6,165,198	1,189,567	5,250,988
		3,148,133	**15,024,780**	**2,661,745**	**11,749,475**
13	**Trading financial assets**				
	Debt securities measured at FVTPL				
	- Government bonds	137,618	656,797	36,064	159,194
	Equity securities measured at FVTPL				
	- Listed	249	1,187	270	1,192
	-Unlisted	217	1,036	223	984
		138,084	**659,020**	**36,557**	**161,370**
14	**Loans and advances to banks**				
	Items in course of collection from other banks	47,410	226,268	65,771	290,326
	Deposits with other banks	918,657	4,384,382	1,036,270	4,574,304
	Placements with other banks	439,287	2,096,543	583,765	2,576,855
		1,405,354	**6,707,193**	**1,685,806**	**7,441,485**
15	**Loans and advances to customers**				
	Analysis by type:				
	Overdrafts	1,411,354	6,735,826	2,616,054	11,547,786
	Credit cards	3,696	17,642	3,800	16,775
	Term loans	7,891,584	37,663,373	7,167,729	31,639,790
	Mortgage loans	108,029	515,580	101,400	447,600
	Others	20,498	97,829	23,795	105,034
	Gross loans and advances	**9,435,161**	**45,030,250**	**9,912,778**	**43,756,985**
	Less: allowance for impairment	(793,660)	(3,787,822)	(554,914)	(2,449,502)
		8,641,501	**41,242,428**	**9,357,864**	**41,307,483**
16	**Treasury bills and other eligible bills**				
	Maturing within three months	325,273	1,552,398	338,252	1,493,112
	Maturing after three months	1,343,827	6,413,549	1,380,725	6,094,796
		1,669,100	**7,965,947**	**1,718,977**	**7,587,908**
17	**Investment securities**				
	Debt securities measured at FVOCI				
	- listed	2,454,612	11,714,880	1,774,141	7,831,478
	- unlisted	1,639,772	7,825,976	2,461,171	10,864,262
		4,094,384	**19,540,856**	**4,235,312**	**18,695,740**
	Equity securities measured at FVOCI				
	- listed	12,694	60,586	12,689	56,083
	- unlisted	211,157	1,007,767	158,773	700,760
		223,851	**1,068,353**	**171,462**	**756,843**
	Total investment securities	**4,318,235**	**20,609,209**	**4,406,774**	**19,452,583**
	Allowance for impairment	(1,271)	(6,067)	(1,534)	(6,973)
		4,316,964	**20,603,142**	**4,405,240**	**19,445,610**
18	**Deposits from banks**				
	Operating accounts with banks	356,096	1,699,504	881,089	3,889,303
	Deposits from other banks	694,356	3,313,883	891,325	3,934,487
		1,050,452	**5,013,387**	**1,772,414**	**7,823,790**
19	**Due to customers**				
	- Current accounts	9,276,799	44,274,450	9,067,104	40,024,010
	- Term deposits	3,519,566	16,797,481	3,486,002	15,387,910
	- Savings deposits	2,724,156	13,001,308	2,650,165	11,698,359
		15,520,521	**74,073,239**	**15,203,271**	**67,110,279**

20 Contingent liabilities and commitments

Contingent liabilities in respect of bankers acceptance, guarantees, letters of credits and commitments to extend credit not provided for in the financial statements were US$ 4.1 billion (GHC 19.4 billion) (31 Dec 2017: US$ 3.9 billion (GHC 17.3 billion))

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

Note 21: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE

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

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the period ended 30 September 2018							
Net interest income	211,323	210,390	169,917	153,246	(42,172)	-	702,704
Net fees and commission income	41,817	93,444	62,832	109,686	21,323	-	329,102
Other income	111,068	73,633	49,204	70,216	31,025	-	335,146
Operating income	**364,208**	**377,467**	**281,953**	**333,148**	**10,176**	**-**	**1,366,952**
Impairment losses on financial assets	61,858	48,731	29,563	64,832	23,536	(11,608)	216,913
Total operating expenses	215,545	226,027	144,796	196,927	52,476	-	835,771
Operating profit after impairment losses	**86,805**	**102,709**	**107,594**	**71,389**	**(65,837)**	**11,608**	**314,268**
Share of profit from associates	**-**	**-**	**223**	**4**	**(0)**	**-**	**227**
Profit before tax	**86,805**	**102,709**	**107,817**	**71,393**	**(65,837)**	**11,608**	**314,495**
Balance Sheet Highlights as at 30 September 2018							
Total assets	5,718,266	7,509,855	3,114,117	4,882,303	648,760	-	21,873,301
Total Liabilities	4,928,919	6,949,316	2,763,281	4,411,025	798,098	-	19,850,639

In 000 of $

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the period ended 30 September 2017							
Net interest income	237,346	188,193	163,671	142,283	(24,323)	-	707,170
Net fees and commission income	35,904	90,149	59,489	83,592	23,848	-	292,982
Other income	172,300	62,323	38,587	51,190	27,972	-	352,372
Operating income	**445,550**	**340,665**	**261,746**	**277,065**	**27,497**	**-**	**1,352,524**
Impairment losses on financial assets	178,473	58,805	44,052	22,185	6,899	(18,470)	291,943
Total operating expenses	209,949	208,503	139,614	212,552	63,275	-	833,893
Operating profit after impairment losses	**57,128**	**73,357**	**78,081**	**42,328**	**(42,676)**	**18,470**	**226,688**
Share of profit from associates	-	-	121	99	(0)	-	220
Profit before tax	**57,128**	**73,357**	**78,202**	**42,427**	**(42,676)**	**18,470**	**226,908**
Balance Sheet Highlights as at 30 September 2017							
Total assets	5,849,544	7,677,603	2,768,954	4,384,783	277,688	-	20,958,572
Total Liabilities	4,976,922	7,179,283	2,486,812	3,908,553	372,811	-	18,924,381

(1) ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, Ecobank Development Corp. (the Group's Investment Banking and Securities and Asset Management businesses), and also the impact of other affiliates and
(2) The Resolution Vehicle (RV), a structured entity that was set up in Nigeria to purchase and hold the challenged legacy assets from Ecobank Nigeria's core assets.

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

Note 22: BUSINESS FINANCIAL PERFORMANCE

In 000 of $	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 30 September 2018						
Net interest income	361,885	123,995	168,232	48,592	(0)	702,704
Net fees and commission income	123,360	72,973	132,046	24,366	(23,643)	329,102
Other income	204,140	72,548	27,349	191,686	(160,577)	335,146
Operating income	**689,385**	**269,516**	**327,627**	**264,644**	**(184,220)**	**1,366,952**
Impairment losses on financial assets	142,725	50,964	11,435	(9,909)	21,698	216,913
Total operating expenses	348,410	195,395	275,999	99,172	(83,205)	835,771
Operating profit after impairment losses	**198,250**	**23,157**	**40,193**	**175,381**	**(122,713)**	**314,268**
Share of profit from associates	**227**	**-**	**-**	**-**	**-**	**227**
Profit before tax	**198,477**	**23,157**	**40,193**	**175,381**	**(122,713)**	**314,495**
Balance Sheet Highlights as at 30 September 2018						
Total assets	11,943,011	1,309,022	861,809	87,507	7,671,952	21,873,301
Total Liabilities	9,913,628	3,168,517	5,344,726	1,421,033	2,735	19,850,639

In 000 of $	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 30 september 2017						
Net interest income	358,868	144,939	184,118	19,245	-	707,170
Net fees and commission income	120,442	63,644	121,176	12,690	(24,970)	292,982
Other income	268,329	54,618	21,420	169,604	(161,599)	352,372
Operating income	**747,639**	**263,201**	**326,714**	**201,539**	**(186,569)**	**1,352,524**
Impairment losses on financial assets	133,476	94,081	17,832	(64,534)	111,088	291,943
Total operating expenses	345,842	196,211	271,227	87,215	(66,602)	833,893
Operating profit after impairment losses	**268,321**	**(27,091)**	**37,655**	**178,858**	**(231,055)**	**226,688**
Share of profit from associates	**220**	**-**	**-**	**-**	**-**	**220**
Profit before tax	**268,541**	**(27,091)**	**37,655**	**178,858**	**(231,055)**	**226,908**
Balance Sheet Highlights as at 30 September 2017						
Total assets	11,672,971	1,512,187	829,325	287,961	6,656,128	20,958,572
Total Liabilities	9,817,277	2,980,548	4,897,333	933,872	295,351	18,924,381

Note 23: GEOGRAPHICAL REGION FINANCIAL PERFORMANCE

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

In Millions of Cedis

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the period ended 30 September 2018							
Net interest income	1,005	1,001	808	729	(200)	-	3,343
Net fees and commission income	199	445	299	522	101	-	1,566
Other income	528	350	234	334	149	-	1,595
Operating income	**1,732**	**1,796**	**1,341**	**1,585**	**51**	**-**	**6,504**
Impairment losses on financial assets	294	232	141	308	112	(55)	1,032
Total operating expenses	1,026	1,075	689	937	249	-	3,976
Operating profit after impairment losses	**412**	**489**	**511**	**340**	**(311)**	**55**	**1,495**
Share of profit from associates	**-**	**-**	**1**	**-**	**-**	**-**	**1**
Profit before tax	**412**	**489**	**512**	**340**	**(311)**	**55**	**1,496**
Balance Sheet Highlights as at 30 September 2018							
Total assets	27,291	35,842	14,862	23,301	3,097	-	104,393
Total Liabilities	23,524	33,166	13,188	21,052	3,809	-	94,739

In Millions of Cedis

	NIGERIA	UEMOA	AWA	CESA	ETI & Others	Rv(2)	Ecobank Group
Income Statement Highlights for the period ended 30 September 2017							
Net interest income	1,045	829	721	627	(108)	-	3,114
Net fees and commission income	158	397	262	368	105	-	1,290
Other income	759	274	170	225	124	-	1,552
Operating income	**1,962**	**1,500**	**1,153**	**1,220**	**121**	**-**	**5,956**
Impairment losses on financial assets	786	259	194	98	30	(81)	1,286
Total operating expenses	925	918	615	936	278	-	3,672
Operating profit after impairment losses	**251**	**323**	**344**	**186**	**(187)**	**81**	**998**
Share of profit from associates	-	-	1	-	(0)	-	1
Profit before tax	**251**	**323**	**345**	**186**	**(187)**	**81**	**999**
Balance Sheet Highlights as at 30 September 2017							
Total assets	25,749	33,795	12,188	19,301	1,222	-	92,255
Total Liabilities	21,907	31,602	10,946	17,205	1,641	-	83,301

(1) ETI & Others comprise ETI, the Holdco, eProcess (the Group's technology service company), the International business in Paris, Ecobank Development Corp. (the Group's Investment Banking and Securities and Asset Management businesses), and also the impact of other affiliates and
(2) The Resolution Vehicle (RV), a structured entity that was set up in Nigeria to purchase and hold the challenged legacy assets from Ecobank Nigeria's core assets.

Note 24: BUSINESS FINANCIAL PERFORMANCE

In Millions of Cedis	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 30 September 2018						
Net interest income	1,722	590	800	231	0	3,343
Net fees and commission income	587	347	628	116	(112)	1,566
Other income	971	345	130	912	(763)	1,595
Operating income	**3,280**	**1,282**	**1,558**	**1,259**	**(875)**	**6,504**
Impairment losses on financial assets	679	242	54	(47)	104	1,032
Total operating expenses	1,658	930	1,313	472	(397)	3,976
Operating profit after impairment losses	**943**	**110**	**191**	**834**	**(583)**	**1,495**
Share of profit from associates	**1**	**-**	**-**	**-**	**0**	**1**
Profit before tax	**944**	**110**	**191**	**834**	**(583)**	**1,496**
Balance Sheet Highlights as at 30 June 2018						
Total assets	56,999	6,247	4,113	418	36,616	104,393
Total Liabilities	47,314	15,122	25,508	6,782	13	94,739

In Millions of Cedis	CIB	Commercial	Consumer	Others	Consolidation Adjustments	Ecobank Group
Income Statement Highlights for the period ended 30 September 2017						
Net interest income	1,707	690	876	32	(191)	3,114
Net fees and commission income	573	303	577	60	(223)	1,290
Other income	1,277	260	102	807	(894)	1,552
Operating income	**3,557**	**1,253**	**1,555**	**899**	**(1,308)**	**5,956**
Impairment losses on financial assets	635	448	85	(307)	425	1,286
Total operating expenses	1,645	934	1,290	415	(612)	3,672
Operating profit after impairment losses	**1,277**	**(129)**	**180**	**791**	**(1,121)**	**998**
Share of profit from associates	**1**	**-**	**-**	**-**	**(0)**	**1**
Profit before tax	**1,278**	**(129)**	**180**	**791**	**(1,121)**	**999**
Balance Sheet Highlights as at 30 september 2017						
Total assets	51,382	6,656	3,651	1,268	29,298	92,255
Total Liabilities	43,214	13,120	21,557	4,111	1,298	83,301

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