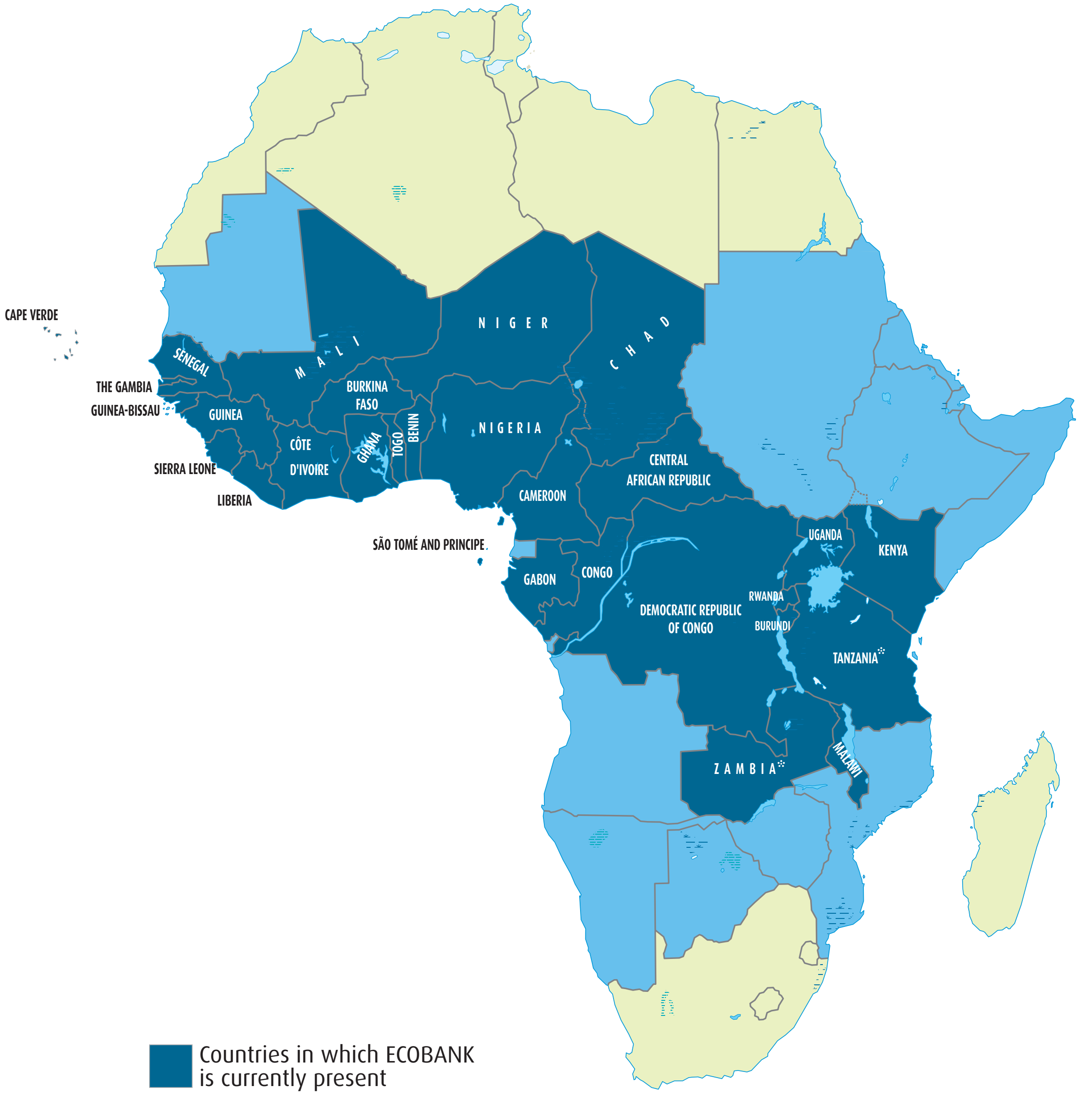
ECOBANK NETWORK

The largest banking network across Africa
27 countries, 640 branches and offices



* Starting operations in 2009

CORPORATE STATEMENT

BUILDING A WORLD CLASS PAN-AFRICAN BANK

Ecobank is a full-service bank providing a broad range of products and services to governments, financial institutions, multinationals, international organisations, medium, small and micro businesses and individuals.

Listed on three stock exchanges, Ecobank is also the leading pan-African bank with operations in 27 countries across the continent. Ecobank's vision is to build a world-class African bank and to contribute to the economic and financial integration and development of the African continent.

LEADING GEOGRAPHICAL NETWORK IN AFRICA

Ecobank currently operates in 27 countries in west, central, eastern and southern Africa, namely: Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Togo and Uganda.

ONE BANK EVERYWHERE

Ecobank operates as "One Bank" with a common brand and common standards, policies and processes. This means customers get consistent and reliable service across its network of branches and offices.

BALANCED BUSINESS MIX

Ecobank is developing a balanced business mix of retail, wholesale and investment banking activities.

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

Through the Ecobank Foundation, Ecobank supports charitable projects relating to women, children, health and culture. Ecobank invests substantially in developing African talent and management capacity. Through a partnership with Accion, it is rolling out microfinance units in countries where it operates.

TECHNOLOGY

Ecobank has data centres based in Accra, Lagos and Lome that provide a common technology platform. This includes a regional switch connecting all affiliates and supporting the group's "one bank" brand. The group also operates its own fully integrated telecommunications network.

CONTENTS

FINANCIAL HIGHLIGHTS

(All amounts in US dollar thousands unless otherwises stated)

	2008	2007	% Change
At year end			
Assets	8,306,186	6,550,224	27%
Loans and advances to customers	3,754,206	3,117,036	20%
Deposits from customers	5,798,895	4,714,327	23%
Shareholders' equity	1,033,210	513,548	101%
Total equity	1,157,622	651,760	78%
Book value per share (cents)*	11.4	6.5	76%
Headcount (number)	11,211	8,057	39%
Branches and locations (number)	610	450	36%
For the year			
Revenues	826,124	543,988	52%
Profit before tax	162,385	190,570	-15%
Profit after tax	111,140	138,936	-20%
Profit attribuable	94,195	107,373	-12%
Basic earnings per share (cents)*	1.39	1.56	-11%
Diluted earning per share - restated (cents)	1.35	1.51	-11%
Dividend per share (cents)*	0.2	0.4	-50%
Return on average equity	17.1%	24.5%	
Return on average assets	1.5%	2.8%	
Other data			
Risk - based capital ratios (%):			
Total	24.5%	15.7%	
Tier 1	22.3%	15.5%	
Number of ordinary shares outstanding (number in thousands)*			
Average	6,758,268	6,869,875	
As at 31 December	8,733,894	6,735,170	

*Restated for 5 for 1 split issue in 2008

CHAIRMAN'S ADDRESS

In 2008, Ecobank celebrated its twentieth anniversary, culminating in the foundation laying ceremony for its head office building in Lome, Togo. I am, therefore, particularly delighted to present this address as the group moves into its third decade of operations.

FINANCIAL RESULTS

In spite of a very difficult global economic and financial situation, the group recorded a marked improvement in its performance for 2008. Total assets grew by 27% to US$8.3 billion. Gross revenues exceeded US$1 billion for the first time. However, profit before tax dropped by 15% to US$162 million due to the market downturn.

Over the last three years, we have made considerable investments in growing our distribution network and our customer base, attracting, training and developing our people. We have also made progress improving our processes and technology. Many of our subsidiaries and branches are new. As these initiatives and new businesses mature, we expect to see commensurate improvement in performance.

In view of the results and the increased shareholder base, we are paying a dividend of 0.2 US cents per share.

STRATEGY

Our vision of building a world class pan-African bank and contributing to the economic and financial development of Africa continues to guide our strategy.

In 2008, we added five more countries to our network, increasing our presence in eastern and southern Africa, and bringing the total number of countries in which we operate to 25 by year end.

In 2008, we indeed grew our business. Our customer base rose to almost 2 million customers, and the branch network expanded to over 600 branches and offices.

During the year, we also launched several new transaction banking products and services designed to add value to our customers. We remain focused on improving customer service, efficiency and productivity across the group.

CORPORATE GOVERNANCE

Mr. Abou Kabassi, the regional head for central Africa, joined the board as an executive director. We look forward to his continued contribution to the development of the Ecobank Group. Central Africa is growing in importance, as many of the countries in the region are oil-producing countries with good growth prospects.

CORPORATE SOCIAL RESPONSIBILITY

The Ecobank Foundation contributed to several programmes in the year under review. These are outlined in the Corporate Social Responsibility and sustainability section of this report.

TRANSPARENCY

We strive to operate to international standards. We thus remain fully compliant with International Financial Reporting Standards (IFRS), both at the group and parent company levels.

Our annual reports are designed to offer relevant information to shareholders, investors and the general public. For the current year we have extended the Annual Report to include specific sections on the major regions and businesses of the group. We shall continue to explore ways of improving the relevance of information to shareholders.

PEOPLE AND PROCESSES

The headcount across the group now exceeds 11,000 people from 29 countries across Africa. We continue to invest in training and developing our people. We have also launched a major initiative to further improve and update our technology and processes.

THE FUTURE

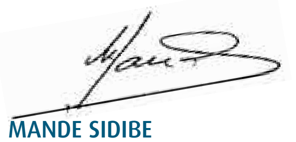
The global economy is expected to slowdown in 2009, but we remain hopeful that the impact on Africa will not be as severe as feared.

With our geographical expansion coming to an end, we shall focus increasingly on improving controls, customer service, processes, efficiency, productivity and using technology to leverage our unparalleled presence across Africa.

During the year, we raised additional capital to strengthen and support the growth of the group. We shall continue our strategy of diversification of our business across markets, products and services, and shall keep exploring ways of adding value for our stakeholders.

The future for the Ecobank Group is aptly captured in our new corporate logo, which embodies our history as a pioneering institution, but also reflects our commitment to Africa. It marks a new phase in the evolution of Ecobank as a pan-African banking group.

I would like to end by expressing our gratitude to our new shareholders and partners for their trust. I would also like to thank all our existing shareholders, customers and regulators. Last but not least, let me express our appreciation to the board, management and staff of the Ecobank Group for their support during the year.



MANDE SIDIBE
Chairman

DIRECTORS' REPORT

PRINCIPAL ACTIVITY

There was no change in the principal activity of the company in 2008. Ecobank Transnational Incorporated (ETI), the parent company of the Ecobank Group, is a bank holding company. Its principal activity is the provision of banking and financial services through its subsidiaries and affiliates. It enjoys special fiscal, exchange control and legal rights under an agreement with the Government of Togo.

The group continued its regional expansion programme in 2008. A review of the business of the group during the 2008 financial year, and of likely future developments, is contained in the Business and Financial Review section.

RESULTS

The group's profit after tax was US$111 million. Net profit attributable to the parent company was US$94 million. The details of the results for the year are set out in the consolidated profit and loss statement.

The board of directors approved the financial statements of the company and the group for the year ended 31st December 2008 at the meeting of the board held on 8 April, 2008. Messrs Mandé Sidibé and Arnold Ekpe were authorized to sign the accounts on behalf of the board.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounts of both the parent company (ETI) and the group are prepared in accordance with International Financial Reporting Standards (IFRS). Ecobank is one of the few banks in full compliance with the IFRS in Africa.

DIVIDEND

The directors recommend the payment of a total of US$17.5 million as dividend— that is 0.2 US cents per ordinary share— based on the total number of shares outstanding after the allotments under the recent public offer and rights issue.

CAPITAL

At the beginning of 2008, the authorised share capital of the company was US$1.25 billion divided into 10 billion ordinary shares of 12.5 US cents per share. The issued share capital was US$265 million, being 1,347,033,593 shares. Prior to the 2008 Annual General Meeting, contractual executive share options of 7,920,000 shares were exercised, bringing the number of issued shares to 1,354,953,593.

In accordance with the resolution of the General Meeting of Shareholders held on 16 May, 2008, the nominal value of the ordinary shares of the company was reduced from 12.5 US cents per share to 2.5 US cents per share by sub-dividing each ordinary share into five equal parts, thus bringing the total number of ordinary shares representing the US$1.25 billion authorised capital to 50 billion, and the total number of issued shares to 6,774,767,965.

The 2008 General Meeting also authorised the directors to raise up to US$3 billion in equity, debt, quasi-equity or other forms of instruments as the board of directors may determine. Pursuant to this resolution, the board offered a total of 8,880,259,309 ordinary shares by way of rights issue and public offer on the three stock exchanges on which the company's shares are listed.

The Offer closed on 31 October, 2008, after a one-month extension of the initial offer period. The board approved all the subscriptions on 28 November, 2008 subject to relevant regulatory approvals. Final approvals by the capital market authorities for issue of the shares were obtained in the first quarter of 2009.

Based on the exchange rates approved by the various central banks, a total of US$554 million was raised, for which a total number of 1,959,125,795 shares were issued.

The issued share capital of the company as at the end of the 2008 financial year stood at US$774 million represented by 8.7 billion ordinary shares of US 2.5 cents each.

All the issued shares of the company are listed and tradable on the three West African stock exchanges, namely, the BRVM (Bourse Régionale des Valeurs Mobilières) in Abidjan, Côte d'Ivoire, the Ghana Stock Exchange of Accra; and the Nigerian Stock Exchange of Lagos.

DIRECTORS AND COMPANY SECRETARY

The names of the directors of the company and the name of the company secretary appear on pages 10 to 14 of this report.

As at 31 December, 2008, the board was composed of thirtheen (13) directors: seven (7) non executive and six (6) executive directors. Mr. Abou Kassim Kabassi, the regional head for CEEAC, was formally co-opted to the board as executive director on 1 August, 2008.

The board of directors met six (6) times during the year. Each of the three (3) board committees (Governance, Audit and Compliance, and Risk) met three (3) times during the year to deliberate on issues under their respective responsibilities. The ad hoc committee appointed in 2007 to handle ETI's 20th anniversary celebrations continued its work in 2008 leading up to the formal celebration of the anniversary on 7 November, 2008.

CORPORATE GOVERNANCE AND COMPLIANCE

The company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. See pages 19 to 24 for details.

The revised Corporate Governance Charter was implemented through the group.

SUBSIDIARIES

In 2008, operations started in five more countries, namely, Burundi, Congo (Brazzaville), Congo (Democratic Republic), Kenya and Malawi, bringing the total number of countries in which Ecobank operates to 25 at the end of 2008. By the end of the year, efforts were underway to secure operational licenses for operations in Tanzania, Zambia and France, while preparatory work was already underway to start operations in Gabon and Uganda, where licenses had already been obtained. In early 2009, operations started in Uganda and Gabon, thus bringing the total number of countries in which the group has operations to 27 as at the date of this annual report.

Our investment banking subsidiary, Ecobank Development Corporation (EDC), as well as its stockbrokerage units in CEMAC, Ghana, Nigeria, UEMOA continued to develop their businesses. eProcess International SA, our shared services and technology subsidiary, continued its activities as the technology infrastructure and platform for the group.

Ecobank Transnational Incorporated has a majority equity interest in all its subsidiaries, and provides them with management, operational, technical, training, business development and advisory services.

POST BALANCE SHEET EVENTS

There were no post balance sheet events that could materially affect either the reported state of affairs of the company and the group as at 31 December, 2008 or the profit for the year ended on the same date which have not been adequately provided for or disclosed.

RESPONSIBILITIES OF DIRECTORS

The board of directors is responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the company at the end of the financial period and of the results for that period. These responsibilities include ensuring that:

- adequate internal control procedures are instituted to safeguard assets, prevent and detect fraud and other irregularities
- proper accounting records are maintained
- applicable accounting standards are followed
- suitable accounting policies are used and consistently applied
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

INDEPENDENT EXTERNAL AUDITORS

The joint auditors, PricewaterhouseCoopers, Lagos, Nigeria and PricewaterhouseCoopers S.A., Abidjan, Côte d'Ivoire have indicated their willingness to continue in office. A resolution will be presented at the 2009 AGM to authorize the directors to determine their remuneration.

14 May, 2009
By Order of the Board,

SAMUEL K AYIM
Company Secretary

BOARD OF DIRECTORS

MANDÉ SIDIBÉ (69)

Chairman since 2006
Non-Executive Director from 1998 to 2000 and since 2002

Mandé Sidibé is a former Prime Minister of the Republic of Mali. Before that, he was special adviser to the President of the Republic of Mali. He served with the Central Bank of West African States (BCEAO) in various capacities including Secretary General in charge of the monetary policy and special adviser to the governor of BCEAO. He also worked for the International Monetary Fund (IMF) in many capacities including Divisional Head, Africa Department. Between 1995 and 2000, Mr. Sidibé was a member of the board of Directors of the African Capacity Building Foundation. Mandé Sidibé attended the University of Paris, from which he graduated with a degree in Economics, and The George Washington University in Washington, D.C., from which he graduated with an MBA.

ARNOLD EKPE (55)

Chief Executive Officer from 1996 to 2001 and since 2005

Arnold Ekpe returned to Ecobank as the Group Chief Executive Officer in 2005. He was previously the Group Chief Executive Officer from 1996 to 2001 when he left to join United Bank for Africa, one of the top three banks in Nigeria as Chief Executive Officer from 2002 until 2004. He has over 28 years of African and international banking experience, having also worked in Europe, South Africa and West Africa for Citibank and First Chicago. He was Vice President and Head of Structured Trade and Corporate Finance for Sub-Sahara Africa for Citibank. Arnold Ekpe holds degrees in Mechanical Engineering and Business Administration from Manchester University and Manchester Business School respectively.

CHRISTIAN N. ADOVELANDE (58)

Non Executive Director since 2002

Christian Adovelande is the Chairman and Chief Executive Officer of the ECOWAS Bank for Investment and Development (EBID). He was previously Chairman/Managing Director of Cauris Management SA and Managing Director of Cauris Investissement SA, a regional venture capital Company based in Lomé, Togo. He has held the position of Secretary General and acting General Manager for the Africa Private Investment Guarantee Fund (Fonds GARI S.A.) and held a number of key positions at the West African Development Bank (BOAD). He represents EBID on the Board of Directors. Christian Adovelande holds a degree in Finance and Banking from the Centre Ouest Africain d'Etudes Financières, Dakar, from which he graduated in 1977.

OBA OTUDEKO (65)

Non Executive Director since 2002

Dr. Ayoola Oba Otudeko, OFR is Chairman of several local and international companies in Nigeria and abroad. They include Honeywell Group in Nigeria and Delmar Overseas Limited. He had been at various times a Director of the Central Bank of Nigeria, Guinness Nigeria Plc and British American Tobacco Company Limited. He is a Director of the First Bank of Nigeria Plc, and Chairman, FBN Bank (UK) Limited, London. He is President of the Nigerian Stock Exchange and Chairman of the Nigerian-South African Chamber of Commerce. He is a member of the Regional Advisory Board of the London Business School and Chancellor of the Olabisi Onabanjo University, and the State University of Ogun State, Nigeria. Oba Otudeko is a chartered Accountant and chartered banker. He graduated from Leeds College of Commerce in the United Kingdom in 1968.

PAOLO GOMES (45)

Non Executive Director since 2006

Paulo Gomes was an Executive Director of the World Bank Group in Washington D.C. from 1998 to 2006. From 1995 to 1998, he worked for the Ministry of Finance, Planning and Trade of Guinea-Bissau, where he was Principal Adviser, Director of Strategic Planning, Public Investment and Debt. Paulo Gomes is the Founder and Manager of Constelor Holdings and Chairman of AFIG Fund. He holds a Certificate in Political Studies (Institut d'Etudes Politiques de Paris), a Bachelor in Economics and International Trade (Institut d'Etudes Libres de Relations Internationales, Paris) and Masters in Economic Policy and Management from the Kennedy School of Government at Harvard.

KOLAPO LAWSON (59)

Non Executive Director since 1993

Kolapo Lawson is the Chief Executive Officer of a diversified industrial and trading group with operations in the United Kingdom and West Africa . He is the Chairman of Acorn Petroleum Plc and Agbara Estates Limited as well as a non executive director of three publicly quoted companies: Beta Glass Plc., Pharma-Deko Plc.and Sovereign Trust Insurance Plc. He was a director of Ecobank Nigeria from 1989 to 1997 and of Ecobank Togo from 1990 to 1993. Kolapo Lawson has a degree in Economics from the London School of Economics and Political Science and is a fellow of the Institute of Chartered Accountants in England and Wales, and of the Institute of Chartered Accountants of Nigeria.

ANDRÉ SIAKA (60)

Non Executive Director since 2006

André Siaka is the Chief Executive Officer of S.A. Brasseries du Cameroun (SABC) since 1988. He has been working with SABC since 1977, rising from Production Engineer, to Plant Manager, Deputy Regional Manager, Regional Manager and Deputy Managing Director. Before SABC, André Siaka worked with Société Générale in Paris (1974 – 1976). André Siaka is member of "Commission des Marchés Financiers" and a director of Orange Cameroun and Chanas Assurances SA. André Siaka holds an engineering degree from Ecole Polytechnique, Paris.

ISYAKU UMAR (61)

Non Executive Director since 2006

Isyaku Umar started his career with UAC of Nigeria. From 1972 to 1976, he was employed in the Kano State Government and was at various times Secretary of the Draught Relief Committee and Principal Private Secretary to the Military Governor. Following that, he became the General Manager of Mai-Naisara and Sons Ltd from 1977 to 1979, and Managing Director of Tofa General Enterprises Ltd. from 1979 to date. Isyaku Umar holds a Bachelor's degree in Economics from Ahmadu Bello University, Zaria and a Master of Public Administration degree from Pittsburgh University.

EVELYNE TALL (50)

Executive Director since 2005

Evelyne Tall is Regional Head for the UEMOA Zone and Cape Verde. She started her banking career in 1981 with Citibank in Dakar. She left Citibank to join Ecobank Mali as Deputy Managing Director in 1998, and was made Managing Director in 2000. She was later transferred to Ecobank Senegal as Managing Director. She was appointed Regional Head of the UEMOA Zone in October 2005. Evelyne Tall holds a Bachelor's degree in English (Dakar) and a diploma in International Trade, Distribution and Marketing from the Ecole d'Administration et de Direction des Affaires, Paris.

PATRICK AKINWUTAN (47)

Executive Director since 2005

Patrick Akinwuntan is in charge of Operations, Technology, Transaction & Retail Bank. He is also the Managing Director of eProcess International SA. He joined Ecobank in 1996 as Head of Commercial Banking and Zonal Head of Ecobank Nigeria. He also held the positions of Group Chief Financial Officer and Executive Director at Ecobank Nigeria. Before Ecobank, he worked for Ernst and Young, Manufacturers Merchant Bank and Springfountain Management Consultants in Nigeria. Patrick Akinwuntan holds an MBA. He is a fellow of the Institute of Chartered Accountants of Nigeria and an associate of the Institute of Taxation. He is also an alumnus of the Harvard Business School's Senior Executive Program.

OFFONG AMBAH (49)

Executive Director since 2006

Between 1985 and 1991, Offong Ambah worked with International Merchant Bank and Citi Trust Merchant Bank in Nigeria. In 1991 he started work with Ecobank. In 1999, he was transferred to Liberia to set up Ecobank Liberia as Managing Director. He left the Ecobank Group in 2002 for United Bank for Africa PLC where he worked as Executive Director. He left UBA in 2005 and was appointed Interim Chairman of Allstates Trust Bank. In March 2006, he returned to Ecobank Group as Managing Director of Ecobank Nigeria and Regional Head for Nigeria. Offong Ambah holds a Bachelor in Economics and a Masters in Economics. He graduated from the University of Lagos in 1982.

ALBERT ESSIEN (54)

Executive Director since 2005

Albert Essien is Regional Head for the West Africa Monetary Zone (WAMZ) countries other than Nigeria (Ghana, Guinea, Liberia, Sierra Leone and Gambia). As Regional Head for East and Southern Africa, he also has responsibility for Ecobank's expansion into East and Southern Africa. He started his banking career in 1986 with the National Investment Bank in Accra, Ghana. He joined the Corporate Banking Department of Ecobank Ghana in 1990. In 1997, he became Country Risk Manager. He was appointed Deputy Managing Director in 2001 and became Managing Director in December 2002. Albert Essien has a degree in Economics from the University of Ghana (graduated in 1979) and is an alumnus of the Executive Development Program of INSEAD (France/Singapore). He is also an honorary fellow of the Chartered Institute of Bankers, Ghana.

KASSIMOU ABOU KABASSI (54)

Executive Director since 2008

Kassimou Kabassi started his banking career in 1985 as a financial analyst with the Development Bank of Benin. In 1990, he joined Ecobank Benin and held a number of positions including Credit and Marketing Officer and Risk Manager. In 1999, he was appointed acting Managing Director of Ecobank Togo. He moved to Ecobank Mali in 2000 as Managing Director and in 2005 he was appointed Managing Director of Ecobank Cameroon and Regional Head for CEEAC (Angola, Burundi, Cameroon, Central African Republic, Chad, the Congo, the Democratic Republic of Congo, Equatorial Guinea, Gabon and Sao Tome & Principe). He holds a degree in Bachelor of Business Administration and a postgraduate diploma in banking.

EXECUTIVE MANAGEMENT

(AS AT DECEMBER 31, 2008)

GROUP EXECUTIVE MANAGEMENT

Arnold Ekpe	Chief Executive Officer
Evelyne Tall	Regional Head, UEMOA
Offong Ambah	Regional Head, Nigeria
Albert Essien	Regional Head, WAMZ
Abou Kabassi	Regional Head, CEEAC
Patrick Akinwuntan	Head Operations and Technology
Christophe Jocktane-Lawson	Regional Head, International
Segun Ogunsanya	Head, Retail
Yves Coffi Quam-Dessou	Head, Wholesale Bank
Antoine Kayembe Nzongola	Senior Advisor, Risk, Audit & Compliance
Laurence do Rego	Chief Financial Officer
Steve Williams	Treasurer
Richard Uku	Head, Brand & Communications
Iyane Dia	Chief Risk Officer
Samuel Ayim	Company Secretary/ Chief Legal Officer
Ronke Wilson	Chief Human Resources Officer
Sani Yaya	Chief Audit and Compliance Officer

COUNTRY HEADS

Cheikh Travaly	Benin
Aboubacar Youssoufou Garba	Burkina-Faso
Christian Assossou	Burundi
Babahady Marega	Cameroon
Daniel Miongo	Cape Verde
Serge Ackre	Central African Republic
Mahamat Ali Kerim	Chad
Lazarre Noulekou	Congo (Brazzaville)
René Awambeng	Congo (Dem. Rep. of)
Charles Daboiko	Cote d'Ivoire
Fitzgerald Odonkor	The Gambia
Samuel Ashitey Adjei	Ghana
Assiongbon Ekue	Guinea
Anastasie Darboux	Guinea-Bissau
Philip Ikeazor	Kenya
Morenike Adepoju	Liberia
Anthony Okpanachi	Malawi
Binta Ndoye	Mali
Moukaramou Chanou	Niger
Offong Ambah	Nigeria
Daniel Sackey	Rwanda
Jean-Paul Migan	Sao tome
Ehouman Kassi	Senegal
Karen Tanoh	Sierra leone
Roger Dah Achinanon	Togo

CHIEF EXECUTIVE OFFICER'S REVIEW

2008 was another strong year in many respects. Total assets increased to over US$8 billion for first time, and gross revenue exceeded US$1 billion. The number of branches rose to over 600, and the number of countries in which we operate to 25. During the year, we also extended our presence in central, eastern and southern Africa, and increased our overall customer base to almost 2 million.

While considerable progress has been made, a lot more needs to be done, and we believe we can do better.

FINANCIAL PERFORMANCE

In 2008, revenues grew by 52% to US$826 million as a result of a growth in business volumes. We achieved significant growth in deposits, branch network, net interest revenues and fees and commissions.

Revenues in our regions experienced substantial growth. Our business in Nigeria grew by 55%. The UEMOA region, comprising our affiliates in French speaking West Africa grew by 44%.

Our other operations in the West African Monetary Zone (less Nigeria) also performed well, growing by 44% during the year while our Central Africa operations grew by 72%. Our newly established eastern and southern Africa operations grew by 556%.

Overall, gross revenues (excluding interest expense) increased to US$1,156 million. Profit before tax dropped by 15% to US$ 162 million.

Our efficiency ratio deteriorated to 67% from 61% as we continued investing heavily in expanding our country and branch network. We also continued to invest in improving our technology and processes, and in strengthening the capital base of our affiliates. Altogether, we invested US$110 million in this manner.

Our value added, after these investments, was US$586 million against US$524 million in 2007.

REVIEW OF 2008

The year under review was a year of continued growth for the group. The number of countries increased to 25, with an increased presence in central eastern and southern Africa. We now have in place an unparalleled platform for the distribution of our products and services to customers across Africa.

During the year, Ecobank won awards from several international institutions for its leadership role in African banking, both at regional and country levels. We are particularly proud that our commitment to the financial integration of Africa is being increasingly recognized internationally.

The downturn in global and regional stock markets in the last quarter of 2008 negatively affected our fund raising operation during the year. Nevertheless, we were able to raise over US$700 million in equity and long-term debt to finance the operations and growth of the group.

STRATEGY

Our strategy remains unchanged, namely to build shareholder value through scale, growth and efficiency.

Scale: In terms of scale, our balance sheet exceeded US$8 billion in 2008. In terms of geography, we now have by far the largest geographical footprint in Africa with a presence in 27 countries. In terms of branch network, we also have one of the largest networks in Middle Africa with over 600 outlets. We also increased our number of automated teller machines (ATMs) to 500 and points of sale (POS) terminals to 488.

Our customer base increased to almost 2 million, and employees to over 11,000. We continue to explore new ways of increasing our reach through the use of alternative channels such as alliances and sales agents.

Growth: While Ecobank has thus far witnessed a period of sustained growth, the markets in which we operate experienced a downturn due to the global economic slowdown, which affected our growth. In addition, Ecobank's regional expansion strategy is coming to an end with only a few countries left to cover.

Ecobank's growth strategy will increasingly take advantage of some of the immense opportunities that abound in our markets, such as a large under-banked population, opportunities in mobile, transaction and consumer banking, and in facilitating cross border trade and payments.

Efficiency: As a result of our continued expansion, we experienced some deterioration in our efficiency ratios. The ratio of non-performing loans (NPLs) deteriorated from 6% to 8%. Operational losses as a percentage of profit before tax remained unchanged at 2%. Return on assets dropped from 2.8% to 1.5% as a result of heightened competition. Operating margins were US$826 million up from US$544 million.

In view of the expensive but weak technology and telecommunications infrastructure in Africa, we shall continue to refine our technology model to reduce costs by ensuring an appropriate balance of activities that can be centralized, regionalized and localized.

Shareholder Value: Total shareholder returns measured in terms of capital gains and dividends amounted to 1 percent in 2008. The market capitalization at the end of the year was US$2 billion. Return on equity dropped from 24.5 percent to 17.1 percent due to the additional capital at the end of the year. Earnings per share amounted to 1.39 cents against 1.56 cents in 2007.

During the year we raised US$554 million to fund our expansion and reinforce our capital. However, due to the need for multiple regulatory approvals and subsequent market downturn, the amount was raised much later in the year and was less than anticipated.

CONCLUSION

In 2009, we intend to open five new subsidiaries including a subsidiary in France. This will bring the total number of countries in which we are present to 30. These are countries for which licenses had previously been obtained. With the exception of two other countries of strategic importance, our geographical expansion is coming to an end.

2009 will be a year of consolidation for the group, during which we intend to focus on improving the performance of our existing businesses. As the new affiliates begin to mature, and as less funding is required for expansion, we shall begin to see a significant improvement in the performance and profitability of the group.

As a listed company, Ecobank would ultimately like to be considered as a preferred investment destination that offers superior, diversified and stable returns.

In 2008 we unveiled the new Ecobank logo and brand identity. The new logo embodies the history of Ecobank as a pioneering institution. The stylised and forward leaning 'K' symbolises a "torch" lighting the way ahead to a brighter and better future for Ecobank and Africa. It underscores Ecobank's unwavering commitment and belief in the future of Africa.

We are entering a new phase for the Ecobank group: as our geographical expansion comes to an end, we shall increasingly focus on improving customer service, efficiency, productivity and performance, with the unchanged objective of building a world class pan-African bank.

ARNOLD EKPE
Group Chief Executive Officer

CORPORATE GOVERNANCE

COMMITMENT TO CORPORATE GOVERNANCE

The Ecobank Group is committed to ensuring good corporate governance. The group believes that good corporate governance enhances shareholder value. Ecobank has been a pioneer in West African banking in institutionalizing corporate governance principles as part of the group's corporate culture. To this end, Ecobank aims at complying with best international practices on corporate governance. Adherence to corporate governance principles is articulated in a number of corporate documents. The Articles of Association of the company and those of its subsidiaries define the respective roles of management, the board of directors and shareholders (including the protection of minority rights) in the administration of the group. The group has standard written rules for the internal operation of the boards of directors, a corporate governance charter, a code of conduct for directors and rules on business ethics for staff, all of which aim at ensuring transparency and accountability.

The board of directors has adopted the IFC principles and methodology on corporate governance to guide its corporate governance framework. The group's governance practices are also guided by the Basel Committee standards on corporate governance.

The composition of the board includes executive, non-executive and independent directors. Non-executive directors always constitute a majority of the board.

Guided by the IFC's suggested definition of an independent director, the board has formally adopted the following definition of independent director for application throughout the group.

"Independent Director" means a director who:

- has not been employed by ETI or any of its subsidiaries and affiliates in the past five years;
- is not affiliated with a company that is, an advisor or consultant to ETI or any of its subsidiaries and affiliates;
- is not affiliated with a significant customer or supplier of the group or any of its subsidiaries and affiliates;
- has no personal service contracts with the group, any of its subsidiaries and affiliates, or its senior management;
- is not affiliated with a non-profit organization that receives significant funding from the group or any of its subsidiaries and affiliates;
- is not employed as an executive of another company where any of the group's executives serve on that company's board of directors;
- is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the group or any of its subsidiaries and affiliates as an executive officer;

- is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the group or of its subsidiaries and affiliate ; or
- is not a controlling person of the group (or member of a group of individuals and/or entities that collectively exercise effective control over the group) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any person described in this sub-paragraph who is deceased or legally incompetent.

For the purposes of this definition, a person shall be deemed to be "affiliated" with a party if such person (i) has a direct or indirect ownership interest in; or (ii) is employed by such party.

By this definition, most of the company's non-executive directors are independent directors.

The board also apply the following criteria for the appointment of non-executive directors:

- **Independence** – Although not all non-executive directors need to meet the independent director definition above, all directors should be capable of exercising independent judgment and decision-taking.
- **Demonstrated business acumen** – Strong business experience and a proven understanding of corporate and business processes through a successful track record and a strong reputation in the business community.
- **Leadership and board experience** – A recognized ability to add value and display leadership at board level and an ability to assert balanced and constructive views at board level.
- **Special technical skills or expertise** – Experience in banking (particularly retail banking but also commercial and/or investment banking), accounting, and/or law and expertise not readily available to the executive team would be valuable especially if this professional experience is in emerging markets.
- **Integrity** – High level of integrity and professional and personal ethics and values consistent with those of the Ecobank Group.
- **Character** – Strength of character and ability and willingness to challenge and probe; sound business judgment; strong interpersonal skills; and the ability to listen carefully and communicate with clarity, objectivity and brevity.
- **Time commitment** – Sufficient time to effectively carry out duties of a non-executive director.
- **Additional considerations** – Importance of bringing more diversity to the board in terms of age, gender, demographics, etc.

The board has also adopted standard evaluation tools to help assess the performance of the board as a whole as well as that of individual directors.

GOVERNANCE STRUCTURE WITHIN THE ECOBANK GROUP

The Ecobank Group corporate governance documents outline corporate governance policies and clarify governance structures throughout the group. It covers essentially the following areas :

- Role of the parent company
- Relationships and interface between the parent company and subsidiaries.
- Standards of conducts and procedure for directors.

The key principles underlying the group's governance structure are as follows:

- The parent company acts as a "strategic architect" with appropriate involvement in operational management and decision making at subsidiaries level. It sets the overall strategy and direction of the group, develops policies and procedures and monitors them through reviews and audits to ensure compliance not only with group strategy, policies and procedures but also with local laws and regulations.
- Operational decision-making is individualized and maintained at an appropriate level, as close as possible to required action and customers.
- Individual accountability and responsibility are institutionalized and embedded through empowerment and the granting of relevant levels of authority.
- Coordination at the corporate centre and group level is achieved through high levels of interaction between parent company and its subsidiaries as well as amongst subsidiaries at board and executive management levels.
- Clear terms of reference and accountability are laid out for committees at board and executive levels. There is effective communication and information sharing outside of meetings. The group operates an "open-door" policy.
- Application of group decisions and policies by all Ecobank Group member companies is subject to applicable local law and regulation. Where there is a conflict between Group Policy and local laws and regulations, local law and regulations shall prevail.

The following are the governance units within the group:

- The parent company board of directors
- Country board of directors
- Group executive management committee
- Country executive management committee
- Business leaders conference

Appropriate sub-committees are also set up, either on a permanent or ad hoc basis to handle issues as they arise. A brief overview of the roles and responsibilities of each of the governance units is provided below.

PARENT COMPANY

The board of directors of ETI is elected by, and accountable to, the company's shareholders for the proper and effective administration of the Ecobank Group. Their primary responsibility is to foster the long-term success of the company, consistent with its fiduciary responsibility to the shareholders. The group's governance charter requires the board of directors to be guided by the following principles:

- Clear delineation and segregation of responsibilities between executive management and board to ensure non-interference of the board in the operational management of the group;
- Objective judgment on corporate affairs independent of executive management;
- Actions on a fully informed basis, in good faith, with due diligence and care and in the best interest of the group and its shareholders;
- Compliance with applicable laws and regulations in line with group strategy and direction;
- Local legislation to prevail in the event of any conflict between group policies and local laws;
- Transparency and avoidance of conflict of interest between directors and the business of the Ecobank Group;
- Full disclosure of accurate, adequate and timely information regarding personal interests of directors.

As at the end of 2008, the membership of the board was thirteen, comprising six executive and seven non-executive directors (refer to pages 11 to 14). The Group Corporate Governance Charter requires that there are more non-executive directors than executives on the board.

The board has three committees, namely, the Governance Committee, the Audit and Compliance Committee and the Risk Committee.

The board of directors met six (6) times during the year. Each of the three (3) board committees (Governance; Audit and Compliance; and Risk) met three (3) times during the year to deliberate on issues under their respective responsibilities.

The current composition and terms of reference of the committees are summarized below:

GOVERNANCE COMMITTEE

COMPOSITION

In 2008, the Committee comprised of four members (the board Chairman, the Chief Executive Officer and two non executive directors – Messrs Christian Adovelande and Oba Otudeko). The Company Secretary is the secretary to the Committee.

RESPONSIBILITIES

- Formulates, reviews and generally ensures implementation of policies applicable to all units of the group and ensure good governance throughout the group;
- Manages the relationship between the company and its shareholders and subsidiaries, including relationships with the boards of subsidiaries;
- Formulates new and reviews existing group-wide policies including organizational structure;
- Handles relationship with regulators and third parties;
- Manages board affairs in between the meetings of the board or when the board is not sitting;
- Recommends the appointment of executive and non-executive directors;
- Reviews the human resources strategy and policies of the group and the remuneration of senior executives.

AUDIT AND COMPLIANCE COMMITTEE

COMPOSITION

Membership in 2008 was composed of two non-executive directors (Messrs Kolapo Lawson - as Chairman, and Paulo Gomes) and two shareholders (Social Security and National Insurance Trust of Ghana represented by its General Manager, Finance, Mr. Kwasi Boatin; and Mr. Ayi A. Amavi) with the Chief Executive Officer in attendance, where appropriate.

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

The Chief Audit and Compliance Officer and the Chief Financial Officer serve as the secretaries to the committee.

RESPONSIBILITIES

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

RISK COMMITTEE

COMPOSITION

In 2008, the Committee was composed of two non-executive directors (Messrs Isyaku Umar as Chairman and Andre Siaka) and the Chief Executive Officer. Members have good knowledge of business, finance, banking, general management and credit. The Chief Risk Officer serves as Secretary to the Committee.

RESPONSIBILITIES

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

COUNTRY BOARDS OF DIRECTORS

Ecobank subsidiaries operate as separate legal entities in their respective countries. ETI is the majority shareholder in all the subsidiaries but host country citizens and institutions are typically investors in the local subsidiaries. Each subsidiary has a board of directors, the majority of whom are non-executive directors.

The Group Governance Charter requires that country boards be guided by the same governance principles as the parent company. As a rule, but subject to local regulations and the size of the board, the boards of directors of subsidiaries have the same number of committees as the parent company.

The boards of directors of the subsidiaries are accountable to the subsidiaries' shareholders for the proper and effective administration of the subsidiary in line with the overall group direction and strategy. These boards also have statutory obligations based on company and banking laws in the respective countries. In the event of any conflict between the group policies and local laws, the local laws prevail.

GROUP EXECUTIVE MANAGEMENT COMMITTEE

The Group Executive Management Committee (GEMC) is comprised of the Chief Executive Officer, the regional and group business heads and group functional heads, currently a total of seventeen members. They are responsible for the operational management of the group and its subsidiaries.

The Committee is responsible to the board and plays an important role in the group's corporate governance structure. The Committee manages the broad strategic and policy direction of the group, submits them to the board for approval where necessary, and oversees their implementation. The Committee has decision-making powers in specific areas of group management. In particular, the Committee works with and assists the Chief Executive Officer to:

- Define and develop group strategy;
- Confirm alignment of individual subsidiaries' plans with overall group strategy
- Track and manage strategic and business performance against plan;
- Implement group policy and decisions;
- Make recommendations on various issues relating to staff;
- Track and monitor progress and accomplishments on major group initiatives and projects at affiliate level;
- Recommend opening or closing of subsidiaries;
- Articulate appropriate response to environmental factors, regulations, government policies competition and other such issues across the group;
- Articulate policies for advancing group objectives;
- Make important decisions in areas where delegation of authority is granted to the Committee.

COUNTRY EXECUTIVE MANAGEMENT COMMITTEE

The Country Executive Management Committee consists of the country head, and other senior executive members of each subsidiary. In addition to the day-to-day management of the subsidiary's operations, the role of a Country Executive Management Committee includes the following:

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

BUSINESS LEADERS CONFERENCE

The Business Leaders Conference is a collegial meeting of all subsidiaries' Managing directors and group functional heads for reviewing and embedding group strategy and policies.

The Business Leaders Conference is the primary co-ordinating body for group cohesion and integration and the actualization of group strategy.

The Conference is a consultative body – not a decision-making body.

The Conference plays a key role in facilitating the harmonization and integration of the group strategy. Its role includes:

- Sharing and disseminating information, experiences and best practices across the group;
- Initiating policies that encourage integration and promote the "One-bank" concept;
- Promoting integration and standardization of group policies and procedures;
- Promoting and monitoring compliance with group operational standards;
- Contributing to the formulation of group policies.

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

The Ecobank Group takes a stakeholder's approach to sustainable development. We balance the need for above-market growth in profitability with the fight against poverty and under-development in African communities. Our commitment goes beyond delivering superior returns for shareholders or excellent performance with our numbers. We also take seriously the welfare and development of the communities in which we operate.

We continue to make giant strides in our societal contributions by consistently factoring social and environmental concerns into our business operations, and are especially sensitive to the challenges of our environment, to the challanges of poverty, disease, corruption and to developing human capacity.

ECOBANK FOUNDATION

The Ecobank Group, through the Ecobank Foundation, proudly supports the communities in which it operates through sponsorships and community partnerships in the areas of education, health, socio-cultural development and research.

Ecobank sets aside up to 1% of the group's profit after tax to support project initiatives of the Foundation.

In 2008 the Ecobank Foundation funded more than 10 projects worth over US$400,000.

HUMAN CAPITAL DEVELOPMENT

The Ecobank Group marked its 20th year in 2008. The one common denominator over the year that has helped build the business and community relationships in Africa is its people. Hiring, developing, retaining and advancing the right talent remains a key part of the group's strategic goals. Ecobank tracks its employee engagement indices through a comprehensive internal communications strategy that allows for various levels of employee feedback to management.

Our employees continue to draw great pride in working for Ecobank. The reasons include the opportunity to work with more than 11,000 people of 29 different nationalities. Employees in this vast network interact through group meetings, including the use of the group's advanced technology platforms through real time chats, phone and video conferences, and the intranet.

LEARNING AND DEVELOPMENT

The group's learning and development centre uses learning platforms that focus on how-to skills that are highly relevant and immediately applicable on the job. A critical part of the centre's strategy focuses on creating model branches for simulated learning.

Strategically, along with external resources, the group ensures that it taps into the rich knowledgebase of senior management who are used as in-house trainers and coaches in transferring skills to the growing young potentials in the corporation.

LEADERSHIP BUILDING

Our leadership programs offer project and secondment assignments, coaching and virtual and classroom seminars. We support human capital development in Africa through graduate and internship opportunities. In 2008 over 1400 undergraduates had the opportunity to experience the learning environment and culture of Ecobank.

At the senior management and executive levels, all country heads and other senior managers underwent external training programs in 2008 to hone their leadership skills and prepare them to face the challenges posed by the global financial crisis.

Currently over 95% of leadership needs are developed from within, through the bank's time-tested structured process that identifies, develops, advances, and retains the best leadership potential.

DIVERSITY AND INCLUSION

Diversity and inclusion are an integral part of our culture and strategy. Ecobank, by virtue of its geographical spread, is one of the most diversified groups in Africa in terms of its people. Ecobank also has a policy of ensuring diversity in its employee talent pool without compromising the quality of its staff. Regular reports are presented and monitored to ensure policy adherence. Our employees represent 29 different nationalities across Africa. English, French and Portuguese are the company's three languages of communication. The group has a workforce that is 42% female and a management team that is 33% female.

This multicultural workforce provides Ecobank with a significant edge in responding to the varied needs of our customers.

HEALTH AND WORK LIFE BALANCE

Our health care program focuses on the total wellness of employees through preventive and treatment opportunities. This entails full provision of medical cover and other services, including hospital and physician services and prescription drugs. Coverage is available to employees and their eligible dependents.

THE ENVIRONMENT

In line with managing concerns about global warming, Ecobank has taken steps to reduce its carbon footprint. The group is committed to a clean and green environment, and requires all its subsidiaries to be environmentally responsible.

In 1999, Ecobank adopted a Social and Environmental Management System (SEMS) and policy that governs project financing across the entire group.

A group environmental manager actively engages subsidiaries to ensure that they respect IFC performance standards on social and environmental sustainability. Each subsidiary has an environmental coordinator responsible for all social and environmental issues in that particular country.

We also require all our subsidiaries to conduct social and environmental due diligence (SEDD) for projects with adverse social or environmental impacts, be they site-specific or general, and irrespective of whether they are reversible or irreversible.

All subsidiaries monitor socially or environmentally critical projects to ensure that client companies demonstrate compliance with environmental standards, or sign up to a corrective action plan that will bring a project into compliance.

PAPER USAGE

Our technological platform allows over 60% of our communication to be in electronic form. We estimate that the reduction in paper usage within the entire network of the group helps to reduce waste and save more trees.

ENERGY

Our advanced electronic platforms allow us to hold meetings across our network without the need to travel. We expect less reliance on travel and more on the power of technology in communicating and coordinating projects to contribute to the protection of our environment.

BUSINESS AND FINANCIAL REVIEW

FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	826	544	52%
Profit Before Tax	162	191	-15%
Profit after tax	111	139	-20%
Total Assets	8,306	6,550	27%
Deposits from Customers	5,799	4,714	23%
Customer Loans and Advances	3,754	3,117	20%
Total Equity	1,158	652	78%

The Ecobank Group delivered a strong performance in 2008 despite several challenges posed by the global financial crisis. The group's total assets increased by US$1,756m, or 27%, to US$8,306m, underscoring strong revenue growth over the period.

Revenues were up by US$282m or 52% to US$826m. However, profit before tax declined by US$29m, or 15%, to US$162m mainly due to loan loss provisions and losses posted by new subsidiaries. Profit after tax also went down by US$28m, or 20% to US$111m.

Profit attributable to shareholders dropped by US$13m, to US$94m, giving basic earnings per share of 1.39 cents, an 11% drop.

Return on average assets was 1.5% (2007: 2.8%) and return on average equity was 17.1% (2007: 24.5%).

KEY FACTORS IMPACTING THE RESULTS

Against the background of the global economic and financial crisis, the following specific factors impacted our performance for 2008.

- **Geographical Expansion**

  In 2008 the group made three acquisitions, all in the East and Southern Africa (ESA) region, and two start-ups both in CEEAC region. The acquisitions contributed US$186m to the group's assets and US$9m to the group's revenues. However, due to the initially high operating expenses and provisions, the contribution of these new acquisitions to the group's profit before tax was insignificant (US$0.4m). The acquisitions also brought in a negative goodwill of US$9m recognized in the income statement.

The start-ups contributed US$78m to the group's assets and US$2.2m revenues. However, due to high initial operating expenses, the new start-ups reported a combined loss of US$8m.

- **Branch Expansion**

  The group continued to grow its branch network in all its markets. In this respect, we introduced the Ecobank Xpress branch model, which is relatively easy, fast and inexpensive to establish. We added a total of 160 branches to our existing branch network. This impacted positively on deposit mobilization and the liquidity position of the group.

- **Investment Banking**

  Our investment banking subsidiary in Nigeria, the Ecobank Development Corporation, Nigeria (EDC Nigeria), recognized significant impairment losses on its listed investment securities as a result of stock market downturn.

- **Currency Depreciation**

  Most of our operating currencies experienced substantial depreciation against the US dollar which is the group's reporting currency, resulting in major translation losses to the group. The impact of foreign exchange on our balance sheet was negative 11% or US$900m. On the income statement front, foreign exchange impact was negligible as average rates were applied.

- **Customer Base**

  With a larger branch network, the clientele base of the group grew strongly to 1.8m from 1.2m, representing a growth of 53%. This stronger customer base enhanced our deposit mobilization.

- **Capital Increase**

  In August 2008, ETI launched a rights issue and public offer to raise US$2,500m to enhance its capital base. This hybrid offer was the first of its kind, extending across three different market jurisdictions. Despite the global economic crisis and the collapse of stock markets around the world, ETI raised a total of US$554 million from all the three West African markets as well as other markets across Africa where local regulation permitted.

BALANCE SHEET ANALYSIS

BALANCE SHEET HIGHLIGHTS (US$M)	2008	2007	GROWTH
Total Assets	8,306	6,550	27%
Deposits from Customers	5,799	4,714	23%
Customer Loans and Advances	3,754	3,117	20%
Total Equity	1,158	652	78%

TOTAL ASSETS

Total assets increased by US$1,756m, representing a growth of 27%. New subsidiaries, both acquisition and start-ups, contributed 15%, amounting to US$264m of this increase.

LOANS AND ADVANCES TO CUSTOMERS

Loans and advances rose by US$637m to US$3,754m, representing a growth of 20%. Loans and advances under the retail business grew by 24%, and contributed US$290m, or 45%, of the total increase in loans and advances to customers. Wholesale business segments contributed the remaining US$347m or 55% of the growth. Loans and advances under wholesale increased by 18%.

Our non performing loan component increased slightly to 8% from 6% in 2007, excluding margin loan exposure to the stock markets, which are fully covered on a mark-to-market basis, but for which we have nonetheless made provisions to take account of the difficult and illiquid market conditions.

DEPOSITS FROM CUSTOMERS

During 2008, the group focused on building balance sheet strength and maintaining high levels of liquidity. In this regard we increased attention on deposit mobilization by strongly employing our retail outlets. Despite increasing competition in our markets, deposit mobilization was enhanced by US$1,085m, or 23%, to US$5,799m. Of this increase, US$909m or 84% was contributed by the retail segments of our business. Wholesale contributed the remaining 16%, or US$175m. Retail deposits grew by 29% as against wholesale growth of 11%, emphasizing our strategy of using retail network to grow liabilities.

EQUITY

The total equity of the group increased by US$506m, or 78%, to US$1,158m, largely on account of ETI's rights issue and public offer in the last quarter of the year. The rights issue and public offer contributed US$506m to the group's total equity after providing for expenses.

As a result of adverse exchange rates, the group's equity suffered US$93m in translation losses.

INCOME STATEMENT ANALYSIS

INCOME STATEMENT HIGHLIGHTS (US$M)	2008	2007	GROWTH
Net interest income	390	278	40%
Net fees and commission income	266	182	46%
Net trading Income	117	71	65%
Other income	55	13	323%
Revenues	826	544	52%
Impairment losses for loans	113	19	495%
Operating expenses	551	334	65%
Profit Before Tax	162	191	-15%
Profit after tax	111	139	-20%
Profit attributable to shareholders	94	107	-12%

While income lines experienced significant growth, profit lines fell as a result of the sharp increase in loan loss provisions.

NET INTEREST INCOME

Interest income went up by 66%, or US$282m to US$710m. Interest on loans and advances to customers contributed US$235m or 83% of this growth while inter-bank transactions and investment securities contributed the remaining 17% or US$48m. Interest on customer loans grew by 72% as a result of the strong growth in loans and advances, especially from retail clients, who normally attract higher interest rates.

Interest expense, on the other hand, also saw significant growth. It rose by 113% or US$170m. Some 65% of this, or US$109m, was contributed by interest on customer deposits, which grew by 87%. The remaining 35%, or US$61m, was accounted for by interest on inter-bank borrowing, which increased by 541%. The growth in interest expense was occasioned by the growing competition for deposits in all our markets, which resulted in higher interest on customer deposits.
Our net interest margin remained strong at 6.9%, same as 2007, despite increasing competition, which affected pricing negatively.

NON INTEREST INCOME

- **Net fees and commissions**

  Net fees and commissions rose by 46%, or US$84m, to US$266m. This was mainly from the higher volume of transactions as well as the strong growth of our off balance sheet exposure. Credit-related fees and commissions grew by 58% and contributed 43%, or US$39m, to the increase in fees and commission income. Cash management fees also increased by 42% and contributed 43%, or US$39m, to the increase in fees and commissions income as a result of increase in volumes. Corporate finance fees, mainly from advisory services of our investment banking arm, also experienced a major growth of 292%, contributing US$15m to the growth in fees and commissions income coming from the strong performance of the stock markets especially in the first half of the year.

- **Trading income**

Our Treasury maximized opportunities offered by fluctuating foreign exchange rates and growing cross-border businesses across our markets. As a result of this, trading income increased by 66%, or US$47m, to US$117m.

- **Other income**

Other income comprises lease income, dividend income, gains/losses from investment securities, and other operating incomes which together increased by 306% or US$39m. Negative goodwill contributed US$27m on acquisition of our subsidiary in Kenya (US$9m) and on Ecobank Nigeria's acquisition of Africa International Bank Ltd in Nigeria (US$18m). Ecobank Nigeria also made a gain of US$20m on its disposal of loans previously acquired in one of its acquisitions.

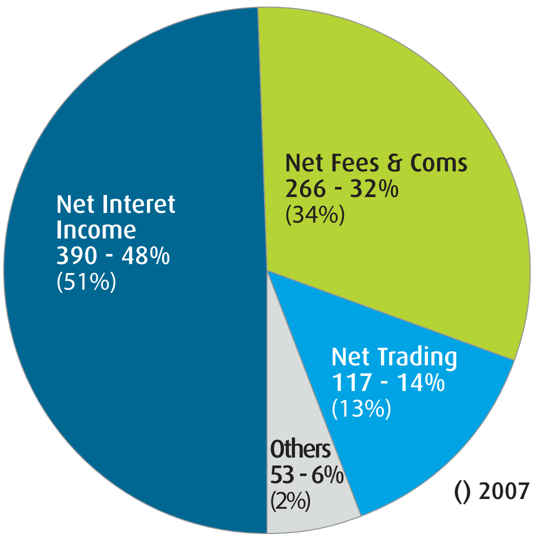
Our investment banking arm in Nigeria, EDC Nigeria, suffered a US$12m loss on impairment of investment securities. This was on account of the Nigerian Stock Exchange downturn.

While our finance lease business has started picking up strongly in Ghana, and Cote d'Ivoire, dividend income experienced marginal growth.

REVENUES

Our revenues increased by 52% on account of strong growth in almost all revenue lines. The chart below shows the structure of the group's revenues

INCOME STRUCTURE (US$M)



The income structure of the group did not change fundamentally over the period as net interest income continued to dominate. However we anticipate a shift towards non interest based income in the coming years as the group refocuses on transaction based income.

LOAN LOSS PROVISIONS

Net loan loss provisions for the year increased by US$94m, or 495%, to US$113m. Ecobank Nigeria contributed 92% of the incremental provisions. All the other regions together contributed the remaining 8%.

Included in the loan loss provisions was the sum of US$54m for margin loans in Nigeria. Although these loans are fully covered on a mark-to-market basis, the illiquid nature of the market and the inability to easily sell down meant that we were obliged to adopt a prudent approach.

As a result, loan loss expense to average loan ratio deteriorated to 3.3% against 0.8% in 2007. Similarly, accumulated loan loss provisions increased by US$79m or 62% to US$205m.

OPERATING EXPENSES

Operating expenses were up by US$217m, or 65%, to US$551m. Of this increase, new subsidiaries, both acquisitions and start-ups, which normally operate at a higher cost, contributed US$20m or 9%.

Staff cost, which increased by 61%, contributed US$101m, or 46%, of the increase in operating expenses. Staff cost increased mainly as a result of the headcount increase, which rose by 3,154, or 39%, to 11,211. This was necessary to support the branch network expansion including acquisitions and startups during the year.

Other operating expenses including the cost of technology, rent and business promotion contributed US$116m, or 54%, to the increase in operating expenses.

Efficiency ratio deteriorated to 67% compared to 61% in 2007, mainly due to high operating expenses contributed by new subsidiaries and branches without equivalent revenue growth. We expect this trend to reverse as these new subsidiaries and branches begin to make meaningful revenue contribution.

PROFITS

As indicated earlier, profit before tax fell by 15% to US$162m and profit after tax by 20% to US$111m. This was largely as a result of high provision levels and high cost from new subsidiaries. This result was also reflected in a lower return on average equity at 17.1% as against 24.5% in 2007, and return on average assets at 1.5% against 2.8% in 2007.

PROFIT BEFORE TAX BY REGION (US$M)

Region	2,008	2,007	Growth
UEMOA	81	61	33%
CEEAC	19	11	73%
WAMZ	52	40	30%
Nigeria	14	80	-83%
ESA	2	1	100%
Others	-6	-2	-200%
Total	**162**	**191**	**-15%**

RETAIL BANKING

REVENUES	CONTRIBUTION TO GROUP REVENUES
US$254 m	31%

In 2008, the group continued to pursue the accelerated Retail strategy launched in 2006. We expanded our network from 450 branches at the end of 2007 to 610 by the end of 2008. Our card business received increased attention, with the number of cards in circulation rising by 61% to 1.2m compared to 2007. Over 500 ATMs were in use by the end of the year, compared to 280 at the end of 2007.

The number of kiosks in operation increased from 102 to 125. Similarly the number of direct sales agents (DSAs) rose from 817 to 870.

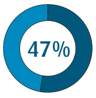
Our Retail products cover five areas: deposits, lending, money transfer services, cards and foreign exchange services. Our money transfer services include Rapid Transfer, a product developed to ensure real-time transfer of funds across our network. Our card portfolio includes pre-paid cards, which are useful to traders who travel across African countries.

Deposit mobilization under retail segment increased by US$909m, or 29%, to US$4,010m as we maximized our increased clientele base. This increase represented 84% of the total increase in deposits.

The retail business increased loans and advances to customers by US$290m or 24% to US$1,480m. This increase represented 45% of the total increase in loans and advances.

Retail revenues increased by US$105m, or 71%, to US$254m.

WHOLESALE BANKING

REVENUES	CONTRIBUTION TO GROUP REVENUES
US$390 m	

The Wholesale Bank provides services to multinationals, regional and large local corporate entities. It also services public sector companies and international organisations.

We improved the range of our products and services—from transaction banking including cash management and trade services and products, to treasury products.

In 2008, our Multinational and Regional Corporate unit offered group account management services to companies operating in multiple countries. This unit leverages on our unrivalled presence in sub-Saharan Africa by providing our clients a single entry point to the entire Ecobank Group network.

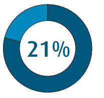
The Group Investment Banking activities continue to provide a full range of corporate finance and capital market services and products.

Despite the international financial crisis, our Investment Banking activities achieved substantial increase in revenues and market share. With a direct presence in the regional hubs, the Ecobank Group investment banking arm is active on the major stock exchanges in middle Africa. In the last few months of 2008, EDC organized and conducted the ETI Initial Public Offer in a difficult international financial environment.

Wholesale Banking had a strong year with significantly higher volumes and income momentum.

Revenues increased by US$152m or 64% to US$390 million, mainly from loans and advances to customers. Loans and advances rose by US$347m or 18% to US$2,274m. Deposits increased by 11%, to US$1,789m.

TREASURY

REVENUES	CONTRIBUTION TO GROUP REVENUES
US$177 m	

Our Treasury business continues to be a major player in all the markets in which we operate. During the year, Treasury was re-organized into four main functions, with a greater focus on sales and marketing to corporates and financial institutions.

In addition, we commenced the automation of treasury front and back office processes, and instituted new controls.
State of the art dealing rooms are being installed in the regional hubs to enhance risk management and execution in our treasury activities.

Revenues rose by US$23m, or 15%, to US$177m.

Ecobank is one of the leading players in the foreign exchange market in middle Africa with a strategy to grow market share by adding to our treasury capacity and presence. In 2008, we launched a monthly publication distributed via the internet, covering the debt and equity markets in middle Africa.

TRANSACTION BANKING

Our Transaction Banking business focused on providing cash management and trade products to our retail and wholesale customers. It also offers platform for efficient delivery of services to other business segments.

The unit was aggressive in marketing and deploying various products and services to enhance cash management and trade. These included collections solutions, domestic and regional liquidity management, internet banking, and supply chain finance.

Ecobank cards are now distributed in 22 Ecobank affiliates, and are used in over 500 automated teller machines (ATMs) group-wide. By the end of 2008, a total of 10 affiliates were enabled with Visa-acquiring functionality on their ATMs.

The Ecobank switch reach is presently being connected to several national switches, including the CTMI switch (which covers the entire UEMOA region), Kenswitch in Kenya, Simtel in Rwanda and Interswitch in Nigeria. When completed, it will give Ecobank the greatest coverage of any switch in Africa with potential for increased convenience for our cardholders.

By the end of the period under review, the group had also deployed the RapidTransfer facility in 25 Ecobank affiliates. RapidTransfer provides a fast, secure and efficient way to make wholesale and retail cross-border payments and facilitates regional trade.

TECHNOLOGY AND OPERATIONS

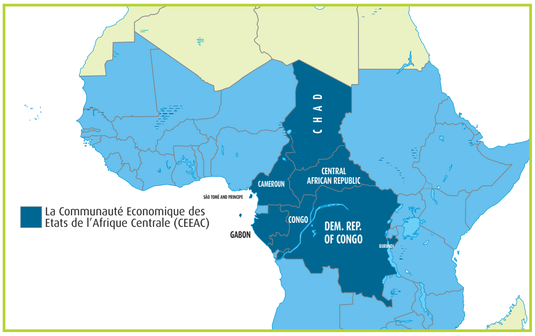
Early in 2008, the Ecobank Group commissioned a modern, first-class data centre in Accra, Ghana. The centre has an integrated international telecommunications platform that connects all Ecobank affiliates, their payment systems and ATM platforms. This makes it possible for the group to pursue its "One Bank" strategy.

The group's Shared Services Centre in Accra became fully operational in 2008. Leveraging on the technology platform, it has helped to standardize and centralize middle and back office operations, providing a transaction processing platform to all affiliates twenty four hours a day, seven days a week. In 2008, the bank succesfully migrated four affiliates to the new core banking application software, Flexcube. These affiliates were Ecobank Benin, Ecobank Gambia, Ecobank Ghana and Ecobank Togo. The group first introduced Flexcube in Ecobank Nigeria in 2007. The migration programme continues in 2009.

The technology group is also working with selected providers to introduce mobile banking platforms to enable mobile payments and savings.

CENTRAL AFRICA

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	76	44	73%
Profit Before Tax	19	11	76%
Total Assets	713	500	43%
Deposits from Customers	582	409	42%
Customer Loans and Advances	405	255	59%



The Central Africa region comprises Angola, Cameroon, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Equatorial Guinea, Gabon and Sao Tome & Principe. Six countries in this region—Cameroon, Central African Republic, Chad, the Congo, Equatorial Guinea and Gabon—are members of the Economic and Monetary Community of Central Africa (CEMAC). These countries share the same currency and the same central bank (the BEAC); they also have a common Business Law, OHADA, as is the case in the West Africa Economic and Monetary Union (UEMOA).

In 2008 Ecobank commenced start-up banking operations in DR Congo and Congo Brazzaville, bringing our presence in this region to six countries. The other countries in which we have operations are Cameroon, Chad, Central Africa Republic and Sao Tome and Principe.

The fall in oil prices on the international market as well as the continuous decline in commodity prices poses challenges for these countries, which need to maintain the growth trend they had achieved over the recent past. Despite this, the CEEAC region was one of our best performing regions for the period and under review.

In 2008, our CEEAC region experienced strong financial performance despite the negative impact of the local currency, and losses posted by addition of new subsidiaries.

Customer deposits were up by US$173m to US$582m, influencing asset growth and the growth in loans and advances. Out of the total asset growth of US$213m to US$713m, the new subsidiaries, Congo (Brazzaville) and Congo (Democratic Republic), contributed US$78m or 37%.

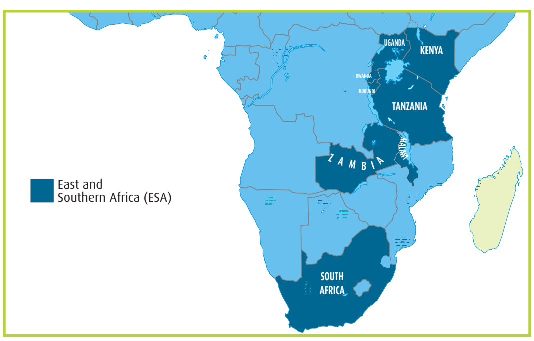
Foreign exchange impact on the region's total assets was negative 5% or US$37m.

The strong balance sheet growth translated into accelerated increase in revenues and profits. Revenues were up by US$32m, or 73%, to US$76m, out of which the new subsidiaries contributed US$2m. Profit before tax also increased by US$8m, or 76%, to US$19m despite the fact that the new subsidiaries contributed a loss of US$8m as a result of high initial operating expenses.

CEEAC's contribution to the group's total assets and profit before tax was 9% and 11% respectively.

EAST AND SOUTHERN AFRICA

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	20	3	567%
Profit Before Tax	2	1	100%
Total Assets	273	81	237%
Deposits from Customers	212	64	231%
Customer Loans and Advances	122	16	663%



The East and Southern Africa (ESA) region is a relatively new region for the group. Ecobank entered this market for the first time in 2007 by acquiring 90% of the then Bank of Commerce and Development of Industry (BCDI) of Rwanda, and renamed it Ecobank Rwanda. In 2008, the group made three more acquisitions, bringing its presence in the region to four countries by the end of 2008. These acquisitions were Loita Bank of Malawi (73%) now Ecobank Malawi, EABS Bank of Kenya (75%) now Ecobank Kenya, and Société Burundaise de Banque et de Financement (SBF) of Burundi (75%), now Ecobank Burundi. One new start-up commenced operations in Uganda in January 2009. Zambia and Tanzania are expected to start operations in the third quater of 2009.

Our expansion in East and Southern Africa is reflected in the susbstantial growth in the key performance indicators.

Total assets in this region were up by US$192m, or 237%, out of which US$186m, or 97%, was contributed by acquisitions, especially from Ecobank Kenya.

Profit before tax rose by US$1m to US$2m, or 100%, out of which the newly acquired subsidiaries contributed US$0.4m.

Ecobank Rwanda, the first subsidiary in the region, contributed 78% of the total profit before tax for the region.`

The newly acquired subsidiaries had a considerable level of non-performing assets on their books. We are intensifying efforts to improve the performance of these subsidiaries.

NIGERIA

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	333	215	55%
Profit Before Tax	14	80	-83%
Total Assets	3,093	2,806	10%
Deposits from Customers	2,232	1,888	18%
Customer Loans and Advances	1,112	1,047	6%

The Nigerian economy started the year with high hopes of continuing economic growth and business expansion as a result of high crude oil prices. However, the global economic downturn and the volatile Niger Delta region affected both oil prices on the world market and Nigeria's oil output. The country's external reserve grew in the early months of the year but later weakened on account of falling world oil prices, low output and the unfavorable Naira/dollar exchange rate situation. Subsequently, the Nigerian Stock Exchange (NSE) turned negative, leading to a substantial loss of value.

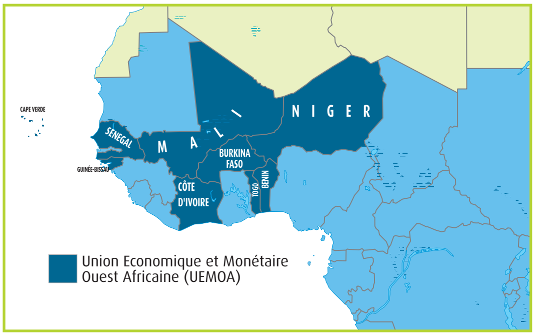
The weakness in the Nigerian economy coupled with intense competition in the banking industry affected the financial performance of Ecobank Nigeria.

Total assets grew by 10%, or US$287m, but was negatively affected by 18% currency depreciation. Even though revenues registered a strong growth of US$118m, or 55%, profit before tax fell sharply by 83%, or US$66m, to only US$14m, due to high levels of provisions. Net provisions were US$90m, mainly on account of its exposure to the stock market and partlyon exposure to the telecoms industry. Ecobank Nigeria has restrained lending and intensified recoveries.

The contribution of Ecobank Nigeria to the group's total assets remains strong at 37%, compared to 43% in 2007. However, as a result of the sharp decline in profits, the affiliate's contribution to the group's profit before tax dropped to 9%, compared to 42% in 2007.

UEMOA

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	237	165	44%
Profit Before Tax	81	61	33%
Total Assets	2,715	2,197	24%
Deposits from Customers	1,958	1,685	16%
Customer Loans and Advances	1,654	1,372	21%



The UEMOA region encompasses eight francophone countries, namely: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. Cape Verde and Mauritania, come under UEMOA for management purposes, even though they are geographically outside UEMOA.

The eight countries share the same currency—the CFA franc—, and the same regional central bank—the Central Bank of West African States or BCEAO. These countries also have a common business law and a stock exchange. Ecobank currently operates in all UEOMA countries and in Cape Verde.

With an estimated GDP growth of 4% in 2008, the bank's activities in the UEOMA region will continue to grow in 2009 based on the capacitiy of the region to mitigate the effects of the worldwide economic recession.

Total assets of the UEMOA region increased by US$518m, or 24%, to US$2,715m, influenced strongly by a growth in deposit of US$273m, or 16%. The impact of foreign exchange on total assets was negative 5%, or US$136m.

The region's revenues rose by US$72m, or 44%, as volumes increased. Profit before tax was, however, negatively affected by provisions in Côte d'Ivoire and Burkina Faso as it increased by US$20m, or 33%, to US$81m.

The contribution of UEMOA to the group's assets was 33%, as against 34% in 2007. However, its contribution to the group's profit before tax rose to 48% as against 32% in 2007, partly on account of a strong performance during the year.

WAMZ

FINANCIAL HIGHLIGHTS (US$M)	2008	2007	GROWTH
Revenues	142	98	45%
Profit Before Tax	52	40	30%
Total Assets	1,103	922	20%
Deposits from Customers	816	596	37%
Customer Loans and Advances	446	390	14%

The WAMZ region encompasses five countries in the West African sub-region. These are Ghana, Guinea, Liberia, Sierra Leone and The Gambia. The group completed coverage of this zone in 2007 when Ecobank Gambia commenced operations.

Countries in this region experienced considerable economic challenges in 2008 as a result of falling commodity prices and the escalating price of crude oil in the earlier part of the year. As a result, inflationary pressures set in, leading to currency depreciation across the zone, especially in Ghana, the biggest economy of the five. Despite these challenges, the financial performance of the region was resilient.

The region's strong deposit mobilization was reflected in its asset growth. Total assets were up by US$181m, or 20%, to US$1,103m. However, this was affected negatively by a 21% currency depreciation over the period.

The strong balance sheet growth translated into higher revenue growth of US$44m, or 45%, to US$142m. Profit before tax increased by a lower margin of US$12m or 29%, as the new subsidiaries, The Gambia and Sierra Leone, still have a higher operating cost, while Guinea and Liberia posted relatively significant provisions.

Ecobank Ghana remained dominant in this region as it contributed 77% of the regions profit.

The contribution of WAMZ to the group's assets was 13%, as against 14% in 2007. However, its contribution to the group's profit before tax increased to 30% against 21% in 2007, on account of strong growth.

OUTLOOK

We expect 2009 to be another challenging year with a continuing economic slowdown in the developed countries in Europe and America. As a result, there is also a strong possibility that African economies may face a decline in foreign direct investments and budgetary support as a result of the global economic crisis. In response to these potential challenges, the group has been proactive.

We have slowed down on our branch network expansion and are reviewing our headcount in our efforts to keep a firm grip on cost. We have also redoubled our efforts in building liabilities and restrained the growth of our loan book to enhance liquidity. We have taken a proactive approach to risk and positioned our loan portfolio defensively in the face of global recession.

LAURENCE DO REGO
Group Chief Financial Officer

RISK MANAGEMENT

1. RISK MANAGEMENT FRAMEWORK

Risk is an inherent part of the business activities of the Ecobank Group. Accordingly, Ecobank has designed a risk management framework and governance structure to achieve an appropriate balance between risk and reward.

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

1.1 RISK IDENTIFICATION

The group identifies risk by evaluating the potential impact of internal and external factors on business transactions and positions. Risk managers then develop strategies for mitigation of the identified risks. Such strategies include setting of appropriate risk limits by customer, product and business, and obtaining sufficient collateral coverage; they, however, exclude usage of derivatives to hedge against default events.

1.2 RISK MEASUREMENT

The group uses a variety of methodologies to measure risk. These include calculating probable loss, conducting stress tests and benchmarking.

1.3 RISK MONITORING AND CONTROL

The group reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practice. Risk professionals and internal auditors monitor risk exposures and adherence to approved risk limits on a daily, weekly and monthly basis as appropriate, by means of reliable and up-to-date information systems.

1.4 RISK REPORTING

Risk exposures are reported to management on a daily, weekly and monthly basis as appropriate.

2. MAJOR RISK TYPES

The group is exposed to the following major risk types:

Credit risk is the probability of financial loss arising from customer or counterparty default. It can arise either because the borrower or the counterparty is unwilling to perform or because its ability to perform has been impaired. Credit risk is said to be direct credit risk when it arises in connection with credit facilities such as loans and advances and indirect or contingent credit risk when the group has guaranteed contractual obligations of a client by issuing letters of credit and guarantees. Credit risk also exists when the group and its client have mutual obligations to exchange (deliver) financial instruments at a future date. The risk of default before settlement, also called pre-settlement risk, arises when the counterparty defaults or goes bankrupt before the contract matures and the group suffers a financial loss in the process of replacing the unexecuted contract. When the client defaults at the time of payment, the settlement risk converts to direct credit risk.

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates, exchange rates, equity prices ...) during the period required by the group to close out its on- and off-balance sheet positions. Positions that expose the group to market risk can be trading or non-trading related. Trading risk comprises positions that the group holds as part of its trading or market-making activities, whereas non-trading risk includes discretionary positions that the group undertakes for liquidity or capital hedging purposes. Sources of market risk include:

- **Interest rate risk:** the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors:
  - **Repricing risk** (or mismatch risk) arises from timing differences in the **maturity** (for fixed rate) or **repricing** (for floating rate) of assets, liabilities and off-balance sheet instruments. A financial contract is said to "reprice" whenever the interest rate that it pays changes. Instruments with fixed interest rates do not reprice, by definition.
  - **Yield curve risk** is the risk that changes in market interest rates may have different effects on yields or prices on similar instruments with different maturities.
  - **Basis risk** is the risk that changes in market interest rates may have different effects on rates received or paid on instruments with similar repricing characteristics (e.g. a floating-rate loan whose rate is based on the three-month Treasury bill rate that is funded with three-month LIBOR deposits). Interest rates for various assets and liabilities change at the same time but not necessarily in the same amount.
  - **Options risk** is inherent in interest-rate related options embedded in assets and liabilities, such as provisions in agreements that give borrowers the right (and not the obligation) to prepay their loans or give depositors the right (and not the obligation) to withdraw funds at any time, often with little or no penalty. These options, if exercised, can affect net interest income and underlying economic value.

- **Liquidity risk** arises from the general funding needs of the activities of the group and in the management of its assets and liabilities. The group is exposed to the risk that depositors' demands for withdrawals outstrip its ability to realize longer-term assets in cash. The group, therefore, seeks to maximize liquidity access and minimise funding costs by capturing stable, reliable and cost-effective sources of funding in all of its markets. There are two types of liquidity risk:
  - **Funding liquidity risk** is the risk that funds will not be available when needed to meet our financial commitments.
  - **Trading liquidity risk** is the risk that assets cannot be liquidated quickly enough. This can happen when the liquidity of a market disappears making it difficult or costly to close or modify positions.

Interest rate risk and liquidity risk are interconnected given that management of either side of the balance sheet has an impact on interest rate risk exposure.

- **Foreign exchange risk:** the risk to earnings and capital arising from sudden changes in the relative prices of different currencies. It can arise directly through trading in foreign currencies, making loans in a currency other than the local currency of the obligor, buying foreign-issued securities, or issuing foreign-currency denominated debt as a source of funds. It can also arise when assets and liabilities are denominated in foreign (as well as domestic) currencies. The group is also exposed to foreign exchange risk arising from adverse changes in currency exchange rates used to translate carrying values and income streams in foreign currencies to the US dollar, Ecobank's reporting currency.
- **Equity price risk:** the risk of loss from adverse changes in the value of equity portfolios due to changes in the level of equity prices.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is inherent in every product and service that Ecobank provides. It manifests itself in a variety of ways, including internal fraud, external fraud, transaction processing errors, business interruption, and disputes with employees, clients and vendors. Operational risk also includes legal risk, the risk of loss resulting from the failure to comply with laws, prudent ethical standards and contractual obligations. These events can potentially result in reputational harm to the group (reputational risk).

Sovereign risk includes political, convertibility and cross-border risks. Such risks can arise from actions of a sovereign state or to unforeseen circumstances such as wars and uprisings. They affect the ability of residents to meet their obligations to a lender who is domiciled in another country. In as much as the West African Economic and Monetary Union (UEMOA) and the Central African Economic and Monetary Union (CEMAC) share a "common" currency with the support of the Banque de France, risk exposures taken by the group's subsidiaries registered within either economic union on residents of any country within either economic union are not considered cross-border risk.

Strategic and franchise risks arise whenever the group launches a new product or a new service or when it implements a strategy. The risk is that the strategy may fail, causing damage to the group's image, which may impair the group's ability to generate or retain business. However, the group always carefully assesses both the impact of external factors on its strategic choices (strategic risk) and the feed-back from clients, shareholders and regulators on its results and capital (franchise risk).

Compliance risk is related to violations of rules and regulations in force in countries where the group operates. The compliance risk also arises when the rules or regulations applicable to the products and activities of subsidiary banks are ambiguous. Such a risk could result in sanctions, penalties, damages and even the voiding of existing contracts. Legal and regulatory risks are part of compliance risk.

Disclosure risk is the risk of loss due to the presentation of incomplete or false information to the general public, or shareholders or regulatory bodies. Non-compliance with accounting rules and requirements for rendition of reports to regulatory and supervisory or fiscal authorities could also give rise to strategic and franchise risks.

3. GOVERNANCE STRUCTURE

The **Board of Directors** exercises its oversight of risk management as a whole and through the Board's **Risk Committee** and **Audit and Compliance Committee**. The Board articulates the amount of risk that Ecobank is willing to accept in the normal course of business (risk appetite) and sets the overall risk profile for the group. The Risk Committee proposes risk policies and the overall approach to risk management and monitors the adequacy of controls, compliance with risk policies and the group's risk profile. The Audit and Compliance Committee ensures that the financial activities of the business are subject to independent review and external audit.
Group Risk Management, under oversight of the Risk Committee and the supervision of the Chief Risk Officer, develops the risk management strategy, principles, framework and policies, and implements appropriate risk management processes, methodologies and tools for managing risk. The Chief Risk Officer advises and coaches management and business units on risk management; monitors the application and effectiveness of risk management processes; and co-ordinates appropriate and timely delivery of risk management information to the Group Chief Executive Officer, the Group Executive Management Committee (GEMC), the Risk Committee and the Board. The Chief Risk Officer is assisted by a Group Portfolio Manager, a Group Operational Risk Manager and a Group Market Risk Manager.

Within each subsidiary bank, Group Risk Management is represented by a risk management department which is completely independent from all the operating and risk-taking units. The risk management department is managed by a Country Risk Manager who reports administratively to the Managing Director of the subsidiary and functionally to the Chief Risk Officer.

Within each business region, Group Risk Management is represented by a Regional Risk Manager who reports administratively to a Regional Director, who is a member of the GEMC, and functionally to the Chief Risk Officer. Regional Risk Managers assist Regional Directors in approving and managing risk in all the countries under their supervision.

The **Asset and Liability Committee** (ALCO), a sub-committee of GEMC, is responsible for the supervision and management of market risk, mainly interest rate and liquidity risks. Its members are: Chief Risk Officer, Chief Financial Officer, Group Market Risk Manager, Group Treasurer and the business heads for Multinational/Regional Corporates, Retail Bank, Consumer Bank, and Transaction Bank units. ALCO members meet quarterly to review the structure and pricing of the group's assets and liabilities, to decide on the required maturity profile and mix of incremental assets and liabilities, to evaluate market risk involved in new products, and to articulate the group's interest rate view.

At the subsidiary bank level, the responsibility of asset and liability management lies with the Treasury Department. Specifically, the Asset and Liability Management (ALM) desk of the Treasury & Financial Institutions Unit manages the balance sheet. The results of balance sheet analysis along with appropriate recommendations are reviewed in monthly ALCO meetings where important decisions are made to minimise risk and maximize returns. Local ALCO membership includes the country head, the country treasurer, the country risk manager, the internal auditor, the financial controller, and legal officer. Regional treasurers attend these meetings at least quarterly.

On an ongoing basis, Group Audit & Compliance provides to the Audit and Compliance Committee and the Board, timely independent assurance of the integrity and effectiveness of the risk management framework.

All business units are responsible for identification, measurement, assessment, and monitoring of risk within their units.

4. RISK MANAGEMENT APPROACH

4.1 CREDIT RISK

4.1.1 Organization

The group manages credit risk by means of a governance structure with clearly defined responsibilities and credit approval authority.

The Board of Directors of ETI is the highest credit approval authority at Ecobank. It sets credit policies and ensures that all officers involved in the extension of credit across the group scrupulously adhere to these policies.

From time to time, the Board delegates its credit approval authority to individual **Credit Officers** based on their credit skills, experience and independence of judgment. While credit approval limits are delegated to individual credit officers, no credit officer approves credits singly. All extensions of credit are approved by at least three credit officers, one of whom must have an individual credit limit equal to or greater than the amount of credit extension under consideration. Also, because of the separation of duties between origination and risk management, at least one of the three credit officers must come from Risk Management.

The Board reviews and approves all credits in excess of the policy limit, defined as maximum credit exposure to any borrower or group of related borrowers. It has, however, delegated this function to the Risk Committee, which has the authority to approve all such credits when the Board is not sitting. The Risk Committee comprises the Group Chief Executive Officer and two non-executive directors. The non-executive members of the Risk Committee are also consulted whenever credit facilities under consideration for any borrower or group of related obligors exceed 10% of the consolidated shareholders' funds of the group.

The **Senior Credit Committee** (SCC) is the management committee with the highest delegation of credit approval authority from the Board of Directors of ETI. It is comprised of the Group Chief Executive Officer, the Chief Risk Officer, Regional Heads, and Regional Risk Managers. The SCC reviews and approves credit facilities whose aggregate amounts exceed the credit approval limits of operating units. It reviews and approves target market and portfolio management strategies of operating units. It approves troubled exposure and remedial strategies. It performs regular portfolio reviews to contain build-up of concentrations and ensures credit quality.

The primary responsibility for managing credit risk, however, lies with the Chief Risk Officer. He ensures that Ecobank has resources, expertise, and controls in place for efficient and effective management of credit risk across the group. The Chief Risk Officer approves all unusual risks as well as extensions of credit which exceed the credit authority granted to Regional Heads and Regional Risk Managers. At the subsidiary bank level, the above functions are fulfilled by a specially designated country risk manager.

Ecobank subsidiaries receive delegations of credit approval authority from their respective boards of directors, in line with the general framework set up by Group Chief Executive Officer and Chief Risk Officer ("Group Risk Management"). Subsidiaries, therefore, have credit approval limits beyond which they must submit their credit applications to the designated Regional Risk Manager, the supervising Regional Director or Group Risk Management, depending on the amounts of risks to be approved.

4.1.2 Risk identification

Ecobank is exposed to credit risk through direct lending, issuance of financial and performance guarantees, and capital market activities. Credit risk analysts work in partnership with the sales function in the Wholesale Bank, Retail Bank, Treasury and Financial Institutions, and Investment Banking in identifying risk exposures within each subsidiary bank.

Credit decisions are based on an in-depth review of the obligor's creditworthiness. The group utilizes an internal risk rating system based on a scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments, as well as small- and medium-scale enterprises. A rating of "1" identifies obligors of the highest quality, comparable to AAA on the scale of Standard and Poor's. A risk rating of "10" is assigned to obligors of lowest quality or highest risk, identical to D on the scale of Standard and Poor's. Obligors risk rated 1 to 4 are considered low risk ("investment grade"). Those risk rated 5 and 6 are considered as medium risk, while those risk rated 7 through 10 are considered high risk. Medium and high risk obligors are also commonly categorized as "non-investment grade".

Risk ratings provide an objective means to compare obligors and facilities within a given portfolio, and to measure and manage credit risk across different geographies, industry segments, and business segments, and other relevant risk factors using the same standards. Accordingly, the level of credit authority required to approve any credit transaction is also based on the risk rating of obligors and facilities involved.

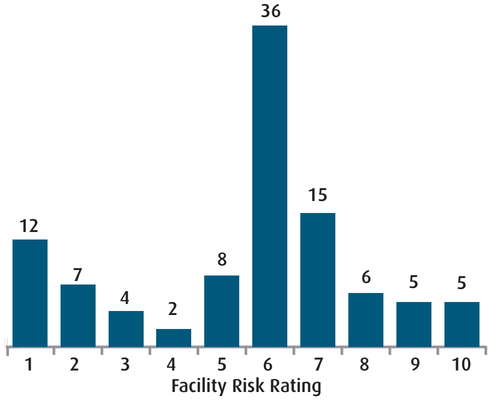
An obligor risk rating is defined as the risk of default on long term unsecured debt in local currency over a twelve month period. It is assigned and approved when a credit facility is first extended and is reviewed annually and upon the occurrence of a significant adverse event. The risk of default is derived from an analysis of the obligor's historical and projected financial statements and such qualitative criteria as industry issues, the obligor position in the market, the quality of the board and management and access to financing. The process for determining the obligor risk rating is carried out through decision-making tools developed by Moody's KMV, a subsidiary of Moody's Corporation.

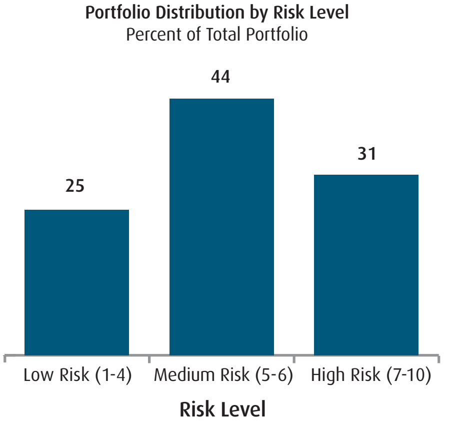
With regard to consumer lending, the group utilizes a credit program approach whereby credit is extended on the basis of product-specific risk parameters, using manual scoring systems. The products involved are ordinarily secured and of a self-liquidating nature. During 2008, the group successfully implemented an automated credit approval process for salary-based consumer loans. This process will be extended to other group subsidiaries in 2009 and 2010.

As of December 2008, sixty-nine percent of the credit risk portfolio was either low or medium risk.

Portfolio Distribution by Facility Risk Rating

Percent of Total Portfolio





4.1.3 Risk measurement

Credit risk measurement takes into account the actual credit exposure, the amount of loss in the event of default (also called "loss given default" or LGD), the probability of default (PD), and the severity of loss in the event of default (EAD).

To measure credit risk, the group estimates the level of the statistical expected economic loss in the event of default. This figure measures the net present value of credit costs that the group would face from the time of default until the end of the recovery process. Credit costs include all provisions taken against bad debts, write-offs, fully reserved interest earned not collected and possibly attorney fees incurred in the process of enforcing the group's claims in court.

Under the current methodology, the group proceeds by assigning risk ratings to credit facilities of all the obligors in the credit portfolio. Then, the amount of credit exposure with a given facility risk rating is multiplied by the corresponding loss norms to arrive at a measure of loss in the event of default on the exposure involved. The weighted average loss norm provides a measure of the portfolio risk profile and portfolio risk rating.

As of December 2008, the portfolio risk rating was 7 (high risk) against 6— in December 2007, essentially reflecting a more difficult credit environment.

4.1.4 Risk monitoring and control

Credit risk exposures of subsidiaries are monitored at both the subsidiary level and at the Group Risk Management level as well. At the subsidiary level, Credit Administration units monitor the performance of individual exposures on a daily basis, ensure regularity of credit approvals and line utilizations, authorize disbursements of credit facilities when approval conditions are met, and perform periodical reviews of collateral. These units are also responsible for the preparation of internal risk management reports for country management and Group Risk Management. Remedial Management units monitor past due exposures with a view to maximizing collections of delinquent loans and recoveries of loans previously reserved or written-off.

At the group level, the Group Risk Portfolio Management unit monitors risks taken by subsidiaries on individual obligors and economic groupings through a review of monthly reports submitted by country risk management units of subsidiary banks. These reports include early warning systems designed to monitor troubled exposure and credit process problems. They also include detailed credit exposure data that enable Group Risk Management to monitor the risk profile in terms of obligors, business segments, industry segments, geography, currency, and asset maturity, at country and group level. Group Risk Management also determines the level of the statistical expected economic loss and the overall direction of the portfolio risk profile.

Group Portfolio Management ensures that the Group is not exposed to excessive concentration of credit risk on any one obligor, industry segment or geography. In particular, the unit ensures that the group achieves its strategic diversification objectives within the prescribed time horizon.

The credit exposure, net of provisions, amounted to US$8.3 billion as of December 31, 2008 ($6.9 billion as of December 31, 2007). This portfolio comprises loans and advances to customers, loans and advances to governments, deposits with central banks, loans, advances and placements with banks and financials institutions, as well as off-balance sheets exposures in the form of financial and performance guarantees.

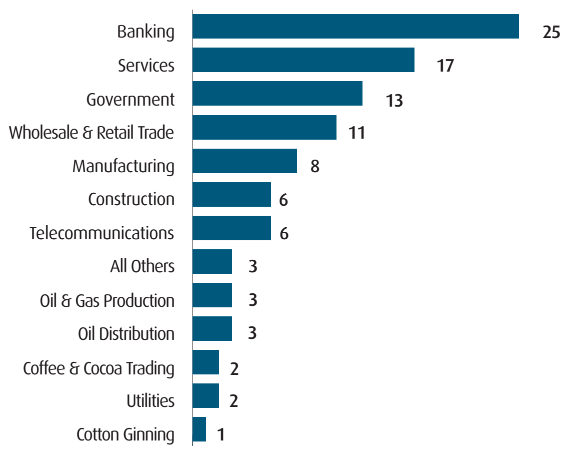
4.1.4.1 Obligor concentration

As of the same date, no individual obligor or economic grouping had credit outstandings in excess of 10% of the group capital. As such, no individual exposure represented an excessive concentration of credit risk for Ecobank. However, the twenty largest non bank exposures amounted to 96% of the capital (December 2007: 265%) and 15% of the total non-bank credit exposure (December 2007: 32%).

4.1.4.2 Industry diversification

The portfolio breakdown by industry shows a relatively stable diversification of credit exposure, with concentrations in the banking sector (mainly comprised of ordinary short term banking transactions with central banks, local banks, and OECD-based correspondent banks) domiciled in OECD countries) and in the government sector.

Diversification by Industry Segment
Percent of total portfolio

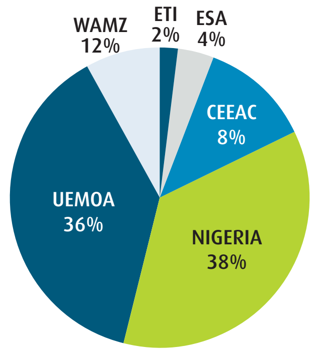


4.1.4.3 Geographic diversification

The group has banking operations in 27 countries and accordingly benefits substantially from geographic diversification of its credit exposure. The breakdown of the group exposure by country of obligor domicile however highlights the dominance of its Nigerian operations (38%). Apart from Nigeria, no other country represents more than 9% of the total exposure.

At the regional level, the exposure to residents of Nigeria is balanced by the growth of the exposure to the residents of WAMZ, CEEAC and ESA regions.

Exposure by Lending Region
Percentage of Total Portfolio



4.1.4.4 Asset quality

Non-performing loans (NPL) rose 77% to US$329 million in December 2008, mainly driven by the impairment of some large credits in Nigeria and the poor quality of legacy loans from acquired subsidiaries. This amount does not take into account exposures totalling US$345 million fully covered by shares listed on the Nigerian Stock Exchange, against which we have established significant provisions as a matter of prudence. We expect to write back these provisions as the underlying loans are restructured and the financial market recovers.

As gross loans and advances increased by only 22% to US$3.9 billion, the ratio of non-performing loans to gross loans and advances ("NPL ratio") worsened from 5.7% to 8.3%. On the other hand, the NPL provisioning rate ("NPL coverage") fell from 68% to 62%. Accordingly, the unreserved portion of non-performing loans (i.e. the "net open exposure ratio") increased, from 9% to 11% of regulatory capital, despite the capital increase in 2008.

Against the backdrop of deteriorating asset quality, the group has instituted vigorous policies and processes for close monitoring and reporting of past due loans and non-performing loans in order to significantly reverse this trend in 2009.

4.1.5 Portfolio stress testing

The ongoing international financial crisis is expected to have severe consequences for African economies. Economic recession, low commodity prices, low donor flows, and low migrant remittances will have a negative impact on the performance of our portfolio. The following sectors are expected to be severely affected: government, construction, manufacturing, cotton ginning, coffee and cocoa trading, oil refinery, and wholesale and retail trading.

A portfolio stress test was performed on the basis that the forecast economic downturn would result in a downgrade of one notch in facility risk ratings of all facilities that are not backed by cash collateral, write-offs of one quarter of credit card receivables, and further impairment in the exposure to the Nigerian Stock Exchange. In such a scenario, the weighted average loss norm for the group would rise by 256 basis points, while the expected economic loss would widen by US$214 million. The portfolio risk rating would, however, remain unchanged at 7 while the capital adequacy ratio would drop to 20.5%.

4.1.6 Risk reporting

Group Risk Management submits a monthly report to the Group Chief Executive Officer and GEMC members. The Risk Committee reviews Risk Management's quarterly reports to ensure that the portfolio performs in accordance with the approved concentration limits and overall risk profile. The Risk Committee refers decisions to the Board for final approval.

4.2 OPERATIONAL RISK

Ecobank has committed significant resources to develop a "risk-aware" culture and to ensure that all significant operational risks are identified, measured, assessed, prioritised, managed, monitored and treated in a consistent and effective manner across the group.

4.2.1 Organization

The Board of Directors and the Group Chief Executive Officer have direct responsibility for the management and control of operational risk throughout the group. Group Risk Management and the Risk Committee coordinate, facilitate, and oversee the effectiveness and integrity of Ecobank's operational risk management framework while Group Audit and Compliance and Ecobank's external auditors provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of this framework.

The Group Operational Risk Manager (GORM), within Group Risk Management, plays a coordination, aggregation, facilitation and enabling function. GORM drafts operational risk policies, defines operational risk management standards, and develops and distributes tools, techniques, methodologies, common risk language, risk framework, analysis, reporting, communication and training. GORM also publicizes knowledge on operational risk to create awareness and understanding at all levels of employees. It reports on aggregate risk profile, control effectiveness, and corrective actions taken. It coordinates and participates in preparing, testing, and reviewing the business continuity and disaster recovery plan of every business unit.

The staff and management working within or managing operational business units and the local Board of Directors are responsible for the day-to-day management and control of operational risk within their businesses.

4.2.2 Risk identification

Ecobank categorises operational risk into seven loss event categories based on their primary cause: internal fraud, external fraud, employment practices and workplace safety, disputes with clients, damage to physical assets, business disruptions and systems failure, and execution, delivery and process management.

4.2.3 Risk measurement

Operational risk managers within each business unit ensure that all operational risk events are recorded and reported to the appropriate management levels. Internal loss events are categorised into actual loss (an incident that has resulted in a financial loss), potential loss (an incident that has been discovered, that may or may not ultimately result in a financial loss) and near miss events. A near miss event is an incident that was discovered through means other than normal operating practices and that, through good fortune or focused management action, resulted in no loss or a gain.

4.2.4 Risk monitoring and control

The group monitors operational risk through risk and control self assessments, tracking of internal loss data, and monitoring of key risk indicators.

Risk and control self assessments are a key components of Ecobank's operational risk framework. It involves, on a quarterly basis, each business unit proactively identifying and assessing its significant operational risks and the controls in place to manage those risks. The group uses OpRisk Manager, an operational risk management application developed by HSBC, to perform its risk and control self assessments. This application also enables the collection, analysis, and reporting of operational loss event data at both business and group level and by Basel II categorization.

Business units are thus able to monitor the key operational risk exposures and their underlying causes against the thresholds set by the group.

The group analyses the impact of unlikely, but not impossible events by means of scenario analysis, which enable management to gain a better understanding of the risks that it faces under extreme conditions. Both historical and hypothetical events are tested.

GORM rolled out OpRisk Manager in four more subsidiaries, bringing the total number of user countries to 20 as of December 31, 2008. Subsidiaries acquired or created in 2008 have been scheduled for roll-out in 2009.

4.2.5 Risk reporting

Country operational risk managers report operational loss events to local management and Group Operational Risk Management. On the other hand, internal auditors of subsidiary banks submit to Group Audit and Compliance detailed reports of their investigations of operational loss events, including causes and remedial actions to be implemented. Group Audit and Compliance makes quarterly reports to the Audit and Compliance Committee and the Board.

Group Operational Risk Management oversees the collation, aggregation, and analysis of business unit management information and challenges it prior to submission to Group Risk Management, GEMC, Risk Committee, and the Board.

Ecobank requires immediate escalation to the Risk Committee and Board of all instances of unauthorised deviations from any of the standards set out in this risk policy statement; and likely or actual breaches of thresholds agreed by the Risk Committee, the Board and Group Risk Management.

Gross operational losses for 2008 increased by 26% to US$8.8 million but significant recoveries helped to drive down net losses to US$4.1 million, reflecting a 13% reduction over US$5.9 million incurred in 2007. External fraud (theft and fraud category), representing 48% of gross operational losses overtook internal fraud (32%) as the largest loss event category for the group in 2008. The 10 largest individual operational loss events accounted for 70% of the gross operational losses, 72% of all recoveries and 66% of all net operational losses.

4.3 MARKET RISK

The objective of Ecobank's market risk management policy framework is to ensure that all significant market risks are identified, measured, assessed, prioritised, managed, monitored and treated in a consistent and effective manner across the group in order to stabilize earnings and capital under a broad range of market conditions.

4.3.1 Organization

The Board articulates statements of market risk appetite. The Risk Committee of the Board, Group Chief Executive Officer and Group Risk Management coordinate, facilitate, and oversee the effectiveness and integrity of Ecobank's market risk management framework. Group Audit and Compliance, and Ecobank's external auditors provide timey and objective assurance regarding the continuing appropriateness of, and the adequacy of compliance with this framework.

The Group Market Risk Manager (GMRM), within Group Risk Management, plays a coordination, aggregation, facilitation and enabling function. GMRM drafts market risk policies, defines market risk management standards, and develops and distributes tools, techniques, methodologies, common risk language, risk framework, analysis, reporting, communication and training. GMRM also publicizes knowledge on market risk to create awareness and understanding at all levels of employees. GMRM approves price risk limits and liquidity contingency plans for banking subsidiaries and the group. GMRM constantly monitors market risk exposures and ensures that they are maintained within prudential levels at all times.

The Group Treasurer is responsible for market risk taking activities and manages market risks within the limits approved by the Board. Group Treasurer reports market risk positions to GMRM and Group Executive Management Committee (GEMC) on a monthly basis and to the Board quarterly. He prepares an annual liquidity contingency and capital plan for the Group and provides the first-level approval for liquidity contingency and capital plans and price risk limit recommendations of subsidiary banks. Country treasurers report functionally to Group Treasurer.

The Asset and Liability Committee (ALCO) is responsible for the supervision and management of market risk at the group level. ALCO members meet quarterly and more often if warranted by market conditions to review the group's liquidity and funding needs, the structure and pricing of the group's assets and liabilities, and market risk involved in new products. They articulate the group's interest rate view and decide on the required maturity profile and mix of incremental assets and liabilities. ALCO committees of subsidiary banks fulfil these functions monthly at the country level.

The staff and management working within or managing operational business units and their Board of Directors are responsible for the day-to-day management and control of market risk within their businesses.

4.3.2 Risk identification

Trading units maintain blotters for recording movements and balance sheet positions of traded instruments. The group identifies market risk through daily monitoring of levels and profit and loss balances of trading and non trading positions. Internal auditors and market risk managers monitor daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, local ALCO members, treasurers and market risk managers monitor market risk factors that affect the value of trading and non-trading positions as well as income streams on non-trading portfolios on a daily basis. They also track liquidity indicators to ensure that group subsidiaries meet their financial obligations at all times.

4.3.3 Risk measurement

The group uses gap analysis to measure its exposure to interest rate risk. Through this analysis, subsidiary banks compare the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or reprice at various time periods in the future. An interest rate sensitive gap is positive when the amount of interest rate sensitive assets exceeds that of interest rate sensitive liabilities maturing or repricing within a specified time period. It is negative when the amount of interest rate sensitive liabilities exceeds that of interest rate sensitive assets maturing or repricing within a specified period. An institution with a positive gap can expect net interest income to increase with rising market interest rates and decline with falling market interest rates.

Conversely, an institution with a negative gap can expect net income to increase when market interest rates are falling and to decline when interest rates are increasing. In performing this analysis, the group may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or repricing dates.

Foreign exchange risk is measured through the profit and loss account while liquidity risk is measured by the degree of diversification of sources and maturity of deposits.

4.3.4 Risk monitoring and control

Subsidiary bank treasurers monitor interest rate risk through daily, weekly, and monthly reviews of the structure and pricing of assets and liabilities.

They monitor foreign exchange risk by ensuring that open foreign currency positions are kept within the approved overnight and intraday price risk limits.

As of December 31, 2008, the group is exposed to foreign exchange rate fluctuations in 30 currencies, 14 of which are legal tender in the 25 countries it operates. In thirteen of those markets, it is exposed to the CFA franc (38% of the portfolio), which is pegged to the euro under financial agreements between the French Treasury and the countries in the UEMOA and CEMAC regions. The group had a long net US dollar open position of US$294 million, compared to US$30 million in December 2007, mainly from our Nigerian operations. It also held long net open positions in euros ($181 million), CFA francs ($88 million), and Ghanaian cedis ($91 million), compared to US$100 million, US$102 million and US$238 million, respectively in December 2007.

Liquidity risk is monitored through gap analysis and ensuring that the deposit base is not only broadly diversified but also complies with the group's liquidity management framework. The group is exposed to liquidity risk for maturities of up to one month. This is mainly due to the fact that 79% of total deposits are current or saving account balances.

The equity position risk is monitored through daily valuation of stock positions ensuring that they remain within the prescribed limits.

The group analyzes the impact of unlikely, but not impossible events by means of scenario analysis, which enable management to gain a better understanding of the risks that it faces under extreme conditions. Both historical and hypothetical events are tested.

4.3.5 Risk reporting

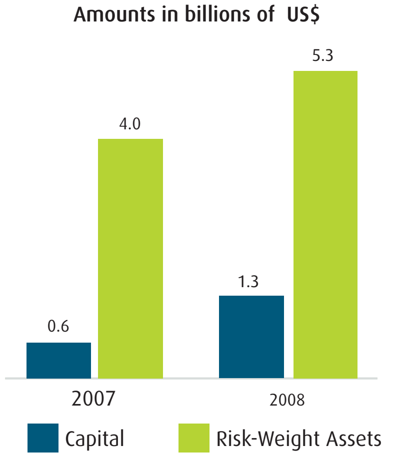
Within subsidiary banks, daily trader position books are reviewed by country heads and other senior managers. The minutes of ALCO meetings are circulated to regional treasurers, Group Treasurer, Group Market Risk Manager, and Regional Heads. Quarterly ALCO reports are consolidated by Group Treasurer and submitted for review by GEMC members, together with detailed equity portfolio data, as well as liquidity, interest rate and foreign exchange gap reports.

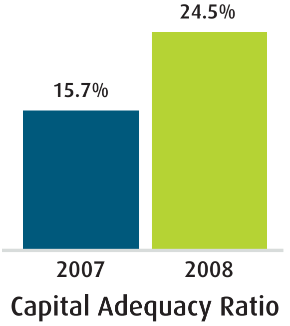
Group Market Risk Management oversees the collation, aggregation, and analysis of business unit management information and challenges it prior to submission to Group Risk Management, GEMC, Risk Committee, and the Board.

5. CAPITAL ADEQUACY

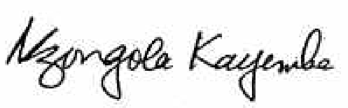
In all the countries where Ecobank operates, banks are required to hold a minimum capital level determined by the regulators in line with the recommendations of the Basel Committee on Banking Supervision. Under the original Basel accord, banks were to maintain a ratio of regulatory capital to risk-weighted assets of 8%. This ratio has been increased in some countries to 10%.

Under Basel I standards, risk-weighted assets rose by 33% from US$4.0 billion in December 2007 to US$5.4 billion. The regulatory capital, driven by the rights issue and the public offer of ETI shares, rose to US$1.3 billion in 2008 from US$0.6 billion in December 2007 (109% increase).





The capital adequacy ratio under Basle I, therefore, increased from 15.7% to 24.5% as of 31 December 2008, far exceeding the minimum international standard and confirming the financial strength of our group.



ANTOINE K. NZONGOLA
Risk , Audit & Compliance

DIRECTORS' RESPONSIBILITIES STATEMENT

RESPONSIBILITY FOR ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements for each financial year that give a true and fair view of the state of financial affairs of the company at the end of the year and of its profit or loss. This responsibility includes ensuring that the company:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company;

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

(c) prepares it's consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The directors accept responsibility for the annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards.

The directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least twelve months from the date of this statement.

APPROVAL OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The annual consolidated financial statements, presented on pages 52 to 105 were approved by the board of directors on 8 April 2009 and signed on its behalf by:

MANDE SIDIBE
Chairman

ARNOLD EKPE
Group Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (together, the 'Group') which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the accompanying consolidated financial statements give a true and fair view of the state of the Group's financial affairs at 31 December 2008, and of its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Pricewaterhousecoopers

PRICEWATERHOUSECOOPERS
Chartered Accountants
Lagos, Nigeria
29 April 2009

PRICEWATERHOUSECOOPERS, SA
Chartered Accountants
Abidjan, Côte d'Ivoire

CONSOLIDATED INCOME STATEMENT

(All amounts in US dollar thousands unless otherwises stated)

	Notes	Year ended 31 December 2008	2007
Interest income	6	710,249	428,423
Interest expense	6	(319,848)	(150,346)
Net interest income		**390,401**	**278,077**
Fee and commission income	7	275,683	185,406
Fee and commission expense	7	(9,545)	(2,980)
Net fee and commission income		**266,138**	**182,426**
Lease income	8	5,625	174
Dividend income	9	2,679	2,590
Net trading income	10	117,259	70,584
Gains less losses from investment securities	22	(11,299)	14
Other operating income	11	55,321	10,122
Impairment losses for loans	13	(113,071)	(19,148)
Operating expenses	12	(550,812)	(334,269)
Operating profit		**162,241**	**190,570**
Share of profit of associates		144	-
Profit before income tax		**162,385**	**190,570**
Income tax expense	14	(51,245)	(51,634)
Profit for the year		**111,140**	**138,936**
Attributable to:			
Equity holders of the company		94,195	107,373
Minority interest		16,945	31,563
		111,140	**138,936**

Earnings per share for profit attributable to the equity holders
of the parent company during the year (expressed in United States cents per share):

▪ basic	15	1.39	1.56
▪ diluted	15	1.35	1.51

The notes on pages 56 to 105 are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET

(All amounts in US dollar thousands unless otherwises stated)

	Notes	As at 31 December 2008	2007
ASSETS			
Cash and balances with central banks	16	810,393	978,233
Treasury bills and other eligible bills	17	420,316	547,401
Loans and advances to banks	18	1,994,951	834,404
Loans and advances to customers	21	3,754,206	3,117,036
Trading assets	19	7,106	10,375
Derivative financial instruments	20	-	75,003
Investment securities: available-for-sale	22	584,000	553,013
Investments in associates	23	1,514	-
Intangible assets	24	34,924	20,445
Property and equipment	25	315,802	242,984
Investment property	26	12 083	-
Deferred income tax assets	35	9,589	8,762
Other assets	27	361,302	162,568
Total assets		**8,306,186**	**6,550,224**
LIABILITIES			
Deposits from other banks	28	334,446	462,666
Due to customers	30	5,798,895	4,714,327
Other deposits	29	93,819	-
Derivative financial instruments	20	-	75,000
Borrowed funds	31	345 157	216,298
Other liabilities	33	495,825	349,058
Current income tax liabilities		37,073	43,754
Deferred income tax liabilities	35	31,180	23,853
Retirement benefit obligations	36	12,169	13,508
Total liabilities		**7,148,564**	**5,898,464**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	38	774,496	265,155
Retained earnings	39	206,401	145,314
Other reserves	39	52,313	103 079
		1,033,210	**513,548**
Minority interest		**124,412**	**138,212**
Total equity		**1,157,622**	**651,760**
Total liabilities and equity		**8,306,186**	**6,550 224**

The notes on pages 56 to 105 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands unless otherwises stated)

	Note	Attributable to equity holders of the company Share capital	Retained earnings	Other reserves	Minority Interest	Total
At 1 January 2007		**264,115**	**65,209**	**52,764**	**100,227**	**482,315**
Net changes in available for sale investments, net of tax	39	-	-	6,409	-	6,409
Currency translation differences	39	-	-	25,563	10,388	35,951
Net income recognised directly in equity		-	-	31,972	10,388	42,360
Profit for the year		-	107,373	-	31,563	138,936
Total recognised income for 2007		**-**	**107,373**	**31,972**	**41,951**	**181,296**
Dividend relating to 2006	40	-	(18,355)	-	(3,966)	(22,321)
Transfer to general banking reserves	39	-	(6,405)	6,405	-	-
Transfer to statutory reserve	39	-	(11,938)	11,938	-	-
Share options granted	39	-	9,430	-	-	9,430
Employee share ownership scheme:						
▪ Proceeds from shares issued	38	1,040	-	-	-	1,040
At 31 December 2007 / 1 January 2008		**265,155**	**145,314**	**103,079**	**138,212**	**651,760**
Net changes in available for sale investments, net of tax	39	-	-	14,413	-	14,413
Currency translation differences	39	-	-	(84,554)	(8,509)	(93,063)
Net loss recognised directly in equity		-	-	(70,141)	(8,509)	(78,650)
Profit for the year		-	94,195	-	16,945	111,140
Total recognised income for 2008		**-**	**94,195**	**(70,141)**	**8,436**	**32,490**
Dividend relating to 2007	40	-	(26,940)	-	(22,236)	(49,176)
Transfer to general banking reserves	39	-	(9,335)	9,335	-	-
Transfer to statutory reserve	39	-	(5,508)	5,508	-	-
Share options granted	38/39	3,168	8,675	-	-	11,843
Convertible loans - equity component	32	-	-	4,532	-	4,532
Proceeds from shares issued						
▪ Rights issue	38	184,490	-	-	-	184,490
▪ Public offer	38	369,991	-	-	-	369,991
Share issue expenses		(48,308)	-	-	-	(48,308)
At 31 December 2008		**774,496**	**206,401**	**52,313**	**124,412**	**1,157,622**

The notes on pages 56 to 105 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

(All amounts in US dollar thousands unless otherwises stated)

	Notes	Year ended 31 December 2008	2007
Cash flows from operating activities			
Interest and similar income received		667,225	439,096
Interest paid		(292,822)	(136,585)
Dividends received		2,679	2,590
Net fee and commission receipts		266,138	182,426
Net trading and other incomes		178,194	15,603
Cash payments to employees and suppliers		(604,458)	(322,625)
Cash payments to retired employees		-	(354)
Income taxes paid		(51,426)	(30,985)
Changes in operating assets and liabilities			
▪ net decrease/(increase) in trading assets		3,269	(9,628)
▪ net decrease/(increase) in derivative financial assets		75,003	(74,983)
▪ net decrease/(increase) in other treasury bills		200,926	(251,101)
▪ net increase in loans and advances to banks		(461,374)	(261,961)
▪ net increase in loans and advances to customers		(637,170)	(1,197,670)
▪ net increase in other assets		(155,709)	(5,745)
▪ net increase in mandatory reserve deposits with central banks		(95,744)	(54,616)
▪ net increase/(decrease) in other deposits		93,819	(5,027)
▪ net increase in amounts due to customers		1,084,568	2,214,149
▪ net (decrease)/ increase in derivative liabilities		(75,000)	75,000
▪ net increase in other liabilities		119,740	41,732
Net cash from operating activities		317,858	619,315
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	43	25,656	40,773
Purchase of software	24	(18,322)	(12,838)
Purchase of property and equipment	25	(172,082)	(139,283)
Proceeds from sale of property and equipment		17,452	6,619
Purchase of investment securities	22	(172,351)	(376,964)
Proceeds from sale and redemption of securities		71,948	223,122
Net cash used in investing activities		(247,699)	(258,571)
Cash flows from financing activities			
Proceeds from borrowed funds		133,391	165,638
Proceeds of subscription of ordinary shares	38	509,341	-
Deposit for shares		-	(1,404)
Dividends paid to minority shareholders		(22,236)	(3,966)
Dividends paid	39	(26,940)	(18,355)
Net cash from financing activities		593,556	141,913
Net increase in cash and cash equivalents		**663,715**	**502,657**
Cash and cash equivalents at start of year	41	856,154	413,496
Effects of exchange differences on cash and cash equivalents		(26,065)	(59,999)
Cash and cash equivalents at end of year	**41**	**1,493,804**	**856,154**

The notes on pages 56 to 105 are an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, the group) provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The group has operations in 25 countries and employs 11,211 people (2007: 8057) as at 31 December 2008.

Ecobank Transnational Incorporated is a limited liability company and is incorporated and domiciled in the Republic of Togo. The address of its registered office is as follows: 2 Avenue Sylvanus Olympio, Lome, Togo. The company has a primary listing on the Ghana Stock Exchange, Nigeria Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Cote D'Ivoire.

The group consolidated financial statements were authorised for issue by the board of directors on 08 April 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PRESENTATION

The group consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available for sale financial assets and financial assets held at fair value through the profit or loss and all derivative contracts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

a) Standards, amendment and interpretations effective in 2008

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements, as the group is not subject to any minimum funding requirements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions provide guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements. Share based payments under the management share option plan is recognised by the parent as an equity contribution in the subsidiary.

IFRIC 10, Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the group's financial statements.

b) Standards, amendments and interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the group's operations:

i) IFRIC 12, 'Service concession

ii) IFRIC 13, 'Customer loyalty programme arrangments'

iii) IFRIC 9, 'Re-assessment of embedded derivatives'.

c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2009 or later periods, but the group has not early adopted them:

i) IFRS 8, 'Operating segments ' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and requires 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This standard will be considered in 2009.

ii) IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements. This standard will be considered in 2009.

iii) IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This standard will be considered in 2009.

iv) IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This standard will be considered in 2009.

v) IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. All payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This standard will be considered in 2009.

vi) IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The group will apply the IAS 28 (Amendment) to impairment tests related to investments in associates and any related impairment losses from 1 January 2009.

vii) IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group will provide the required disclosure where applicable for impairment tests from 1 January 2009.

d) Interpretations to existing standards that are not yet effective and not relevant for the group's operations

The following interpretations to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the group's operations:

i) IAS 31 (Amendment), 'Interests in joint ventures (effective from 1 January 2009).

ii) IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009.

iii) IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

iv) IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

vi) IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.

vii) IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs.

viii) IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

ix) IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for- sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

x) IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied.

xi) IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement' only certain, rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.

xii) IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

xiii) IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

2.2 CONSOLIDATION

a) Subsidiaries

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

b) Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquiredof the carrying value of net assets of the subsidiary.

c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement; its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses in associates are recognised in the income statement.

2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

2.4 FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

Items included in the financial statements of each of the subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency'). The consolidated financial statements are presented in United States dollars, which is the company's functional and the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each income statement are translated at average exchange rates; and

iii) all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 INTEREST INCOME AND EXPENSE

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. In the calculation of the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

2.6 FEE AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

2.7 DIVIDEND INCOME

Dividends are recognised in the income statement when the entity's right to receive payment is established.

2.8 FINANCIAL ASSETS

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as held for trading, and those that the group upon initial recognition designates as at fair value through profit or loss; (b) those that the group upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

c) Held-to maturity

Held-to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

d) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available-for-sale are recognised on trade date, i.e. the date on which the group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values can not be measured reliably are recognised at cost less impairment.

2.9 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.10 SALE AND REPURCHASE AGREEMENT

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (‘reverse repos’) are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.11 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from recent market transactions, and valuation techniques, including discounted cash flow models and pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are recognised immediately in the income statement.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

a) Assets carried at amortised cost

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the group about the following loss events:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of legal proceedings to enforce security;
- Deterioration of the borrower’s competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the groups grading process that considers industry, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in impairment charge for credit losses.

b) Assets classified as available-for-sale

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

2.13 INTANGIBLE ASSETS

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Costs associated with developing or maintaining computer software programs are recognised as an expense incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding three years).

2.14 PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements 25 years, or over the period of the lease if less than 25 years
- Equipment 3 - 5 years.
- Motor vehicles 3 - 5 years.

The assets' residual values and useful lives are reviewed and adjusted appropriately at each balance sheet date. The assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.15 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three month's maturity from date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, placements with banks and amounts due from other banks. Cash and cash equivalents exclude all mandatory reserves held in central banks.

2.16 PROVISIONS

Provisions for restructuring costs and legal claims are recognised when the group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.17 EMPLOYEE BENEFITS

a) Pension obligations

Group companies operate defined contribution plans.A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-retirement obligations

The group also provides gratuity benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the accounting methodology described below.

The liability recognised in the balance sheet in respect of the gratuity payments is the present value of the gratuity payment obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. The gratuity payment obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the gratuity payment obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related gratuity payment liability.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

c) Share-based compensation

The group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.18 BORROWINGS

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

The fair value of the liability portion of a convertible bond or convertible preference share is determined using a market interest rate for an equivalent non-convertible bond or coupon for an equivalent redeemable preference share. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

2.19 LEASES

a) A group company is the lessee

The leases entered into by the group are primarily operating leases. The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

b) A group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

2.20 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax rates (and laws) enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 FIDUCIARY ACTIVITIES

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

2.22 SHARE CAPITAL

a) Share issue costs

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

b) Dividends on ordinary shares

Dividends on ordinary shares are charged to equity in the period in which they are approved by the company's shareholders. Proposed dividends for the year are disclosed as a note.

c) Treasury shares

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

2.23 INVESTMENT PROPERTY

Property held for long term rental yields that is not occupied by the companies in the group is classified as investment property.

Investment property comprises freehold land and buildings. It is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specified asset. If this information is not available, the group uses alternative valuation methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent valuation expert. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Changes in fair values are recorded in the income statement.

3. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the group's financial performance.

Risk management is carried out by the Group Risk Management under policies approved by the Board of Directors. Group Risk Management identifies, evaluates and hedges financial risks in close co-operation with the operating units of the group. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, the Group Audit and Compliance is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

3.1 CREDIT RISK

3.1.1 CREDIT RISK MEASUREMENT

The group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the group by failing to pay amounts in full when due. Credit risk is the most important risk for the group's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralized in the risk management team, which reports regularly to the Board of Directors.

Group's internal ratings scale and mapping of external ratings are as follows;

GROUP'S RATING	DESCRIPTION OF GRADE	MAPPING TO EXTERNAL RATING (STANDARDS AND POORS)
1 - 4	Investment Grade	AAA to A-
5 - 6	Standard Monitoring	BBB to B-
7 - 10	Non Investment Grade	CCC to D

The group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the group are segmented into three rating classes. The group's rating scale, which is shown above, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The group regularly validates the performance of the rating and their predictive power with regard to default events.

The ratings of the major rating agency shown in the table above are mapped to our rating classes based on the long-term average default rates for each external grade. The group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation on the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques.

3.1.2 RISK LIMIT CONTROL AND MITIGATION POLICIES

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

The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and other non bank financial institutions is further restricted by sub-limits covering on- and off-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.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(a) Collateral

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

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

Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.3 IMPAIRMENT AND PROVISIONING POLICIES

The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the balance sheet at year-end is derived from each of the three rating classes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following group criteria described in Note 2.12.

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (eg equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of legal proceedings to enforce security;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

(All amounts in US dollar thousands unless otherwises stated)

The group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

3.1.4 CREDIT CONCENTRATION

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

	Maximum exposure	
	2008	**2007**
Credit risk exposures relating to on-balance sheet assets are as follows:		
Treasury bills and other eligible bills	420,316	547,401
Loans and advances to banks	1,994,951	834,404
Loans and advances to customers:		
Retail		
▪ Overdrafts	494,087	443,387
▪ Credit cards	116,943	114,866
▪ Term loans	686,244	546,180
▪ Mortgages	183,001	86,015
Wholesale		
▪ Overdrafts	905,185	607,498
▪ Term loans	1,330,413	1,318,747
▪ Others	38,333	343
Trading assets		
▪ Debt securities	-	225
Derivative financial instruments	-	75,003
Investment securities		
▪ Debt securities	520,511	506,722
Other Assets	361,302	162,568
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	1,717,974	1,118,554
Loan commitments and other credit related liabilities	539,964	247,307
At 31 December	**9,309,224**	**6,609,220**

The above table represents a worse case scenario of credit risk exposure to the group at 31 December 2008 and 2007, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 62% of the total maximum exposure is derived from loans and advances to banks and customers (2007: 61%); 6% represents investments in debt securities (2007: 7%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from its loan and advances portfolio, debt securities and other assets based on the following:

- 75% of the loans and advances portfolio are considered to be neither past due nor impaired (2007: 92%);
- 60% of loans and advances are backed by collateral;
- Investment in debt securities are government securities;
- Other assets are considered to be neither past due nor impaired

3.1.5 LOANS AND ADVANCES

Loans and advances are summarised as follows:

	31 December 2008		31 december 2007	
	Loans and advances to banks	Loans and advances customers	Loans and advances to banks	Loans and advances customers
Neither past due nor impaired	1,994,951	2,969,815	831,229	2,987,939
Past due but not impaired	-	314,679	3,175	69,509
Impaired	-	674,818	-	186,088
Gross	1,994,951	3,959,312	834,404	3,243,536
Less: allowance for impairment	-	(205,106)	-	(126,500)
Net	**1,994,951**	**3,754,206**	**834,404**	**3,117,036**

a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the group.

31 December 2008
Loans and advances to customers

	Retail				Wholesale			
Grades	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
1Current	400,638	29,530	532,975	75,602	482,155	921,390	30,040	2,472,330
1A. Other loans								
especially mentioned	8,061	-	55,912	96,674	105,266	227,478	4,094	497,485
Total	**408,699**	**29,530**	**588,887**	**172,276**	**587,421**	**1,148,868**	**34,134**	**2,969,815**

(All amounts in US dollar thousands unless otherwises stated)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the group.

31 December 2007

Loans and advances to customers

	Retail				Wholesale			
Grades	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
1 Current	346,177	110,380	548,440	13,395	451,925	1,138,885	860	2,610,062
1A. Other loans								
especially mentioned	13,184	-	5,759	893	88,487	267,878	1,676	377,877
Total	**359,361**	**110,380**	**554,199**	**14,288**	**540 412**	**1,406,763**	**2,536**	**2,987,939**

b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

31 December 2008

	Retail				Wholesale			
Past due	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
Past due up to 30 days	6,108	13,705	19,018	22	81,218	8,513	34	128,618
Past due 30-60 days	7,730	7,597	2,059	15	5,906	42,450	18	65,775
Past due 60-90 days	41,738	45,289	9,254	2,157	19,926	1,529	393	120,286
Total	**55,576**	**52,886**	**30,331**	**2,194**	**107,050**	**52,492**	**445**	**314,679**
Fair value of collateral	1,084		9,313	-	606	1,282	303	12,588

31 December 2007

	Retail				Wholesale			
Past due	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
Past due up to 30 days	5,078	-	1,367	130	1,113	11,245	-	18,932
Past due 30-60 days	7,229	-	102	-	2,163	3,985	144	13,623
Past due 60-90 days	5,895	-	11,240	-	2,155	17,663	-	36,954
Total	**18,202**	**-**	**12,709**	**130**	**5,431**	**32,893**	**144**	**69,510**
Fair value of collateral	1,060	-	2,605	-	904	15,201	-	19,771

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price.

c) Loans and advances individually impaired

i) Loans and advances to customers

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the group as security, are as follows:

31 December 2008

	Retail				Wholesale			
	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
Individual impaired loans	84,171	23,839	55,985	8,835	152,974	347,128	1,886	674,818
Fair value of collateral	63,605	1,133	19,186	11,120	9,757	18,767	-	123,568

31 December 2007

	Retail				Wholesale			
	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	Total
Individual impaired loans	53,330	7,520	49,446	1,874	33,789	36,733	3,396	186,088
Fair value of collateral	4,937	-	6,648	818	11,202	18,000	3,872	45,477

ii) Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2008 was nil (2007: nil).

d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset from past due to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans and overdrafts. Renegotiated loans that would otherwise be past due or impaired totalled US$147.5million at 31 December 2008 (2007: US$86 million).

Loans and advances to customers	2008	2007
▪ Overdraft	37,262	683
▪ Term loans	104,936	85,341
▪ Mortgages	7,859	-
Total	**150,057**	**86,024**

(All amounts in US dollar thousands unless otherwises stated)

3.1.6 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

a) Geographical sectors

The following table breaks down the group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2008. For this table, the group has allocated exposures to regions based on the country of domicile of our counterparties.

	UEMOA Region	NIGERIA	WAMZ Region	CEEAC Region	East & South. Afr. Region	Others	Total
Treasury bills and other eligible bills	72,621	267,875	59,719	2,232	17,869	-	420,316
Loans and advances to banks	239,203	900,501	164,961	12,370	52,586	625,330	1,994,951
Loans and advances to customers:							
Retail							
▪ Overdrafts	255,679	143,971	26,170	28,351	39,605	311	494,087
▪ Credit cards	-	115,478	1,465	-	-	-	116,943
▪ Term loans	346,559	142,064	108,475	36,874	52,237	35	686,244
▪ Mortgages	130,681	36,399	560	1,960	13,401	-	183,001
Wholesale							
▪ Overdrafts	279,618	316,559	172,544	128,555	7,855	54	905,185
▪ Term loans	648,195	338,239	136,744	199,782	6,477	976	1,330,413
▪ Others	1,667	34,185	464	867	1,150	-	38,333
Investment securities – debt securities	240,240	146,225	109,425	2,128	22,393	-	520,511
Other assets	79,992	111,684	77,035	4,473	9,612	78,506	361,302
As at 31 December 2008	**2,294,455**	**2,553,280**	**857,562**	**417,592**	**223,185**	**705,212**	**7,051,286**
As at 31 December 2007	**2,147,109**	**1,860,955**	**535,777**	**305,952**	**43,708**	**349,858**	**5,243,359**

b) Industry sectors

The following table breaks down the group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial Institutions	Wholesale & Retail Trading	Manu-facturing	Government	Mining & Construction	Services & Others	Total
Treasury bills and other eligible bills	-	-	-	420,316	-	-	420,316
Loans and advances to banks	1,994,951	-	-	-	-	-	1,994,951
Loans and advances to customers:							
▪ Overdrafts	37,151	416,690	218,545	42,838	152,573	531,475	1,399,272
▪ Credit cards	-	-	-	-	-	116,943	116,943
▪ Term loans	290,184	561,956	212,328	95,751	117,373	739,065	2 016,657
▪ Mortgages	1,121	28,695	8,520	2,798	3,424	138,443	183,001
▪ Others	417	10,070	1,841	418	8,534	17,053	38,333
Investment securities – debt securities	-	-	-	520,511	-	-	520,511
Other assets	-	-	-	-	-	361,302	361,302
31 December 2008	**2,323,824**	**1,017,411**	**441,234**	**1,082,632**	**281,904**	**1,904,281**	**7,051,286**
31 December 2007	**1,053,461**	**947,507**	**415,312**	**1,212,059**	**209,608**	**1,540,956**	**5,378,902**

3.2 MARKET RISK

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Group Risk Management and the Board's Risk Committee: The Group Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval of Board's Risk Committee) and for the day to day implementation of those policies.

3.2.1 FOREIGN EXCHANGE RISK

The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the group's financial instruments at carrying amounts, categorised by currency.

31 December 2008	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	65,051	22,776	489,449	134,506	45,251	53,360	810,393
Treasury bills and other eligible bills	-	-	74,854	267,874	46,387	31,201	420,316
Loans and advances to banks	781,267	228,345	124,401	787,017	13,760	60,161	1,994,951
Loans and advances to customers	412,984	8,712	2,052,514	910,282	209,552	160,162	3,754,206
Trading assets	-	-	2,909	-	4,197	-	7,106
Investment securities - available-for-sale	720	-	249,313	193,775	63,981	76,211	584,000
Other assets	155,372	5,309	52,194	7,153	89,183	52,091	361,302
Total financial assets	**1,415,394**	**265,142**	**3,045,634**	**2,300,607**	**472,311**	**433,186**	**7,932,274**
Liabilities							
Deposits from banks	40,391	31,028	98,398	141,991	1,465	21,173	334,446
Due to customers	711,254	47,385	2,508,452	1,931,336	313,338	287,130	5,798,895
Other deposits	6,725	7	77,848	9,207	-	32	93 819
Other borrowed funds	289,467	4,194	36,392	-	5,091	10,013	345,157
Other liabilities	73,228	2,023	236,294	98,913	61,508	23,842	495,825
Total financial liabilities	**1,121,065**	**84,637**	**2,957,384**	**2,181,447**	**381,419**	**342,190**	**7,068,142**
Net on-balance sheet financial position	294,329	180,505	88,250	119,160	90,892	90,996	864,132
Credit commitments	**523,764**	**163,507**	**445,291**	**996,125**	**24,975**	**104,276**	**2,257,938**

(All amounts in US dollar thousands unless otherwises stated)

31 December 2007	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Total financial assets	694,961	248,344	2,351,496	2,214,327	583,125	185,780	6,278,033
Total financial liabilities	665,024	148,240	2,248,780	2,377,498	345,351	32,456	5,817,349
Net on-balance sheet financial position	29,937	100,104	102,716	(163,171)	237,774	153,324	460,684
Credit commitments	**545,904**	**91,933**	**207,545**	**28,387**	**-**	**415,110**	**1,288,878**

3.2.2 INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The table below summarises the group's exposure to interest rate risks. It includes the group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	450,513	9,141	-	-	-	350,739	810,393
Treasury bills and other eligible bills	145,130	219,977	40,124	15,085	-	-	420,316
Loans and advances to banks	1,543,702	451,249	-	-	-	-	1,994,951
Loans and advances to customers	1,190,339	792,141	967,753	663,395	140,578	-	3,754,206
Trading assets	7,106	-	-	-	-	-	7,106
Investment securities - available-for-sale	98,835	53,768	101,470	137,073	129,365	63,489	584,000
Other assets	-	-	-	-	-	361,302	361,302
Total financial assets	**3,435,625**	**1,526,276**	**1,109,347**	**815,553**	**269,943**	**775,530**	**7,932,274**
Liabilities							
Deposits from banks	120,668	157,586	56,192	-	-	-	334,446
Due to customers	3,628,971	1,108,183	333,952	331,655	40,647	355,487	5,798,895
Other deposits	84,573	-	9,246	-	-	-	93,819
Borrowed funds	41,475	714	24,171	265,094	13,703	-	345,157
Other liabilities	-	-	-	-	-	495,825	495,825
Total financial liabilities	**3,875,687**	**1,266,483**	**423,561**	**596,749**	**54,350**	**851,312**	**7,068,142**
Total interest repricing gap	**(440,662)**	**259,793**	**685,786**	**218,804**	**215,593**	**-**	**-**

At 31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Total financial assets	1,957,972	874,549	986,066	1,054,161	109,996	1,295,290	6,278,033
Total financial liabilities	749,556	718,134	448,544	472,797	90,902	3,337,415	5,817,348
Total interest repricing gap	**1,208,416**	**156,414**	**537,522**	**581,364**	**19,093**	**-**	**-**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the company. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the company and its exposure to changes in interest rates and exchange rates.

3.3 LIQUIDITY RISK

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

3.3.1 LIQUIDITY RISK MANAGEMENT PROCESS

The group's liquidity management process, as carried out within the group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

(All amounts in US dollar thousands unless otherwises stated)

3.3.2 NON-DERIVATIVE CASH FLOWS

The table below presents the cash flows payable by the group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the group manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits from banks	249,844	12,189	75,768	-	-	337,801
Due to customers	4,737,445	595,040	395,059	369,946	38,984	6,136,474
Other deposits	85,607	-	9,338	-	-	94,945
Other borrowed funds	24,419	9,102	18,423	310,983	42,370	405,297
Other liabilities	8,139	25,439	139,256	-	322,991	495,825
Current income tax liabilities	23,453	13,620	-	-	-	37,073
Deferred income tax liabilities	-	-	10,053	21,127	-	31,180
Retirement benefit obligations	-	-	-	1,217	10,952	12,169
Total liabilities						
(contractual maturity dates)	**5,128,907**	**655,390**	**647,897**	**703,273**	**415,297**	**7,550,764**
Total assets						
(expected maturity dates)	**3,803,717**	**949,317**	**1,498,974**	**1,050,459**	**629,807**	**7,932,274**
As at 31 December 2007						
Total liabilities						
(contractual maturity dates)	**3,868,706**	**801,286**	**466,175**	**567,253**	**118,665**	**5,835,935**
Total assets						
(expected maturity dates)	**2,289,713**	**894,226**	**1,030,439**	**1,338,784**	**159,494**	**5,712,656**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection and treasury and other eligible bills; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans and advances contractually repayable within one year will be extended. The group would also be able to meet unexpected net cash outflows by selling investment securities.

3.3.3 DERIVATIVE CASH FLOWS

a) Derivatives settled on a gross basis

The group's derivatives that will be settled on a gross basis are interest rate derivatives.

The table below analyses the group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2008	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for trading:						
■ Foreign exchange derivatives:						
■ Outflow	-	-	-	-	-	-
■ Inflow	-	-	-	-	-	-
At 31 December 2007						
■ Interest rate derivatives:	75,000	-	-	-	-	75,000
■ Outflow	(75,000)	-	-	-	-	(75,000)
■ Inflow						

3.4 OFF-BALANCE SHEET ITEMS

Loan commitments

The dates of the contractual amounts of the group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities, provide financial guarantees and capital commitments are summarised in the table below.

At 31 December 2008	No later than 1 year	Over 1 years	Total
Loan commitments	513,398	26,566	539,964
Guarantees, acceptances and other financial facilities	1,145,145	572,829	1,717,974
Capital commitments	17,781	-	17,781
Total	**1,676,324**	**599,395**	**2,275,719**
At 31 December 2007			
Loan commitments	197,846	49,462	247,308
Guarantees, acceptances and other financial facilities	764,232	354,322	1,118,554
Capital commitments	11,390	-	11,390
Total	**973,468**	**403,784**	**1,377,252**

(All amounts in US dollar thousands unless otherwises stated)

3.5 CAPITAL MANAGEMENT

The group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the capital requirements set by the banking regulators in the markets where the entities within the group operate;
- To safeguard the group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital by the subsidiaries are monitored daily by the Group's Risk Management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the respective central banks. Monthly reports are submitted to the central banks in the various jurisdictions by the individual subsidiaries.

The central banks in the various jurisdictions requires each bank to: (a) hold the minimum level of the regulatory capital determined by the banking regulations of the respective country, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 8%.

The Company's capital is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: subordinated loan capital, unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the group for the years ended 31 December. During those two years, the individual entities within the group and the group complied with all of the externally imposed capital requirements to which they are subject.

	2008	2007
Tier 1 capital		
Share capital	774,496	265,155
(net of the treasury shares)		
General bank reserves	24,288	14,953
Statutory reserve	73,217	67,709
Retained earnings	206,401	145,314
Minority interests	124,412	138,212
Less: goodwill	(14,044)	(11,752)
Total qualifying		
Tier 1 capital	**1,188,770**	**619,591**
Tier 2 capital		
Convertible loans	100,000	-
(including liability and equity portions)		
Revaluation reserve –		
available-for-sale investments	22,724	8,311
Total qualifying		
Tier 2 capital	**122,724**	**8,311**
Less investments in associates	1,514	-
Total regulatory capital	**1,309,980**	**627,902**
Risk-weighted assets:		
On-balance sheet	4,887,274	3,729,964
Off-balance sheet	451,588	273,172
Total risk-weighted assets	**5,338,862**	**4,003,135**
Basel ratio	**24.5%**	**15.7%**
Tier I	**22.3%**	**15.5%**

The increase of the capital in the year of 2008 is mainly due to subscriptions from rights issue and offer for public during the year as well as the contribution of the current-year profit.

3.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the group's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the group at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

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

b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

c)Impairment of available-for-sale equity investments

The group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

d) Income taxes

The group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(All amounts in US dollar thousands unless otherwises stated)

5. SEGMENTAL ANALYSIS

5.1 BUSINESS SEGMENTS

The group is organised into three main business segments:

1) **Retail banking** - comprises private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

2) **Wholesale banking** - specialises in serving the public sector, multinational institutions, financial institutions and other major players in the private sector.

3) **Treasury** - comprises assets and liability management, money market operations, the treasury sales and trading unit, and is also responsible for compliance with regulatory capital requirements.

Other group operations comprise fund management and investment banking services, none of which constitutes a separately reportable segment.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet, but exclude items such as taxation and borrowings.

The following table shows the group's performance by business segments.

As at 31 December 2008	Wholesale banking	Retail Banking	Treasury	Other	Elimi-nations	Group
External revenues	390,213	253,625	177,204	42,254	(37,171)	826,125
Operating profit						162,241
Share of profit of associate						144
Profit before tax						162,385
Income tax expense						51,245
Profit for the year						111,140
Segment assets	2,273,931	1,480,275	3,818,280	1 619 916	(886,216)	8,306,186
Segment liabilities	1,788,635	4,010,260	679,603	1,556,282	(886,216)	7,148,564
Other segment items						
Capital expenditure	-	-	-	-	-	183,213
Impairment charge	79,033	34,038	-	-	-	113,071
Depreciation	-	-	-	-	-	44,409
At 31 December 2007						
External revenues	237,764	148,669	153,756	23,880	(20,082)	543,987
Profit before tax						190,570
Share of profit of associate						-
Income tax expense						51,634
Profit for the year						138,936
Segment assets	1,975,389	1,141,647	3,311,165	466,838	(344,815)	6,550,224
Segment liabilities	1,613,529	3,100,797	1,066,699	462,254	(344,815)	5,898,464
Other segment items						
Capital expenditure	-	-	-	-	-	140,837
Impairment charge	14,259	4,889	-	-	-	19,148
Depreciation	-	-	-	-	-	26,291

5.2 GEOGRAPHICAL SEGMENTS

Transactions between the geographical segments are on normal commercial terms and conditions. Although the group's three business segments are managed on a regional basis, they operate in five main geographical areas. Capital expenditure is shown by the geographical area in which the buildings and equipment are located.

i) **Union Economique et Monétaire Ouest Africaine (UEMOA)** region comprises all subsidiaries within the UEMOA monetary zone. Countries in this zone share a common currency. This region currently includes subsidiaries in Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea Bissau.

ii) **Nigeria** region comprises all subsidiaries in Nigeria.

iii) **West African Monetary Zone (WAMZ)** region comprises all subsidiaries in West African countries not included in the common monetary zone described as UEMOA. This region currently includes subsidiaries in Ghana, Guinea, Liberia, Sierra Leone, Gambia.

iv) **Communauté Economique des Etats de l'Afrique Centrale (CEEAC)** region comprises all subsidiaries within the CEMAC monetary zone. Countries in this zone share a common currency. Cameroon, Chad, Central Africa, DR Congo , Congo Brazaville and Sao Tome are the only countries currently included in this segment.

v) **Eastern and Southern Africa** region comprises Burundi, Kenya, Malawi and Rwanda.

As at 31 December 2008	Revenues	Total assets	Capital expenditure
UEMOA region	237,129	2,715,013	63,269
Nigeria	332,612	3,092,746	57,201
West African Monetary Zone	142,495	1,103,311	22,993
Communauté Economique des Etats de l'Afrique Centrale (CEEAC)	75,804	712,916	17,641
East and Southen Africa	19,681	273,456	11,395
Others	18,404	408,744	10,714
	826,125	**8,306,186**	**183,213**
As at 31 December 2007			
UEMOA region	165,418	2,196,713	30,821
Nigeria	215,472	2,806,318	76,227
West African Monetary Zone	97,647	921,654	22,371
Communauté Economique des Etats de l'Afrique Centrale (CEEAC)	43,876	500,080	7,459
East and Southen Africa	3,213	81,267	75
Others	18,361	44,192	3,884
	543,987	**6,550,224**	**140,837**

6. NET INTEREST INCOME

	Year ended 31 December 2008	2007
Interest income		
Loans and advances to banks	46,674	36,896
Loans and advances to customers:		
▪ Wholesale	382,143	242,195
▪ Retail	179,314	84,203
Treasury bills and other eligible bills	62,038	28,076
Investment securities - available for sale	39,580	22,538
Trading securities	215	614
Others	285	13,901
	710,249	**428,423**
Interest expense		
Deposits from banks	71,115	11,087
Due to customers		
▪ Wholesale	135,561	61,797
▪ Retail	99,548	63,975
Other borrowed funds	13,624	13,487
	319,848	**150,346**

(All amounts in US dollar thousands unless otherwises stated)

7. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2008	**2007**
Fee and commission income		
Credit related fees and commissions	105,686	66,759
Corporate finance fees	21,098	5,376
Portfolio and other management fees	11,601	13,651
Cash management and related fees	130,507	91,976
Brokerage fees and commissions	5,421	4,123
Other fees	1,370	3,521
	275,683	**185,406**
Fee and commission expense		
Brokerage fees paid	572	606
Other fees paid	8,973	2,374
	9,545	**2,980**

The group provides custody, trustee, investment management and advisory services to third parties, which involve the group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

8. LEASE INCOME

Equipments	-	174
Motor vehicles	5,038	-
Other leased assets	587	-
	5,625	**174**

9. DIVIDEND INCOME

Trading securities	-	20
Available-for-sale securities	2,679	2,570
	2,679	**2,590**

10. NET TRADING INCOME

▪ translation gains less losses of trading assets	1,032	(2,189)
▪ transaction gains less losses	109,366	70,414
Equities	6,861	2,359
	117,259	**70,584**

11. OTHER OPERATING INCOME

	Year ended 31 December	
	2008	**2007**
Negative goodwill arising from business combination:		
▪ acquisition by parent company (Note 43)	7,429	-
▪ acquisition by subsidiary	17,851	-
Profit on sale of loans	20,322	-
Others	9,719	10,122
	55,321	**10,122**

12. ADMINISTRATIVE EXPENSES

Staff cost:		
Wages, salaries and allowances	250,648	156,033
Social security costs	10,657	7,454
Pension costs:		
▪ defined contribution plans	759	115
Other post retirement benefits (Note 36)	4,645	2,497
	266,709	**166,099**
Directors' emoluments	2,981	2,411
Profit on sale of property and equipment	(155)	(164)
Impairment charges:		
▪ property and equipment (Note 25)	264	-
Software costs (Note 24)	5,460	2,004
Restructuring costs	-	333
Social responsibility	1,923	1,325
Other administrative expenses	229,221	135,970
Depreciation (Note 25)	44,409	26,291
Total operating expenses	**550,812**	**334,269**

13. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Loans and advances to customers (Note 21)	113,071	19,148

14. INCOME TAX EXPENSE

Current income tax	51,322	42,514
Deferred income tax (Note 35)	(77)	9,120
	51,245	**51,634**

(All amounts in US dollar thousands unless otherwises stated)

Further information about deferred income tax is presented in Note 35. The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows

	Year ended 31 December	
	2008	2007
Profit before tax	**162,385**	**190,570**
Tax calculated at local tax rates applicable to profits in the respective countries	53,604	68,520
Tax impact on income not subject to tax	(15,097)	(18,150)
Tax impact on expenses not deductible for tax purposes:	13,266	1,264
Utilisation of previously unrecognised tax losses	(528)	-
Income tax expense	**51,245**	**51,634**

Under the Headquarters Agreement between Ecobank Transnational Incorporated (ETI) and the Republic of Togo signed in October 1985, ETI is exempt from tax on all its income arising from operations in Togo.

15. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Comparatives have been restated to include the effect of the one for five share split approved by the equity holders during the year.

Profit attributable to equity holders of the Company	94,145	107,373
Weighted average number of ordinary shares in issue (in thousands)	6,758,268	6,869,873
Basic earnings per share (expressed in US cents per share)	1.39	1.56

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debt and share options granted to employees.

The convertible debt could potentially dilute basic earnings per share in the future, but has not been included in the calculation of diluted earnings per share because it is antidilutive for the period presented.

For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Weighted average number of ordinary shares in issue (in thousands)	6,758,268	6,869,873
Adjustment for share option	208,551	227,950
Weighted average number of ordinary shares		
for diluted earnings per share (in thousands)	6 966 819	7,097,823
Dilutive earnings per share (expressed in US cents per share)	1.35	1.51

16. CASH AND BALANCES WITH CENTRAL BANKS

	Year ended 31 December	
	2008	**2007**
Cash in hand	282,650	647,708
Balances with central banks other than mandatory reserve deposits	244,749	143,275
Included in cash and cash equivalents (Note 41)	527,399	790,983
Mandatory reserve deposits with central banks	282,994	187,250
	810,393	**978,233**

Mandatory reserve deposits are not available for use in the group's day to day operations. Cash in hand and balances with central banks and mandatory reserve deposits are non-interest-bearing.

17. TREASURY BILLS AND OTHER ELIGIBLE BILLS

Maturing within 3 months	365,107	291,266
Maturing after three months	55,209	256,135
	420,316	**547,401**
Current	405,231	410,378
Non Current	15,085	137,023
	420,316	**547,401**

Treasury bills and other eligible bills are debt securities issued by the government of various countries in which the group operates.The movement of those debt securities which are classified are available for sale is summarised in Note 22.

18. LOANS AND ADVANCES TO BANKS

Items in course of collection from other banks	583,063	71,568
Deposits with other banks (Note 41)	935,744	236,571
Placements with other banks	476,144	526,265
	1,994,951	**834,404**

All loans and advances to banks are current.

19. TRADING ASSETS

Debt securities:		
▪ Government bonds	-	225
▪ Other debt securities	-	-
Total debt securities	**-**	**225**
Equity securities		
▪ Listed	7,106	9,089
▪ Unlisted	-	1,061
Total equity securities	**7,106**	**10,150**
Total trading assets	**7,106**	**10,375**

(All amounts in US dollar thousands unless otherwises stated)

20. DERIVATIVE FINANCIAL INSTRUMENTS AND TRADING LIABILITIES

The group uses the following derivative instruments for non-hedging purposes.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rate (for example, fixed rate for floating rate). No exchange of principal takes place, except for certain currency swaps. The group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market.

	Contract /	Fair Value	
Derivatives	**Notional Amount**	**Assets**	**Liabilities**
At 31 December 2008			
Interest rate swaps	**20**	-	-
Currency swaps		-	-
Total derivatives assets		-	-
At 31 December 2007			
Interest rate swaps	**22**	3	-
Currency swaps		75,000	75,000
Total derivatives liabilities		**75,003**	**75,000**

The group has not designated at initial recognition any financial liability as at fair value through profit or loss.

21. LOANS AND ADVANCES TO CUSTOMERS

a) Analysis by type:

	Year ended 31 December	
	2008	**2007**
■ Overdrafts	1,543,425	1,099,311
■ Credit cards	121,151	114,866
■ Term loans	2,070,054	1,939,981
■ Mortgage loans	184,193	86,842
■ Others	40,489	2,536
Gross loans and advances	3,959,312	3,243,536
Less: allowance for impairment	(205,106)	(126,500)
	3,754,206	**3,117,036**

b) Analysis by security:

	Year ended 31 December	
	2008	2007
Secured against real estate	594,755	320,276
Otherwise secured	1,792,241	1,733,913
Unsecured	1,572,316	1,189 347
	3,959,312	**3,243,536**
Current	2,950,233	1,090,213
Non current	803,973	2,026,823
	3,754,206	**3,117,036**

c) Analysis by performance

Performing loan	3,284,494	3,057,448
Non performing loan	674,818	186,088
	3,959,312	**3,243,536**

The non performing loans include overdraft facilities of US$345 million which are fully covered on a mark-to-market basis.

d) Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

	Wholesale			Retail				
	Overdrafts	Term Loans	Others	Overdrafts	Term loans	Credit cards	Mortgage	Total
At 1 January 2008	26,496	45,108	2,193	21,930	29,946	-	827	126,500
Provision for loan impairment	96,304	6,375	1,374	38,169	8,738	3,747	1,101	155,808
Amounts recovered during the year	(14,300)	(10,298)	(422)	(13,146)	(4,135)	-	(437)	(42,738)
Loans written off during the year	(6,475)	(4,804)	(398)	(3,187)	(4,467)	-	(54)	(19,385)
Exchange difference	(1,086)	(6,379)	(591)	(2,724)	(6,687)	461	(245)	(15,079)
At 31 December 2008	**103,111**	**30,002**	**2,156**	**41,042**	**23,395**	**4,208**	**1,192**	**205,106**

At 1 January 2007	18,232	31,940	1,907	10,439	33,199	-	605	96,322
Provision for loan impairment	4,646	10,346	113	17,092	6,637	-	194	39,028
Amounts recovered during the year	-	(846)	-	(6,414)	(12,621)	-	-	(19,881)
Loans written off during the year	-	(366)	-	(972)	(227)	-	-	(1,565)
Exchange difference	3,618	4,034	173	1,785	2,958	-	28	12,596
At 31 December 2007	**26,496**	**45,108**	**2,193**	**21,930**	**29,946**	**-**	**827**	**126,500**

(All amounts in US dollar thousands unless otherwises stated)

	Year ended 31 December	
	2008	**2007**
Loans and advances to customers include finance lease receivables		
Gross investment in finance leases, receivable		
No later than 1 year	14,726	4,563
Later than 1 year and no later than 5 years	89,329	88,576
Later than 5 years	1,259	1,783
	105,314	**94,922**
Unearned future finance income on finance leases	(20,723)	(16,761)
Net investment in finance leases	**84,591**	**78,161**

The net investment in finance lease may be analysed as follows:

No later than 1 year	14,104	6,563
Later than 1 year and no later than 5 years	69,467	69,815
Later than 5 years	1,020	1,783
	84,591	**78,161**

22. INVESTMENT SECURITIES

Securities available-for-sale		
Debt securities - at fair value:		
▪ listed	205,132	236,453
▪ unlisted	315,379	270,269
Total	**520,511**	**506,722**
Equity securities - at fair value:		
▪ listed	22,508	14,925
▪ unlisted	40,981	31,366
Total	**63,489**	**46,291**
Total securities available-for-sale	**584,000**	**553,013**
Current	254,073	173,456
Non Current	329,927	379,557
	584,000	**553,013**

The group has not reclassified any financial asset measured at amortised cost rather than fair value during the year (2007: nil).

The movement in securities available for sale may be summarised as follows:

	Available-for-sale	Treasury and other eligible bills	Total
At 1 January 2008	553,013	547,401	1,100,414
Additions	172,351	167,472	339,823
Disposals (sale and redemption)	(83,247)	(223,439)	(306,686)
Losses from impairment of available-for-sale equity securities	(12,697)	-	(12,697)
Gains from changes in fair value	19,611	2,481	22,092
Exchange differences on monetary assets	(65,031)	(73,599)	(138,630)
At 31 December 2008	**584,000**	**420,316**	**1,004,316**

Gains less losses from investment securities	2008	2007
Derecognition of available-for-sale financial assets	296	-
Net gains transferred to net profit on impairment (Note 39)	1102	-
Impairment of available-for-sale equity securities	(12,697)	-
	(11,299)	**-**

23. INVESTMENT IN ASSOCIATES

	2008	2007
At 1 January 2008	-	-
Acquisition of subsidiary	1,377	-
Share of results	203	-
Share of tax	(59)	-
Exchange differences	(7)	-
At 31 December 2008	**1,514**	**-**

At 31 December 2008

Associate	Country of Incorporation	Assets	Liabilities	Revenues	Profit/ (loss)	%interest held
Merchantile Insurance Company	Kenya	11,510	7,519	584	144	35%

24. INTANGIBLE ASSETS

	Year ended 31 December	
Goodwill	**2008**	**2007**
Opening net book amount	11,752	2,962
Acquisition of subsidiary	2,292	8,790
Closing net book amount	**14,044**	**11,752**

(All amounts in US dollar thousands unless otherwises stated)

Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2008 (2007:nil)

	Year ended 31 December	
Software costs	**2008**	**2007**
Opening net book amount	8,693	1,645
Purchase	18,322	12,838
Amortisation (Note 12)	(5,460)	(2,004)
Exchange differences	(675)	(3,786)
Closing net book amount	**20,880**	**8,693**
Total intangibles	**34,924**	**20,445**

25. PROPERTY AND EQUIPMENT

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Instal-lation	Construction in progress	Total
At 1 January 2007						
Cost	17,345	57,967	73,882	22,635	17,454	189,283
Accumulated depreciation	9,576	8,039	44,748	10,500	-	72,863
Net book amount	**7,769**	**49,928**	**29,134**	**12,135**	**17,454**	**116,420**
Year ended December 2007						
Opening net book amount	7,769	49,928	29,134	12,135	17,454	116,420
Acquisition of subsdiaries	176	9,652	1,456	-	-	11,284
Additions	12,384	34,488	42,130	5,077	33,920	127,999
Disposals - cost	(1,708)	(131)	(2,577)	(147)	(4 464)	(9,027)
Disposals - accumulated depreciation	475	28	2,054	15	-	2 572
Reclassifications - cost	-	365	(269)	527	(623)	-
Depreciation charge	(4,400)	(3,158)	(16,366)	(2,367)	-	(26,291)
Exchange rate adjustments	866	8,628	6 105	558	3,870	20,027
Closing net book amount	**15,562**	**99,800**	**61,667**	**15,798**	**50,157**	**242,984**
At 31 December 2007/1 January 2008						
Cost	29,535	116,919	126,742	29,073	50,157	352,426
Accumulated depreciation	13,973	17,119	65,075	13,275	-	109,442
Net book amount	**15,562**	**99,800**	**61,667**	**15,798**	**50,157**	**242,984**
Year ended December 2008						
Opening net book amount	15,562	99,800	61,667	15,798	50,157	242,984
Acquisition of subsdiaries	318	5,311	1,333	223	6	7,191
Additions	16,249	38,534	52,420	25,551	32,137	164,891
Disposals - cost	(5 315)	(750)	(10,828)	(9,506)	-	(26,399)
Disposals - accumulated depreciation	4,079	17	3,257	1,749	-	9,102
Reclassifications - cost	763	11,067	8,817	3,390	(24,037)	-
Impaiment Charge	-	(264)	-	-	-	(264)
Depreciation charge	(8,147)	(5,250)	(26,825)	(4,187)	-	(44,409)
Exchange rate adjustments	(2,406)	(19,454)	(9,294)	511	(6,651)	(37,294)
Closing net book amount	**21,103**	**129,011**	**80,547**	**33,529**	**51,612**	**315,802**
At 31 December 2008						
Cost	39,405	149,470	165,313	53,455	51,612	459,255
Accumulated depreciation	18,302	20,459	84,766	19,926	-	143,453
Net book amount	**21,103**	**129,011**	**80,547**	**33,529**	**51,612**	**315,802**

26. INVESMENT PROPERTY

	Year ended 31 December	
	2008	2007
1 January	-	-
Acquistion of subsidiaries	13,022	-
Fair value gains	1,140	-
Exchange rate adjustments	(2,079)	-
At 31 December	**12,083**	**-**

The investment properties are valued annually on 31 December at fair value, comprising market value by an independent, professionally qualified valuer.

The following amounts have been recognised in the income statement:

	Year ended 31 December	
	2008	2007
Rental income	994	-
Direct operating expenses arising from		
investment properties that generate rental income	(613)	-
	381	**-**

27. OTHER ASSETS

Fees receivable	53,029	10,005
Accounts receivable	197,258	77,360
Prepayments	79,886	67,825
Sundry receivables	31,129	7,378
	361,302	**162,568**

All other assets are current.

28. DEPOSITS FROM OTHER BANKS

Items in course of collection	16,671	273,953
Deposits from other banks	317,775	188,713
	334,446	**462,666**

All deposits from banks are current and have variable interest rates.

29. OTHER DEPOSITS

Certificates of deposits	**93,819**	**-**

All certificate of deposits are current and have variable interest rates.

(All amounts in US dollar thousands unless otherwises stated)

30. DUE TO CUSTOMERS

	Year ended 31 December	
	2008	**2007**
Wholesale		
▪ Current accounts	1,268 316	1,283,477
▪ Term deposits	520,319	330,052
	1,788,635	**1,613,529**
Retail		
▪ Current accounts	2,416,332	1,602,303
▪ Term deposits	882,535	935,229
▪ Savings deposits	711,393	563,266
	4,010,260	**3,100,797**
Total	**5,798,895**	**4,714,327**
Current	5,071,106	4,308,881
Non current	727,789	405,446

Customer deposits carry variable interest rates

31. BORROWED FUNDS

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)	50,112	-
European Investment Bank	93,902	94,404
Ashanti Goldfields Company Employees Pension Fund	-	3,125
International Finance Corporation	43,471	20,065
International Finance Corporation - Convertible Loans (Note 32)	96,241	-
African Development Bank	4,286	5,715
Social Security and National Insurance Trust	3,592	4,540
BHF Bank	3,824	3,998
OIKOCREDIT Ecumenical Development	1,875	2,599
Export Development Investment Fund	1,245	2,908
Banque Ouest Africaine de Développement	19,154	11,221
Credit Foncier du Cameroon	8,300	-
Banque Centrale de la République de Guinée	7,363	-
Societe Mamadou Dalaba	2,779	-
Ecobank Senegal bonds	-	11,221
First Bank UK	-	50,000
Le Mans and Union Des Assurances Vie	3,405	2,468
Other loans	5,608	4,034
	345,157	**216,298**
Current	66,360	88,508
Non current	278,797	127,790

Nederlandse Financierings (FMO) loan is repayable over five years in twenty equal quarterly instalments from 2010 - 2015. Interest rate is based on 3 month LIBOR rate plus margin of 3.5% payable quarterly.

The loan from the European Investment Bank to Ecobank Transnational Incorporated is repayable in ten equal semi-annual instalments starting from 2009. This attracts interest at 6 month LIBOR rate plus margin of 2.40% payable semi-annually.

The European Investment Bank loan to Ecobank Ghana expires in 2014 with a rate of average of Ghanaian 6-month Treasury bill rate and 6-month corporate bond rate in Ghana.

International Finance Corporation (IFC) loan to Ecobank Transnational Incorporated is repayable over four years in eight semi-annual instalments from 2011-2015. Interest rate is based on 6 month LIBOR rate plus margin of 1% payable semi-annually.

The International Finance Corporation (IFC) loan to Ecobank Nigeria and Ghana are repayable in 2013 and 2015 respectively. Interest rates to Ecobank Nigeria and Ecobank Ghana are LIBOR plus 2.75% and LIBOR plus 3% respectively.

The African Development Bank (ADB) loan is an onlending facility to Ecobank Guinea. The loan is repayable over seven years from 2005. Interest rate is 5.376%. Interest and principal are payable semi-annually.

The Banque Ouest Africaine de Développement (BOAD) is a facility to Ecobank Senegal and attracts interest at 7% per annum. The facility is repayable in 2015.

The Credit Foncier du Cameroon loan to Ecobank Cameroon is a one year facility with an interest rate of 3.5%

The Social Security and National Insurance Trust, Ghana loan is a 10-year facility expiring in 2015. It attracts interest at the Bank of Ghana prime rate applicable at the date of drawdown.

The BHF bank loan to Ecobank Ghana is renewable annually. Interest is payable att a rate of 5.09% per annum.

OIKO Credit Ecumenical Development loan to Ecobank Ghana is a five year term loan. Interest is payable at a rate of 6 months LIBOR plus 2.5% per annum.

The Central Bank of Guinea loan to Ecobank Guinea attracts interest rate of 25%. The facility is repayable in 2009.

The Societe Mamadou Dalaba loan to Ecobank Guinea is a one year facility with an interest rate of 16%.

The Union Des Assurance Vie loan to Ecobank Cote d'Ivoire is repayable in 2012 with interest rate ranging from 7.5% to 8%.

(All amounts in US dollar thousands unless otherwises stated)

32. CONVERTIBLE LOANS

On 1 August 2008, ETI secured a convertible loan of US$ 100 million from International Finance Corporation (IFC). The loan matures within 7 years from the date of issue at the norminal value unless converted into ETI's ordinary shares within three years at the holder's option

The convertible loan is presented in the consolidated balance sheet as follows:

	Year ended 31 December	
	2008	**2007**
Initial recognition		
▪ Face value of convertible bond issued	100,000	-
▪ Equity conversion component	(4,532)	-
Liability component at 1 August	95,468	-
Interest expense	2,209	-
Interest paid	(1,436)	-
Liability component at 31 December	**96,241**	**-**

The carrying amount of the liability component of the convertible bond reflects its current fair value.

Interest on the loan is calculated on the effective yield basis by applying the effective interest rate (5.48%) for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2008 amounted to US$2.2 million (2007: nil). The actual interest paid in 2008 was US$ 1.4 million (2007: nil).

33. OTHER LIABILITIES

Accrued interest and commission	58,392	31,366
Unclaimed dividend	14,486	5,557
Accruals	259,534	62,770
Other provisions (Note 34)	12,784	6,661
Obligations under customers' letters of credit	79,007	43,222
Bankers draft	62,975	150,079
Others	8,647	49,403
	495,825	**349,058**

34. OTHER PROVISIONS

At 1 January	6,661	6,464
Additional provisions charged to income statement	9,283	535
Utilised during year	(1,980)	3,075
Exchange differences	(1,180)	(3,413)
At 31 December	**12,784**	**6,661**

Other provisions represent amounts provided for in respect of various litigations pending in court. Based on professional advice, the amounts for pending litigations have been set aside to cover the expected losses to the group on the determination of these litigations.

35. DEFERRED INCOME TAXES

Deferred income taxes are calculated using the enacted tax rate of each subsidiary.

The movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2008	2007
At 1 January	15,091	3,013
Income statement charge	(77)	9,120
Available-for-sale securities		
▪ fair value remeasurement	6,930	2,958
▪ transfer to net profit	(353)	-
At 31 December	**21,591**	**15,091**

Deferred income tax assets and liabilities are attributable to the following items:

Deferred income tax liabilities		
Accelerated tax depreciation	16,125	15,847
Other temporary differences	8,478	3,708
Available-for-sale securities	6,577	4,298
	31,180	**23,853**

Deferred income tax assets		
Pensions and other post retirement benefits	2,734	2,134
Provisions for loan impairment	1,526	2,922
Other provisions	4,734	2,791
Tax loss carried forward	595	915
	9,589	**8,762**

The deferred tax charge in the income statement comprises the following temporary differences:

Accelerated tax depreciation	278	7,000
Pensions and other post retirement benefits	(600)	(183)
Allowances for loan losses	1,396	473
Other provisions	(1,943)	(475)
Tax losses carry forward	320	(745)
Other temporary differences	472	3,050
	(77)	**9,120**

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

(All amounts in US dollar thousands unless otherwises stated)

36. RETIREMENT BENEFIT OBLIGATIONS

Other post-retirement benefits

The group operates a post employment gratuity payment scheme.

The amounts recognised in the balance sheet are as follows:

	Year ended 31 December	
	2008	2007
Present value of obligations	9,465	7,925
Fair value of plan assets	(2,948)	-
Present value of unfunded obligations	6,517	7,925
Unrecognised actuarial losses	5,652	5,583
Liability in the balance sheet	**12,169**	**13,508**

The amounts recognised in the income statement are as follows:

Current service cost	4,749	1,653
Interest cost	1,244	-
Expected return on plan assets	(182)	-
Net actuarial losses recognised in year	(1,166)	844
Total included in staff costs	**4,645**	**2,497**

The movement in the liability recognised in the balance sheet is reconciled as follows:

At 1 January	13,508	8,902
Total expense - as above (Note 12)	4,645	2,497
Contributions paid	(3,873)	(354)
Exchange differences	(2,111)	2,463
At 31 December	**12,169**	**13,508**

The plan assets relates to funded post employment gratuity obligations for Ecobank Nigeria Plc. The movement in the fair value of the plan assets for the year is as follows;

At 1 January		
Expected return on plan assets	182	-
Contributions	2 766	-
At 31 December	**2 948**	**-**

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The principal assumptions used for the subsidiaries operating in the UEMOA region were as follows:

	2008	2007
Discount rate	3%	3%
Expected return on plan assets	1.8%	1.8%
Future salary increases	2%	2%

The principal assumptions used for the employees of Nigeria PLC were as follows:

Discount rate	12%	12%
Expected return on plan assets	12%	12%
Future salary increases	10%	10%

37. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal proceedings

There were a number of legal proceedings outstanding against the group at 31 December 2008 with contingent liabilities of US$47.4 million (2007: US$20.3 million). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

At 31 December 2008, the group had capital commitments of US$17.8 million (2007: US$11.4 million) in respect of buildings and equipment purchases. The group's management is confident that future net revenues and funding will be sufficient to cover this commitment.

c) Loan commitments, guarantee and other financial facilities

At 31 December 2008 the group had contractual amounts of the off-balance sheet financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

	Year ended 31 December	
	2008	**2007**
Acceptances	86,919	277,639
Guaranteed commercial papers	167,493	95,981
Documentary and commercial letters of credit	947,346	302,031
Performance bond, guarantees and indemnities	516,216	442,903
Loan commitments	539,964	247,307
	2,257,938	**1,365,861**

38. SHARE CAPITAL

	No of shares ('000)	Ordinary shares	Share premium	Total
At 1 January 2007	611,003	152,667	111,448	264,115
Employee share ownership scheme	1,285	294	746	1,040
Additional shares from 1 for 1 share split	612,288	-	-	-
Bonus Issue	122,458	15,307	(15,307)	-
At 31 December 2007/ 1 January 2008	1,347,034	168,268	96,887	265,155
Employee share option	7,920	990	2,178	3,168
Additional shares from 5 for 1 share split	5,419,814	-	-	-
Proceeds from share offer:				
▪ Rights issue	683,295	17,082	167,408	184,490
▪ Public offer	1,275,831	31,896	338,095	369,991
Share issue expenses	-	-	(48,308)	(48,308)
At 31 December 2008	**8,733,894**	**218,236**	**556,260**	**774,496**

(All amounts in US dollar thousands unless otherwises stated)

The total authorised number of ordinary shares at year end was 50 billion (2007: 10 billion) with a par value of US$0.025 per share (2007: US$0.125 per share).

The company allotted 39.6 million ordinary shares to employees during the year under the stock option plan.

At the Extra-Ordinary General Meeting held on 16 May, 2008, the members resolved to reduce the nominal value of ordinary shares of the company from US$0.125 per share to US$0.025 per share by splitting each ordinary share into five equal parts.

In August 2008 the group offered its shares for subscription by way of a right issue and public offer. The offer closed on 31 October 2008 and a total of 683.3 million shares were subscribed and fully paid for under the rights issue at a price of 27 cents per share whilst 1,275.8 million shares were issued and fully paid for under the public offer at a price of 29 cents per share.

Share options

The group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date. The group has no legal or constructive obligation to repurchase or settle the options in cash. Following the 5 for 1 split issue made in 2008, the shares under the employee share option scheme were accordingly split into five equal parts and reflected in the 2008 number of shares under the option scheme.

Movement in the number of share options outstanding are as follows:

	2008 '000	2007 '000
At 1 January	66,264	-
Granted	-	68,684
Share split	265,056	-
Exercised	-	-
Lapsed	(28,600)	(2,420)
At 31 December	**302,720**	**66,264**

Share options were granted on 1 January 2007 at a price of 0.08 cents (restated for share splits) per share and expire on 31 December 2011. No option was exercisable at 31 December 2008.

The number of shares outstanding at the end of the year was as follows:

Expiry date; 1 January	2008 '000	2007 '000
2010	151,360	165,665
2011	90,816	99,395
2012	60,544	66,260
	302,720	**331,320**

For the employees share option plan, options may be exercised prior to the tenth anniversary of the grant, no later than 31 December 2016.

39. RESERVES AND RETAINED EARNINGS

	Year ended 31 December	
	2008	2007
General banking reserve	24,288	14,953
Statutory reserve	73,217	67,709
Revaluation reserve - Available-for-sale investments	22,724	8,311
Convertible bond - equity component	4,532	-
Translation reserve	(72,448)	12,106
	52,313	**103,079**

Movements in the reserves were as follows:

General banking reserve		
At 1 January	14,953	8,548
Transfer from retained profits	9,335	6,405
At 31 December	**24,288**	**14,953**

The general banking reserve represents transfers from retained earnings for unforeseeable risks and future losses. General banking reserves can only be distributed following approval by the shareholders in general meeting.

Statutory reserve		
At 1 January	67,709	55,771
Transfer from retained profits	5,508	11,938
At 31 December	**73,217**	**67,709**

Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable

Revaluation reserves - Available -for-sales		
At 1 January	8,311	1,902
Net gains transferred into income statement on impairment (Note 22)	(1,102)	-
Less deferred tax (Note 35)	353	-
Net gains from changes in fair value (Note 22)	22,092	9367
Deferred income taxes (Note 35)	(6,930)	(2,958)
At 31 December	**22,724**	**8,311**

Movement in equity component of convertibles were as follows:

Comvertible bond - equity component		
At 1 January	-	-
Issue of convertible bond in August 2008 (Note 32)	4,532	-
At 31 December	**4,532**	**-**

The equity component of the convertible bond is computed as a residual amount after determining the loan amount using the market rate of an equivalent loan.

(All amounts in US dollar thousands unless otherwises stated)

Translation reserve	Year ended 31 December 2008	2007
At 1 January	12,106	(13,457)
Currency translation difference arising during the year	(84,554)	25,563
At 31 December	**(72,448)**	**12,106**

Reserves and retained earnings		
Retained earnings		
At 1 January	145,314	65,209
Net profit for year	94,195	107,373
Dividend	(26,940)	(18,355)
Employee share option scheme	8,675	9,430
Transfer to general banking reserve	(9,335)	(6,405)
Transfer to statutory reserve	(5,508)	(11,938)
At 31 December	**206,401**	**145,314**

40. DIVIDENDS PER SHARE

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the forthcoming annual general meeting, a dividend in respect of 2008 of 0.2 cents per share (2007: 0.4 cents per share) is to be proposed. This amounts to a total of US$17.5 million (2007: US$26.9 million). The financial statements for the year ended 31 December 2008 do not reflect these dividends, which will be accounted for in the shareholder's equity as an appropriation of retained profits in the year ending 31 December 2009.

41. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition

	Year ended 31 December 2008	2007
Cash and balances with central banks (Note 16)	527,399	790,983
Treasury Bills and other eligible bills (Note 17)	365,107	291,266
Deposits with other banks (Note 18)	935,744	236,571
Deposits from other banks (Note 28)	(334,446)	(462,666)
	1,493,804	**856,154**

42. RELATED -PARTY TRANSACTIONS

A number of banking transaction are entered into with related parties in the normal course of business. These transactions include loans, deposits, and foreign currency transactions. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year as follows:

	Directors and key management personnel		Related companies	
Loans and advances to related parties	**2008**	**2007**	**2008**	**2007**
Loans outstanding at 1 January	1,077	495	25,046	6,773
Loans issued during the year	4,640	640	8,851	25,561
Loan repayments during the year	(159)	(58)	(2,096)	(7,288)
Exchange difference	(493)	-	(19)	-
Loans outstanding at 31 December	**5,065**	**1,077**	**31,782**	**25,046**
Interest income earned	**6**	**44**	**-**	**-**

No provisions have been recognised in respect of loans given to related parties (2007:nil).

The loans issued to executive directors during the year and related companies controlled by directors were given on commercial terms and market rates.

	Directors and key management personnel		Associated companies	
Deposits from related parties	**2008**	**2007**	**2008**	**2007**
Deposits at 1 January	408	160	525	409
Deposits received during the year	44,353	2,926	806	184,801
Deposits repaid during the year	(42,117)	(2,678)	(1,133)	(184,685)
Exchange difference	(450)	-	(85)	-
Deposits at 31 December	**2,194**	**408**	**113**	**525**
Interest expense on deposits	**3**	**-**	**-**	**41**

	Year ended 31 December	
	2008	**2007**
Key management compensation		
Salaries and other short term benefits	**4,181**	**2,400**

Directors' remuneration		
Total remuneration of the directors	**2,981**	**2,411**

(All amounts in US dollar thousands unless otherwises stated)

43. MAJOR BUSINESS ACQUISITIONS

In February 2008, the group acquired 73% of the share capital of Loita Bank of Malawi. The acquired bank contributed operating income and profit before tax of US$2.9 million and US$0.1 million respectively to the group for the period from 1 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the contribution to the group operating income and profit before allocations would have been US$3.3 million and US$0.3 million respectively.

In June 2008, the group acquired 75% of the share capital of EABS Bank of Kenya. The acquired bank contributed operating income and profit before tax of US$5.2 million and US$0.02 million respectively to the group for the period from 1 July 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the contribution to the group operating income and profit before allocations would have been US$8.9 million and US$1.0 million respectively.

In June 2008, the group acquired 75% interest in Société Burundaise de Banque et de Financement of Burundi (SBBF). The acquired bank contributed operating income and profit before tax of US$1.2 million and US$0.2 million respectively to the group for the period from 1 July 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, the contribution to the group operating income and loss before allocations would have been US$2.0 million and US$0.1 million respectively.

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	LOITA BANK MALAWI		EABS KENYA		SBBF BURUNDI	
	Fair value on date of Acquisition 28 Febr. 2008	Acquiree's previous carrying value 31 Dec. 2007	Fair value on date of Acquisition 15 June 2008	Acquiree's previous carrying value 31 Dec. 2007	Fair value on date of Acquisition 30 June 2008	Acquiree's previous carrying value 31 Dec. 2007
Cash and cash equivalent	7,007	11,818	34,744	36,915	820	2,633
Loans and advances to customers	4,807	32,988	77,232	79,117	7,787	9,357
Investment securities	9	468	2,260	4,018	610	251
Investment in associates	-	-	1,377	1,377	-	-
Property, plant and equipment	243	11,571	5,439	4,618	1,509	1,635
Investment properties	-	-	13,022	13,813	-	-
Other assets	488	2,658	12,606	10,950	403	1,133
Deposit from banks	(53)	(942)	-	-	-	-
Deposit from customers	(10,375)	(46,179)	(115,370)	(120,483)	(9,227)	(12,838)
Other liabilities	(482)	(13,598)	(2,412)	(2,508)	(876)	(1,663)
Net assets value	1,644	**(1,216)**	28,899	**27,819**	1,026	**508**
Less minority interest	(444)		(7,225)		(257)	
Net assets acquired	**1,200**		**21,674**		**769**	
Cost of acquisition (discharged by cash)	1,900		12,654		2,361	
Net assets acquired	1,200		21,674		769	
Goodwill (Note 24)	**700**		**-**		**1,592**	
Negative Goodwill (Note 12)	**-**		**(9,021)**		**-**	
Cost of acquisition (discharged by cash)	1,900		12,654		2,361	
Cash and cash equivalents in subsidiaries acquired	7,007		34,744		820	
Net cash flow	**5,107**		**22,090**		**(1,541)**	

44. EVENTS AFTER THE BALANCE SHEET DATE

A new subsidiary, Ecobank Uganda commenced operations on 19 January 2009. Ecobank Uganda is a wholly owned subsidiary of the company.

On 31 October 2008, the company concluded the offer for subscription by way of rights issue and public offer on the Bourse Regionale des Valeurs Mobilieres (BVRM), Nigeria and Ghana stock exchanges. The Ghana Securities and Exchange Commission gave consent for allotment of the shares subscribed on 24 December 2008. Consents were secured from the Conseil Regional de l'Epargne Publique et des Marches Financiers (CREPMF) and the Nigeria Securities and Exchange Commission on 26 January 2009 and 13 February 2009 respectively.

PARENT COMPANY'S FINANCIAL STATEMENTS INCOME STATEMENT

(All amounts in US dollar thousands unless otherwises stated)

	Year ended 31 December 2008	2007
Interest income	2,825	308
Interest expense	(8,473)	(2,702)
Net interest expense	**(5,648)**	**(2,394)**
Fee and commission income	12,804	7,004
Fee and commission expense	(42)	(46)
Net interest, fee and commission income	**7,114**	**4,564**
Dividend income	81,388	49,440
Operating expenses	(23,455)	(11,305)
Profit for the year	**65,047**	**42,699**

Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in cents $ per share):

■ basic	0.96	0.62
■ diluted	0.93	0.60

PARENT COMPANY'S FINANCIAL STATEMENTS
BALANCE SHEET

(All amounts in US dollar thousands unless otherwises stated)

	As at 31 December 2008	2007 (as restated)
ASSETS		
Balances with banks	234,939	80,524
Investment in subsidiaries	346,131	293,888
Other assets	538,096	44,135
Property and equipment	1,357	455
Total assets	**1,120,523**	**419,002**
LIABILITIES		
Borrowed funds	224,160	129,783
Other liabilities	52,418	6,421
Retirement benefit obligations	2,252	1,760
Total liabilities	**278,830**	**137,964**
EQUITY		
Share capital	773,492	264,547
Retained earnings	38,959	1,538
Other reserves	29,242	14,953
Total equity	**841,693**	**281,038**
Total liabilities and equity	**1,120,523**	**419,002**

PARENT COMPANY'S FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

(All amounts in US dollar thousands unless otherwises stated)

	Share capital	Retained earnings	Other reserves	Total Total
At 1 January 2007	263,507	(25,831)	8,548	246,224
Net profit for the year	-	42,699	-	42,699
Total recognised income for 2007	-	42,699	-	42,699
Dividend relating to 2006	-	(18,355)	-	(18,355)
Share option granted	-	9,430	-	9,430
Transfer to general banking reserve	-	(6,405)	6,405	-
Proceeds from issue of shares	1,040	-	-	1,040
At 31 December 2007/ 1 January 2008	**264,547**	**1,538**	**14,953**	**281,038**
Net profit for the year	-	65,047	-	65,047
Total recognised income for 2008	**-**	**65,047**	**-**	**65,047**
Dividend relating to 2007	-	(26,940)	-	(26,940)
Share option granted	-	9,071	-	9,071
Convertible bond- equity component	-	-	4,532	4,532
Transfer to general banking reserve	-	(9,757)	9,757	-
Proceeds from issue of shares	508,944	-	-	508,944
At 31 December 2008	**773,491**	**38,959**	**29,242**	**841,692**

PARENT COMPANY'S FINANCIAL STATEMENTS
CASH FLOW STATEMENT

(All amounts in US dollar thousands unless otherwises stated)

	Year ended 31 December	
	2008	2007 (as restated)
Cash flows from operating activities		
Profit for the year	65,047	42,699
Depreciation	258	233
Provision for gratuity	492	921
Dividend received	(81,388)	(49,440)
Share option granted	1,746	587
Profit on disposal of property and equipment	(10)	(5)
Cash flows from operating profits before changes in operating assets and liabilities	(13,855)	(5,005)
Changes in operating assets and liabilities		
■ net increase in other assets	493,960	(29,698)
■ net increase in other liabilities	45,997	76
Net cash used in operating activities	461,818	(34,627)
Cash flows from investing activities		
Dividend received	81,388	49,440
Purchase of property and equipment	(1,160)	(213)
Proceeds from sale of property and equipment	10	5
Investments in subsidiaries	(44,918)	(41,266)
Proceeds from redemption of available for sale securities	-	707
Net cash used in investing activities	35,320	8,673
Cash flows from financing activities		
Repayment of borrowed funds	(51,917)	(1,429)
Drawdown on borrowed funds	150,826	123,415
Proceeds from issue of ordinary shares	(45,536)	1,040
Dividends paid	(26,940)	(18,355)
Net cash used in financing activities	26,433	104,671
Net increase in cash and cash equivalents	(400,065)	78,717
Cash and cash equivalents at beginning of year	80,524	1,807
Cash and cash equivalents at end of year	**234,939**	**80,524**

FIVE YEAR SUMMARY OF FINANCIAL

(All amounts in US dollar thousands unless otherwises stated)

	2008	2007	2006	2005	2004
At the year end					
Total Assets	8,306,186	6,550,224	3,503,739	2,199,230	1,910,433
Loans and advances to customers	3,754,206	3,117,036	1,919,366	1,022,140	923,661
Deposits from customers	5,798,895	4,714,327	2,500,178	1,532,478	1,465,117
Shareholders' equity	1,033,210	513,548	382,088	221,547	127,219
Total equity	1,157,622	651,760	482,315	303,879	165,258
Book value per share (cents)	11.4	6.5	4.8	4.2	3.3
For the year					
Revenues	826,124	543,988	348,464	236,351	203,852
Loan loss provision	113,071	19,148	13,091	14,898	18,136
Profit before tax	162,385	190,570	129,299	73,729	60,315
Profit after tax	111,140	138,936	86,365	50,939	40,427
Profit attributable	94,195	107,373	69,350	41,502	31,431
Earnings per phare (cents)	1.39	1.56	1.11	1.01	0.88
Earnings per phare (cents) - diluted	1.35	1.51	1.11	1.01	0.88
Dividend per phare (cents)	0.2	0.4	0.3	0.3	0.2
Return on average equity	17.1%	24.5%	23.0%	23.8%	26,9%
Return on average assets	1.5%	2.8%	3.0%	2.5%	2,4%
Efficiency ratio	67%	61%	59%	63%	61%

Per share items restated for 5 for 1 split issue made in 2008

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