BANQUE D'INVESTISSEMENT ET DE DEVELOPPEMENT DE LA CEDEAO
ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
BANCO DE INVESTIMENTO E DE DESENVOLVIMENTO DA CEDEAO

The ECOWAS Bank · La Banque de la CEDEAO · O Banco da CEDEAO

ANNUAL REPORT 2019

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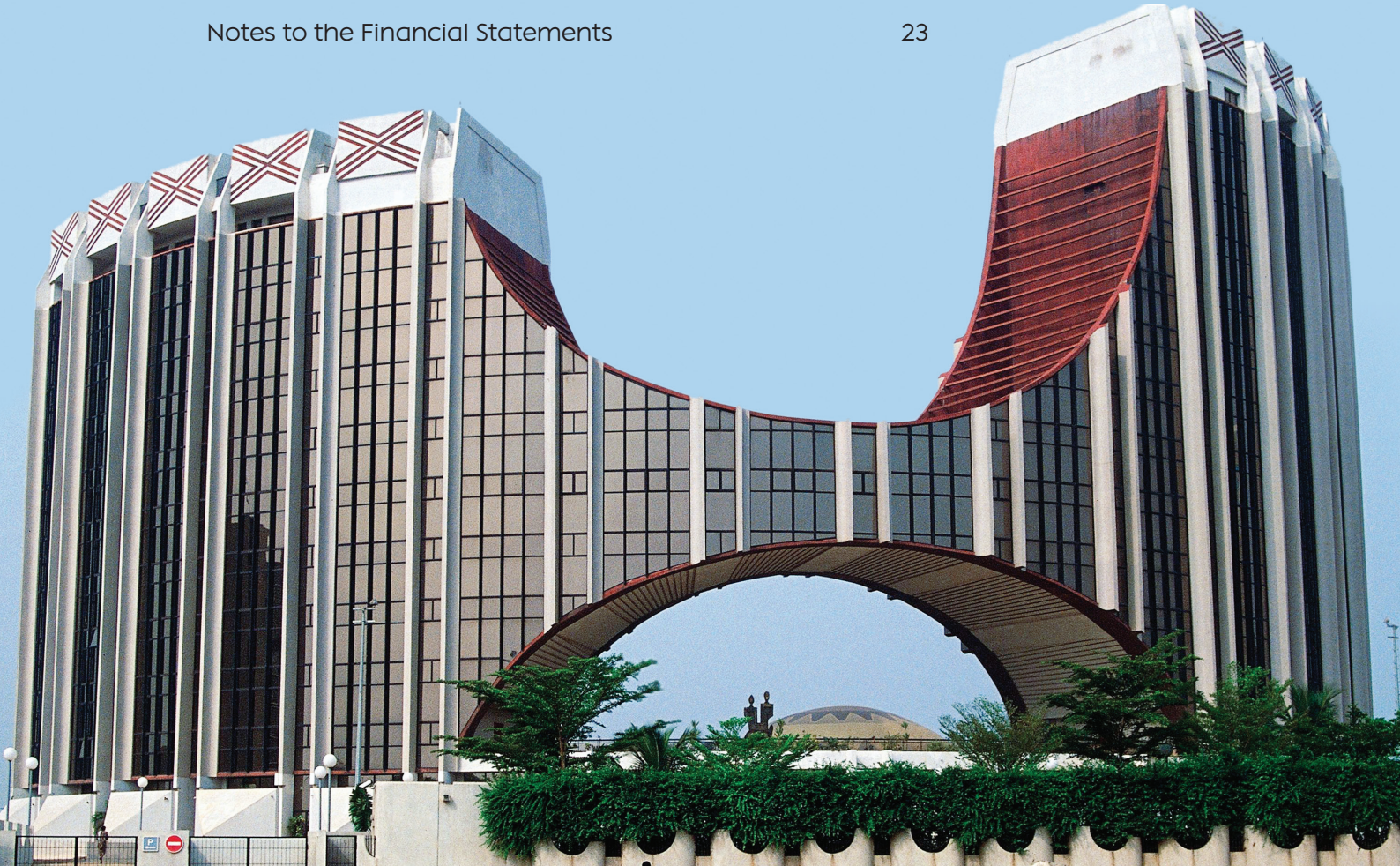


Corporate Profile

I. BACKGROUND

The ECOWAS Bank for Investment and Development (EBID) is the financial arm of the Economic Community of West African States (ECOWAS) comprising fifteen (15) Member States namely, Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo.

EBID emerged as a banking group (the EBID Group) after the transformation of the erstwhile Fund for Cooperation, Compensation and Development of the Economic Community of West African States (ECOWAS Fund) in 1999.

[The ECOWAS Fund was established in 1975 at the same time as the erstwhile Executive Secretariat of the Economic Community of West African States (the present ECOWAS Commission) and commenced operations in 1979].

ECOWAS Bank for Investment and Development (EBID) started operations in 1999 as a holding company with two specialized subsidiaries:

- ECOWAS Regional Development Fund (ERDF) for financing the public sector;
- ECOWAS Regional Investment Bank (ERIB) for financing the private sector.

In 2006, the ECOWAS Authority of Heads of State and Government decided to reorganize the EBID Group into one unified entity with two windows: one for promoting the private sector and the other, for developing the public sector in order to extend the services of the Bank to a wider range of stakeholders involved in sustainable economic development activities and programmes at national and regional levels. The Bank has been operating under the new structure since January, 2007.

The headquarters of the Bank is in Lomé, Togolese Republic.

II. VISION

The vision of the Bank is to be the leading regional investment and development finance bank in West Africa, a powerful financial institution for private sector promotion and financing in the Region and an effective instrument for poverty alleviation, wealth creation and job promotion for the well-being of the people of the Region.

III. MISSION AND OBJECTIVES

The mission of EBID is to contribute towards creating conditions that are capable of enhancing the emergence of an economically strong, industrialized and prosperous West Africa that is perfectly integrated both internally, and in the global economic system in order to benefit from, and also take advantage of the opportunities and prospects offered by globalization.

By virtue of its Articles of Association the Bank aims to:

- Contribute to the attainment of the objectives of the Community by supporting infrastructure projects relating to regional integration or any other development projects in the public and private sectors;
- Assist in the development of the Community by funding special programmes.

IV. CORPORATE OBJECT

The corporate object of the EBID is to:

- Grant loans and guarantees for financing investment projects and programmes for the economic and social development of Member States;
- Mobilize resources within and outside the Community for the financing of investment projects and programmes of the Bank
- Provide the technical assistance necessary within the Community for the study, preparation, financing and execution of development projects and programmes;
- Receive and manage the portion of the Community Levy resources meant for financing of Community development projects;
- Manage any Community special funds relevant to its corporate object;
- Carry out any commercial, industrial or agricultural activity, in as much as such activity is secondary to its object.

Within the scope of its corporate object, the Bank cooperates with national and sub-regional development organizations operating within the Community. In the same vein, it cooperates with other international organizations with similar aims and other institutions involved in the development of the Community.

CORPORATE INFORMATION

Board of Governors		Country
Mr. Romuald Wadagni	Minister of Economy and Finance	Benin
Mr. Lassané Kaboré	Minister of Economy, Finance & Development	Burkina Faso
Mr. Olavo Avelino Garcia Correia	Vice-Prime Minister / Minister of Finance	Cape-Verde
Mrs. Nialé Kaba	Minister of Planning and Development	Côte d'Ivoire
Hon. Mambury Njie	Minister of Finance & Economic Affairs	The Gambia
Hon. Kenneth Ofori-Atta	Minister for Finance	Ghana
Mrs. Mamadi Camara	Minister of Economy and Finance	Guinea
Mr. Geraldo Martins	Minister of Economy and Finance	Guinea-Bissau
Mr. Samuel Tweah	Minister of Finance and Development Planning	Liberia
Dr. Boubou Cissé	Prime Minister / Minister of Economy and Finance	Mali
Mr. Mamadou Diop	Minister of Finance	Niger
Mrs. Zainab Shamsuna Ahmed	Minister of Finance, Budget and National Planning	Nigeria
Mr. Amadou Hott	Minister of Economy,Planning and Cooperation	Sénégal
Mr. Jacob Jusu Saffa	Minister of Finance	Sierra Leone
Mr. Sani Yaya	Minister of Economy and Finance	Togo

Board Of Directors	Country
Mr. Aliyu Ahmed Director Of International Economic Relations Department Federal Ministry of Finance, Budget and National Planning	Nigeria
Mr. Samuel Danquah Arkhurst Director, Treasury and Debt Management Division Ministry of Finance	Ghana
Mrs. Anicou-Annie Lecadou Kacou Technical Advisor, Ministry of Planning and Development	Côte D'ivoire
Mr. Luis M. S. M. Barros Managing Partner Leading Business Ventures (Lbv) Cambridge, Massachusetts, Usa	Cape-Verde
Mr. Mamour Ousmane Bâ Technical Advisor, Ministry of Economy, Planning and Cooperation	Sénégal (Group I)
Mr. Seglaro Abel Somé Secretary General, Ministry of Economy, Finance and Development	Burkina Faso (Group Ii)
Mr. Souahibou Diaby Technical Advisor, Ministry of Economy and Finance	Mali (Group Ii)
Mr. Abdou Rafiou Bello Technical Advisor, Ministry of Economy and Finance	Bénin (Group Iii)
Mr. Séna Kwadzo Ayenu President & CEO Wawa Consulting Group, LLC, Accra, Ghana	Togo (Group Iii)

Secretary
Moctar Coulibaly
Secretary General of EBID

Registered Office
Lomé
128 Boulevard Du 13 Janvier
B-P 2704
Lome - Togo

Auditors
Ernst & Young
G15 White Avenue,
Airport Residential Area,
P.O. Box Ka 16009,
Airport Accra, Ghana

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors have pleasure in closing the financial statements of the ECOWAS Bank for Investment and Development (the Bank) for the year ended 31 December 2019. The financial statements have been drawn and presented in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The Board of Directors have reviewed the Annual Report and the process by which the Bank believes that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance of the Bank.

Nature of Business

The Bank was established by the ECOWAS Member States to facilitate business and investment in West Africa. The objective of the Bank is to assist in creating favourable conditions for the emergence of an economically strong, industrialised and prosperous West Africa that is fully integrated into the global economic system with a view to taking advantage of the opportunities and prospects offered by globalization.

The Board and its Committees

The Board of Directors is accountable for the long-term success of the Bank and it is responsible for ensuring leadership, designing of strategy, and ensuring that the Bank is adequately resourced to achieve its strategic aspirations. In doing so, the Board of Directors considers its responsibilities, and the impact of its decisions on its stakeholders including shareholders, employees, suppliers, and the community in which the Bank operates.

In addition, pursuant to Articles of Association, the President has authority for the day-to-day operational management of the Bank and for further delegation to the Vice-Presidents in respect of matters which are necessary for the day to day running and management of the Bank.

The Board remains very diverse with a distinctive mixture of backgrounds, experience and skills among the directors. Risk and governance, shareholder and stakeholder relationships, strategy and budget, financial performance oversight, business development and people are some of the key activities the Board focused on in 2019 as it provided guidance to Management in steering the Bank through a turbulent period in the economy and in the banking industry.

The Board met regularly throughout the year. In addition to substantial strategy discussions held at each meeting, the Board held strategy sessions where it had a systematic and comprehensive discussion around the strategy and direction of the Bank.

At the time of the closing of the 2019 annual financial statements on 07 April 2020, the Board was made up of nine (9) Non-Executive Directors. Below is the list of the nine-member Board:

Board members	ECOWAS Bank For Investment and Development Board	Board Audit Committee	Board Risk & Credit Committee	Board Remuneration & Human Resource Committee
Mr. Aliyu Ahmed	x	x		
Mr. Samuel Danquah Arkhurst	x			x
Mrs. Anicou-Annie Lecadou Kacou	x		x	
Mr. Luis M. S. M. Barros	x	x		
Mr. Mamour Ousmane Bâ	x	x		
Mr. Seglaro Abel Somé	x		x	
Mr. Souahibou Diaby	x		x	
Mr. Abdou Rafiou Bello	x			x
Mr. Séna Kwadzo Ayenu	x			x

Board Roles and Key Responsibilities

The President

The President is the legal representative of the Bank and the Chairman of the Board of Directors. The President is responsible for managing all aspects of the Bank's businesses including proposing the strategic direction of the Bank and performing any other task assigned to him by the Board of Governors.

Non-Executive Directors (NEDs)

NEDs provide an independent perspective, constructive challenge and monitor the performance and delivery of the strategy within the risk and controls set by the Board.

Number of Board Meetings held in 2019

Board members	Scheduled meetings: 6	Ad hoc	Remarks
Mr. Aliyu Ahmed	06		
Mr. Samuel Danquah Arkhurst	05		Missed the sixty-second meeting.
Mrs. Anicou-Annie Lecadou Kacou	06		
Mr. Luis M. S. M. Barros	06		
Mr. Dialigué Bâ	06		
Mr. Seglaro Abel Somé	06		
Mr. Souahibou Diaby	05		Missed the sixty-sixth meeting.
Mr. Abdou Rafiou Bello	05		Missed the sixty-sixth meeting.
Mr. Séna Kwadzo Ayenu	06		

Board Committees

The Board of Directors made a conscious decision to assign a broader range of issues to the Board committees, namely: Audit Committee, Risk & Credit Committee, and Remuneration & Human Resource Committee. The linkages between the Committees and the Board are critical for the smooth running of the Bank.

The Board duly received the reports and updates from each of the Committee meetings throughout the reporting period.

The Bank has effective mechanisms in place to ensure that there are no gaps or unnecessary duplication between the remit of various Committees.

Audit Committee

The Audit Committee oversees the management of the financial and internal controls. The Committee's role is to review, on behalf of the Board, the Bank's internal controls; to identify, assess, manage and monitor financial risks. It also gives advice to the Board on external audit work and matters relating to financial reporting. In discharging its responsibilities, the Committee acknowledges and embraces its role of protecting the interest of shareholders.

Number of Board Audit Committee meetings held in 2019

Board members	Number of scheduled meetings: 3	Remarks
Mr. Aliyu Ahmed	1	Missed the two (2) meetings
Mr. Luis M. S. M. Barros	3	
Mr. Dialigué Bâ	2	Replaced by Mr. Mamour Ousmane Bâ as from the 3rd meeting.
Mr. Mamour Ousmane Bâ	1	Replaced Mr. Dialigue Bâ as from the 3rd meeting

Credit and Risk Committee

The Credit and Risk Committee maintains oversight accountability for credit, market and operational, risks. In discharging its responsibilities, the Committee monitors risk positions and seeks assurance on behalf of the Board around the Bank's Risk Management Framework which assigns accountability and responsibility for the management and control of risk.

Number of Board Risk & Credit Committee Meetings held in 2019

Board members	Scheduled meetings 2	Remarks
Mrs. Anicou-Annie Lecadou Kacou	2	
Mr. Seglaro Abel Somé	2	
Mr. Souahibou Diaby		Missed the meetings

Remuneration and Human Resource Committee

The role of the Remuneration and Human Resource Committee is to propose the level and structure of the remunerations of staff of the Bank.

The Committee is also responsible for reviewing the Bank's human resource policy and for making recommendations to the Board.

Number of Board Remuneration and Human Resource Committee Meetings held in 2019

Board members	Scheduled meetings 3	Remarks
Mr. Samuel Danquah Arkhurst	2	Missed a meeting
Mr. Abdou Rafiou Bello	2	Missed a meeting
Mr. Séna Kwadzo Ayenu	3	

Going Concern

The Bank's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the-going-concern basis.

Fund Management Activities

The Bank manages funds on behalf of the ECOWAS member states to undertake infrastructural development activities and business developments in West Africa.

Auditors

The auditors, Ernst & Young, Chartered Accountants, have expressed their willingness to continue in office.

Directors' Responsibility for the Financial Statements

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

Business Performance

- Operating income increased by 7.6%
- Profit increased by 12.3%
- Total assets increased by 9.9%

Approval of the Financial Statements

The Directors have taken all the necessary steps to make themselves and Ernst and Young aware of any information needed in performing the 2019 audit. As far as each of the Directors is aware, there is no relevant audit information of which Ernst and Young is unaware.

The financial statements of the Bank were closed by the Board of Directors, recommended to the Board of Governors for approval, and signed on 9th April, 2020 on its behalf by:

Sani YAYA

Governor

Governor

MESSAGE FROM THE CHAIRMAN
OF THE BOARD OF GOVERNORS

The Board of Governors engaged in many activities in 2019. Three meetings were convened, including the Annual General Meetings (AGM), and two Extraordinary Sessions. Key highlights were the change in Chairmanship of the Board of Governors, and the initiation of the recruitment process to replace the outgoing President and Chairman of Board of Directors, whose tenure expired at the start of the fourth quarter of 2019. We also engaged the Board of Directors as well as the leadership of the Bank on various matters pertaining to the Bank's strategic orientation.

The Board of Governors noted the tireless efforts of Management and staff in positioning the Bank to become more responsive, efficient and effective in realizing its strategic mandates. At a time when regional integration is gaining regional momentum notably the clamour for the African Free Continental Free Trade (AfCFTA) and the slow but gradual transition to a monetary union in the ECOWAS Region, regional champions like the EBID have a pivotal role to play in supporting these initiatives through financial and technical support to the Member States.

We observed that the Region is making significant strides in strengthening economic performance, though it has not been sufficiently resilient and inclusive over the past decade. High poverty levels, inequality, and unemployment rates are still high and persistent with youths and women considered the most vulnerable groups. Economic growth has also been largely cyclical, driven by commodity super-cycle and exhibiting little or no structural change and economic diversification. In addition, the Region faces severe infrastructure deficits, especially in the transport and energy sectors, while intra-regional trade is beset with structural and institutional impediments. Other challenges such as climate change, urbanization, debt burden, and demographic change are also emerging.

Despite these challenges, we remain optimistic that the Bank will continue to champion the developmental needs of the Region through timely and adequate interventions in priority sectors. We must leverage on the Bank's strategic position to strengthen economic resilience by diversifying our export mix and adding value to our raw materials through developing efficient and competitive value chains. The Board of Governors will continue to uphold its commitment to supporting the Bank in achieving its mandate. Over the years, Member States have intensified efforts in clearing their capital arrears, and more aggressive recovery measures will be pursued henceforth.

On behalf of the Board of Governors, I want to assure you that we are committed to working with the leadership of the Bank as we work towards making this Region a better place for us all.

Mr. Jacob Jusu Saffa
Minister of Finance (Sierra Leone) and Chairman, Board of Governors

MESSAGE FROM THE PRESIDENT
OF THE BANK AND CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2019 was marked by a robust performance in the Region's economic activity. Despite the difficult global financial environment and lingering domestic challenges, economic growth in the ECOWAS Region accelerated to an estimated 3.8% in 2019, from 3.4% in 2018. Nigeria,the Region's biggest economy, also registered a solid growth rate of 2.3% in 2019, up from 1.9% in 2018. The WAEMU Region also continued its buoyancy, posting an estimated average growth rate of 6.5%. The regional outlook for 2020 is expected to be positive, as economic growth is expected to hover around 3.8% on the back of strong domestic demand, increased public investments, and favourable macroeconomic environments.

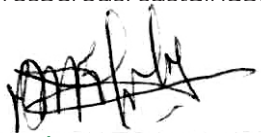
The Bank's activities also expanded. On the operational front, twenty-two (22) projects were evaluated for a total of UA 336.6 million, up by 7.3% from the previous year. Twenty (20) projects were approved amounting to UA 266.6 million, an increase of 87% as against the level in 2018. New commitments, to the tune of UA 147.4 million, were made to eight Member States, representing an increase of 21.0% from the preceding year. In all, this brings the Bank's net cumulative commitments in favour of Member States to UA 1.09 billion or USD 1.50 billion, and cumulative approvals to UA 2.07 billion or USD 2.84 billion in 2019. The Bank disbursed a total of UA 66.95 million or USD 92.05 million in 2019, an increase of 21.9%, compared with the level of disbursement in 2018. This brings the total cumulative disbursements to UA 735.7 million or USD 1.01 billion in 2019. The Bank's financial performance was also favourable, recording a net income of UA 4.04 million (US$ 5.6 million), an increase of 12.3% as against 2018.

On resource mobilization, the Bank issued a debenture in the UEMOA Regional Capital Market, which was oversubscribed by almost two-times, raising a total of FCFA 45 billion or USD 76 million. In addition, a total capital arrears payment of UA 7.8 million or USD 10.67 million was received from Sierra Leone and Cote d'Ivoire. There were ongoing discussions to harness strategic partnerships with leading Financial Institutions, bilateral and multilateral development agencies to mobilize concessional and commercial resource to support the Bank's operational activities.

Internally, the Bank made significant strides in modernizing its business practices by implementing some of the reforms recommended under the AfDB FAPA Technical Grant programme. Reforms were mostly targeted in Human Resources, Information Technology, Finance, and Risk Management. A new performance management system was implemented, the datacentre upgraded, and a new core banking software is in the process of being procured. On human resource management, the Bank continued its efforts to attract and retain top-notch professional talents in support of its strategic mandate. In the fourth quarter of 2019, the Bank launched one of its largest recruitment drives to increase its staff strength and capacity level in key operational priorities. It is expected that more than fifteen (15) professional staff and up to four (4) support staff will join the Bank during the first-quarter of 2020.

Overall, we are very optimistic about the prospects of the Bank and the Region as a whole. As a Bank, we are already on the right path despite the many challenges that face us. We will continue to retool our business model and grow revenues. We will streamline our business processes to make us more efficient, effective, and result-driven in delivering better for the Region.

In conclusion, let me express my sincere gratitude to the Board of Governors, Board of Directors, Management, and staff for their unwavering support in 2019. We look forward to an accelerated delivery in 2020, as we are determined to unlock our great potential and promote an integrated, prosperous, sustainable, and inclusive ECOWAS Region.



Bashir Mamman IFO
President of ECOWAS Bank for Investment and Development

MANAGEMENT TEAM

Bashir Mamman IFO
President

A seasoned banker and administrator with 31 years of professional experience in the public and private sectors.

Dr. George A. DONKOR Ph.D, DBA
Vice President, Finance and Corporate Services

A C-suite executive with over twenty-five (25) years of experience in various disciplines including Finance, Strategic Management, Marketing, Legal, and Compliance. Previously with ARB Apex Bank Ltd. and has held the current position for seven (7) years.

Abdoulaye FALL
Vice President for Operations

An experienced banker with over 25 years of professional experience as an Auditor in reputable institutions across Africa and Europe. Previously with KPMG, CITIBANK and BCEAO.

Moctar COULIBALY
Secretary-General

Previously with Bank of Africa-MALI, Hassane Barry Law Firm and Sory Makanguilé Tax Firm

MacDonald GOANUE
Director of Research and Strategic Planning

Previously with the World Bank, Central Bank of Liberia, University of Liberia and Ministry of Finance of Liberia.

Manzamesso TCHALLA-PALI
Director of Private Sector Operations

Previously with Groupe Industrie-Commerce-Agrochimie (ICA) and Ministry of Economy and Finance of Togo

Sydney O. VANDERPUYE
Director of Finance and Accounting

Previously with Access Bank, Societe Generale, Ernst & Young (Ghana) and London Borough of Barking and Dagenham.

Francis G. EZIN
Director of Administration and General Services

Previously with Ecobank Group, Ecobank Togo, Ecobank Benin.

Mamadou Saidou CAMARA
Director of Legal and Corporate Services

Previously with Ecobank Group, Agetipe-Guinea and lecturer in corporate and banking laws.

Olagunju M.O. ASHIMOLOWO
Director of Internal Audit and Evaluation of Operations

Previously with Ecobank Group, Ecobank Nigeria.

Ernst & Young Chartered Accountants
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Airport Residential Area
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ECOWAS Bank for Investment and Development (the Bank) set out on pages 19 to 81, which comprise the statement of financial position as at 31 December 2019 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the ECOWAS Bank for Investment and Development. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the ECOWAS Bank for Investment and Development. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters	How the matter was addressed in the audit
Revenue recognition Interest on loans formed about 93.07% of the Bank's revenue. Interest income of the Bank is computed manually. There is the risk of misstating revenue balances due to errors in computation and bias. This is indicated in note 3.1.2 and note 8 respectively of the financial statements.	We assessed the design and operating effectiveness of internal controls on the interest income recorded for the year. We reviewed the underlying information and records used in the computation of interest income and traced them to the source documents for accuracy of data input. We re-computed interest income for accuracy. We checked for authorization and approval of the recording and reporting of the interest income. We checked for adequacy of disclosures in the notes to the financial statements in accordance with IAS 1.
Valuation and Impairment of financial assets Financial assets include loans and advances to customers and unquoted equity investments held by the Bank. These formed about 78.93% of the total assets. There is the risk of understatement due to the assumptions used in the valuation. i. **Valuation of unquoted investments.** The valuation of the unquoted investments is a key area of judgement due to the varying valuation techniques including the use of significant unobservable inputs. The use of different valuation techniques and assumptions could produce significantly different valuation results of the unquoted investments. This is indicated in note 3.2.6 and note 16 respectively of the financial statements.	**Unquoted equity investments:** We assessed the design and operating effectiveness of internal controls on the valuation of unquoted investments recorded during the year. We obtained observable and unobservable information in the form of financial statements, management accounts and project reports of the investee entities and performed an independent valuation of the entities. A number of equity valuation models were used to ascertain the market values of the Bank's equity investments. These are the Price to Earnings multiples, the Earnings before Interest and Tax multiples and Price to Book Value multiples. An impairment assessment was conducted based on the market values recomputed on the unquoted investments.

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Key Audit Matters	How the matter was addressed in the audit
ii. Impairment of loans and advances IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model. The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognized as a loss allowance or provision depends on the extent of credit deterioration since the initial recognition and recognition of impairment could be done on a 12-month expected credit losses or lifetime expected credit losses. Impairment computations under IFRS 9 therefore involves the use of models that take into account the following: • The probability-weighted outcome. • Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgement for management. Significant judgements in the determination of the Bank's Expected Credit Loss includes: • Use of assumptions in determining ECL modelling parameters, • Portfolio segmentation for ECL computation • Determination of a significant increase credit risk and • Determination of associations between macroeconomic scenarios. The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on loans and advances to customers. Due to the significance of such loans which account for about 74.5% of total assets of the bank, and the significant use of judgements, the assessment of the allowance for expected credit losses is a key audit matter. This is indicated in notes 4 and 17.1 of the financial statements.	For loans and advances: We assessed the design and operating effectiveness of internal controls on the impairment of loans and advances recorded for the year. The loan portfolio was stratified into sectors and the Probability of Default were ascertained based on an average historic performance. The Loss Given Default was also assessed by reviewing the collaterals secured against the loans granted, the effective interest rates for each of the facilities and the total exposure for each of the loans as well as the effective interest rate. The collateral security and the related values used as a basis for securing the loans were assessed for reasonableness and right of use in the event of a default. We reviewed the IFRS 9 model of the Bank to ascertain the accuracy of computation of the impairment computation including the verification of data input and its related assumptions. For loans classified into Stage 3, we reviewed the Bank's estimation of recovery of cashflows based on the adequacy and appropriate collateral securities used to secure the facilities and the valuation thereof. We validated forward looking information to the extent available such as expected future cashflows of the loan customers in assessing the accuracy of the impairment computation. We reviewed the adequacy of quantitative and qualitative disclosures in line with IFRS 7. We involved management experts in ascertaining the reasonableness of assumptions and valuation of collateral securities used in securing the facilities.

Other Information

The directors are responsible for the other information which comprises corporate information (Directors, Officials and Registered Office), and report of the Board of Directors. Other information does not include the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this Auditor's Report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a goingconcern, disclosing, as applicable, matters relating to going-concern and using the going-concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Bank's ability to continue as a going-concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Bank to cease to continue as a going-concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent Auditor's Report is Pamela Des Bordes (ICAG/P/1329).

Signed for and on behalf of

Ernst & Young (ICAG/F/2020/126)

Chartered Accountants

Accra, Ghana

9 April, 2020

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2019

All amounts are expressed in millions UA

As at	2019	2018	2017	2016
Total assets	**711.92**	**647.58**	**580.97**	**515.64**
Loans and advances	530.73	508.22	441.43	417.97
Financial assets at amortised cost	90.83	52.36	47.84	21.43
Borrowings	377.62	333.14	280.21	278.02
Managed funds	19.84	14.61	16.73	16.37
Defined benefit obligations	9,32	9.97	9.95	9.88
Net Assets	**296.25**	**281.48**	**262.60**	**202.12**
For the year ended				
Net Interest Income	15.87	12.95	9.52	12.89
Operating income	20.31	18.88	9.96	16.06
Profit for the year	4.04	3.60	1.79	0.26
Return on assests (%)	0.6	0.6	0.3	0.1
Return on equity (%)	1.46	1.3	0.8	0.1
Interests margin (%)	3.1	2.6	2.0	2.9
Cost-to- income (%)	77.0	78.0	85.8	98.0

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		UA	UA
Interest income	8	**29,399,559**	24,575,221
Interest expense	9	**(13,525,792)**	(11,623,445)
Net interest income		**15,873,767**	12,951,776
Fees and commission income	10	**2,478,830**	3,192,166
Fees and commission expense	11	**(45,739)**	(84,435)
Net fees and commission income		**2,433,091**	3,107,731
Net (loss)/gain from other financial instruments carried at fair value		**(950,914)**	(1,166,892)
Other operating income/(expense)	12	**2,958,160**	3,993,997
Total other trading income/(loss)		**2,007,246**	2,827,105
Operating income		**20,314,104**	18,886,612
Net impairment (charge)/reversal on financial assets	17.1	**(2,808,405)**	(2,565,830)
Operating income, net of impairment charges		**17,505,699**	16,320,782
Personnel expenses		**(7,281,409)**	(7,131,995)
Depreciation	21	**(1,823,508)**	(1,732,738)
Other Operating Expense	13	**(4,360,919)**	(3,859,194)
Profit for the year		**4,039,863**	3,596,855
Other Comprehensive Income			
Items that will be subsequently classified to profit or loss:			
Items that will not be subsequently classified to profit or loss:			
Fair value gain/loss on unquoted equity instruments	16.3	**2,971,707**	968,953
Total other comprehensive income		**2,971,707**	968,953
Total comprehensive income		**7,011,570**	4,565,808

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019	2018
		UA	UA
Assets			
Cash and bank balances	14	**13,796,492**	10,486,335
Financial assets at amortised cost	15	**90,832,305**	52,355,702
Quoted equity instruments at fair value through profit or loss	16.1	**3,587,182**	7,495,298
Unquoted equity instruments at fair value through other comprehensive income	16.2	**28,084,276**	21,115,470
Debt instruments at fair value through other comprehensive income	16.3	**3,114,653**	4,143,183
Loans and advances	17	**530,733,395**	508,215,427
Inter-institutional accounts receivable	18.1	**62**	488,755
Contributions to managed funds	19.1	**9,068,370**	9,068,370
Other assets	20	**3,845,531**	5,986,669
Property, plant and equipment	21	**28,853,589**	28,223,548
Total assets		**711,915,855**	647,578,757
Liabilities and equity			
Liabilities			
Creditors and accruals	22	**5,954,086**	8,003,943
Defined benefit obligations	23	**9,319,935**	9,968,285
Inter-institutional accounts payable	18.2	**2,940,400**	377,046
Managed funds	19.2	**19,835,628**	14,614,322
Borrowings	24	**377,615,682**	333,139,245
Total liabilities		**415,665,731**	366,102,841
Equity			
Stated capital	25	**299,381,523**	291,618,885
Income surplus	26	**(7,216,050)**	(11,255,913)
Other equity reserves	27	**4,084,651**	1,112,944
Total equity		**296,250,124**	281,475,916
Total liabilities and equity		**711,915,855**	647,578,757

The financial statements of the Bank were closed by the Board of Directors and recommended to the Board of Governors for approval and signed on 9th April, 2020on its behalf by:

Sani YAYA

Governor

Governor

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

Balance at 31 December 2019	Note	Stated capital	Accumulated losses	Other equity reserves	Total equity
		UA	UA	UA	UA
Balance at 1 January 2019		**291,618,885**	**(11,255,913)**	**1,112,944**	**281,475,916**
Profit for the year		**-**	**4,039,863**	**-**	**4,039,863**
Other comprehensive income	17.3	**-**	**-**	**2,971,707**	**2,971,707**
Additional capital contributions		**7,762,638**	**-**	**-**	**7,762,638**
Balance at 31 December 2019		**299,381,523**	**(7,216,050)**	**4,084,651**	**296,250,124**
Balance at 1 January 2018		270,094,740	(15,264,547)	6,942,832	261,773,025
Impact of adopting IFRS 9		-	411,779	(6,798,841)	(6,387,062)
Restated opening balance under IFRS 9		270,094,740	(14,852,768)	143,991	255,385,963
Profit for the year		-	3,596,855	-	3,956,855
Other comprehensive income	17.3	-	-	968,953	968,953
Additional capital contributions		21,524,145	-	-	21,524,145
Balance at 31 December 2018		291,618,885	(11,255,913)	1,112,944	281,475,916

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

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019	2018
		UA	UA
Profit for the year		**4,039,863**	3,569,855
Adjustment for non-cash items			
Depreciation	21	**1,823,508**	1,732,738
Impairment charge/reversal for the year	17.1	**2,808,405**	2,565,830
(Gain)/loss on foreign currency translation		**265,370**	(2,637,978)
Amortisation of debenture cost		**-**	-
Interest income		**(25,317,426)**	(17,664,776)
Dividend income		**(1,023,612)**	(137,627)
Profit on disposal of property, plant and equipment	21	**-**	(13,871)
Provision for defined benefit obligation	23	**(648,350)**	14,029
Fair value gains on investments at fair value through profit or loss	16	**950,914**	1,166,892
		(17,101,328)	(11,377,908)
Changes in working capital			
Increase in contribution to managed funds		**-**	-
Increase in loans and advances		**(22,517,968)**	(66,132,299)
Decrease/(Increase) in institutional accounts receivable		**488,693**	895,885
Decrease/(Increase) in other assets		**2,141,138**	1,618,724
(Decrease)/Increase in accruals and other accounts payable		**(2,049,857)**	(500,774)
Increase/(Decrease) in institutional accounts (Liabilities)		**2,563,354**	261,522
(Decrease)/Increase in managed funds		**5,221,306**	(2,113,645)
Total cash flows used in operating activities		**(14,153,334)**	(77,348,495)
Interest paid	24	**(8,800,658)**	(9,051,613)
Net cash flows used in operating activities		**(40,055,320)**	(84,400,108)
Investing activities			
Proceeds from sale of property, plant and equipment	21.1	**-**	13,871
Purchase of property, plant and equipment	21	**(2,453,549)**	(4,064,403)
Purchase of financial assets at amortised cost	15.2	**(38,476,603)**	(4,518,136)
Dividends received		**1,023,612**	137,627
Interest received		**28,984,042**	17,664,776
Purchase of equity investments	16	**(2,032,160)**	(2,575,719)
Total cash flows from/(used in) investing activities		**(12,954,658)**	6,658,016
Financing activities			
Additional capital contribution	25	**7,762,638**	21,524,144
Proceeds from additional borrowings	24	**94,844,826**	95,595,661
Repayments of borrowings	24	**(46,021,959)**	(36,685,872)
Total cash flows from financing activities		**56,585,505**	80,433,934
Increase in cash and cash equivalents		**3,575,527**	691,842
Net foreign exchange difference on cash and cash equivalent		**(265,370)**	2,637,978
Cash and cash equivalent as at 1 January		**10,486,335**	7,156,515
Cash and cash equivalent as at 31 December	14	**13,796,492**	10,486,335

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Reporting entity

The ECOWAS Bank for Investment and Development (EBID), is the financial institution established by the Fifteen Member States of the Economic Community of West African States (ECOWAS) with the mission to assist in creating favourable conditions for the emergence of an economically strong, industrialised and prosperous West Africa that is fully integrated into the global economic system with a view to taking advantage of the opportunities and prospects offered by globalization.

The address of its registered office is 128, Boulevard du 13 Janvier B-P 2704, Lome –Togo.

In accordance with the Agreement Establishing the Bank, the Bank, its property, other assets, income and its operations and transactions shall be exempt from all taxation and customs duties. The Bank is also exempt from any obligation to pay, withhold or collect any tax or duty.

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

b. Basis of preparation

The financial statements are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: financial instruments at fair value through profit or loss and financial instruments classified as equity investment.

The Bank conducts its operations in the currencies of its member countries. As a result of the application of IAS 21 revised, "The Effects of Changes in Foreign Exchange Rates", it was concluded that the Unit of Account (UA) most faithfully represented the aggregation of economic effects of events, conditions and the underlying transactions of the Bank conducted in different currencies. The UA is also the currency in which the financial statements are presented. The amounts presented in the financial statements have been rounded to the nearest UA.

2.1. Initial application of new amendments to the existing standards effective for current financial period

2.1.1. Adoption of new and revised standards

New and amended IFRS Standards that are effective for the current year

2.2. New and revised IFRS standards in issue but not yet effective

At the date of approval of these financial statements, The Bank had not applied the following new and revised IFRS Standards that have been issued but are not yet effective

IFRS 17	Insurance Contracts	1 January 2022

2. Basis of preparation - cont'd

2.2. New and revised IFRS Standards in issue but not yet effective - cont'd

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods, except as noted below:

IFRS 17

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT.

The Standard is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The Directors of the Company do not anticipate that the application of the Standard in the future will have an impact on the Bank's financial statements.

Annual Improvements to IFRS Standards 2015–2017 ***Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs***

IFRS 11 *Joint Arrangements*

The amendments to IFRS 11 clarify when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

2. Basis of preparation - cont'd

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement - continued

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

IFRS 10 and IAS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments are yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors of the Company anticipate that the application of these amendments may have an impact on the Bank's financial statements in future periods should such transactions arise.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Bank; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

2. Basis of preparation - cont'd

IFRIC 23 Uncertainty over Income Tax Treatments - cont'd

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's financial statements.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements by the Bank.

3.1. Financial assets and liabilities

Financial instruments

Financial assets and financial liabilities are recognised in the Bank's Statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Financial assets

Under IFRS 9 all financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how financial assets of Banks are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

In the current and prior reporting period the Bank has applied the fair value option and so has designated debt instruments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on re-measurement, recognised in profit or loss. Fair value is determined in the manner described in note 7.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other income' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line item.
- other exchange differences are recognised in OCI in the investment revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedge accounting relationship, exchange differences are recognised in profit or loss either in 'net trading income', if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at FVTPL; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investment revaluation reserve.

Impairment

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances to banks;
- Loans and advances to customers;
- Debt investment securities;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Bank's policy is always to measure loss allowances for lease receivables as lifetime ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

More information on measurement of ECLs is provided in note 8, including details on how instruments are grouped when they are assessed on a collective basis.

Credit-impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the assets are credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay their credit obligations to the Bank in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Loans are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay their credit obligation, the Bank takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is to use the practical expedient method, that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, lending forward looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behaviour. The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality.

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and
- circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to note 8).

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list'. Giving an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Bank considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms.

To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.

The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank 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. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve ;
- loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is

(i) held for trading, or

(ii) designated as at FVTPL.

A financial liability is classified as held for trading if:

it has been incurred principally for the purpose of repurchasing it in the near term; or

on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or

it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination and may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at FVTPL all gains and losses are recognised in profit or loss.

In making the determination of whether recognising changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Bank assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including paid net of any fees received and discounted using the original effective rate, is at least, 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Categorisation of financial assets and liabilities

The Bank classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available for sale financial assets

Available-for-sale assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivable or held to maturity.

Financial liabilities measured at amortised cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

Initial recognition

The Bank recognises Financial Assets and Financial Liabilities when it becomes a party to the contract.

Financial Assets and Liabilities are initially recognised at fair value plus directly attributable transaction cost except for those that are classified as fair value through profit or loss.

Subsequent measurement

Available for sale financial assets are subsequently measured at fair value with the resulting changes recognised in equity. The fair value changes on available for sale financial assets are recycled to the statement of profit or loss when the underlying asset is sold, matured or derecognised. Financial assets and liabilities classified as fair value through profit or loss are subsequently measured at fair value with the resulting changes recognised in profit or loss. Loans and receivables and other liabilities are subsequently carried at amortised cost using the effective interest method, less impairment loss.

3. Summary of significant accounting policies - cont'd

3.1. Financial assets and liabilities – (cont'd)

Derecognition

Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or where the Bank has transferred substantially all the risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

3.2. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices).This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For complex instruments such as swaps, the Bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors that market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly stated financial instruments carried at fair value on the statement of financial position.

3. Summary of significant accounting policies - cont'd

3.2. Fair value measurement - (cont'd)

Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in Net trading income. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

3.3. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash on hand, cash and balances with other banks and amounts due from banks and other financial institutions.

3.4. Property, plant and equipment

Recognition and measurement

Property plant and equipment are measured at cost less accumulated depreciation and impairment losses. The Bank does not depreciate the land component of its properties.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use purchased software that is integral to the functionality of the related equipment and is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components).

The Bank revalues its land and buildings every three (3) years to ensure that the fair value does not differ significantly from its carrying amount. Hence the properties are held on a revaluation basis. The most recent valuation was performed in December, 2018.

Assets classified as Capital Work-In-Progress is held at cost. Assets in this class of fixed assets are not depreciated.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the profit or loss as incurred.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

3. Summary of significant accounting policies - cont'd

3.4. Property, plant and equipment - cont'd

Depreciation - cont'd

The estimated useful lives for the current and comparative periods are as follows:

Land	-
Buildings	2%
Motor vehicles	20%
Furniture and fittings	20%
Office equipment	20%
Electric Installations	20%
Office partitioning	25%
IT equipment	33 1/3%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposal of property, and equipment are determined by comparing proceeds from disposal with the carrying amounts of property and equipment and are recognised in the profit or loss as other income.

3.5. Other intangible assets

Other intangible assets that are acquired by the Bank and have finite useful lives are recognised at costs of less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenses excluding expenses on internally generated goodwill and brands is recognised in profit and loss as incurred.

Amortisation is based on the cost of the asset less its residual value.

Amortisation is recognised in profit and loss on a straight-line basis over the lifespan of the asset. The estimated remaining useful life is three (3) years.

3.6. Events after the reporting date

Events subsequent to the statement of financial position date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

3.7. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Financial guarantees are initially recognised at their fair value, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher value of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

3. Summary of significant accounting policies - cont'd

3.8. Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due.

Defined benefit plans

Provisions are made by the Bank for long service award described as separation allowances. The long services award is a month's salary of a staff for every 2 years worked. The provision is done using the Projected Unit Credit Method. The Bank appoints the services of an actuary every five (5) years in the determination of the Defined Benefit Obligation. Within the 5-year period, the defined benefit obligation is assessed internally by the bank.

Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9. Impairment on non-financial assets

The carrying amount of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10. Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. Summary of significant accounting policies - cont'd

3.10. Leases - cont'd

The Bank as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs (see below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Critical judgements and estimates in applying the Bank's accounting policies

The preparation of financial statements in conformity with IFRS requires Management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical judgements and estimates in applying the Bank's accounting policies - cont'd

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income.

Going concern

The Bank's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Business model assessment

Classification and measurement of financial assets depends on the results of the Solely Payment of Principal and Interest (SPPI) and the business model test The Bank determines the business model at a level that reflects how Banks of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

Expected Credit Loses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward looking information.

4. Critical judgements and estimates in applying the Bank's accounting policies - cont'd

Significant increase of credit risk - cont'd

Establishing Banks of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are Banked on the basis of shared risk characteristics. Refer to note 8 for details of the characteristics considered in this judgement

The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that class of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

Probability of default (PD): (PD) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

Loss Given Default (LGD): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Financial risk management

4.1. Financial risk management

4.1.1. Introduction and Overview

The Bank has a defined risk appetite, approved by the Board, which is an expression of the amount of risk we are prepared to take. It plays a central role in the development of our strategic plans and policies. Our overall risk appetite has not changed. We regularly assess our aggregate risk profile, conduct stress tests and monitor concentrations to ensure that we are operating within our approved risk appetite.

We review and adjust our underwriting standards and limits in response to observed and anticipated changes within our environment and the evolving expectations of our stakeholders. In 2018, we maintained our overall cautious stance whilst continuing to support our core clients.

The management of risk lies at the heart of EBID's operations. One of the main risks we incur arises from extending credit to customers through our trading and lending operations. Beyond credit risk, we are also exposed to a range of other risk types such as country cross-border, market, liquidity, operational, pension, reputational and other risks that are inherent to our strategy and product range.

4.1.2. Risk Management Framework

The ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, the Board Risk Committee (BRC), whose membership is comprised exclusively of non-executive directors of the Board, has responsibility for oversight and review of prudential risks including but not limited to credit, market, and liquidity, operational and reputational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board.

Its responsibilities also include reviewing the appropriateness and effectiveness of the country's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on monitoring the activities of the Country Risk Committee (RiskCO) and Asset and Liability Committee (ALCO).

The BRC receives quarterly reports on risk management, including portfolio trends, policies and standards, liquidity and capital adequacy, and is authorised to investigate or seek any information relating to an activity within its terms of reference.

The Risk Committee (RiskCo) is responsible for the management of all risks other than ALCO. RiskCo is responsible for the establishment of, and compliance with, policies relating to credit risk, market risk, operational risk, and reputational risk. The RiskCo also defines our overall risk management framework. RiskCo oversees committee such as Country Operational Risk Committee, Group Special Asset Management, Early Alert (CIB, RB and CB), and Credit Approval Committee.

ALCO is responsible for the management of capital and the establishment of, and compliance with, policies relating to statement of financial position management, including management of liquidity, capital adequacy and structural foreign exchange and interest rate risk.

4.1. Financial risk management - cont'd

4.1.2. Risk Management Framework - cont'd

Credit risk

Credit risk is the risk that a customer or counterparty will default on their contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Bank's credit committee is responsible for managing the Bank's credit risk by:

ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance.

identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.

creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.

Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.

Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.

Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.`

Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

As explained in note 1 the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

4.1. Financial risk management - cont'd

4.1.2. Risk Management Framework - cont'd

Internal credit risk ratings

In order to minimize credit risk, the Bank has tasked its Credit Management Committee to develop and maintain the Bank's credit risk grading to categories exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades also changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilization of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For private sector exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For public sector exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The table below provides a mapping of the Bank's internal credit risk grades to external ratings.

Bank's credit risk grades	Fitch rating	Description
1	AAA	Low to fair risk
2	AA+ to AA	Low to fair risk
3	A+ to A	Low to fair risk
4	BBB+ to BBB	Monitoring
5	BB+ to BB	Monitoring
6	B+ to B	Monitoring
7	CCC+	Substandard
8	CCC	Substandard
9	CC+ to CC-	Doubtful
10	C, D	Impaired

4.1. Financial risk management - cont'd

4.1.2. Risk Management Framework - cont'd

Significant increase in credit risk

The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment, benchmark interest rates and house prices. The Bank generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs

Incorporation of forward-looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL (Refer to note 8 for measurement of ECL). The Bank employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The grouping of financial instruments for assessment of credit loss provisions on a collective basis is based on the industry sectors of the exposures. Stage 2 and Stage 3 loans are however assessed individually.

Measurement of ECL

The key inputs used for measuring ECL are:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information. PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time.

The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

4.1. Financial risk management - cont'd

4.1.2. Risk Management Framework - cont'd

The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due, and those that the lender would expect to receive, taking into account cash flows from any collateral.

The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.

The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Bank uses EAD models that reflect the characteristics of the portfolios. The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.

For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

4.1.3. Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or banks of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

4.1. Financial risk management - cont'd

4.1.3. Risk limit control and mitigation policies - cont'd

Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

(b) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have greater degrees of credit risk than shorter-term commitments.

4.1. Financial risk management - cont'd

4.1.4. Maximum exposure to credit risk before collateral held or other credit enhancements

The Bank's maximum exposure to credit risk is represented by the gross carrying amounts of the financial assets with the exception of financial and other guarantees issued by the Bank for which the maximum exposure to credit risk is represented by the maximum amount the Bank would have to pay if the guarantees are called on. The financial assets are categorised by the industry sectors of the Bank's counterparties.

Loans and advances to customers form 74.26% of the total maximum exposure; 20% represent investments in short term advances. 6% represent balances with banks, placements and other assets.

The following table breaks down the Bank's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Bank's counterparties.

On balance sheet

At 31 December 2019	Loans and advances to customers	Cash and balances with Banks	Short term funds	Placement with other banks	Total
	UA	UA	UA	UA	UA
Transport & infrastructures	175,573,069	-	-	-	175,573,069
Energy	150,426,793	-	-	-	150,426,793
Finance	83,992,233	13,796,492	-	-	97,788,725
Industry, Mines and Career	44,794,787	-	-	-	44,794,787
Hotel and Tourism	61,700,886	-	-	-	61,700,886
Communications and Technology	35,532,453	-	-	-	35,532,453
Total	**552,020,221**	**13,796,492**	**-**	**-**	**565,816,713**
Allowance for credit losses	**(21,286,826)**	-	-	-	**(21,286,826)**
Net carrying amount	**530,733,395**	**13,796,492**	**-**	**-**	**544,529,887**

4.1.5. Credit Quality

The Bank manages the credit quality of its financial assets using internal credit ratings. It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

The credit quality of the Bank's loans and advances are categorized as follows:

Stage 1 Loans and Advances

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition, or that have low credit risk (where the optional simplification is applied) at the reporting date. They are considered ''performing'' credits and are rated 1 in the Bank's internal credit risk grading system.

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Stage 2 Loans and Advances

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. These are considered ''the Watch List Credit'' in the Bank's internal credit risk grading system and are rated 2.

Stage 3 Loans and Advances

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted. These loans are considered "non performing" in the Bank's internal credit risk grading system and are rated 3 or 4.

Stage 3 Loans and Advances - cont'd

All loans and advances are categorized as follows in the comparative period:

Neither past due nor impaired

These are loans and securities where contractual interest or principal payments are not past due.

Past due but not impaired

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates loans to customers to maximise collection opportunities and minimise the risk of default. The revised terms of renegotiated facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement. There are no loans or other financial assets with renegotiated terms as at 31 December 2019 (December 2018: nil).

Impairment assessment under IFRS 9

The Bank assesses its impairment for the purpose of IFRS reporting using the 'forward-looking' Expected Credit Loss (ECL) model in line with provisions of IFRS 9 - Financial Instruments.

The Bank records an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses 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, the allowance is based on the probability of default over the life of the asset.

The measurement of expected credit losses is based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date using the effective interest rate.

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Impairment assessment under IFRS 9 - cont'd

The ECL model has three stages. The Bank recognises a 12-month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired and then a lifetime expected loss allowance is recognised.

Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the CreditDepartment determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Credit Risk Exposure

An analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Loans and advances to customers at amortised cost 31-Dec-19	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Grades 1-3: Low to fair risk	484,091,384	-	-	-	484,091,384
Grades 4-5: Monitoring	-	23,992,682	-	-	23,992,682
Grades 6-8 : Substandard	-	-	-	-	-
Grade 9 : Doubtful	-	-	-	-	-
Grades 9-10 : Impaired	-	-	43,936,155	-	43,936,155
Gross carrying amount	**484,091,384**	**23,992, 682**	**43, 936, 155**	**-**	**552,020,221**
Loss allowance	-	-	(21,286,826	-	(21,286,826)
Carrying amount	**484,091,384**	**23,992, 682**	**22,649,329**	**-**	**530,733,395**

Placement with other banks 31 December 2019	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit-impaired	Total
Grades 1-3: Low to fair risk	13,796,492	-	-	-	13,796,492
Grades 4-5: Monitoring	-	-	-	-	-
Grades 6-8 : Substandard	-	-	-	-	-
Grade 9 : Doubtful	-	-	-	-	-
Grades 9-10 : Impaired	-	-	-	-	-
Gross carrying amount	**13,796,492**	**-**	**-**	**-**	**13,796,492**
Loss allowance	-	-	-	-	-
Carrying amount	**13,796,492**	**-**	**-**	**-**	**13,796,492**

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Credit Risk Exposure - cont'd

At 31 December 2019	Loans to customers
	UA
Neither past due nor impaired	484,091,384
Past due but not impaired	23,992,682
Impaired	43,936,156
Gross amounts	**552,020,221**
Less impairment:	
Collective	(21,286,826)
Net amounts	**530,733,395**

Loss allowance

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

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period as well as releases for financial instruments derecognised during the period;
- Impact on the measurement of ECL due to changes in PD's, EAD's and LGD's in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange translations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Loss allowance - cont'd

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance - loans and advances to customers at amortized cost

	Stage 1	Stage 2	Stage 3		Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Purchased credit-impaired	
Loss allowance as at 1 January 2019	**(1,148,998)**	**(2,686,957)**	**(58,697,075)**	**-**	**(62,533,030)**
Movements with P&L impact:					
Transfers:					
Transfers from Stage 1 to Stage 2	-	-	-	-	-
Transfers from Stage 1 to Stage 3					
Transfers from Stage 2 to Stage 1					
Increases/(decreases) due to change in credit risk	1,148, 998	2, 686, 957	37,410,249	-	41,246,204
Additional allowance for new financial assets originated					
Release of allowance for financial assets derecognised					
Changes in model assumptions and methodologies					
Foreign exchange and other movements	-	-	-	-	-
Total net P&L charge	**-**	**-**	**(21,286, 826)**	**-**	**(21,286,826)**
Loss allowance at 31 December 2019					**(21,286,826)**

Significant changes in the gross carrying amount of financial assets that contributed to the changes in the loss allowance are as follows:

- The structured paydown of a significant portion of stage 1 loans and advances to customers which resulted in a decrease in the gross loan book and the loss allowance on stage 1 loans and advances.

More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Gross carrying amount - Loans and advances to customers at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
Loss allowance as at 31 December 2017	-	-	-	-	**60,378,979**
Transition adjustment	-	-	-	-	**(411,779)**
Loss allowance as at 1 January 2018					**59,967,200**
Changes in the gross carrying amount	-	-	-	-	-
Transfer to stage 1	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-
Increases/(decreases) due to change in credit risk	609,930	806,902	1,148,998	-	**2,565,830**
New financial assets originated or purchased	-	-	-	-	**-**
Financial assets that have been derecognized	-	-	-	-	**-**
Write off	-	-	-	-	**-**
Other changes	-	-	-	-	**-**
Loss allowance as at 31 December 2018	609,930	806,902	1,148,998	-	**62,533,030**
Gross carrying amount as at 31 December 2018	320,841,781	162,244,969	87,661,707	-	**570,748,457**
	320,231,851	161,438,067	86,512,709	-	**508,215,427**

Credit Collateral

The Bank holds collateral against loans and advances to customers in the form of cash, treasury bills/certificates, stock and shares of reputable quoted companies, legal mortgages, debentures and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and updated periodically.

Collateral generally is not held over placements with other Banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is usually also not held against investment securities.

Other collateral are mainly domiciliation of payments (sales, invoices, salaries, allowances and terminal benefits), lien on shipping documents, corporate guarantees and similar collaterals.

Other financial assets comprising cash and bank balances (including balances with the central bank), investment securities and accounts receivable are not secured. The Bank's investment in government securities as well as balances held with other Banks are not considered to require collaterals given their sovereign nature.

(ii) **Liquidity Risk**

The Bank defines liquidity risk as the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

It is the policy of the Bank to maintain adequate liquidity at all times, and for all currencies. Hence the Bank aims to be in a position to meet all obligations, to repay depositors, to fulfil commitments to lend and to meet any other commitments.

A substantial portion of the Bank's assets are funded by Member States contributions and debentures/ borrowings issued by the banks. These are widely diversified by type and maturity, and they represent a stable source of funds. Lending is normally funded by liabilities in the same currency.

An analysis of various maturities of the Bank's assets and liabilities is provided below.

Maturities of assets and liabilities

2019	3-6 months	6-12 months	Over 12 Months	December 2019
Assets	**UA**	**UA**	**UA**	**UA**
Cash and bank balances	13,796,492	-	-	**13,796,492**
Financial assets measured at amortised cost	-	-	90,832,305	**90,832,305**
Equity investment	-	-	34,786,111	**34,786,111**
Loans and advances	-	-	530,733,395	**530,733,395**
Contribution to managed funds	-	9,068,370		**9,068,370**
Inter-institutional accounts assets	-	-	62	**62**
Other assets	-	3,845,531	-	**3,845,531**
Property plant and equipment	-	-	28,853,589	**28,853,589**
Total assets	13,796,492	12,913,901	685,205,462	**711,915,855**
Liabilities				
Creditors and accrual	-	5,954,086	-	**5,954,086**
Defined benefit obligation	-	-	9,319,935	**9,319,935**
Borrowings	-	-	377,615,682	**377,615,682**
Managed funds	-	-	19,835,628	**19,835,628**
Inter-institutional accounts liabilities	-	-	2,940,400	**2,940,400**
Total liabilities	-	5,954,086	408,549,429	**415,665,731**

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

2018

An analysis of various categories of the Bank's financial assets and financial liabilities is provided below.

Assets	3-6 months UA	6-12 months UA	Over 12 Months UA	December 2018 UA
Cash and bank balances	10,486,335	-	-	**10,486,335**
Financial assets measured at amortised cost	-	-	52,355,702	**52,355,702**
Equity investment	-	-	32,753,951	**32,753,951**
Loans and advances	-	-	508,215,427	**508,215,427**
Contribution to managed funds	-	9,068,370		**9,068,370**
Inter-institutional accounts assets	-	-	488,755	**488,755**
Other assets	-	5,986,669	-	**5,986,669**
Property plant and equipment	-	-	28,223,548	**28,223,548**
Total assets	10,486,335	15,055,039	622,037,383	**647,578,757**
Liabilities				
Creditors and accrual	-	7,790,791	-	**7,790,791**
Defined benefit obligation	-	-	9,968,285	**9,968,285**
Borrowings	-	-	333,139,245	**333,139,245**
Managed funds	-	-	14,614,322	**14,614,322**
Inter-institutional accounts liabilities	-	-	116,918	**116,918**
Total liabilities	-	7,790,791	357,838,770	**365,629,561**

Categories of financial assets and financial liabilities

2019

Assets	Fair Value through Profit or Loss UA	Amortized Cost UA	Fair Value through Other Comprehensive income UA	Total Carrying Amount UA	Total Fair value UA
Cash and bank balances	-	**13,796,492**	-	**13,796,492**	**13,796,492**
Financial assets at amortised cost	-	**90,832,305**	-	**90,832,305**	**90,832,305**
Equity investment	**3,587,182**	-	**31,198,929**	**34,786,111**	**34,786,111**
Loans and advances	-	**530,733,395**	-	**530,733,395**	**530,733,395**
Contribution to managed funds	-	-	**9,068,370**	**9,068,370**	**9,068,370**
Total assets	**3,587,182**	**635,362,192**	**40,267,299**	**679,216,673**	**679,216,673**
Liabilities					
Creditors and accrual	-	**5,954,086**	-	**5,954,086**	**5,954,086**
Borrowings	-	**377,615,682**	-	**377,615,682**	**377,615,682**
Managed funds	-	**19,835,628**	-	**19,835,628**	**19,835,628**
Total liabilities	-	**403,405,396**	-	**403,405,396**	**403,405,396**

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

2018	Fair Value through Profit or Loss	Amortized Cost	Fair Value through Other Comprehensive income	Total Carrying Amount	Total Fair value
Assets	UA	UA	UA	UA	UA
Cash and bank balances	-	10,486,335	-	10,486,335	10,486,335
Financial assets at amortised cost	-	52,355,702	-	52,355,702	52,355,702
Equity investment	7,495,298	-	25,258,653	32,753,951	32,753,951
Loans and advances	-	508,215,427	-	508,215,427	508,215,427
Contribution to managed funds	-	-	9,068,370	9,068,370	9,068,370
Total assets	7,495,298	571,057,464	34,327,023	612,879,785	612,879,785
Liabilities					
Creditors and accrual	-	8,003,943	-	8,003,943	8,003,943
Borrowings	-	333,139,245	-	333,139,245	333,139,245
Managed funds	-	14,614,322	-	14,614,322	14,614,322
Total liabilities	-	355,757,510	-	355,757,510	355,757,510

The Bank discloses the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. However, there was no financial guarantees and letters of credit as at 31 December 2019 (2018: Nil)

(iii) **Market Risks**

Management of Market Risk

The Bank recognises market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank is exposed to market risk arising principally from customer driven transactions.

Market risk is governed by the Bank's Department of Risk Analysis (DRA) which is supervised by ALCO, and which agrees with policies, procedures and levels of risk appetite in terms of Value at Risk ("VaR").The DRA provides market risk oversight and guidance on policy setting. Policies cover both the trading and non-trading books of the Bank. The non-trading book is defined as the Banking Book. Limits are proposed by the businesses within the terms of agreed policy.

The DRA also approves the limits within delegated authorities and monitors exposures against these limits. Additional limits are placed on specific instruments and currency concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools.

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

VaR models are back tested against actual results to ensure pre-determined levels of accuracy are maintained. The Bank's DRA complements the VaR measurement by regularly stress-testing Market Risk exposures to highlight potential risks that may arise from extreme market events that are rare but plausible. Stress-testing is an integral part of the Market Risk Management framework and considers both historical market events and forward looking scenarios. Ad hoc scenarios are also prepared reflecting specific market conditions. A consistent stress-testing methodology is applied to trading and non-trading books.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. The DRA has responsibility for reviewing stress exposures and, where necessary, enforcing reductions in overall market risk exposure. It also considers stress-testing results as part of its supervision of risk appetite. The stress-testing methodology assumes that management action would be limited during a stress event, reflecting the decrease in liquidity that often occurs. Contingency plans are in place and can be relied on in place of any liquidity crisis. The Bank also has a Liquidity Crisis Management Committee which also monitors the application of its policies.

Foreign Exchange Exposure

The Bank's foreign exchange exposures comprise trading and non-trading foreign currency translation exposures. Foreign exchange exposures are principally derived from transactions. Concentration of UA's equivalence of foreign currency denominated assets and liabilities and off-statement of financial position items are disclosed below:

	USD	GBP	EURO	CFA	Others	2019
Assets	UA	UA	UA	UA	UA	UA
Cash and bank balances	9,656,900	431	714,612	3,245,032	179,517	13,796,492
Financial assets at amortised cost	37,116,534	713,895	-	53,001,876	-	90,832,305
Equity investment	20,997,357	-	688,575	13,100,179	-	34,786,111
Loans and advances	278,985,789	-	37,565,172	214,182,434	-	530,733,395
Contribution to managed funds	8,507,861	-	560,509	-	-	9,068,370
Inter institutional account	62	-	-	-	-	62
Total assets	**355,264,503**	**714,326**	**39,528,868**	**283,529,521**	**179,517**	**679,216,735**
Liabilities						
Creditors and accrual	2,382,057	11,155	2,143,160	1,423,055	(5,341)	5,954,086
Borrowings	254,224,824	-	20,544,066	102,846,792	-	377,615,682
Managed funds	(7,795,766)	1,567,228	4,754,919	21,210,184	99,063	19,835,628
Inter-institutional accounts liabilities	1,279,731	1,263,002	(26,136)	423,803	-	2,940,400
Total liabilities	**250,090,846**	**2,841,385**	**27,416,009**	**125,903,834**	**93,722**	**406,345,796**

4.1. Financial risk management - cont'd

4.1.5. Credit Quality - cont'd

Assets	USD UA	GBP UA	EURO UA	CFA UA	Others UA	2018 UA
Cash and bank balances	8,675,723	514	60,527	1,568,937	180,634	10,486,335
Financial assets at amortised cost	30,270,576	679,529	10,733,764	10,671,833	-	52,355,702
Equity investment	17,368,719	-	808,036	11,522,813	3,054,383	32,753,951
Loans and advances	292,187,526	-	48,245,822	167,782,079	-	508,215,427
Contribution to managed funds	8,507,861	-	560,509	-	-	9,068,370
Inter institutional account	1,560,398	(1,525,315)	(399,798)	594,944	258,526	488,755
Total assets	**358,570,803**	**(845,272)**	**60,008,860**	**192,140,606**	**3,493,543**	**613,368,540**
Liabilities						
Creditors and accrual	-	-	-	8,003,942	-	8,003,942
Borrowings	248,371,231	-	29,648,175	55,119,839	-	333,139,245
Managed funds	7,764,128	(1,507,658)	(5,861,779)	14,118,802	100,829	14,614,322
Inter-institutional accounts liabilities	122,126	-	233,526	21,394	-	377,046
Total liabilities	**256,257,485**	**-1,507,658**	**24,019,922**	**77,263,977**	**100,829**	**356,134,555**

Interest rate exposure

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Bank's DRA in its day-to-day monitoring activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in market interest rates.

A change of a 100 basis points in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

2019	100 b p Increase UA	100 b p Decrease UA
Interest income impact	**293,995**	**(293,995)**
Interest expense impact	**(135,258)**	**135,258**
Net impact	**158,738**	**(158,738)**

2018	100 b p Increase UA	100 b p Decrease UA
Interest income impact	1,294,282	1,048,530
Interest expense impact	(1,506,732)	(344,388)
Net impact	(212,450)	704,142

5. Capital Management

Stated capital

The Bank's capital is analysed into two tiers:

- Tier 1 capital, which includes Member States capital contribution, other stakeholders contribution, income surplus/retained earnings, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities.

The Bank did not have any tier 2 capital during the period under review.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the bank or Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's capital position at 31 December was as follows:

	2019	2018
	UA	UA
Stated Capital	**299,381,523**	291,618,885
Income surplus	**(7,216,050)**	(11,255,913)
Other reserve	**4,084,651**	1,112,944
	296,250,124	281,475,916

Risk-weighted assets

	2019	2018
	UA	UA
Credit risk	**530,733,395**	577,745,292
Market risk	**-**	-
Operational risk	**2,262,648**	2,262,648
Total risk-weighted assets	**532,996,043**	580,007,940
Total capital expressed as a percentage of total risk-weighted assets	**55.58%**	48.52%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, and is subject to review by the Bank's ALCO.

The Board of Directors reviews the Bank's policies in respect of capital management and allocation regularly.

6. Contingencies and commitments

	2019	2018
	UA	UA
Contingent Liabilities	**342,732,783**	262,081,013
Pending Legal Suits	**-**	-

(ii) Commitments for capital expenditure

There was no commitment for capital expenditure at the statement of financial position date (2018 Nil)

(iii) Unsecured contingent liabilities and commitments

	2019	2018
	UA	UA
This relates to commitments for trade letters of credit and guarantees. (Net of margin deposits)	**-**	-

7. Fair value categorisation of financial instruments

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below.

Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions.

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the Treasury Division within Finance which reports to the Director of Finance.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in fair value hierarchy, into which the fair value measurement is categorised.

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	UA	**UA**	**UA**	**UA**
Equity instrument	**3,587,182**	**31,198,929**	**-**	**34,786,111**
Total at 31 December 2019	**3,587,182**	**31,198,929**	**-**	**34,786,111**

2018	Level 1	Level 2	Level 3	Total
	UA	UA	UA	UA
Equity instrument	7,495,298	25,258,652	-	32,753,951
Total at 31 December 2018	7,495,298	25,258,652	-	32,753,951

7. Fair value categorisation of financial instruments – cont'd

The fair value of the instruments classified as Level 1 (see above) was derived from quoted prices for that financial instrument. The fair value of the instruments classified as Level 2 (see above) was calculated using the discounted cash flow method. Risk fee rate adjusted by credit risk was used for discounting future cash flows.

8. Interest income

	2019	2018
	UA	UA
Interest on loans	**25,560,546**	23,042,934
Interest on delayed payments	**1,801,911**	747,250
Interest on fixed deposits	**993,795**	744,581
Interest on current and call accounts	**1,043,307**	40,456
	29,399,559	24,575,221

The total interest income calculated using the EIR method is as below:

	2019	2018
	UA	UA
Interest revenue calculated using effective interest method	**29,399,559**	24,575,221
Other interest and similar income	**-**	-
	29,399,559	24,575,221

9. Interest expense

The total interest expense is calculated using the EIR method for financial liabilities measured at amortised cost.

	2019	2018
	UA	UA
Finance charges	**13,525,792**	11,623,445

10. Fees and commission income

	2019	2018
	UA	UA
Commission fees	**1,360,162**	1,243,485
Commission on guarantees	**114,119**	1,027,202
Commitment charges	**992,969**	887,232
Service charges	**11,580**	34,247
Total fee and commission income from contract with customers	**2,478,830**	3,192,166

10a. IFRS 15 disclosures related to fees and commission income are analysed below:

	2019	2018
	UA	UA
Commission and service income earned from customers with contracts	**2,364,711**	2,164,964
Commission on guarantees	**114,119**	1,027,202
Total fees and commission income	**2,478,830**	3,192,166

11. Fees and commissions expense

	2019	2018
	UA	UA
Commission expense	**45,739**	84,435
Total fee and commission expense	**45,739**	84,435

12. Other income/ (expenses)

	2019	2018
	UA	UA
Net foreign exchange difference	**(967,118)**	2,994,915
Miscellaneous income	**2,812,458**	827,886
Dividend income	**1,023,612**	137,627
Rental operating income (Note 13.1)	**89,208**	19,698
Disposal of property plant and equipment	**-**	13,871
	2,958,160	3,993,997

Miscellaneous income relates to commission on foreign transactions.

12.1. Rental income

The Bank leases an insignificant portion of its premises on an operation lease, the rental income relates to the various rentals earned during the year. There was no outstanding rental as at the reporting period. The lease is for a one-year period, and there are no future minimum rental receivables as at the reporting date.

13. Other Operating expenses

	2019	2018
	UA	UA
General expenses	**611,091**	853,724
Studies and project evaluation	**550,076**	750,102
Office repairs and maintenance	**780,955**	670,902
Official mission	**751,239**	571,486
Conference expenses	**967,777**	351,265
Printing and office stationery	**253,076**	249,454
Post and telecommunication	**148,572**	122,476
Audit fees	**145,024**	115,074
Publicity and advertisement	**72,726**	90,512
Vehicle maintenance	**80,383**	70,170
Defined benefit expense provision	**-**	14,029
	4,360,919	3,859,194

14. Cash and Cash Equivalent

	2019	2018
	UA	UA
Cash in hand	**27,009**	7,530
Balances with other banks	**10,776,073**	7,700,636
Call deposits	**2,993,410**	2,778,169
	13,796,492	10,486,335

15. Financial Assets at Amortised cost

	2019	2018
	UA	UA
Fixed deposits	**90,832,305**	52,355,702

15.1. Held to maturity investments

	2019	2018
	UA	UA
Fixed deposits	**-**	-

15.2 Movement of financial assets at amortised cost

	2019	2018
	UA	UA
Balance at 1 January	**52,355,702**	47,837,566
Additions	**38,476,603**	4,518,136
Balance at 31 December	**90,832,305**	52,355,702

This is a reclassification of assets held to maturity investments as a result of the adoption of IFRS 9.

16. Equity Investments

16.1. Quoted equity instruments at fair value through profit or loss

	2019	2018
	UA	UA
Balance at 1 January	**7,495,298**	8,662,190
Redemption of investments	**(3,002,715)**	-
Fair value through profit or loss	**(905,402)**	(1,166,892)
Balance as at 31 December	**3,587,182**	7,495,298

Composition of quoted equity instruments at fair value through profit or loss

	2019	2018
	UA	UA
Quoted		
Ecobank Transnational Incorporated (ETI)	**3,587,182**	7,495,298
	3,587,182	7,495,298

16. Equity Investments - cont'd

16.2. Unquoted equity instruments at fair value through other comprehensive income

	2019 UA	2018 UA
Balance at 1 January	**21,115,470**	24,369,640
Adjustment due to IFRS 9 implementation (Note 2.1.1.2 c i)	**-**	(6,798,841)
Fair value through other comprehensive income	**4 000 236**	968,953
Transfer to quoted investments	**(4,064,536)**	
Additions	**2,968,570**	2,575,718
Impairment provision	**-**	-
Balance as at 31 December	**28,084,276**	21,115,470

Composition of unquoted equity instruments at fair value through other comprehensive income

Unquoted		
Africa food security	**387,472**	35,951
African Biofuels and Renewable Energy Fund	**-**	130,402
AHL Mariott African	**691,448**	2,132,499
African Renewable Energy Fund (AFEF)	**8,046,192**	7,173,237
Banque Nationale d'Investissement Gestion	**-**	65,237
Fidelis Finance	**775,154**	1,309,434
Caisse Regional de Refinancement Hipothecaire (CRRH)	**722,000**	769,215
Liberian Bank for Development and Investment (LBDI)	**1,577,518**	1,180,699
Oragroup	**6,339,699**	4,064,536
ASKY Airlines	**6,446,901**	100,000
Fonds Africain d'Agriculture	**2,409,317**	3,054,383
West African Emerging Markets Growth Fund (WAEMGF)	**688,575**	1,099,877
	28,084,276	21,115,470

16.3. Debt instruments at fair value through other comprehensive income

	2019 UA	2018 UA
Balance at 1 January	**4,143,182**	4,143,182
Adjustment due to IFRS 9 implementation (Note 2.1.1.2 c i)	**-**	-
Fair value through other comprehensive income	**-**	-
Payment	**(1,028,529)**	-
Impairment provision	**-**	-
Balance as at 31 December	**3,114,653**	4,143,182

Composition of Debt instruments at fair value through other comprehensive income

Debentures Acquired	2019 UA	2018 UA
Togo debentures	**2,929,624**	3,766,529
Senegal debentures	**185,029**	376,653
	3,114,653	4,143,182

Quoted instrument relates to the Bank's investment in Ecobank Transnational International

17. Loans and advances

	2019	2018
	UA	UA
Loans granted to member states	**1,063,444,795**	928,009,782
Amounts not disbursed	**(347,700,667)**	(262,081,013)
Amounts disbursed	**715,744,128**	665,928,769
Repayments on principal	**(179,319,166)**	(119,024,286)
Gross loans	**536,424,962**	546,904,483
Loan interests	**15,595,259**	23,843,974
Gross loans	**552,020,221**	570,748,457
Allowance for impairment (Note 16.1)	**(21,286,826)**	(62,533,030)
	530,733,395	508,215,427

17.1. Impairment on gross loans and advances

	2019	2018
	UA	UA
Balance at 1 January 2019	**62,533,030**	60,378,979
Impact of IFRS 9 (Note 2.1.1.2. C ii)	**-**	(411,779)
Balance at 1 January 2018 (restated)		59,967,200
Write off	**(44,054,609)**	
Charge/(reversal) for the year	**2,808,405**	2,565,830
Balance at 31 December 2019	**21,286,826**	62,533,030

17.2. Maturity analyses of loans

PUBLIC SECTOR	2019	2018
	UA	UA
More than two years but less than three years	**2,428,663**	7,010,426
More than three years but less than four years	**5,196,901**	5,848,774
More than four years but less than five years	**-**	95,037,959
More than five years	**331,415,302**	224,898,908
	339,040,866	332,796,067
PRIVATE SECTOR		
More than two years but less than three years	**75,630,834**	98,709,830
More than three years but less than four years	**23,798,798**	62,247,869
More than four years but less than five years	**27,190,092**	44,116,712
More than five years	**86,359,631**	32,877,979
	212,979,355	237,952,390
TOTAL PUBLIC& PRIVATE SECTOR	**552,020,221**	570,748,457

17. Loans and advances - cont'd

17.3. Economic sector analyses of loans

The distribution of outstanding loans at 31 December 2019 and 2019 were as follows:

	2019 UA	2018 UA
PUBLIC SECTOR		
Power	**146,271,002**	145,176,876
Communications	**21,036,030**	22,385,272
Transport	**107,222,566**	111,446,333
Agriculture and Rural Development	**14,480,195**	10,390,227
Water Supply and Sanitation	**10,390,121**	14,926,378
Finance & Industry	**6,506,210**	6,834,767
Multi-sector & Social	**33,134,741**	21,636,214
	339, 040,866	332,796,067
PRIVATE SECTOR		
Power	**4,155,791**	17,097,704
Communications	**14,496,423**	28,780,362
Transport	**68,350,503**	58,800,957
Water Supply and Sanitation	**9,144,120**	10,044,081
Finance & Industry	**97,665,292**	99,385,313
Multi-sector & Social	**19,167,226**	23,843,974
	212,979,355	237,952,391
TOTAL PUBLIC& PRIVATE SECTOR	**552,020,221**	570,748,457

(iii) **Key ratios on loans and advances**

a. Loan loss provision ratio is 48.45% (2018: 71.33%)

b. Non-Performing loan ratio excluding loss category with respect is 7.96% (2018: 15.36%)

c. Ratio of fifty (50) largest exposures (gross funded and non-funded) to total exposures is 80.64% (2018 :79.94%)

d. Loan/borrowing ratio 1.46 (2018: 1.53)

18. Inter-institutional accounts

Inter Institutional accounts represents amount receivable and payable to other ECOWAS organisations. These funds are used for various activities on behalf of the respective organisation.

18.1. Inter-institutional accounts receivable

	2019 UA	2018 UA
Executive Secretariat	**-**	33,530
Community Computer Centre	**-**	71,952
Compensation Fund	**-**	347,311
African Biofuels and Renewable Energy Fund	**-**	34,466
Compte liaison - Organisation La Francophone (OIF)	**62**	1,496
ECOWAS Provident Fund	**-**	-
	62	488,755

18. Inter-institutional accounts - cont'd

18.2. Inter-institutional accounts payable

	2019	2018
	UA	UA
ECOWAS Provident Fund	**401,121**	258,632
Executive Secretariat Special Envoy	**73,083**	73,634
FAPA BAD/BIDC ASSISTANCE	**46,134**	44,780
Community Computer Centre	**1,656**	
Compensation Fund	**1,426,298**	
Projet BIDC/FRAA	**992,108**	
Compte liaison - Organisation La Francophone (OIF)	**-**	-
	2,940,400	377,046

19. Managed Fund

This represents the contribution of ECOWAS Bank for Investment and Development and other ECOWAS Organisations towards joint projects within the ECOWAS region.

19.1. Contributions into Managed Funds

	2019	2018
	UA	UA
Special Fund for Telecommunication	**8,507,861**	8,507,861
Organisation La Francophone (OIF)	**560,509**	560,509
	9,068,370	9,068,370

19.2. Counterparty Managed Funds

	2019	2018
	UA	UA
Special Fund for Telecommunications	**19,835,628**	14,614,322

20. Other assets

	2019	2018
	UA	UA
Prepayments	**1,809,022**	11,558
Staff receivables	**382,158**	4,759,894
Stock of consumables	**92,947**	78,397
Others	**1,561,404**	1,136,820
	3,845,531	5,986,669

21. Property Plant and Equipment

Cost	Land UA	Buildings UA	Motor vehicles UA	Furniture & Fittings: offices UA	Office equipment & machine UA	Electric Installations UA	Furniture & Fittings: residences UA	Office partitioning UA	IT equipment UA	Work in progress UA	Total UA
At 1 January 2019	8,592,188	20,674,446	746,070	1,301,801	1,049,040	2,318,744	216,259	3,743,829	1,427,687	674,370	40,744,434
Additions	1,398,737	2,044	236,618	27,691	87,359	30,870	17,974	64,506	544,372	43,379	5,247,785
Transfer								109,903	120,924	(230,827)	(2,794,236)
Disposals	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	9,990,925	20,676,490	982,688	1,329,492	1,136,399	2,349,614	234,233	3,918,237	2,092,983	486,922	43,197,983
Accumulated depreciation											
At 1 January 2019	-	5,458,381	570,828	1,228,071	1,023,082	1,099,963	122,743	1,724,993	1,292,825	-	12,520,886
Charge for the year	-	413,536	119,407	31,309	15,799	312,602	32,751	779,041	119,063	-	1,823,508
Disposal	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	-	5,871,917	690,235	1,259,380	1,038,881	1,412,565	155,494	2,504,034	1,411,888	-	14,344,394
Net book value											
At 31 December 2019	9,990,925	14,804,573	292,453	70,112	97,518	937,049	78,739	1,414,203	134,862	486,922	28,853,589

Work in progress relates to cost incurred by the Bank in developing their Information Technology infrastructure. None of the assets procured are pledged.

21. Property Plant and Equipment - cont'd

As at 31 December 2018

Cost	Land	Buildings	Motor vehicles	Furniture & Fittings: offices	Office equipment & machine	Electric Installations	Furniture & Fittings: residences	Office partitioning	IT equipment	Work in progress	Total
	UA	UA	UA	UA	UA	UA	UA	UA	UA	UA	UA
At 1 January 2018	6,611,745	19,564,525	784,526	1,277,838	1,040,913	2,318,744	153,751	3,761,256	1,274,359	141,889	36,929,546
Additions	1,980,443	1,109,921	-	27,912	8,417	-	62,508	189,393	153,328	532,481	4,064,403
Disposals	-	-	(38,456)	(3,949)	(290)	-	-	(206,820)	-	-	(249,515)
At 31 December 2018	8,592,188	20,674,446	746,070	1,301,801	1,049,040	2,318,744	216,259	3,743,829	1,427,687	674,370	40,744,434
Accumulated depreciation											
At 1 January 2018	-	5,044,950	494,809	1,198,818	1,010,155	791,727	90,998	1,191,856	1,214,350	-	11,037,663
Charge for the year	-	413,431	114,475	33,202	13,217	308,236	31,745	739,957	78,475	-	1,732,738
Disposal	-	-	(38,456)	(3,949)	(290)	-	-	(206,820)	-	-	(249,515)
At 31 December 2018	-	5,458,381	570,828	1,228,071	1,023,082	1,099,963	122,743	1,724,993	1,292,825	-	12,520,886
Net book value											
At 31 December 2018	8,592,188	15,216,065	175,242	73,730	25,958	1,218,781	93,516	2,018,836	134,862	674,370	28,223,548

21. Property Plant and Equipment - cont'd

21.1. Disposal of property, plant and equipment

	2019	2018
	UA	UA
Carrying amount	-	(249,515)
Accumulated depreciation	-	(249,515)
Net book value	-	-
Proceeds from disposal	-	13,871
Profit/(loss) on disposal	-	13,871

22. Creditors and accruals

	2019	2018
	UA	UA
Managed funds	**2,528,795**	2,341,469
Suppliers	**290,924**	5,541,517
Sundry creditors and provisions	**3,134,367**	120,956
	5,954,086	8,003,943

23. Provision for defined benefit obligation

Defined benefit obligation is as a result of other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, bonuses are accounted for as deferred compensation.

The following table summarizes the components of net benefit expense recognised in the statement of profit or loss and the unfunded status and amounts recognised in the statement of financial position for the respective plans:

Net benefit expense (recognised in profit or loss)

	2019	2018
	UA	UA
Current service cost	**(1,250,420)**	(632,998)
Interest cost on benefit obligation	**750,420**	647,027
Net benefit (income)/ benefit	**(500,000)**	14,029

Changes in the present value of the defined benefit obligations:

	2019	2018
	UA	UA
Defined benefit obligation as at 1 January	**9,968,285**	9,954,256
Interest cost	**750,420**	647,027
Current service cost	**(1,250,420)**	(632,998)
Benefit paid	**(148,350)**	-
Defined benefit obligation as at 31 December	**9,319,935**	9,968,285

23. Provision for Defined benefit obligation - cont'd

The principal assumptions used in determining pension and post-employment medical benefit obligations for the Bank's plans are shown below:

	2019	2018
Discount rate	6.5%	6.5%
Inflation	1.7%	3.6%
Salary increase	2.0%	2.0%
Mortality	0.0%	0.0%
Withdrawal	2.6%	-
Staff turnover	-	3.6%
Retirement age	60	60
Average cost air ticket	UA 3,939	UA 3,939
Average cost shipping	UA 7,429	UA 7,429

The bank did not have plan asset for defined benefit scheme as payment is made when a staff is due and has applied for the benefit.

24. Borrowings

	2019	2018
	UA	UA
1. India Exim Line of Credit $250 millions	**216,271,323**	206,897,046
2. Debenture stock 2014 - 2021	**12,335,260**	20,925,163
3. Debenture stock 2017 - 2027	**32,071,677**	32,643,254
4. Debenture stock 2019 - 2026	**55,508,672**	
5. Afriexim Bank 2018 - 2024	**23,292,451**	27,790,968
6. Badea Line of Credit	**13,453,570**	13,790,004
7. Togo Bank for Trade and Industry - Line of credit 2015 - 2017	-	-
8. BMCE Bank International - Line of credit 2018 - 2020	-	9,059,165
9. Debenture stock 2018 – 2023 (SID)	**20,228,501**	20,589,010
Accrued interest on borrowings	**4,454,228**	1,444,635
	377,615,682	333,139,245

Movement on borrowings

	2019	2018
	UA	UA
Balance at 1 January	**333,139,245**	281,836,434
Accrued interest	**4,454,228**	1,444,635
Additional loans	**94,844,826**	95,595,661
Principal repayment	**(46,021,959)**	(36,685,872)
Interest repayment	**(8,800,658)**	(9,051,613)
Closing balance	**377,615,682**	333,139,245

The Bank has an undrawn borrowing balance of UA 262,639,703. (2017: UA 211,421,036).

24. Borrowings - cont'd

Terms and conditions on borrowings

1. India Exim line of Credit 2006 - 2026

a) a) The Bank signed a 180,788,673 UA (250,000,000 USD) line of credit with the Indian Exim Bank in 2006 for at an interest rate of 1.75% for a period of twenty (20) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan.

b) India Exim line of Credit 2010 – 2030

The Bank signed a 72,315,469 UA (100,000,000 USD) line of credit with the Indian Exim Bank in 2010 at an interest rate of 4% for a period of twenty (20) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan.

c) India Exim line of Credit 2011 - 2031

The Bank signed a 108,473,204 UA (150,000,000 USD) line of credit with the Indian Exim Bank in 2011 at an interest rate of 1.75% for a period of 20 years. The purpose of the loan is to finance the bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan.

The facility is secured as follows:

The facility is secured with a negative pledge with financial covenants as follows:

(a) **Capital Adequacy Ratio**: Capital Adequacy Ratio is at all times not less than twelve per cent. (12%);

(b) **Non-Performing Loans Ratio**: at all times, the Non-Performing Loans Ratio on a consolidated basis does not exceed ten per cent. (10%).

2. Debenture stock 2014 - 2021

The Bank issued a 49,341,042 UA (40,000,000,000 FCFA) debenture in February 2014 at an interest rate of 6.50% for a period of seven (7) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

3. Debenture stock 2017 - 2027

The Bank issued a 32,071,677 UA (26,000,000,000 FCFA) debenture in 2017 at an interest rate of 6.10% for a period of seven (7) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

4. Debenture stock 2019 - 2026

The Bank issued a 55,508,672 UA (45,000,000,000 FCFA) debenture in 2019 at an interest rate of 6.40% for a period of seven (7) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

24. Borrowings - cont'd

Terms and conditions on borrowings - cont'd

5. Afriexim Bank 2018 -2024

The Bank signed a (31,274,396 UA) 38,651,400 Euro loan agreement with Afriexim Bank in 2018 at an interest rate of Libor +6.5% for a period of six (6) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The borrowing is secured as follows:

a) A first exclusive charge on the callable capital of the Borrower to the extent of the aggregate amounts owed as principal and interest under the Individual Credit;

b) Place a deposit equivalent to two semi-annual instalments of each Individual Credit approved for coverage under the credit extended to the Borrower in the Escrow Account ("The Account") in Exim Bank's London Branch Account.

c) Exim Bank agrees that all monies standing to the credit of the Account shall be interest bearing and Exim Bank may at the request of the Borrower, furnish, periodic/ quarterly statements of the Account to the Borrower.

6. Badea Line of Credit 2010- 2035

The Bank signed a (3,615,773 UA) 5,000,000 USD line of credit with Badea in 2010 at an interest rate of 1.75% for a period of twenty (20) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

7. BMCE Bank International line of credit 2018 - 2020

The Bank signed a (16,182,801 UA) 20,000,000 Euro line of credit with BMCE in 2018 at an interest rate of Euribor +3% for a period of two (2) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

8. Debenture stock 2018 - 2023

The Bank signed a (20,228,501 UA) 25,000,000 Euro loan agreement with the Islamic Development Bank in 2018 at an interest rate of Euribor +3% for a period of five (5) years. The purpose of the loan is to finance the Bank's operations. Related transaction costs have been capitalized and amortized over the life of the loan. The facility is secured by a guarantee on the Bank's callable shares. There are no financial covenants to this facility.

25. Stated capital

The authorised capital of EBID is UA1,000,000,000 of which the regional members have subscribed 70% and the balance is to be subscribed by the non-regional members. This 70% which is UA700,000,000 is completely subscribed. As at the reporting date, 56% of the 700,000,000 is called up. Details of the stated capital as at 2019 are disclosed below:

Stated capital	**2019**	2018
	UA	UA
Authorised:		
1,000,000 ordinary shares of UA1,000 each	**1,000,000,000**	1,000,000,000
Unsubscribed capital	**(300,000,000)**	(300,000,000)
Subscribed capital	**700,000,000**	700,000,000
Callable capital	**(307,258,669)**	(307,258,669)
Call-up capital:	**392,741,331**	392,741,331
Call in arrears	**(93,359,808)**	(101,122,446)
At 31 December	**299,381,523**	291,618,885

Call in arrears

	2019	2018
	UA	UA
Cape Verde	**1,454,920**	1,454,920
Cote d'Ivoire	**14,733,787**	22,138,238
The Gambia	**6,201,337**	6,201,337
Ghana	**-**	-
Guinea Bissau	**4,817,318**	4,817,318
Liberia	**16,867,433**	16,867,433
Nigeria	**21,239,219**	21,239,219
Senegal	**16,913,898**	16,913,898
Sierra Leone	**11,131,896**	11,490,083
Togo	**-**	-
	93,359,808	101,122,446

Movement in capital contribution

	2019	2018
	UA	UA
Balance at 1 January	**291,618,885**	270,094,740
Additional capital contribution	**7,762,638**	21,524,145
Balance at 31 December	**299,381,523**	291,618,885

25. Stated capital - cont'd

Capital structure by country shareholders

Member country	Subscribed capital by allocated voting rights	Called-up capital allocated	Paid up capital beginning balance	Additional contribution	Paid up capital-ending balance
	UA	UA	UA	UA	UA
Benin	20,000,142	11,228,211	11,228,211	-	11,228,211
Burkina Faso	17,333,457	9,734,383	9,734,383	-	9,734,383
Cape Verde	6,666,713	3,734,570	2,279,650	-	2,279,650
Cote D'Ivoire	103,331,572	57,971,063	35,832,825	7,404,451	43,237,276
Gambia	17,333,457	9,734,383	3,533,046	-	3,533,046
Ghana	110,000,787	61,706,160	61,706,160	-	61,706,160
Guinea	19,333,472	10,842,504	10,842,504	-	10,842,504
Guinea Bissau	10,000,073	5,614,106	796,788	-	796,788
Liberia	44,666,984	25,058,371	8,190,938	-	8,190,938
Mali	12,666,759	7,107,934	7,107,934	-	7,107,934
Niger	14,000,102	7,854,848	7,854,848	-	7,854,848
Nigeria	218,668,225	122,689,907	101,450,688	-	101,450,688
Senegal	52,664,542	29,539,328	12,625,430	-	12,625,430
Sierra Leone	29,333,545	16,456,610	4,966,527	358,187	5,324,714
Togo	24,000,170	13,468,953	13,468,953	-	13,468,953
	700,000,000	**392,741,331**	**291,618,885**	**7,762,638**	**299,381,523**

26. Income surplus

This represents the residual of cumulative annual profits. Details of Retained Earnings are shown in the Statement of Changes in Equity.

27. Other reserve fund

Other equity reserves is made up of fair value changes from the Equity investments that are classified at fair value through other comprehensive income, and a Revaluation gain from revaluing the land and buildings of the Bank. Movement on other reserves are shown in the Statement of Changes in Equity.

28. Related party transactions

Transactions with Directors and Key Management Personnel

Directors and key management personnel refer to those personnel with authority and responsibility for planning, directing and controlling the business activities of the Bank. These personnel are the Executive Management of the Bank.

Interest income from loans granted to staff are included in the interest income calculated using effective interest rate.

The Bank made provision for impairment in respect of loans to Directors and key management members during the period under review.

28. Related party transactions - cont'd

Advances to related parties

	2019 UA	2018 UA
At 1 January	**364,842**	238,928
Loans advanced during the year	**30,304**	373,411
Loan repayments received	**(230,642)**	(247,497)
At 31 December	**164,504**	364,842

Key management compensation

IAS 24 "Related party disclosures" requires the following information for key management compensation. Key management comprises members of the Executive Management, which includes all executive directors

	2019 UA	2018 UA
Salaries	**280 219**	280 219
Provision for pension benefits	**-**	268,033
Other allowances	**230,170**	230,170
	510,389	778,422

Transactions with Directors, Officers and other employees

During the year, the Bank granted loans and advances to the key management personnel.

The following are loan balances due from key related parties:

	2019 UA	2018 UA
Executives	**164, 504**	364,842
Officers and other employees	**4,554,581**	4,042,988
	4,718,088	4,407,830

Terms and conditions

The loan and advances from directors, officers and employees relate to salary advances, personal loans, vehicle loan and mortgage loans. These loans attract interest at 0%, 3.2%, 2% and 2.8% and are payable within 12 month, 4 years, 5 years and 15 years respectfully.

Amounts due from related parties (Excluding Loans)

	2019 UA	2018 UA
Executive	**22,334**	319,218
Officers and other employees	**266,653**	90,591
	288,987	409,809

These are accountable imprest given to staff for various assignment on behalf of the Bank. The staff is required to retire the imprest after the assignments.

29. Event after the reporting period

There are no events after the balance sheet date that require adjustments in the financial statements. Management has assessed the impact of the COVID-19 on the going concern of company and has concluded that the use of going concern is appropriate and that the company will be able to recover its assets and discharge its liabilities in the foreseeable future for at least the next twelve (12) months. Management however has noted COVID-19 has strategic and operational risks. These are being monitored closely to ensure their impact is mitigated appropriately.

The Bank being a development, finance institution, does most of its business with member states and promoters who trade and interact with counter parties across the world who may be affected by the coronavirus.

Funding and Liquidity

The pandemic is expected to impact liquidity risk, exchange rate risk and interest rate risk faced by the Bank. The trend of capital flows from emerging markets is expected to exert pressure on the local currency as well as reduce foreign currency liquidity in the economy. The Bank has a robust liquidity management framework and contingency funding plan that build in adequate buffers to support liquidity run-off in a stress scenario. The liquidity ratio of the Bank as at December 31 was over 100% and projects that it will remain above the internal limit of 40%.

Analysis of balance sheet

The Bank has performed a line-by-line analysis of the balance sheet and has done an assessment of whether the current uncertainty may impact any of the amounts presented at 31 December 2019. The Bank has assessed that the coronavirus may affect the business of the Bank's borrowing customers. The Bank has performed an analysis and reviewed the portfolio and the impact the spread of the virus would have on the Bank's credit portfolio.

Notes

Notes

PROJECT PHOTOS

Hotel 2 Fevrier - Lome,Togo. Co-financed by the Bank

Cape Sierra Hotel Construction Project - Freetown, Sierra Leone. Co-finanaced by the Bank

PROJECT PHOTO

Installation of Operation of an Intravenous Fluids Factory at Aveta by DO PHARMA - Togo.
Financed by the Bank

The MARIA GLETA project, which is partially funded by EBID is a thermal power station in Benin.

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