Ecobank Transnational Incorporated
For the year ended 31 December 2010

Statement of directors' responsibilities

Responsibility for annual consolidated financial statements

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

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

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

(c) prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgements 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 judgements 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 its subsidiaries and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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 3 to 53 were approved by the board of directors on 25 March 2011 and signed on its behalf by:

Arnold Ekpe
Group Chief Executive Officer

Laurence do Rego
Group Executive Director, Finance and Risk

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 (the 'Group') which comprise the consolidated statement of financial position as of 31 December 2010 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

Auditor's 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial position of the Group as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

PricewaterhouseCoopers SA
Abidjan, Cote d' Ivoire

29 March 2011

PricewaterhouseCoopers Chartered Accountants, 252E Muri Okunola Street, Victoria Island, Lagos, Nigeria
PricewaterhouseCoopers Chartered Accountants, 20 ème étage Immeuble Alpha 2000, Abiddjan Côte d'Ivoire

Ecobank Transnational Incorporated

Consolidated financial statements
For the year ended 31 December 2010

Consolidated income statement
(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Interest income	6	697 084	763 954
Interest expense	6	(222 313)	(304 927)
Net interest income		**474 771**	**459 027**
Fee and commission income	7	297 522	249 566
Fee and commission expense	7	(10 653)	(9 360)
Net fee and commission income		**286 869**	**240 206**
Lease income	8	10 223	16 894
Dividend income	9	2 587	2 209
Net trading income	10	117 233	147 628
Net gains/losses from investment securities	11	111	(1 467)
Other operating income		7 849	8 821
Operating income before impairment loss		**899 643**	**873 318**
Impairment losses for loans and advances	12	(101 473)	(139 658)
Operating income after impairment loss		**798 170**	**733 660**
Staff expenses	13	(265 381)	(258 578)
Depreciation and amortisation	13	(68 687)	(61 470)
Other operating expenses	13	(295 112)	(312 546)
Total operating expenses		**(629 180)**	**(632 594)**
Operating profit		**168 990**	**101 066**
Share of profit of associates (Note 23)		36	-
Profit before income tax		**169 026**	**101 066**
Income tax expense	14	(37 207)	(36 466)
Profit for the year		**131 819**	**64 600**
Attributable to:			
Equity holders of the parent company		**112 716**	**51 075**
Non-controlling interest		19 103	13 525
		131 819	**64 600**

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

	Note	2010	2009
- basic	15	1,14	0,58
- diluted	15	1,13	0,57

The notes on pages 8 to 53 are an integral part of these consolidated financial statements

Ecobank Transnational Incorporated

Consolidated financial statements

For the year ended 31 December 2010

Consolidated statement of comprehensive income
(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2010	2009
Profit for the year		131 819	64 600
Exchange difference on translation of foreign operations		(70 889)	(111 997)
Available-for-sale investments:			
Net valuation (losses)/gains taken to equity	38	29 150	(348)
Reclassified to income statement	38	(171)	1 403
Property and equipment - net revaluation gain/loss	25	-	63 522
Taxation relating to components of other comprehensive income	34	(8 300)	(16 164)
Other comprehensive income for the year, net of taxation		(50 210)	(63 584)
Total comprehensive income for the period		**81 609**	**1 016**
Total comprehensive income attributable to:			
Equity holders of the parent		68 833	58 380
Non controlling interest		12 776	(57 364)
		81 609	**1 016**

Ecobank Transnational Incorporated

Consolidated financial statements
For the year ended 31 December 2010

Consolidated statement of financial position
(All amounts in US dollar thousands unless otherwise stated)

	Note	As at 31 December 2010	As at 31 December 2009
ASSETS			
Cash and balances with central banks	16	1 126 222	901 945
Treasury bills and other eligible bills	17	588 922	531 567
Loans and advances to banks	18	1 613 322	1 380 451
Trading assets	19	6 803	7 469
Derivative financial instruments	20	10 000	10 017
Loans and advances to customers	21	5 264 184	4 766 197
Investment securities: available-for-sale	22	893 125	506 376
Investment in associate	23	3 181	-
Intangible assets	24	28 168	31 579
Property and equipment	25	464 289	474 214
Investment property	26	12 948	13 280
Deferred income tax assets (Note 34)		35 734	25 279
Other assets	27	419 973	358 149
Total assets		**10 466 871**	**9 006 523**
LIABILITIES			
Deposits from other banks	28	372 384	393 403
Due to customers	29	7 924 585	6 472 459
Other deposits	30	50 918	85 793
Derivative financial instruments (Note 20)		9 913	10 022
Borrowed funds	31	225 975	253 902
Other liabilities	32	518 964	477 001
Current income tax liabilities		35 933	36 662
Deferred income tax liabilities	34	27 442	32 743
Retirement benefit obligations	35	8 147	8 973
Total liabilities		**9 174 261**	**7 770 958**
EQUITY			
Capital and reserves attributable to the equity holders of the parent entity			
Share capital	37	866 709	866 709
Retained earnings	38	282 250	221 610
Other reserves	38	6 388	23 810
		1 155 347	**1 112 129**
Non-controlling interests in equity		**137 263**	**123 436**
Total equity		**1 292 610**	**1 235 565**
Total liabilities and equity		**10 466 871**	**9 006 523**

The notes on pages 8 to 53 are an integral part of these consolidated financial statements

Ecobank Transnational Incorporated

Consolidated financial statements
For the year ended 31 December 2010

Consolidated statement of changes in equity
(All amounts in US dollar thousands unless otherwise stated)

	Note	Attributable to equity holders of the company			Non-controlling interest	Total
		Share capital	Retained earnings	Other reserves		
At 1 January 2009		774 496	206 401	52 313	124 412	1 157 622
Reclassification of share issue expenses		(1 005)	1 005			-
Restated		773 491	207 406	52 313	124 412	1 157 622
Net changes in available for sale investments, net of tax	38	-	-	541	-	541
Net gains on revaluation of property	38			47 872		47 872
Currency translation differences		-	-	(95 068)	(16 929)	(111 997)
Net income recognised directly in equity		-	-	(46 655)	(16 929)	(63 584)
Profit for the year		-	51 075	-	13 525	64 600
Total comprehensive income for the year		-	51 075	(46 655)	(3 404)	1 016
Dividend relating to 2008	39	-	(17 500)	-	(12 363)	(29 863)
Transfer to general banking reserves	38	-	(9 449)	9 449	-	-
Transfer to statutory reserve	38	-	(13 235)	13 235	-	-
Share options granted	38	-	3 313	-	-	3 313
Convertible loans - equity component	32	93 218	-	(4 532)	-	88 686
Proceeds from shares issued:						
- Rights issue	38	-	-	-	14 791	14 791
At 31 December 2009 / 1 January 2010		866 709	221 610	23 810	123 436	1 235 565
Net changes in available for sale investments, net of tax	38	-	-	20 679	-	20 679
Currency translation differences	38	-	-	(64 562)	(6 327)	(70 889)
Net gains on revaluation of property				-		-
Net loss recognised directly in equity		-	-	(43 883)	(6 327)	(50 210)
Profit for the year		-	112 716	-	19 103	131 819
Total comprehensive income for the year		-	112 716	(43 883)	12 776	81 609
Dividend relating to 2009	39	-	(29 745)	-	(13 469)	(43 214)
Transfer to general banking reserves	38	-	(11 180)	11 180	-	-
Transfer to statutory reserve	38	-	(15 281)	15 281	-	-
Share options granted	37	-	4 130	-	-	4 130
Net proceeds from shares issued:						
- Rights issue		-	-	-	14 520	14 520
At 31 December 2010		866 709	282 250	6 388	137 263	1 292 610

The notes on pages 8 to 53 are an integral part of these consolidated financial statements

Ecobank Transnational Incorporated

Consolidated financial statements
For the year ended 31 December 2010

Consolidated statement of cash flows
(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December	
		2010	**2009**
Cash flows from operating activities			
Interest income received		697 084	756 557
Interest expense paid		(222 313)	(322 468)
Dividends received		2 587	2 209
Net fee and commission receipts		320 620	179 780
Fee and commission paid			
Net trading and other incomes		135 341	173 067
Cash payments to employees and suppliers		(557 355)	(710 760)
Income taxes paid		(53 692)	(51 004)
Cash flows from operating profits before changes in operating assets and liabilities:			
Changes in operating assets and liabilities			
- net decrease/(increase) in trading assets		666	(363)
- net decrease in other financial assets at fair value		-	-
- net decrease/(increase) in derivative financial assets		17	(10 017)
- net decrease/(increase) in other treasury bills		(7 584)	(304 708)
- net decrease/(increase) in loans and advances to banks		(254 411)	353 567
- net increase in loans and advances to customers		(628 616)	(1 011 991)
- net increase in other assets		(107 099)	10 550
- net increase in mandatory reserve deposits		(98 429)	(55 283)
- net increase in other deposits		50 918	85 793
- net increase in amounts due to customers		1 452 126	673 564
- net (decrease)/ increase in derivative liabilities		(109)	10 022
- net increase in other liabilities		40 499	(1 283)
Net cash from/(used in) operating activities		770 250	(222 768)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		3 122	4 180
Purchase of software	24	(5 409)	(2 642)
Purchase of property and equipment	25	(83 235)	(135 311)
Proceeds from sale of property and equipment		13 574	1 559
Purchase of investment securities	22	(2 724 432)	(2 499 265)
Proceeds from sale and redemption of securities		2 338 776	2 542 535
Net cash used in investing activities		(457 604)	(88 944)
Cash flows from financing activities			
Proceeds from borrowed funds		(27 927)	1 963
Issue of shares (minority interest)		14 520	14 791
Dividends paid to minority shareholders		(13 469)	(12 363)
Dividends paid	38	(29 745)	(17 500)
Net cash from/(used in) financing activities		(56 621)	(13 109)
Net (decrease)/increase in cash and cash equivalents		**256 025**	**(324 822)**
Cash and cash equivalents at start of year	40	1 016 726	1 493 804
Effects of exchange differences on cash and cash equivalents		(80 927)	(152 256)
Cash and cash equivalents at end of year	40	**1 191 824**	**1 016 726**

The notes on pages 8 to 53 are an integral part of these consolidated financial statements

Notes

1 General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, the group) provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The Group had operations in 30 countries and employed 9,978 people (2009: 11,097) as at 31 December 2010.

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, the Nigerian Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Cote D'Ivoire.

The consolidated financial statements for the year ended 31 December 2010 have been approved for issue by the Board of Directors on 28 March 2011

2 Summary of significant accounting policies

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

2.1 Basis of presentation

The group's consolidated financial statements for the year 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

The consolidated financial statements comprise the consolidated income statement and statement of comprehensive income showing as two statements, the statement of financial position, the statement of changes in equity, the statement of cash flow and the notes.

The consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, all derivative contracts and investment properties, which have been measured at fair value and property and equipment which have been revalued.

The group classifies its expenses by the nature of expense method.

The consolidated financial statements are presented in US Dollars, which is the group's presentation currency. The figures shown in the consolidated financial statements are stated in US Dollar thousands. The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 40 shows in which item of the consolidated statement of financial position cash and cash equivalents are included.

The cash flows from operating activities are determined by using the direct method. Consolidated net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated. Interest received or paid are classified as operating cash flows.

The cash flows from investing and financing activities are determined by using the direct method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of 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 on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group:

Standard / Interpretation	*Content*	Applicable for financial years beginning on/after
IFRS 2	Share-based payment - Vesting conditions and cancellations	1 January 2009
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009
IAS 23	Borrowing costs	1 January 2009

Notes

Basis of preparation (continued)

i) IFRS 2, 'Share-based payment' – Vesting conditions and cancellations
The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of IFRS 2 at the date of the consolidated statement of financial position. These amendments are applied retrospectively.

ii) **Amendments to IFRS 7, 'Financial instruments: Disclosures'**
The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the statement of financial position or the comprehensive income of the group.

iii) **IFRS 8, 'Operating segments'**
IFRS 8 was issued in November 2006 and excluding early adoption was first required to be applied to the Group's accounting period beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Group's external segment reporting will be based on the internal reporting to the group executive board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments. The application of IFRS 8 does not have any material effect for the Group but has an impact on segment disclosure and on the measurement bases within segments. The segment results have been changed accordingly.

iv) **IAS 1 (revised), 'Presentation of financial statements'**
A revised version of IAS 1 was issued in September 2007. It 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 in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

v) **IAS 23, 'Borrowing costs'**
A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment does not have a material impact on the consolidated result or items of the consolidated statement of financial position.

The following interpretation became effective in 2009, but was not relevant for the Group's operations

Standard / Interpretation	*Content*	Applicable for financial years beginning on/after
IFRIC 13	Customer loyalty programmes	1 July 2008
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008

i) **IFRIC 13, 'Customer loyalty programmes'**
IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

ii) **IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidiation'**
The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any effect for the group.

Notes

Basis of preparation (continued)

iii) **IFRIC 16, 'Hedges of a net investment in a foreign operation'**
This interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. This interpretation does not have any impact on the Group's financial statements.

(b) Standards and interpretations issued but not yet effective
The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the group.

Standard / Interpretation	*Content*	Applicable for financial years beginning on/after
IFRS 1 and 27	Cost of an investment in a subsidiary, jointlycontrolled entity or associate	1 July 2009
IFRS 3	Business combinations	1 July 2009
IAS 27	Consolidated and separate financial statements	1 July 2009
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

i) **IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate'**
The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cos of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investor.

ii) **IFRS 3, 'Business combinations'**
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, 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. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

iii) **IAS 27, 'Consolidated and separate financial statements'**
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. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the group.

iv) **IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'**
The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedge risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements.

v) **IFRIC 17, 'Distribution to non-cash assets to owners'**
IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of IFRIC 17 has no impact on the financial statements of the group.

vi) **IFRIC 18, 'Transfers of assets from customers'**
IFRIC 18 was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. The Group is not impacted by applying IFRIC 18.

Notes

Summary of significant accounting policies (continued)

vii) **Improvements to IFRS**
'Improvements to IFRS' were issued in May 2008 (endorsed by the EU on 23 January 2009) and April 2009 (not yet endorsed). They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

viii) **IFRS 9, 'Financial instruments part 1: Classification and measurement'**
IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

(c) Early adoption of standards

The Group did not early-adopt new or amended standards in 2010.

2.2 Consolidation

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. 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 non-controlling 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. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for an impairment. They are written down if required. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognised directly in the consolidated income statement.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by

(a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IAS 39, 'Financial instruments: Recognition and measurement'; and

(b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

Notes

Summary of significant accounting policies (continued)

b) **Transactions and non-controlling interests**
The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to noncontrolling interests are also recorded in equity. Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to noncontrolling interests.

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 consolidated income statement; its share of post-acquisition movements 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.

Intragroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of consolidated financial statements, equal accounting polices for similar transactions and other events in similar circumstances are used.
Dilution gains and losses in associates are recognised in the consolidated income statement.

2.3 Foreign currency translation

a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in United States dollars, which is the Group's presentation currency.

Notes

Summary of significant accounting policies (continued)

b) Transactions and balances

Foreign currency transactions that are denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. If several exchange rates are available, the forward rate is used at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; nonmonetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as gains or losses from qualifying cash flow hedging instruments or qualifying net investment hedging instruments. All foreign exchange gains and losses recognised in the income statement are presented net in the consolidated income statement within the corresponding item. Foreign exchange gains and losses on other comprehensive income items are presented in other comprehensive income within the corresponding item. In the case of changes in the fair value of monetary assets denominated in foreign currency classified as available for sale, a distinction is made between translation differences resulting from changes in 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, except impairment, are recognised in equity. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

ii) income and expenses for each income statement are translated at average exchange rates; (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions) and

iii) all resulting exchange differences are recognised in other comprehensive income

Exchange differences arising from the above process are reported in shareholders' equity as 'Foreign currency translation differences'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, currency instruments designated as hedges of such investments are taken to 'Other comprehensive income'. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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

2.4 Sale and repurchase agreements

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

2.5 Financial assets and liabilities

All financial assets and liabilities – which include derivative financial instruments – have to be recognised in the consolidated statement of financial position and measured in accordance with their assigned category.

Notes

Summary of significant accounting policies (continued)

2.5.1 Financial assets

The Group allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

a) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives. They are recognised in the consolidated statement of financial position as 'Financial assets held for trading'.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the consolidated income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement as 'impairment losses for loans'.

c) Held-to maturity financial assets

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, other than:

(a) those that the Group upon initial recognition designates as at fair value through profit or loss;
(b) those that the Group designates as available for sale; and
(c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Interest on held-to-maturity investments is included in the consolidated income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated income statement as 'net gains/(losses) on investment securities'.

Notes

Summary of significant accounting policies (continued)

d) Available-for-sale

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the consolidated statement of comprehensive income is recognised in the consolidated income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement in 'Dividend income' when the Group's right to receive payment is established.

e) Recognition

The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the consolidated statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

2.5.2 Financial liabilities

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), financial liabilities at amortised cost and hedging derivatives. Financial liabilites are derecognised when extinguished.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfoli of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the consolidated statement of financial position as 'Financial liabilites held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held for trading are included in the consolidated income statement and are reported as 'Net gains/(losses) on financial instruments classified as held for trading'. Interest expenses on financial liabilities held for trading are included in 'Net interest income'.

Financial liabilities for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, borrowed funds which the fair value option is not applied, convertible bonds and subordinated debts.

c) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on exchanges (for example, NSE, BVRM, GSE) and quotes from approved bond market makers.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there ar few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

Summary of significant accounting policies (continued)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (for example, the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

d) *Recognition of deferred day-one profit and loss*

The best evidence of fair value at initial recognition is the transaction price (that is, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Group has entered into transactions, some of which will mature after more than 10 years, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the consolidated income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the consolidated income statement without immediate reversal of deferred day one profits and losses.

e) *Derecognition*

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.6 Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

Notes

Summary of significant accounting policies (continued)

2.7 Classes of financial instrument

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Financial assets

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Financial assets at fair value through profit or loss	Trading assets	19
	Derivative financial assets	20
Loans and receivables	Loans and advances to banks	18
	Loans and advances to customers	21
Held-to-maturity Investments	None	Not applicable
Available-for-sale financial assets	Treasury bills and other eligible bills	17
	Investment securities – debt securities	22
Hedging derivatives	None	Not applicable

Financial liabilities

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Financial liabilities at fair value through profit or loss	Derivative financial liabilities	20
Financial liabilities at armortised cost	Deposits from banks	28
	Other deposits	30
	Deposits from customers	29
	Borrowed funds	31

Off balance sheet financial instruments

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Loan commitments	Loan commitments	36
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	36

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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.

2.9 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the consolidated income statement using the effective interest method.

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

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

2.10 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, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Notes

Summary of significant accounting policies (continued)

2.11 Dividend income

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

2.12 Impairment of financial assets

a) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor;

ii) a breach of contract, such as a default or delinquency in interest or principal payments;

iii) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

iv) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

v) the disappearance of an active market for that financial asset because of financial difficulties; or

vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

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

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Summary of significant accounting policies (continued)

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (hold to maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

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

b) *Assets classified as available-for-sale*

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

c) *Renegotiated loans*

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

2.13 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired in 2010.

2.14 Share-based payments

The Group engages in equity settled share-based payment transactions in respect of services received from certain categories of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the consolidated income statement over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the consolidated income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.16 Repossessed collateral

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

Notes

Summary of significant accounting policies (continued)

2.17 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

(a) A group company is the lessee

The 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.

(c) Fees paid in connection with arranging leases

The Group makes payments to agents for services in connection with negotiating lease contracts with the Group's lessees. For operating leases, the letting fees are capitalised within the carrying amount of the related investment property, and depreciated over the life of the lease.

2.18 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise office buildings and Domestic Bank parks leased out under operating lease agreements.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only if an insignificant portion is owner-occupied. The Group considers the owner-occupied portion as insignificant when the property is more than 5% held to earn rental income or capital appreciation.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in the nature, location or condition of the specific asset The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

2.19 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the parent or its subsidiaries is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes

Summary of significant accounting policies (continued)

Subsequent expenditures 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 item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

After recognition as an asset, an item of property and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. The fair value of land and buildings is usually determined from market-based evidence by appraisal that is normally undertaken by professionally qualified valuers. The fair value of items of plant and equipment is usually their market value determined by appraisal.

If an asset’s carrying amount is increased as a result of a revaluation, the increase shall be credited directly to equity under the heading of revaluation reserve. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset’s carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

- Buildings 25 - 40 years
- Leasehold improvements 25 years, or over the period of the lease if less than 25 years
- Furniture and equipment 3 - 5 years.
- Motor vehicles 3 - 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the consolidated statement of financial position. 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 disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the consolidated income statement.

2.20 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates

Goodwill is 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.

Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cashgenerating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

b) Computer software licences

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

Costs associated with 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).

2.21 Income tax

a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position. The Group does not offset income tax liabilies and current income tax assets.

Notes

Summary of significant accounting policies (continued)

b) Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. 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 tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against whicl these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

2.22 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. The Group recognises no provisions for future operating losses.

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

Provisions are measured at the present value of 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 recognised as interest expense.

2.23 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 tc 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 statement of financial position in respect of the gratuity payments is the present value of the gratuity payment obligation at the statement of financial position 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.

2.24 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 o transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Notes

Summary of significant accounting policies (continued)

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.

Interest, losses and gains relating to the financial liability component of the convertible bonds are recognised in profit or loss.

2.25 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.

2.26 Share capital

a) *Share issue costs*

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

b) *Dividends on ordinary shares*

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position position are dealt with in the subsequent events note.

c) *Treasury shares*

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

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

2.27 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group executive board as its chief operating decisionmaker.

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Notes

Summary of significant accounting policies (continued)

3 Financial risk management

The group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the group's risk management are to identify all ke risks for the group, measure these risks, manage the risk positions and determine capital allocations. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the group's financial performance. The group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

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 risk and other price risk.

3,1 Credit risk

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 centralised in the risk management team, which reports regularly to the Board of Directors.

3.1.1 Credit risk measurement

(i) Probability of default: 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 below, 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.

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 BBB
5 - 6	Standard Grade	BB to B
7 - 10	Non Investment Grade	CCC to D

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

(ii) Exposure at default
EAD is is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default/loss
Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

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.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as a percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by Group Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet funding requirements at the same time.

Notes

Summary of significant accounting policies (continued)

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-statement of financial position exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

(a) Collateral

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

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

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

(b) Credit-related commitments

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

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

3.1.3 Impairment and provisioning policies

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the statement of financial position 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 usually differs from 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 statement of financial position 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 criteria set by the Group;

- 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.

				2 010				2 009
Group's rating	**Loans and advances**		**Impairment provision**		**Loans and advances**		**Impairment provision**	
1 Current	4 154 513	1	46 796	0	3 425 071	1	23 769	0
1A. Other loans especially mentioned	517 753	0	1 482	0	623 585	0	1 075	0
II. Substandard	188 732	0	2 483	0	238 076	0	5 222	0
III. Doubtful	317 522	0	121 127	0	568 664	0	149 746	0
IV. Loss	551 066	0	293 514	1	245 574	0	154 961	1
	5 729 586	1	465 402	0	5 100 970	1	334 773	0

(All amounts in US dollar thousands unless otherwise stated)

3.1.4 Credit Concentration

Maximum exposure to credit risk before collateral held	**Maximum exposure 2010**	**2009**
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Treasury bills and other eligible bills	588 922	531 567
Loans and advances to banks	1 613 322	1 380 451
Loans and advances to customers:		
Corporate Bank		
- Overdrafts	725 185	900 909
- Term loans	1 770 447	2 025 251
- Others	172 291	174 063
Domestic Bank		
- Overdrafts	711 682	586 164
- Credit cards	3 066	30 822
- Term loans	1 786 529	956 091
- Mortgages	94 984	92 897
Trading assets		
- Debt securities	5 396	4 771
Derivative financial instruments	10 000	10 017
Investment securities - available-for-sale:		
- Debt securities	773 416	433 180
Other assets	315 784	273 855
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	2 060 500	1 555 690
Loan commitments	223 600	60 086
At 31 December	11 058 070	9 296 266

The above table represents a worse case scenario of credit risk exposure of the Group at 31 December 2010 and 2009, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financia position.

As shown above, 62% (2009: 68%) of the total maximum exposure is derived from loans and advances to banks and customers; 7% (2009: 6%) represents investments in debt securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the group resulting from its loan and advances portfolio, debt securities and other assets based on the following:
- 82% (2009: 78%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 65% (2009: 67%) 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 2010 Loans and advances to banks	Loans and advances to customers	**31 December 2009** Loans and advances to banks	Loans and advances to customers
Neither past due nor impaired	1 613 322	4 670 989	1 380 451	4 043 352
Past due but not impaired	-	190 009	-	243 380
Impaired	-	868 588	-	814 238
Gross	1 613 322	5 729 586	1 380 451	5 100 970
Less: allowance for impairment	-	(465 402)	-	(334 773)
Net	1 613 322	5 264 184	1 380 451	4 766 197

(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 2010

	Loans and advances to customers							
	Corporate Bank			**Domestic Bank**				**Total**
Grades:	**Overdrafts**	**Term loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	
Current	541 232	1 404 898	64 294	414 669	13 890	1 607 542	72 806	4 119 331
Other loans especially mentioned	18 736	354 581	4 274	8 111	-	154 543	11 413	551 658
Total	559 968	1 759 479	68 568	422 780	13 890	1 762 085	84 219	4 670 989

(All amounts in US dollar thousands unless otherwise stated)

(a) Loans and advances neither past due or impaired (continued)

31 December 2009	**Loans and advances to customers**							
	Domestic Bank				**Corporate Bank**			**Total**
Grades:	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
Current	565 255	1 169 506	155 336	293 776	424 315	739 949	93 979	3 442 116
Other loans especially mentioned	30 462	475 089	3 762	3 668	2 250	84 288	1 717	601 236
Total	595 717	1 644 595	159 098	297 444	426 565	824 237	95 696	4 043 352

(b) Loans and advances past due but not impaired

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

31 December 2010

	Corporate Bank			**Domestic Bank**				**Total**
Past due	Overdrafts	Term loans	Others	Overdrafts	Credit Card	Term Loans	Mortgages	
Past due up to 30 days	104	9 886	188	4 795	22	6 570	124	21 689
Past due 30-60 days	94	2 281	-	7 990	8	57 334	24	67 731
Past due 60-90 days	1 450	30 785	-	3 233	23	64 194	904	100 589
Total	1 648	42 952	188	16 018	53	128 098	1 052	190 009
Fair value of collateral	2 855	1 347	-	1 065	-	3 306	610	9 183
Amount of undercollateralisation	(1 207)	41 605	188	14 953	53	124 792	442	180 826

31 December 2009

	Corporate Bank			**Domestic Bank**				**Total**
Past due	Overdrafts	Term loans	Others	Overdrafts	Credit Card	Term Loans	Mortgages	
Past due up to 30 days	12 974	81 399	166	223	17	116 583	2	211 364
Past due 30-60 days	3 328	51	2 360	1 405	-	3 050	145	10 339
Past due 60-90 days	597	4 722	282	4 140	-	11 902	34	21 677
Total	16 899	86 172	2 808	5 768	17	131 535	181	243 380
Fair value of collateral	2 708	-	-	5 561	-	7 554	24	15 847
Amount of undercollateralisation	14 191	86 172	2 809	207	17	119 400	157	227 533

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 2010	**Corporate Bank**			**Domestic Bank**				**Total**
	Overdrafts	Term loans	Other	Overdrafts	Credit cards	Term Loans	Mortgages	
Gross	169 775	104 636	1 674	346 122	39 941	200 549	5 891	868 588
Impairment allowance	25 264	12 731	209	236 597	31 884	111 604	2 269	420 558
Fair value of collateral	10 132	15 721	352	62 916	1 983	256 550	1 269	348 923
31 December 2009								
Gross	162 964	84 510	22 597	53 452	97 656	381 233	11 826	814 238
Impairment allowance	39 163	5 729	-	146 774	20 700	91 561	780	304 707
Fair value of collateral	43 628	26 739	7 567	14 497	198 275	268 852	3 167	562 725

(All amounts in US dollar thousands unless otherwise stated)

(c) Loans and advances individually impaired (continued)

(ii) Loans and advances to banks
The total gross amount of individually impaired loans and advances to banks as at 31 December 2010 was nil (2009: nil).

(d) Loans and advances renegotiated
Restructuring activities include extended payment arrangements, 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 $705.4 million at 31 December 2010 (2009: $852 million).

	2010	**2009**
Loans and advances to customers		
- Continuing to be impaired after restructuring (included in non performing loans)	166 810	370 163
- Non–impaired after restructuring – would otherwise have been impaired	488 188	163 068
- Non–impaired after restructuring – would otherwise not have been impaired	50 441	318 725
Total	705 439	851 956

3.1.6 Repossessed collateral
During 2009, the bank obtained possession of collateral held as security, as follows:

	2 010		**2 009**	
Nature of assets	Carrying amount		Carrying amount	
	Collateral	Related loan	Collateral	Related loan
Residential property	792	728	2 146	3 570
Commercial property	-	-	212	265
Vehicle and equipment	480	350	13 127	13 131
	1 272	1 078	15 485	16 966

Repossessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

3.1.7 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 2010. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

	UEMOA	**Nigeria**	**West African Monetary Zone**	**Central Africa**	**East Africa**	**Southern Africa**	**Others**	**Total**
As at 31 December 2010								
Treasury bills and other eligible bill	175 290	170 372	223 430	-	11 074	8 756	-	588 922
Loans and advances to banks	171 299	597 651	59 520	84 585	122 287	20 393	557 587	1 613 322
Loans and advances to customers:								
Corporate Bank								
− Overdrafts	339 098	163 240	74 119	128 275	9 002	11 412	39	725 185
− Term loans	958 724	374 595	159 643	217 975	27 496	17 597	14 417	1 770 447
− Others	14 404	(799)	486	7 975	10 039	-	140 186	172 291
Domestic Bank								
− Overdrafts	101 763	407 082	71 401	68 754	49 524	13 158	-	711 682
− Credit cards	-	1 180	1 886	-	-	-	-	3 066
− Term loans	775 339	586 855	161 453	132 780	106 943	22 837	322	1 786 529
− Mortgages	33 873	24 942	6 875	4 601	24 053	640	-	94 984
Trading assets – debt securities	243	-	-	-	5 153	-	-	5 396
Derivative financial instruments	-	-	-	-	-	10 000	-	10 000
Investment securities – debt securi	197 845	164 441	219 966	72 168	117 320	672	1 004	773 416
Other assets	60 876	148 418	52 012	14 350	12 924	3 106	24 098	315 784
Total	2 828 754	2 637 977	1 030 791	731 463	496 187	108 571	737 653	8 571 396
As at 31 December 2009								
Treasury bills and other eligible bill	124 081	182 382	212 500	-	5 360	7 183	61	531 567
Loans and advances to banks	212 491	470 115	351 791	155 535	49 953	26 747	113 819	1 380 451
Loans and advances to customers:								
Corporate Bank								
− Overdrafts	372 749	284 689	100 785	129 005	4 618	11 439	(2 376)	900 909
− Term loans	1 184 059	288 265	209 416	271 802	37 390	8 842	25 477	2 025 251
− Others	38 738	62 279	4 691	4 098	5 660	-	58 597	174 063
Domestic Bank								
− Overdrafts	140 363	169 698	35 162	16 478	44 074	2 815	177 574	586 164
− Credit cards	-	8 207	2 034	-	-	-	20 581	30 822
− Term loans	469 053	463 561	109 599	73 387	64 442	4 410	(228 360)	956 091
− Mortgages	43 753	21 964	4 614	1 899	12 578	40	8 048	92 897
Investment securities – debt securi	217 185	86 129	56 686	15 639	35 285	672	21 584	433 180
Other assets	86 815	110 713	48 367	15 174	5 527	837	6 422	273 855
Total	2 889 287	2 148 002	1 135 645	683 017	264 887	62 985	201 427	7 385 250

(All amounts in US dollar thousands unless otherwise stated)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

(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	Manufacturi-ng	Governme-nt	Mining & construction	Services & others	Total
31 December 2010							
Treasury bills and other eligible bills	49 129	-	-	539 793	-	-	588 922
Loans and advances to banks	1 591 131	12 601	1 988	7 602	-	-	1 613 322
Loans and advances to customers:							
− Overdrafts	77 549	539 060	88 902	33 810	91 077	606 469	1 436 867
− Credit cards	-	-	-	-	-	3 066	3 066
− Term loans	389 729	1 050 965	491 638	310 481	116 858	1 197 305	3 556 976
− Mortgages	286	12 591	-	-	-	82 107	94 984
− Others	120	146 903	1 866	-	-	23 402	172 291
Trading assets – debt securities	5 396	-	-	-	-	-	5 396
Derivative financial instruments	10 000	-	-	-	-	-	10 000
Investment securities – debt securities	167 640	-	-	559 533	3 564	42 679	773 416
Other assets	73 761	2 957	549	1 915	-	236 602	315 784
Total	2 542 181	1 765 077	584 943	1 453 134	211 499	2 191 630	8 581 389
31 December 2009							
Treasury bills and other eligible bills	24 513	-	-	507 054	-	-	531 567
Loans and advances to banks	1 271 939	-	-	108 512	-	-	1 380 451
Loans and advances to customers:							
− Overdrafts	16 228	774 109	215 495	64 387	90 210	326 644	1 487 073
− Credit cards	-	2 034	-	-	-	28 788	30 822
− Term loans	419 900	982 103	279 882	208 558	89 166	1 001 733	2 981 342
− Mortgages	-	18 821	2 366	55	2 253	69 402	92 897
− Others	268	71 981	15 451	20	5 802	80 541	174 063
Trading assets – debt securities	-	-	-	4 771	-	-	4 771
Derivative financial instruments	17	-	-	10 000	-	-	10 017
Investment securities – debt securities	72 898	24 184	1 830	315 015	-	19 253	433 180
Other assets	69 216	9 384	-	16 185	-	179 070	273 855
Total	2 323 824	1 017 411	441 234	1 082 632	281 904	1 705 431	7 400 038

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 Board's Risk Committee) and for the day to day implementation of those policies.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury. Regular reports are submitted to the Board of Directors and heads of each business unit. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the subsidiary's banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's held-to-maturity and available-for-sale investments.

The Group applies a 'value at risk' methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, trading and non-trading separately, which are monitored on a daily basis by Group Treasury.

(All amounts in US dollar thousands unless otherwise stated)

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 2010	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	99 480	49 418	555 426	103 909	94 354	223 635	1 126 222
Treasury bills and other eligible bills	-	-	175 175	170 372	128 637	114 738	588 922
Loans and advances to banks	623 651	432 880	19 307	332 930	960	203 594	1 613 322
Loans and advances to customers	677 987	149 876	2 781 824	1 156 651	201 965	295 881	5 264 184
Trading assets	-	-	376	-	1 274	5 153	6 803
Derivative financial instruments	-	-	-	-	-	10 000	10 000
Investment securities - available-for-sale	23 495	-	337 245	202 253	206 027	124 105	893 125
Other assets	53 381	6 479	161 120	115 560	17 502	65 931	419 973
Total financial assets	1 477 994	638 653	4 030 473	2 081 675	650 719	1 043 409	9 922 923
Liabilities							
Deposits from banks	119 104	104 618	84 346	8 655	10 038	45 623	372 384
Due to customers	1 003 227	212 828	3 779 468	1 647 367	573 216	708 479	7 924 585
Other deposits	-	-	50 918	-	-	-	50 918
Derivative financial instruments	-	-	-	-	-	9 913	9 913
Other borrowed funds	142 083	1 260	69 780	-	3 431	9 421	225 975
Other liabilities	93 533	6 510	212 173	155 249	8 888	42 611	518 964
Total financial liabilities	1 357 947	325 216	4 196 685	1 811 271	595 573	816 047	9 102 739
Net on-statement of financial position	120 047	313 437	(166 212)	270 404	55 146	227 362	820 184
Credit commitments	638 593	502 789	753 382	188 007	66 845	134 484	2 284 100

31 December 2009	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	62 959	44 864	548 399	58 372	64 254	123 097	901 945
Treasury bills and other eligible bills	-	-	124 081	182 382	143 156	81 948	531 567
Loans and advances to banks	589 363	286 463	149 173	252 880	9 020	93 552	1 380 451
Loans and advances to customers	505 455	35 746	2 742 649	1 081 587	179 490	221 270	4 766 197
Trading assets	-	-	965	-	1 733	4 771	7 469
Derivative financial instruments	10 000	-	-	-	-	17	10 017
Investment securities - available-for-sale	28 953	-	259 379	120 440	57 713	39 891	506 376
Other assets	36 545	1 920	147 224	102 822	27 600	42 038	358 149
Total financial assets	1 233 275	368 993	3 971 870	1 798 483	482 966	606 584	8 462 171
Liabilities							
Deposits from banks	37 515	24 201	226 465	45 281	41 991	17 950	393 403
Due to customers	734 862	135 911	3 429 417	1 272 301	403 866	496 102	6 472 459
Other deposits	973	-	84 806	-	-	14	85 793
Derivative financial instruments	-	-	-	-	-	10 022	10 022
Other borrowed funds	179 620	18 033	52 173	-	-	4 076	253 902
Other liabilities	76 600	14 231	164 360	111 555	5 977	104 278	477 001
Total financial liabilities	1 029 570	192 376	3 957 221	1 429 137	451 834	632 442	7 692 580
Net on-statement of financial position	203 705	176 617	14 649	369 346	31 132	(25 858)	769 591
Credit commitments	745 646	62 661	523 180	103 952	46 230	134 107	1 615 776

(All amounts in US dollar thousands unless otherwise stated)

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 ir 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 2010	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	166 026	4 178	3 856	1 810	-	950 352	1 126 222
Treasury bills and other eligible bills	105 373	116 048	348 418	19 083	-	-	588 922
Loans and advances to banks	784 602	374 174	85 066	23 690	-	345 790	1 613 322
Loans and advances to customers	2 021 954	799 574	741 562	1 277 495	393 036	30 563	5 264 184
Trading assets	-	-	500	-	5 029	1 274	6 803
Derivative financial instruments	-	-	10 000	-	-	-	10 000
Investment securities - available-for-sale	78 263	14 396	121 180	395 016	258 718	25 552	893 125
Other assets	-	32 698	-	-	-	387 275	419 973
Total financial assets	3 156 218	1 341 068	1 310 582	1 717 094	656 783	1 740 806	9 922 551
Liabilities							
Deposits from banks	96 127	46 912	77 618	87 341	12 395	51 991	372 384
Due to customers	4 894 926	906 625	469 541	587 912	36 922	1 028 659	7 924 585
Other deposits	50 918	-	-	-	-	-	50 918
Derivative financial instruments	-	-	9 913	-	-	-	9 913
Borrowed funds	44 568	16 914	19 905	110 068	33 774	746	225 975
Other liabilities	198 269	228	36 261	1 941	14	282 251	518 964
Total financial liabilities	5 284 808	970 679	613 238	787 262	83 105	1 363 647	9 102 739
Total interest repricing gap	(2 128 590)	370 389	697 344	929 832	573 678	377 159	
As at 31 December 2009							
Assets							
Cash and balances with central banks	42 219	-	-	-	-	859 726	901 945
Treasury bills and other eligible bills	72 840	98 810	359 302	615	-	-	531 567
Loans and advances to banks	734 844	256 058	102 156	-	-	287 393	1 380 451
Loans and advances to customers	1 321 748	568 410	618 474	1 981 842	252 980	22 743	4 766 197
Trading assets	2 584	-	115	-	4 770	-	7 469
Derivative financial instruments	17	-	10 000	-	-	-	10 017
Investment securities - available-for-sale	-	-	-	352 192	80 988	73 196	506 376
Other assets	-	-	-	-	-	358 149	358 149
Total financial assets	2 174 252	923 278	1 090 047	2 334 649	338 738	1 601 207	8 462 171
Liabilities							
Deposits from banks	190 963	74 147	76 112	-	-	52 181	393 403
Due to customers	3 446 153	430 994	301 191	424 203	77 926	1 791 992	6 472 459
Other deposits	84 553	-	1 240	-	-	-	85 793
Derivative financial instruments	-	-	10 022	-	-	-	10 022
Borrowed funds	3 500	1 088	22 770	168 693	57 851	-	253 902
Other liabilities	-	-	-	-	-	477 001	477 001
Total financial liabilities	3 725 169	506 229	411 335	592 896	135 777	2 321 174	7 692 580
Total interest repricing gap	(1 550 917)	417 049	678 712	1 741 753	202 961		

(All amounts in US dollar thousands unless otherwise stated)

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 statement of financial position 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.

3.3.1 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 statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2010

	Up to 1 month	1 -3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	927 418	4 178	2 755	1 953	189 918	1 126 222
Treasury bills and other eligible bills	238 958	115 419	387 062	31 022	-	772 461
Loans and advances to banks	1 888 571	261 060	126 606	24 393	108 080	2 408 710
Loans and advances to customers	2 107 656	769 137	787 519	1 550 330	473 437	5 688 079
Trading assets	1 350	-	670	11 426	5 443	18 889
Investment securities - available-for-sale	74 321	15 225	245 572	443 404	161 773	940 295
Derivative financial instruments	-	-	10 350	-	-	10 350
Other assets	205 638	9 440	82 816	1 222	119 010	418 126
Total assets (expected maturity dates)	5 443 912	1 174 459	1 643 350	2 063 750	1 057 661	11 383 132
Liabilities						
Deposits from banks	1 415 456	45 648	86 971	102 424	7 480	1 657 979
Due to customers	5 534 532	1 195 037	485 037	820 410	64 379	8 099 395
Other deposits	51 003	202	-	-	-	51 205
Other borrowed funds	97 071	25 340	76 142	116 443	86 747	401 743
Other liabilities	312 605	75 441	95 423	34 285	14	517 768
Current income tax liabilities	8 216	13 333	14 378	-	6	35 933
Deferred income tax liabilities	2 689	258	12 945	10 131	1 487	27 510
Retirement benefit obligations	-	12	-	178	7 958	8 148
Total liabilities (contractual maturity dates)	7 421 572	1 355 271	770 896	1 083 871	168 071	10 799 681

As at 31 December 2009

	Up to 1 month	1 -3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	582 631	16 586	3 819	2	282 868	885 906
Treasury bills and other eligible bills	183 023	210 895	304 359	3 756	-	702 033
Loans and advances to banks	1 378 698	198 062	62 738	202 261	66 480	1 908 239
Loans and advances to customers	1 561 259	479 906	705 276	1 847 722	229 434	4 823 597
Trading assets	2 636	152	115	-	4 771	7 674
Investment securities - available-for-sale	131 418	58 304	48 927	203 020	68 327	509 996
Derivative financial instruments	-	-	-	-	10 350	10 350
Other assets	238 245	20 679	60 190	4 742	86 038	409 894
Total assets (expected maturity dates)	4 077 910	984 584	1 185 424	2 261 503	748 268	9 257 689
Liabilities						
Deposits from banks	248 585	91 821	79 384	-	-	419 790
Due to customers	5 122 136	493 465	395 858	542 326	83 831	6 637 616
Other deposits	84 725	-	1 248	-	-	85 973
Other borrowed funds	3 692	1 138	23 711	183 483	60 161	272 185
Other liabilities	325 569	44 313	107 120	-	-	477 002
Current income tax liabilities	22 394	8 374	5 888	-	-	36 656
Deferred income tax liabilities	26 457	501	651	5 119	15	32 743
Retirement benefit obligations	-	-	-	2 985	5 988	8 973
Total liabilities (contractual maturity dates)	5 833 558	639 612	613 860	733 913	149 995	7 970 938

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.

(All amounts in US dollar thousands unless otherwise stated)

3.4 Off-balance sheet items

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.

	No later than 1 year	Over 1 years	Total
At 31 December 2010			
Loan commitments	128 257	95 343	223 600
Guarantees, acceptances and other financial facilities	1 774 837	285 663	2 060 500
Capital commitments	72 732	1 599	74 331
Total	1 975 826	382 605	2 358 431
At 31 December 2009			
Loan commitments	53 322	6 764	60 086
Guarantees, acceptances and other financial facilities	1 534 067	21 623	1 555 690
Capital commitments	45 676	-	45 676
Total	1 633 065	28 387	1 661 452

3.5 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the group's consolidated statement of financial position.

	Carrying value		Fair value	
	2010	2009	2010	2009
Financial assets:				
Loans and advances to banks	2 314 228	1 380 451	2 390 107	1 791 752
Loans and advances to customers	5 264 185	4 766 197	5 306 188	4 824 314
Financial liabilities:				
Deposits from banks	971 779	393 403	986 364	342 837
Due to customers	7 924 585	6 472 459	8 089 552	6 418 999
Other deposits	50 918	85 793	50 895	85 839
Borrowed funds	327 485	253 902	389 411	269 403

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Deposit from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Notes

(All amounts in US dollar thousands unless otherwise stated)

(b) Financial instruments measured at fair value

See Note 2.5.2(c) 'Determination of fair value'.

(c) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	31 December 2010			31 December 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Treasury and other eligible bills	-	588 922	-	-	531 567	-
Trading assets	1 407	5 011	-	2 698	4 771	-
Derivative financial instruments	-	10 000	-	-	10 017	-
Investment securities - available-for-sale	270 609	622 516	-	152 087	354 289	-
Total financial assets	272 016	1 226 449	-	154 785	900 644	-
Trading liabilities	-	-	-	-	-	-
Derivative financial instruments	-	10 000	-	-	10 017	-
Debt securities in issue	-	-	-	-	-	-
Financial liabilities designated at fair value	-	-	-	-	-	-
Total financial liabilities	-	10 000	-	-	10 017	-

3.6 Capital Management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, 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 Group's capital is divided into two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), non-controlling 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 arsing 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-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

(All amounts in US dollar thousands unless otherwise stated)

3.6 Capital Management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2010 and 2009. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

	2010	2009
Tier 1 capital		
Share capital	866 709	866 709
General bank reserves	44 917	33 737
Statutory reserve	101 733	86 452
Retained earnings	282 250	221 610
Non-controlling interests	137 263	123 436
Less: goodwill	(15 669)	(14 613)
Total qualifying Tier 1 capital	1 417 203	1 317 331
Tier 2 capital		
Convertible loans (including liability and equity portions)	-	-
Revaluation reserve – available-for-sale investments	43 944	23 265
Total qualifying Tier 2 capital	43 944	23 265
Less investments in associates	3 181	-
Total regulatory capital	1 457 966	1 340 596
Risk-weighted assets:		
On-statement of financial position	6 557 151	5 945 354
Off-statement of financial position	456 820	323 155
Total risk-weighted assets	7 013 971	6 268 509
Basel ratio	0	0
Tier I	0	0

The increase of the capital in the year of 2010 is mainly due to proceeds from convertible loan which was converted during the year as well as the contribution of the current-year profit.

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 cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) *Fair value of financial instruments*
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, model 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.

e) *Share-based payment*
The Group granted shares and share options to the employees as a common feature of employee remuneration. IFRS 2 requires recognition of an expense for those shares and share options at the fair value on the grant date (equity-settled plans). For shares granted to employees, the fair value is measured directly at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. For share options granted to employees, in many cases market prices are not available because the options granted are subject to terms and conditions that do not apply to traded options. If this is the case, the Group estimates the fair value of the equity instruments granted using a valuation technique, which is consistent with generally accepted valuation methodologies.

(All amounts in US dollar thousands unless otherwise stated)

5 Segment Analysis

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the group meet the definition of a reportable segment under IFRS 8.

In 2010, the group implemented a new structure. This new structure which is based on business replaced the elsewhile geography based structure and now constitutes the operating segments of the group.

The group operating segments are described below:

a) Domestic Bank banking: Focuses on serving local companies, small and medium scale enterprises, government and government agencies and the retail market.

b) Corporate Bank: Focuses on providing one-stop banking services to multinationals and regional companies, financial institutions and international organisations across networl of the group.

c) Ecobank Capital: Constitutes the treasury, corporate finance and asset management business. This unit provides value-added solutions primarily to corporate clients and governments.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.

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

At 31 December 2010	Corporate Bank banking	Domestic Bank	Ecobank Capital	Others	Group
Net interest income	184 294	224 580	69 376	(3 479)	474 771
Net fees and commission income	69 709	200 531	16 009	23 405	309 654
Other income	1 173	22 563	113 275	101 187	238 198
Operating income	255 176	447 674	198 660	121 113	1 022 623
Loan impairment charges	(41 531)	(60 740)	798	-	(101 473)
Operating expenses	(129 268)	(376 743)	(120 095)	(47 914)	(674 020)
Operating profit	84 377	10 191	79 363	73 199	247 130
Share of profit of associates and joint venture	-	-	36	-	36
Profit before tax	84 377	10 191	79 399	73 199	247 166
Total assets	2 667 922	2 596 262	2 386 176	3 601 290	11 251 650
Total liabilities	2 763 096	5 161 489	659 190	1 375 265	9 959 040
At 31 December 2009					
Net interest income	180 535	220 976	58 129	(613)	459 027
Net fees and commission income	59 020	173 155	8 031	15 420	255 626
Other income	8 917	21 958	141 311	25 608	197 794
Operating income	248 472	416 089	207 471	40 415	912 447
Loan impairment charges (negative)	(6 652)	(133 006)	-	-	(139 658)
Operating expenses	(113 753)	(331 525)	(105 681)	(42 163)	(593 122)
Operating profit	128 067	(48 442)	101 790	(1 748)	179 667
Share of profit of associates and joint venture	-	-	-	-	-
Profit before tax	128 067	(48 442)	101 790	(1 748)	179 667
Total assets	3 062 552	1 703 645	1 702 689	3 144 824	9 613 710
Total liabilities	2 558 173	3 914 286	743 120	1 162 566	8 378 145

Reconciliation of segment results of operations to consolidated results of operations

	Total management reporting	Consolidation and adjustments	Total consolidation
At 31 December 2010			
Net interest income	474 771	-	474 771
Net fees and commission income	309 654	22 785	286 869
Other income	238 198	100 195	138 003
Operating income	1 022 623	122 980	899 643
Loan impairment charges	(101 473)	-	(101 473)
Operating expenses	(674 020)	(44 840)	(629 180)
Operating profit	247 130	78 140	168 990
Share of profit of associates and joint venture	36	-	36
Profit before tax	247 166	78 140	169 026
Total assets	11 251 650	784 779	10 466 871
Total liabilities	9 959 040	784 779	9 174 261
At 31 December 2009			
Net interest income	459 027	-	459 027
Net fees and commission income	255 626	15 420	240 206
Other income	197 794	23 709	174 085
Operating income	912 447	39 129	873 318
Loan impairment charges	(139 658)	-	(139 658)
Operating expenses	(593 122)	39 472	(632 594)
Operating profit	179 667	78 601	101 066
Profit before tax	179 667	78 601	101 066
Total assets	9 613 710	607 187	9 006 523
Total liabilities	8 378 145	607 187	7 770 958

(All amounts in US dollar thousands unless otherwise stated)

5.1 Entity-wide disclosures

The group is also further organised under the following geographical clusters:

i) Union Economique et Monétaire Ouest Africaine (UEMOA) region comprises all subsidiaries within the UEMOA monetary zone. Countries in this zone share a common currency. 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, Congo Brazaville, Gabon and Sao Tome are the only countries currently included in this segment.

v) Eastern Africa Community (EAC) comprises of Burundi, Kenya, Rwanda, Tanzania, and Uganda.

vi) Southern Africa Development Co-operation (SADC) comprises of Democratic Republic of Congo, Malawi and Zambia.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Management Committee is measured in a manner consistent with that in the consolidated income statement. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Segment results of operations
The segment information provided to the Group Executive Board for the reportable segments for the year ended 31 December 2010 is as follows:

	UEMOA	Nigeria	WAMZ	Central Africa	East Africa	Southern Africa	Others	Total
At 31 December 2010								
Net interest income	151 154	144 142	103 403	43 854	25 486	9 352	(2 620)	474 771
Net fees and commission income	85 706	79 184	51 454	39 282	12 546	4 647	36 837	309 656
Other income	44 191	31 247	28 840	13 457	12 329	4 055	104 019	238 138
Operating income	281 051	254 573	183 697	96 593	50 361	18 054	138 236	1 022 565
Loan impairment charges	(8 589)	(71 089)	(11 576)	(6 688)	(3 833)	(497)	799	(101 473)
Operating expenses	(181 956)	(199 803)	(98 646)	(63 161)	(49 559)	(20 105)	(60 804)	(674 034)
Operating profit	90 506	(16 319)	73 475	26 744	(3 031)	(2 548)	78 231	247 058
Share of profit of associates and joint venture	-	-	36	-	-	-	-	36
Profit before tax	90 506	(16 319)	73 511	26 744	(3 031)	(2 548)	78 231	247 094
Taxation (negative)	(21 515)	14 629	(23 687)	(12 027)	1 445	4 103	(155)	(37 207)
Profit after tax	68 991	(1 690)	49 824	14 717	(1 586)	1 555	78 076	209 887
Total assets	3 952 146	2 996 881	1 705 876	1 213 717	605 587	160 071	1 664 246	12 298 524
Total liabilities	3 634 624	2 490 340	1 503 555	1 129 462	504 440	132 066	568 862	9 963 349
At 31 December 2009								
Net interest income	149 249	170 804	79 780	41 018	13 097	4 271	808	459 027
Net fees and commission income	81 067	61 765	51 008	28 819	7 680	2 910	19 949	253 198
Other income	44 967	60 230	32 786	13 676	8 589	3 736	101 633	265 617
Operating income	275 283	292 799	163 574	83 513	29 366	10 917	122 390	977 842
Loan impairment charges (negative)	(14 842)	(97 661)	(15 048)	(1 043)	(8 980)	(1 574)	(510)	(139 658)
Operating expenses (negative)	(176 093)	(211 756)	(90 647)	(64 308)	(40 508)	(19 712)	(63 513)	(666 537)
Operating profit	84 348	(16 618)	57 879	18 162	(20 122)	(10 369)	58 367	171 647
Share of profit of associates and joint venture	-	-	-	-	-	-	-	-
Profit before tax	84 348	(16 618)	57 879	18 162	(20 122)	(10 369)	58 367	171 647
Taxation (negative)	(19 768)	1 697	(17 604)	(8 879)	4 866	3 850	(628)	(36 466)
Profit after tax	64 580	(14 921)	40 275	9 283	(15 256)	(6 519)	57 739	135 181
Total assets	3 735 815	2 472 427	1 449 812	1 037 141	370 985	105 255	1 396 486	10 567 921
Total liabilities	3 427 719	1 942 736	1 276 631	971 739	313 707	89 843	368 630	8 391 005

(All amounts in US dollar thousands unless otherwise stated)

Reconciliation of segment results of operations to consolidated results of operatioins

	Total management reporting	Consolidation and adjustments	Total consolidation
At 31 December 2010			
Net interest income	474 771	-	474 771
Net fees and commission income	309 656	22 787	286 869
Other income	238 138	100 135	138 003
Operating income	1 022 565	122 922	899 643
Loan impairment charges	(101 473)	-	(101 473)
Operating expenses	(674 034)	(44 854)	(629 180)
Operating profit	247 058	78 068	168 990
Share of profit of associates and joint venture	36	-	36
Profit before tax	247 094	78 068	169 026
Taxation (negative)	(37 207)	-	(37 207)
Profit after tax	209 887	78 068	131 819
Total assets	12 298 524	1 831 653	10 466 871
Total liabilities	9 963 349	789 088	9 174 261
At 31 December 2009			
Net interest income	459 027	-	459 027
Net fees and commission income	253 198	12 992	240 206
Other income	265 617	91 532	174 085
Operating income	977 842	104 524	873 318
Loan impairment charges	(139 658)	-	(139 658)
Operating expenses	(666 537)	(33 943)	(632 594)
Operating profit	171 647	70 581	101 066
Share of profit of associates and joint venture	-	-	-
Profit before tax	171 647	70 581	101 066
Taxation (negative)	(36 466)	-	(36 466)
Profit after tax	135 181	70 581	64 600
Total assets	10 567 921	1 561 398	9 006 523
Total liabilities	8 391 005	620 047	7 770 958

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
6 Net interest income	**2010**	**2009**
Interest income		
Loans and advances to banks	43 350	48 364
Loans and advances to customers:		
- Corporate Bank	262 170	317 387
- Domestic Bank	287 233	308 530
Treasury bills and other eligible bills	50 355	51 438
Investment securities - available for sale	52 922	37 924
Trading securities	850	241
Others	204	70
	697 084	763 954
Interest expense		
Deposits from banks	2 935	32 452
Due to customers:		
- Corporate Bank	85 592	104 142
- Domestic Bank	115 769	142 085
Debt securities in issue	-	370
Other borrowed funds	17 761	25 387
Others	256	491
	222 313	304 927

7 Net fee and commission income

	2010	2009
Fee and commission income		
Credit related fees and commissions	91 230	93 890
Corporate finance fees	15 955	12 975
Portfolio and other management fees	1 047	1 929
Brokerage fees and commissions	1 234	1 969
Cash management and related fees	144 983	123 514
Card management fees	34 106	13 764
Other fees	8 967	1 525
	297 522	249 566
Fee and commission expense		
Brokerage fees paid	1 401	738
Other fees paid	9 252	8 622
	10 653	9 360

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.

	2010	2009
8 Lease income		
Equipment	6 692	9 240
Motor vehicles	3 531	6 818
Other leased assets	-	836
	10 223	16 894
9 Dividend income		
Trading securities	203	201
Available-for-sale securities	2 384	2 008
	2 587	2 209
10 Net trading income		
Foreign exchange:		
- translation gains less losses of trading assets	3 121	15 062
- transaction gains less losses	105 018	125 334
Interest rate instruments	6 184	-
Equities	2 910	7 232
	117 233	147 628

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
	2010	**2009**
11 Net gain from investment securities		
Derecognition of available-for-sale financial assets	230	29
Net loss transferred to net profit on impairment (Note 38)	(59)	(1 403)
Impairment of available-for-sale equity securities	(60)	(93)
	111	(1 467)
12 Impairment losses on loans and advances		
Loans and advances to customers (Note 21)	101 473	139 658
	101 473	139 658
13 Operating expenses		
a) Staff expenses		
Salaries, allowances and other compensation	251 142	244 660
Social security costs	12 081	10 905
Pension costs:		
- defined contribution plans	212	973
- defined benefit plans	-	-
Other post retirement benefits (Note 35)	1 946	2 040
	265 381	258 578
b) Depreciation and amortisation		
Depreciation of property and equipment (Note 25)	59 705	53 915
Amortisation of software and other intangibles (Note 24)	8 982	7 555
	68 687	61 470
b) Other operating expenses		
Directors' emoluments	2 721	2 533
Profit on sale of property and equipment	(456)	(276)
Impairment charges:		
- doubtful receivables	5 811	10 969
Restructuring costs	-	1 888
Social responsibility	1 664	1 229
Rent and utilities	42 041	39 940
Insurance	20 597	19 849
Advertising and promotion	18 187	21 896
Professional fees	1 323	6 149
Operational losses and fines	11 387	5 728
Communications and technology	52 592	59 418
Business travels	13 475	15 070
AGM and board activities	3 911	3 753
Training	4 611	6 243
Repairs and maintenance	32 844	30 009
Supplies and services	26 036	28 310
Allocated cost	9 960	10 349
Cash transportation	15 093	14 973
Fuel	9 639	9 208
Other taxes	10 520	8 950
Non capitalised items	1 143	3 175
Pre-opening expenses	2 199	2 566
Listing fees	1 244	677
Other administrative expenses	8 570	9 940
Total	**295 112**	**312 546**
Total operating expenses	629 180	632 594
14 Income tax expense		
Current income tax	61 088	52 160
Deferred income tax (Note 34)	(23 881)	(15 694)
	37 207	36 466

The income tax rate applicable to the majority of income of the subsidiaries ranged from 25% to 45%

14 Income tax expense (continued)

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 2010	2009
Profit before tax	169 026	101 066
Tax calculated at local tax rates applicable to profits in the respective countries	57 988	46 459
Effect of different tax rates in other countries	-	-
Tax impact on income not subject to tax	(12 788)	(10 867)
Tax impact on expenses not deductible for tax purposes:	11 722	9 357
Utilisation of previously unrecognised tax losses	(19 730)	(6 886)
Others	14	(1 597)
Income tax expense	37 207	36 466

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 outstanding 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.

	2010	2009
Profit attributable to equity holders of the Company	112 716	51 075
Weighted average number of ordinary shares in issue (in thousands)	9 913 368	8 832 315
Basic earnings per share (expressed in US cents per share)	1	1

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 only category of dilutive potential ordinary shares is share options granted to employees.

For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair

	2010	2009
Weighted average number of ordinary shares in issue (in thousands)	9 913 368	8 832 315
Adjustment for share option	64 224	136 609
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	9 977 592	8 968 924
Dilutive earnings per share (expressed in US cents per share)	1	1

16 Cash and balances with central banks

	2010	2009
Cash in hand	348 412	324 584
Balances with central banks other than mandatory reserve deposits	341 104	239 084
Included in cash and cash equivalents (Note 40)	689 516	563 668
Mandatory reserve deposits with central banks	436 706	338 277
	1 126 222	901 945

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

	2010	2009
Maturing within three monts (Note 40)	221 421	171 650
Maturing after three months	367 501	359 917
	588 922	531 567

The movement in Treasury bills and other eligible bills may be summarised as follows:

	2010	2009
At 1 January 2010	531 567	420 316
Additions	1 419 556	2 386 457
Disposals (sale and redemption)	(1 338 164)	(2 299 033)
Gains/(loss) from changes in fair value	1 060	3 547
Exchange differences	(25 097)	20 280
At 31 December 2010	588 922	531 567

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
	2010	**2009**
17 Treasury bills and other eligible bills (continued)		
Current	569 839	530 952
Non current	19 083	615
	588 922	531 567

Treasury bills and other eligible bills are debt securities issued by the government of various countries in which the group operates.

18 Loans and advances to banks		
Items in course of collection from other banks	75 906	58 380
Deposits with other banks (Note 40)	653 271	674 811
Placements with other banks	884 145	647 260
	1 613 322	1 380 451

All loans and advances to banks are current.

19 Trading assets		
Debt securities:		
- Government bonds	5 011	4 771
- Other debt securities	385	-
Total debt securities	5 396	4 771
Equity securities		
- Listed	1 407	2 698
- Unlisted	-	-
Total equity securities	1 407	2 698
Total trading assets	6 803	7 469
Current	500	2 699
Non current	6 303	4 770
	6 803	7 469

20 Derivative financial instruments and trading liabilities

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

Currency forwards represents commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or buy or sell foreign currency or financial institution on a future date at a specified price. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

	Fair value	
	Assets	**Liabilities**
Derivatives		
At 31 December 2010		
Currency swaps	10 000	9 913
Total derivatives assets	10 000	9 913
At 31 December 2009		
Currency forwards	17	-
Currency swaps	10 000	10 022
Total derivatives liabilities	10 017	10 022

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

All derivative financial instruments are current.

Notes

(All amounts in US dollar thousands unless otherwise stated)

21 Loans and advances to customers

	Year ended 31 December					
	Corporate Bank		Domestic Bank		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
a) Analysis by type:						
- Overdrafts	766 185	928 686	965 919	769 331	1 732 104	1 698 017
- Credit cards	-	-	35 502	52 368	35 502	52 368
- Term loans	1 815 238	2 046 643	1 872 758	1 028 744	3 687 996	3 075 387
- Mortgage loans	-	-	99 982	98 996	99 982	98 996
- Others	174 002	176 202	-	-	174 002	176 202
Gross loans and advances	2 755 425	3 151 531	2 974 161	1 949 439	5 729 586	5 100 970
Less: allowance for impairment	(87 503)	(48 903)	(377 899)	(285 870)	(465 402)	(334 773)
	2 667 922	3 102 628	2 596 262	1 663 569	5 264 184	4 766 197
b) Analysis by security:						
Secured against real estate	210 563	243 084	467 041	218 392	677 604	461 476
Otherwise secured	1 430 166	1 722 964	1 592 875	1 241 762	3 023 041	2 964 726
Unsecured	1 114 686	1 126 879	914 245	547 889	2 028 931	1 674 768
	2 755 415	3 092 927	2 974 161	2 008 043	5 729 576	5 100 970
Current					3 384 716	3 563 090
Non current					2 344 870	1 537 880
					5 729 586	5 100 970
***c)* Analysis by performance**						
Performing loan	2 498 597	3 150 948	2 362 401	1 135 784	4 860 998	4 286 732
Non performing loan	256 827	493 076	611 761	321 162	868 588	814 238
	2 755 424	3 644 024	2 974 162	1 456 946	5 729 586	5 100 970

Included in non-performing loans is an amount of $330.5 million which were sold to the Asset Management Company of Nigeria (AMCON) after balance sheet date. If the sale had taken place by 31 December 2010, non-performing loans would have been $538.2 million instead of $868.6 million. The ratio of non-performing loans to total loans would also be 9.4% instead of 15.2%.

d) Allowance for impairment

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

At 31 December 2010	**Corporate Bank**			**Domestic Bank**				**Total**
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January 2010	27 777	21 392	2 139	183 167	21 546	72 653	6 099	334 773
Provision for loan impairment	30 265	31 590	880	51 951	11 293	19 683	490	146 152
Amounts recovered during the year	(16 239)	(6 734)	(1 220)	(12 914)	(17)	(6 176)	(1 379)	(44 679)
Loans written off during the year	2 899	(419)	(39)	37 641	-	317	-	40 399
Exchange difference	(3 702)	(1 038)	(49)	(5 608)	(386)	(248)	(212)	(11 243)
At 31 December 2010	41 000	44 791	1 711	254 237	32 436	86 229	4 998	465 402

At 31 December 2009	**Corporate Bank**			**Domestic Bank**				**Total**
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January 2009	104 107	20 486	2 762	49 616	4 208	22 735	1 192	205 106
Provision for loan impairment	16 057	12 512	1 467	81 043	18 297	49 671	4 998	184 045
Amounts recovered during the year	(10 895)	(10 554)	(1 935)	(10 645)	(966)	(8 810)	(582)	(44 387)
Loans written off during the year	(10 618)	(1 018)	(66)	(3 295)	-	(4 284)	(172)	(19 453)
Exchange difference	(70 874)	(34)	(89)	66 448	7	13 341	663	9 462
At 31 December 2009	27 777	21 392	2 139	183 167	21 546	72 653	6 099	334 773
					-			
							-	

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
	2010	**2009**
21 Loans and advances to customers (continued		
Loans and advances to customers include finance lease receivables analysed below		
Gross investment in finance leases, receivable		
No later than 1 year	10 680	10 483
Later than 1 year and no later than 5 years	43 708	56 132
Later than 5 years	21	1 081
	54 409	67 696
Unearned future finance income on finance leases	(6 408)	(14 362)
Net investment in finance leases	48 001	53 334
The net investment in finance lease may be analysed as follows:		
No later than 1 year	9 646	9 615
Later than 1 year and no later than 5 years	37 878	42 816
Later than 5 years	477	903
	48 001	53 334

22 Investment securities

	2010	2009
Securities available-for-sale		
Debt securities - at fair value:		
- listed	253 324	148 273
- unlisted	520 092	284 907
Total	773 416	433 180
Equity securities - at fair value:		
- listed	17 285	3 814
- unlisted	102 424	69 382
Total	119 709	73 196
Total securities available-for-sale before impairment	893 125	506 376
Current	213 839	-
Non current	679 286	506 376
	893 125	506 376

The Group has not reclassified any financial asset measured at amortised cost rather than fair value during the year. (2009: nil)

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

	2010	2009
At 1 January 2010	506 376	584 000
Additions	2 724 432	2 499 265
Disposals (sale and redemption)	(2 338 665)	(2 544 002)
Losses from impairment of available-for-sale equity securities	(1 815)	(93)
Gains/(loss) from changes in fair value	28 090	(3 895)
Exchange differences	(25 293)	(28 899)
At 31 December 2010	893 125	506 376

(All amounts in US dollar thousands unless otherwise stated)

23 Investment in associate

	Year ended 31 December 2010	2009
At 1 January	-	1 514
Acquisition of associate	3 172	-
Disposal	-	(1 546)
Share of results	36	-
Share of tax	(9)	-
Exchange differences	(18)	32
At 31 December	3 181	-

At 31 December 2010

Associate	Country of incorporation	Assets	Liabilities	Revenues	Profit	%interest held
EB-Accion	Ghana	9 933	6 955	3 289	73	0

24 Intangible assets

	2010	2009
Goodwill		
At 1 January	14 613	14 044
Acquisition of subsidiary (Note 42)	1 056	569
At 31 December	15 669	14 613

Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2010 (2009: nil)

	2010	2009
Software costs		
At 1 January	16 966	20 880
Purchase	5 409	2 642
Amortisation (Note 13)	(8 982)	(7 555)
Exchange differences	(894)	999
At 31 December	12 499	16 966
Total intangibles	28 168	31 579

25 Property and equipment

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Construction in progress	Total
At 1 January 2009						
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
Year ended December 2009						
Opening net book amount	21 103	129 011	80 547	33 529	51 612	315 802
Acquisition of subsidiaries	468	13 884	2 015	4 652	-	21 019
Additions	12 134	41 362	44 712	15 121	21 982	135 311
Revaluation	-	63 522	-	-	-	63 522
Disposals - cost	(4 101)	(323)	(1 782)	(25)	-	(6 231)
Disposals - accumulated depreciation	3 400	107	1 416	25	-	4 948
Reclassifications - cost	-	7 380	4 402	5 514	(17 296)	-
Depreciation charge	(9 237)	(6 493)	(31 185)	(7 000)	-	(53 915)
Exchange rate adjustments	(709)	14 428	(2 566)	1 067	(18 462)	(6 242)
Closing net book amount	23 058	262 878	97 559	52 883	37 836	474 214
At 31 December 2009/1 January 2010						
Cost	48 315	294 851	210 971	81 860	37 836	673 833
Accumulated depreciation	25 257	31 973	113 412	28 977	-	199 619
Net book amount	23 058	262 878	97 559	52 883	37 836	474 214
Year ended December 2010						
Opening net book amount	23 058	262 878	97 559	52 883	37 836	474 214
Acquisition of subsidiaries	342	55	267	1 035	-	1 699
Additions	7 102	3 896	34 121	13 098	25 018	83 235
Disposals - cost	(3 292)	(1 633)	(9 941)	(4 978)	(239)	(20 083)
Disposals - accumulated depreciation	2 391	263	3 333	1 577	(599)	6 965
Reclassifications - cost	-	1 840	10 092	5 929	(17 861)	-
Reclassifications - accumulated depreciation	-	2 473	-	(2 473)	-	-
Depreciation charge	(9 511)	(8 030)	(33 893)	(8 271)	-	(59 705)
Exchange rate adjustments	(1 136)	(11 183)	(5 005)	(2 532)	(2 180)	(22 036)
Closing net book amount	18 954	250 559	96 533	56 268	41 975	464 289
At 31 December 2010						
Cost	49 469	283 504	240 609	93 985	41 975	709 542
Accumulated depreciation	30 515	32 945	144 076	37 717	-	245 253
Net book amount	18 954	250 559	96 533	56 268	41 975	464 289

The group revalued its buildings at 31 December 2010. The valuations were done by professionally qualified independent valuers, using market values as the reference.

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
26 Investment property	**2010**	**2009**
1 January	13 280	12 083
Fair value gains	513	1 588
Disposal	(44)	(710)
Exchange rate adjustments	(818)	319
At 31 December	12 948	13 280

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

The following amounts have been recognised in the income statement		
Rental income	843	836
Direct operating expenses arising from investment properties that generate rental income	(572)	(605)
	271	231

27 Other assets		
Fees receivable	26 675	60 426
Accounts receivable	291 657	202 720
Prepayments	104 189	84 294
Sundry receivables	8 976	10 709
	431 497	358 149
Impairment charges on receivable balances	(11 524)	-
	419 973	358 149

All other assets are current.

28 Deposits from other banks		
Items in course of collection	103	1 828
Deposits from other banks	372 281	391 575
	372 384	393 403

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

29 Due to customers		
Corporate Bank		
- Current accounts	1 796 527	1 758 116
- Term deposits	966 569	800 057
	2 763 096	2 558 173
Domestic Bank		
- Current accounts	2 929 942	2 007 171
- Term deposits	1 002 606	924 565
- Savings deposits	1 228 941	982 550
	5 161 489	3 914 286
Total	7 924 585	6 472 459
Current	6 271 092	4 178 338
Non current	1 653 493	2 294 121

Customer deposits carry variable interest rates.

30 Other deposits		
Other money-market deposits	50 918	85 793
	50 918	85 793

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

31 Borrowed funds		
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)	47 993	50 464
European Investment Bank	73 010	94 722
International Finance Corporation	40 562	44 512
Deutsche Bank	4 500	6 078
Social Security and National Insurance Trust	3 000	2 974
OIKOCREDIT Ecumenical Development	-	1 101
Export Development Investment Fund	431	467
Banque Ouest-Africaine de Dévelopment (BOAD)	7 841	9 883
Credit Foncier du Cameroon	4 277	8 565
Societe Mamadou Dalaba	2 357	2 913
Ecobank Senegal bonds	3 395	7 321
Le Mans and Union Des Assurances Vie	2 240	2 416
Agence Françaíse de Developpement	1 287	5 068
International Cooperation Development Fund, China	2 333	3 105
Caisse Nationale de Securite Sociale	4 073	-
Legba Hounsou	1 629	2 196
Akanni A. Ibouraima	815	1 098
Balogoun EP Akanni Naimatou	815	1 098
Atlantic Coast Regional Fund (ACRF)	13 311	-
National Social Security and Insurance Trust of Sierra Leone	1 072	-
Other loans	11 034	9 921
	225 975	253 902
Current	81 387	27 358
Non current	144 588	226 544
	225 975	253 902

(All amounts in US dollar thousands unless otherwise stated)

31 Borrowed funds (continued)

a) Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan to ETI is repayable over five (5) years in twenty (20) equal quarterly instalments from 2010-2015. Interest rate is based on 3 month LIBOR rate plus margin of 4.0% payable quarterly.

b) The loan from the European Investment Bank to Ecobank Transnational Incorporated is repayable in ten equal semi-annual instalments starting from 2010. This attracts interest at 6 month LIBOR rate plus 2.564% payable semi-annually.

c) 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.

d) The International Finance Corporation (IFC) loan to Ecobank Nigeria Plc (EBN) and Ecobank Ghana Limited (EBG) are repayable in 2013 and 2015 respectively. Interest rates to EBN and EBG are 4.15% and LIBOR plus 3% respectively.

e) 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.

f) The Deutsche Bank loan to Ecobank Nigeria is a three-year facility maturing in 2012 with a rate of LIBOR + 1.8%.

g) 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.

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

i) The Credit Foncier du Cameroon loan to Ecobank Cameroon is a three-year facility with an interest rate of 3.5%

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

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

l) Agence Française de Developpement loan Ecobank Burkina Faso has an interest rate of 2% and expires in 2012

n) International Cooperation Development Fund, China is a term to Ecobank Burkina Faso expiring in 2023 with an interest rate of 4.5%

n) Five-year term loans from Legba Hounsou, Akanni A. Ibouraima and Balogoun EP Akanni Naimatou, all individuals, to Ecobank Benin attract a rate of 7.5%

o) Atlantic Cost Regional Fund (ACRF) to Ecobank Chad, Ecobank Liberia and Ecobank Rwanda are convertible loans expiring in 2015

p) National Social Security and Insurance Trust of Sierra Leone loan to Ecobank Sierra Leone with interest rate of 11.5% maturing in 2015.

	Year ended 31 December	
	2010	**2009**
32 Other liabilities		
Accrued income	42 315	40 851
Unclaimed dividend	8 596	6 227
Accruals	379 646	303 689
Other provisions (Note 33)	6 183	10 870
Obligations under customers' letters of credit	25 446	42 263
Bankers draft	34 512	67 427
Others	22 266	5 674
	518 964	477 001

Other liabilities are expected to be settled within no more than 12 months after the date of the consolidated statement of financial position.

33 Other provisions		
At 1 January	10 870	12 784
Additional provisions charged to income statement	3 938	6 146
Provision no longer required	(56)	(2 476)
Utilised during year	(4 844)	(2 449)
Exchange differences	(3 725)	(3 135)
At 31 December	6 183	10 870

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.

(All amounts in US dollar thousands unless otherwise stated)

34 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 2010	2009
At 1 January	7 465	21 591
Income statement charge	(23 881)	(15 694)
Available-for-sale securities:		
- fair value remeasurement	8 340	84
- transfer to net profit	(40)	430
Revaluation of property and equipment	-	15 650
Others	-	(12 400)
Exchange differences	(174)	(2 196)
At 31 December	(8 290)	7 465

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

	2010	2009
Deferred income tax liabilities		
Accelerated tax depreciation	13 142	10 296
Available-for-sale securities	12 807	4 483
Revaluation of property and equipment	13 823	15 650
Other temporary differences	(12 330)	2 314
	27 442	32 743
Deferred income tax assets		
Pensions and other post retirement benefits	37	62
Provisions for loan impairment	3 949	1 783
Other provisions	10 545	7 376
Tax loss carried forward	21 203	16 058
	35 734	25 279
Deferred tax liabilities		
- To be recovered within 12 months	19 556	6 692
- To be recovered after more than 12 months	7 886	26 051
	27 442	32 743
Deferred tax assets		
- To be recovered within 12 months	11 675	6 161
- To be recovered after more than 12 months	24 059	19 118
	35 734	25 279

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

	2010	2009
Accelerated tax depreciation	2 846	(5 829)
Pensions and other post retirement benefits	25	2 672
Allowances for loan losses	(2 166)	(257)
Other provisions	(3 169)	(2 642)
Tax losses carry forward	(5 145)	(15 463)
Other temporary differences	(14 644)	5 825
Exchange differences	(1 628)	-
	(23 881)	(15 694)

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

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

Income tax effects relating to components of other comprehensive income

	2 010			2 009		
	Gross	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Fair value gains/loss on available for sale	28 979	(8 300)	20 679	1 055	(514)	541
Revaluation gains/loss on property and equipment	-	-	-	63 522	(15 650)	47 872
	28 979	(8 300)	20 679	64 577	(16 164)	48 413

35 Retirement benefit obligations

	Year ended 31 December 2010	2009
Amounts recognised in the statement of financial position:		
Other post retirement benefits	8 147	8 973

Other post-retirement benefits

Apart from the pension schemes, the Group operates a post employment gratuity payment scheme. The method of accounting and the frequency of valuations are as described in Note 2.23.

The Group operates a post employment gratuity payment scheme. The amounts recognised in the statement of financial position are as follows:

	2010	2009
Present value of funded obligations	9 484	9 405
Fair value of plan assets	(6 139)	(5 692)
	3 345	3 713
Present value of unfunded obligations	4 646	5 141
Unrecognised actuarial losses	156	119
Liability in the statement of financial position	8 147	8 973

Income tax effects relating to components of other comprehensive income

	Year ended 31 December 2010	2009
35 Retirement benefit obligations (continued)		
The amounts recognised in the income statement are as follows:		
Current service cost	3 116	3 138
Interest cost	1 059	947
Expected return on plan assets	(664)	(483)
Net actuarial losses recognised in year	(1 565)	(1 562)
Total included in staff costs	1 946	2 040
The movement in the liability recognised in the statement of financial position is reconciled as follows:		
At 1 January	8 973	12 169
Total expense as above (Note 13)	1 946	2 040
Contributions paid	(2 482)	(5 055)
Exchange differences	(290)	(181)
At 31 December	8 147	8 973

The plan assets relate 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;

	2010	2009
At 1 January -	5 692	2 948
Expected return on plan assets	664	483
Contributions	1 225	2 682
Exchange differences	(1 442)	(421)
At 31 December	6 139	5 692

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:

	2010	2009
Discount rate	0	0
Expected return on plan assets	0	0
Future salary increases	0	0

The principal assumptions used for the employees of Ecobank Nigeria Plc were as follows

	2010	2009
Discount rate	0	0
Expected return on plan assets	0	0
Future salary increases	0	0

36 Contingent liabilities and commitments

a) Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2010 with contingent liabilities of $147.8m (2009: $80.6m). No provision has been made a professional advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

At 31 December 2010, the Group had capital commitments of $74.3m (2009: $45.6m) 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 2010 the group had contractual amounts of the off-statement of financial position financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

	2 010	**2 009**
Acceptances	82 099	34 563
Guaranteed commercial papers	488 003	427 168
Documentary and commercial letters of credit	699 043	513 011
Performance bond, guarantees and indemnities	791 355	580 948
Loan commitments	223 600	60 086
	2 284 100	1 615 776

37 Share capital

	No of shares ('000)	Ordinary shares	Share premium	Total
At 1 January 2009	8 733 894	218 236	556 260	774 496
Reclassification	(1 582)	-	(1 005)	(1 005)
Restated	8 732 312	218 236	555 255	773 491
Convertible debt converted	1 181 056	29 526	63 692	93 218
At 31 December 2009/ 1 January 2010	9 913 368	247 762	618 947	866 709
At 31 December 2010	9 913 368	247 762	618 947	866 709

(All amounts in US dollar thousands unless otherwise stated)

37 Share capital (continued)

The total authorised number of ordinary shares at year end was 50 billion (2009: 50 billion) with a par value of US$0.025 per share (2009: US$0.025 per share).
No new shares were issued in 2010

Share options
The Group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three year's 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.

	Year ended 31 December	
Movement in the number of share options outstanding are as follows:	**2 010**	**2 009**
At 1 January	346 120	352 720
Lapsed	-	(6 600)
At 31 December	346 120	346 120

Share options were granted on 1 January 2007 at a price of US$ 0.08 (restated for share splits) per share and expire on 31 December 2011. No option was exercisable at 31 December 2010.

The number of shares outstanding at the end of the year was as follows:	**2 010**	**2 009**
Expiry date; 1 January	000	000
2010	148 060	148 060
2011	139 166	139 166
2012	58 894	58 894
	346 120	346 120

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

38 Retained earnings and other reserves

a) Retained earnings

Movements in retained earnings were as follows:

At 1 January	221 610	206 401
Reclassification of share issue expenses from share premium	-	1 005
Restated	221 610	207 406
Net profit for year	112 716	51 075
Dividend	(29 745)	(17 500)
Employee share option scheme	4 130	3 313
Transfer to general banking reserve	(11 180)	(9 449)
Transfer to statutory reserve	(15 281)	(13 235)
At 31 December	**282 250**	**221 610**

b) Other Reserves

General banking reserve	44 917	33 737
Statutory reserve	101 733	86 452
Revaluation reserve - Available-for-sale investments	43 944	23 265
Revaluation reserve - property and equipment	47 872	47 872
Translation reserve	(232 078)	(167 516)
	6 388	**23 810**

Movements in the other reserves were as follows:

i) General banking reserve

At 1 January	33 737	24 288
Transfer from retained earnings	11 180	9 449
At 31 December	**44 917**	**33 737**

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

ii) Statutory reserve

At 1 January	86 452	73 217
Transfer from retained earnings	15 281	13 235
At 31 December	**101 733**	**86 452**

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

(All amounts in US dollar thousands unless otherwise stated)

	Year ended 31 December	
	2 010	**2 009**
iii) Revaluation reserves - Available -for-sales		
At 1 January	23 265	22 724
Net (loss)/gains transferred to income statement (Note 11)	(171)	1 403
Less deferred tax (Note 34)	40	(430)
Net gain/loss from changes in fair value (Notes 17 and 22)	29 150	(348)
Deferred income taxes (Note 34)	(8 340)	(84)
At 31 December	**43 944**	**23 265**
iv) Revaluation Reserve - property and equipment		
At 1 January	47 872	-
Net gains/(losses) from changes in fair value	-	63 522
Deferred income taxes	-	(15 650)
At 31 December	**47 872**	**47 872**
v) Translation reserve		
At 1 January	(167 516)	(72 448)
Currency translation difference arising during the year	(64 562)	(95 068)
At 31 December	**(232 078)**	**(167 516)**

39 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 2010 of 0.4 cents per share (2009: 0.3 cents per share) is to be proposed. This amounts to a total of US$ 39.7 million (2009: US$29.7 million). The financial statements for the year ended 31 December 2010 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 2011.

40 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.

Cash and balances with central banks (Note 16)	689 516	563 668
Treasury Bills and other eligible bills (Note 17)	221 421	171 650
Deposits with other banks (Note 18)	653 271	674 811
Deposits from other banks (Note 28)	(372 384)	(393 403)
	1 191 824	1 016 726

(All amounts in US dollar thousands unless otherwise stated)

41 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:

	Year ended 31 December			
Loans and advances to related parties	Directors and key management personnel		Related companies	
	2 010	**2 009**	**2 010**	**2 009**
Loans outstanding at 1 January	6 367	5 065	33 989	31 782
Loans issued during the year	2 088	2 949	53 100	21 559
Loan repayments during the year	(480)	(2 015)	(790)	(18 056)
Exchange difference	(148)	368	(713)	(1 296)
Loans outstanding at 31 December	7 827	6 367	85 586	33 989
Interest income earned	69	262	3 655	5 509

No provisions have been recognised in respect of loans given to related parties (2009:nil).

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

	Year ended 31 December			
Deposits from related parties	Directors and key management personnel		Related companies	
	2 010	**2 009**	**2010**	**2009**
Deposits at 1 January	492	2 194	625	113
Deposits received during the year	7 412	2 409	4 480	51 296
Deposits repaid during the year	7 043	(2 318)	(4 743)	(50 865)
Exchange difference	(321)	(1 793)	(98)	81
Deposits at 31 December	14 626	492	264	625
Interest expense on deposits	105	16	-	175

	Year ended 31 December	
	2010	**2009**
Directors' remuneration		
Total remuneration of the directors	2 721	2 533
Key management compensation		
Salaries and other short term benefits	1 079	1 008

42 Major business acquisitions

In May 2010, Ecobank Sierra Leone completed a 100% acquisition of*Pro Credit o*f Sierra Leone. Pro Credit is a micro finance company. The acquired institution contributed operating income and a loss of $1.2 million and $0.7 millon respectively to the group for the period ending 31 December 2010. ETI holds 100% interest in Ecobank Sierra Leone.

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

	Pro Credit	
	Fair value on date of Acquisition	**Acquiree's previous carrying value**
	13 May 2010	31 December 2009
Cash and cash equivalent	3 771	5 504
Loans and advances to customers	2 130	2 089
Property, plant and equipment	2 914	3 155
Other assets	814	536
Deposit from banks	-	-
Deposit from customers	(8 123)	(9 496)
Other borrowed funds	(1 261)	(1 034)
Other liabilities	(652)	(560)
Net assets value	(407)	194
Less minority interest	-	
Net assets acquired	(407)	
Cost of acquisition (discharged by cash)	649	
Net assets acquired	(407)	
Goodwill	1 056	
Cost of acquisition (discharged by cash)	649	
Cash and cash equivalents in subsidiaries acquired	3 771	
Net cash flow	3 122	

43 Events after reporting date

a. In January 2011, ETI concluded the acquisition of 70% interest in Premier Finance Group Ltd in Zimbabwe. The bank since been renamed Ecobank Zimbabwe.

b. In January 2011, ETI concluded loan deal with EIB amounting US$50 million. Disbursement is yet to take place upon completion of documenation procecesses.

c. Following the political crises in Cote d'Ivoire after the presidential elections in November 2010, most financial institutions including Ecobank Cote d'Ivoire, Ecobank Asset Management and Ecobank Investment Corporation, all in Cote d'Ivoire, temporally suspended operations in February 2011.

d. In March 2011, Ecobank Nigeria concluded the sale of $330.5 million of its non performing loans to the Asset Management Company of Nigeria (AMCON). Had this sale taken place by 31 December 2010, the non performing loans ratio of the group would have been 9.4% instead of 15.2% reported.