ECOBANK GROUP ANNUAL REPORT 2009

Ecobank
The Pan African Bank

The Ecobank Network

Corporate Statement

Building a world class Pan-African bank

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

Listed on the Nigerian Stock Exchange, the Ghana Stock Exchange and the BRVM in Abidjan, Ecobank is also the leading pan-African bank with operations in 30 countries across the continent, more than any other bank in the world.

Leading geographical network in Africa

Ecobank currently operates in 30 countries in west, central, eastern and southern Africa, namely: Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Tanzania, Togo, Uganda and Zambia. Ecobank has also a representative office in Johannesburg, South Africa and a subsidiary in Paris, France.

One bank everywhere

Ecobank operates as "One Bank" with a common brand, common standards, policies and processes. This applies to all the business units of the group, so customers get consistent service across its branches and offices.

Balanced business mix

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

Corporate social responsability and sustainability

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

Technology

Ecobank has data centers in Accra, Lagos, Lome and Abidjan that provide a common technology platform. These include a regional switch connecting all affiliates and supporting the group's "One Bank" brand. The group also operates its own fully integrated telecommunications network.

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Financial Highlights

(All amounts in US dollar thousands unless otherwise stated)

At year end	2009	2008	% Change
Assets	9,006,523	8,306,186	8%
Loans and advances to customers	4,766,197	3,754,206	27%
Deposits from customers	6,472,459	5,798,895	12%
Total equity	1,235,565	1,157,622	7%
Book value per share (cents)	12.1	11.4	6%
Non-performing loans to total loans	16%	17%	
Headcount	11,097	11,211	-1%
Branches and offices	746	610	22%

For the year	2009	2008	% Change
Revenues	873,318	826,124	6%
Loan loss provision	139,658	113,071	24%
Profit before tax	101,066	162,385	-38%
Profit after tax	64,600	111,140	-42%
Profit attribuable	51,075	94,195	-46%
Basic earnings per share (cents)	0.58	1.39	-59%
Diluted earning per share (cents)	0.57	1.35	-58%
Dividend per share (cents)	0.3	0.2	50%
Return on average equity	5.6%	17.1%	
Return on average assets	0.7%	1.5%	

Other data	2009	2008
Risk - based capital ratios (%):		
Total	21.4%	24.5%
Tier 1	21.0%	22.3%
Number of ordinary shares outstanding ('000)		
Average	8,832,315	6,758,268
As at 31 December	9,914,950	8,733,894

Chairman's Address

I assumed the chairmanship of Ecobank during 2009, following the untimely death of my predecessor, Mr. Mande Sidibe. This along with other developments in the markets in which we operate meant that 2009 was a challenging year for the Ecobank Group.

In spite of a significant deterioration in market conditions in some of our markets, we made steady progress across many of our businesses.

Financial results

The financial results for the year have been affected by the difficult conditions caused by the global economic and financial crises and reflect the mixed performance of our various subsidiaries during the year.

The total assets of the group grew by 8% to US$9 billion primarily due to organic growth but also aided by the opening of four new subsidiaries. This growth was in spite of the negative effect of currency depreciation in our major markets. Revenues grew by 6% to US$873 million, again held back by significant devaluation of the major currencies in countries in which we operate.

We were able to reduce operating costs growth rate during the year, but due to a combination of factors, the most important of which was the deterioration of the banking sector in Nigeria, profit before tax dropped by 38% to US$101 million. This was after absorbing losses from the new subsidiaries which are not yet profitable.

As our geographical expansion is coming to an end and in view of the changes we have made to strengthen our business, we are now well positioned to accelerate our financial and operating performance in the coming years.

Due to strong liquidity and our commitment to higher shareholder returns, we are proposing a 50% increase in dividend per share to 0.3 US cents (2008: 0.2 US cents)

Strategy

In 2009, we added 4 more countries to the group bringing our presence in Africa to 29 countries. In addition, we opened a subsidiary in Paris, France, a representative office in Johannesburg, South Africa and obtained approval to open a representative office in Dubai, UAE.

We undertook a complete review of our strategy and organization, working with a leading firm of international consultants. As a result, we have implemented what we believe is a more efficient and more customer focused operating structure that we expect will improve our performance and efficiency going forward.

Corporate governance

As I have already mentioned above, during the year, we lost our former Chairman, Mande Sidibe, after a brief illness and I was elected to succeed him. We will forever remember him as a man of integrity and dignity who showed wisdom and balance in the manner in which he guided the affairs of the group. We will miss him dearly.

As the longest serving member of the board, I hope to bring this experience to bear by working with my other colleagues and the management to build on the success of the group to date. I will be focusing in particular on how we can optimise the unique platform that we have built to improve the profitability of the group and enhance returns to our shareholders.

During the course of this year (2010), Oba Otudeko resigned from the board to assume responsibilities as Chairman of First Bank of Nigeria. We thank him for his commitment and service to the Ecobank Group during his tenure. He brought wit and a focus on strategy and results that played a very important part in the success of the group in the eight years that he served as a board member.

Following the re-organization referred to above and effective 1 January, 2010, Messrs Kabassi and Akinwuntan stepped down from the board to assume other responsibilities. Mrs. Laurence do Rego who is in charge of finance and risk for the group, has been nominated for appointment as director in recognition of the increasing importance the board, regulators and the financial markets place on effective financial and risk management. In addition, Dr. S. P. Ajibade, an international lawyer has also been nominated for election.

Corporate social responsibility

The Ecobank Foundation continues to support projects across Africa. These are detailed in the section on Corporate Social Responsibility in the Annual Report.

Ecobank has also been active in the debate and actions on climate change. We have participated in many local and international events and initiatives designed to ensure that the interest of Africa is taken into account.

Transparency

Our Annual Report is continuously reviewed to ensure that it provides shareholders, investors, analysts and the general public with relevant information on developments in the group.

During the year, we will also strengthen our investor relations function to better provide information to our shareholders, investors, rating agencies and the investing public on a timely and informative basis.

People and process

Whilst we continue to invest in our people, we were also able to attract new talent to strengthen and refresh our talent pool. We continued to implement a proactive policy on diversity and gender balance across the group that has made Ecobank one of the leading African firms in this field.

Head office building

In November 2008 the President of the Rebublic of Togo, His Excellency Mr. Faure Gnassingbe, laid the Foundation stone for the new Ecobank Head Office building in Lome. I am happy to report that during the year, work started on the construction of the building and very good progress is being made. The building is scheduled for completion by the end of 2010.

The future

We remain cautious about the outlook for Africa for 2010. We will continue with our emphasis on revenue generation, cost containment and efficiency improvements.

We have slowed down on our expansion programme as our geographical expansion is coming to an end and in 2010, we will be opening the smallest number of new branches in 5 years.

We have a lot of work to do in improving our risk management and our controls, and in upgrading our technology and our processes. This work is going on in earnest.

Our focus going forward is on improving the performance of the group and in particular, our Nigerian affiliate. We hope the results of our efforts will start showing through in the results for 2010.

I will like to conclude by thanking all our shareholders for their support and confidence in the Ecobank Group, and our management and employees for their commitment and dedication to the group. I count on your continued support as I and other members of the board and management of the group work to make Ecobank a source of pride to you all.

Kolapo Lawson
Chairman

Directors' Report

Principal activity

There was no change in the principal activity of the company in 2009. Ecobank Transnational Incorporated (ETI), the parent company of the Ecobank Group, is a bank holding company. Its principal activity is the provision of banking and financial services through its subsidiaries and affiliates.

The group slowed down on its expansion program in 2009, having almost covered all of its key target markets. Five (5) new countries were added to the network. During the year, emphasis was placed on consolidating and optimizing the group's network through improvements in systems and processes with the view to increasing efficiency and managing costs. A review of the business of the group during the 2009 financial year, and of likely future developments, is contained in the Business and Financial Review section.

Results

The group's profit after tax was US$64.6 million. Net profit attributable to the parent company was US$51 million. The details of the results for the year are set out in the consolidated income statement.

The board of directors approved the financial statements of the company and the group for the year ended 31 December 2009 at the meeting of the board held on 23 April, 2010. Messrs Kolapo Lawson and Arnold Ekpe were authorized to sign the accounts on behalf of the board.

International Financial Reporting Standards (IFRS)

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

Dividend

The directors recommend the payment of a total of US$29.7 million as dividend— that is 0.3 US cents per ordinary share— based on the total number of shares outstanding as at 31 December, 2009.

Capital

At the beginning of 2009, the authorised share capital of the company was US$1.25 billion divided into 50 billion ordinary shares of 2.5 US cents per share. The issued share capital was US$774 million represented by 8.7 billion ordinary shares of 2.5 US cents each.

The IFC exercised its option to convert its US$100 million convertible loan into 1,181,055,863 ordinary shares bringing the issued share capital of the company as at the end of 2009 to US$868 million represented by 9.9 billion ordinary shares of 2.5 US cents each.

All the issued shares of the company continued to be listed and traded on the three West African stock exchanges, namely, the BRVM (Bourse Régionale des Valeurs Mobilières) in Abidjan, the Ghana Stock Exchange of Accra, and the Nigerian Stock Exchange of Lagos.

Directors and Company Secretary

The names of the directors of the company and the name of the company secretary appear on pages 9 to 14 of this report.

As at 31 December, 2009, the board was composed of fourteen (14) directors: eight (8) non executive and six (6) executive directors. Mr. Mande Sidibe, passed away on 25 August 2009 and was replaced by Mr. Kolapo Lawson as Chairman on 28 September 2009. Messrs Kwasi Boatin and Sipho Mseleku were appointed as directors by the AGM of 5 June, 2009.

The board of directors met six (6) times during the year. The Governance Committee met four (4) times, the Audit and Compliance Committee, three (3) times and the Risk Committee once during the year to deliberate on issues under their respective responsibilities.

Corporate governance and compliance

The company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. See pages 18 to 22 of this report.

Subsidiaries

In 2009, operations started in four more countries, namely, Uganda, Gabon and Zambia (bringing the total number of African countries in which Ecobank has banking operations to 28) and an international financial and capital markets operations in Paris, France. We also opened a representative office in Johannesburg, South Africa. At the beginning of 2010, Ecobank Tanzania started operations bringing the total number of countries in which the group is present to 31 as at the date of this annual report. During the first half of this year, we obtained a license for a representative office in Dubai while efforts were underway to secure a similar license in China.

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

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

Post balance sheet events

There were no post balance sheet events that could materially affect either the reported state of affairs of the company and the group as at 31 December, 2009 or the profit for the year ended on the same date which have not been adequately provided for or disclosed.

Responsibilities of Directors

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

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

Independent External Auditors

The joint auditors, Pricewaterhouse-Coopers, Lagos, Nigeria and Price- waterhouseCoopers S.A., Abidjan, Côte d'Ivoire have indicated their willingness to continue in office. A resolution will be presented at the 2010 AGM to authorize the directors to determine their remuneration.

14 May, 2010
By Order of the Board,

Samuel K Ayim
Company Secretary

Board of Directors

Kolapo Lawson (59)

Chairman since 2009
Non Executive Director since 1993

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

Christian N. Adovelande (59)

1st Vice-Chairman since 2009
Non Executive Director since 2002

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

André Siaka (60)

2nd Vice-Chairman since 2009
Non Executive Director since 2006

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

Arnold Ekpe (56)

Chief Executive Officer from 1996 to 2001 and since 2005

Arnold Ekpe returned to Ecobank as the Group Chief Executive Officer in 2005. He was previously the Group Chief Executive Officer from 1996 to 2001 when he left to join United Bank for Africa, one of the top three banks in Nigeria as Chief Executive Officer from 2002 until 2004. He has over 30 years of African and international banking experience, having also worked in Europe, South Africa and West Africa for Citibank and First Chicago. He was Vice President and Head of Structured Trade and Corporate Finance for Sub-Sahara Africa for Citibank. Arnold Ekpe holds degrees in Mechanical Engineering and Business Administration from Manchester University and Manchester Business School respectively.

Oba Otudeko (66)

Non Executive Director since 2002

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

Paulo Gomes (46)

Non Executive Director since 2006

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

Isyaku Umar (62)

Non Executive Director since 2006

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

Evelyne Tall (51)

Executive Director since 2005

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

Patrick Akinwutan (48)

Executive Director since 2005

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

Kwasi A. Boatin (48)

Non Executive Director since 2009

Kwasi Boatin is an investment consultant and until recently the Director General of Social Security and National Insurance Trust (SSNIT), with US$2.1 billion of assets under management for a defined benefit plan under the Social Security Scheme for Ghana. He was the General Manager in charge of Finance of the SSNIT from 2003 to 2008. He has significant experience in investment consulting and asset management and has made several presentations worldwide. In February 2006 he was appointed Reporter by the International Social Security Association (ISSA) in Geneva and is currently vice chairperson on the Technical Commission on Investments. From 1989 to 2003 he held senior finance positions in major companies in the UK including Barratt London Plc, AT&T (UK) Ltd and Winkworth. Mr. Boatin holds an MBA from Henley Management College, Oxfordshire, UK and is a fellow of the Association of Chartered Certified Accountants, UK.

Sipho Goodenough Mseleku (43)

Non Executive Director since 2009

Mr. Sipho Goodenough Mseleku is the Chief Executive Officer of the Association of SADC Chambers of Commerce & Industry (ASCCI), a Non Executive Chairman of Sakhumnotho Group Holdings(Pty) Ltd and Director of several other institutions since 2005 to date. From 2004 to 2005, he was the Chief Executive Officer of Chambers of Commerce & Industry of South Africa (CHAMSA) and from 2002-2005, he was the Chief Executive Officer of National African Federated Chamber of Commerce & Industry (NAFCOC) and of Sakhumnotho Group Holdings(Pty) Ltd. From 2000 to 2003, he was Senior Manager, Investment Banking at Gensec Bank and Structured Financier at Development Bank of South Africa; In 1999 and 2000, he was Senior Legal Executive of Brait Capital Partners. In 1997 and 1999 and from 2005 to date, he is Attorney of the High Court of South Africa. He is the current Chairman of All African Chamber of Commerce & Industry. Mr. Mseleku holds an LLM (Tax Law), an HDip Company Law, an LLB, and a BA (Hons) of the University of Witwatersrand, Johannesburg.

Offong Ambah (50)

Executive Director since 2006

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

Board of Directors (continued)

Albert Essien (54)

Executive Director since 2005

Albert Essien is currently the Group Executive Director for Corporate Banking. Prior to that, he was the Regional Head for the Rest of West Africa (excluding Nigeria) and Eastern and Southern Africa (ESA) regions. As Regional Head, for ESA he had responsibility for Ecobank's expansion into that region which culminated in subsidiaries in the following counties; Kenya, Uganda, Tanzania, Rwanda, Burundi, Zambia and Malawi. He started his banking career in 1986 with the National Investment Bank in Accra, Ghana. He joined the Corporate Banking Department of Ecobank Ghana in 1990. In 1997, he became Country Risk Manager. He was appointed Deputy Managing Director in 2001 and became Managing Director in December 2002. Albert Essien has a degree in Economics from the University of Ghana (graduated in 1979) and is an alumnus of the Executive Development Program of INSEAD (France/Singapore). He is also an honorary fellow of the Chartered Institute of Bankers, Ghana.

Kassimou Abou Kabassi (55)

Executive Director since 2008

Kassimou Abou Kabassi is currently the Special Adviser to the Group CEO for Governmental Relations and Corporate Development. Prior to that, he was the Regional Head for Central Africa Region. He started his banking career in 1985 as a financial analyst with the Development Bank of Benin. In 1990, he joined Ecobank Benin and held a number of positions including Credit and Marketing Officer and Risk Manager. In 1999, he was appointed acting Managing Director of Ecobank Togo. He moved to Ecobank Mali in 2000 as Managing Director and in 2005 he was appointed Managing Director of Ecobank Cameroon and Regional Head for Central Africa Region. He holds a Masters' Degree in Economy and Business Administration and a postgraduate diploma in banking.

Chief Executive Officer's Review

The year 2009 was a period of mixed results for the Ecobank Group. On one hand we increased the number of countries in which we operate to 29, and our balance sheet exceeded US$9 billion for the first time. Our network increased to over 746 branches and offices, and revenues rose above US$873 million.

On the other hand we suffered a significant drop in profits and a slowdown in revenue growth due primarily to very poor market conditions in Nigeria, significant depreciation of our major operating currencies and start-up costs in our eastern and southern African subsidiaries.

Financial performance

While net revenues rose by 6% to US$873 million in 2009, this growth was held back by the impact of severe depreciation in our major operating currencies relative to the US$; amounting to US$131 million. A breakdown of the contribution of the respective regions and the businesses to the group results is set out in the section on Business and Financial Review of the annual report.

Our efficiency ratio deteriorated further due to increased investments in new subsidiaries, which are yet to become profitable. These served to increase operating costs whilst the attendant revenues are yet to be delivered. Against this backdrop, it should be pointed out that the growth rate in operating costs reduced significantly. Staff related expenses and headcount dropped by 3% and 1% respectively, compared to the previous year, whilst other operating expenses rose at a slower rate of 32% compared to an increase of 65% in the previous year. Both reductions were due to increased focus on cost containment.

During 2009 we invested over US$600 million in further capitalization of existing subsidiaries and in costs related to opening new subsidiaries. After these investments, value added amounted to US$561 million in 2009.

Review of 2009

During the year, we opened our first international subsidiary in Paris, France, EBI S.A. which is licensed by the French banking authorities to undertake international financial and capital markets activities. The subsidiary has commenced on a good note and we are excited about the prospects for international trade, aid, and investment flows into and from Africa.

In Africa, new subsidiaries were opened in Uganda, Gabon and Zambia. We also opened a representative office in South Africa and obtained approval to open a representative office in Dubai.

We proudly note that Ecobank won the Bank of the Year award during 2009, at the Africa Business Annual Banking Awards, on the occasion of the World Bank/IMF meetings in Istanbul.

Furthermore, 11 Ecobank subsidiaries also won awards for being the best bank in their respective countries, at the annual FT Bankers award ceremony in London.

Chief Executive Officer's Review (continued)

In the second half of the year, Nigerian banking authorities undertook a stress test of banks within the country, as a result of which 9 banks out of 24 were considered to be distressed and were effectively taken over by the Central Bank of Nigeria. Our Nigerian subsidiary was one of the banks to adequately meet the requirements of Central Bank, in terms of governance, capital adequacy, liquidity and credit quality. Following that review, all banks operating in Nigeria were required to take additional impairment charges, which further affected our performance in this important market. In addition, we implemented various actions including restraint on balance sheet growth, recapitalization of the subsidiary and a thorough review of the risk management processes - with a view to turning around this affiliate and positioning it for growth by 2011.

With our geographical expansion winding down, we undertook a review of our strategy and performance during 2009 with the help of a leading firm of international consultants.

Following the review, the group was re-organized into three pan-African business units namely:

Corporate Banking: which focuses on providing a one-stop banking solution to multinational and regional companies, financial institutions and international organizations across the Ecobank network.

Domestic Banking: which focuses on serving local companies, small and medium scale enterprises, government and government agencies and the retail market.

Ecobank Capital: encompasses the treasury, investment banking and asset management businesses. This unit will provide value-added solutions, primarily focused on our corporate banking customers and governments.

These three business units will be supported by an independent and centralized risk management and finance function as well as an improved and enhanced operations and technology platform.

We expect that this new structure, coupled with other measures being taken to improve sales and service, will position Ecobank to better serve our customers and grow revenues, whilst reducing costs and credit losses in the medium to long term.

Strategy

Our pivotal strategy to build shareholder value through scale, growth and efficiency remains unchanged:

Scale: In terms of scale, our balance sheet exceeded US$9 billion in 2009. Geographically, we now have the largest footprint in Africa, more than any other bank in the world. In terms of Ecobank network expansion, we increased the number of branches and offices to 746. We also increased our number of automated teller machines (ATMs) to 665 and POSs to 789.

Our customer base increased to 2.7 million during the year, whilst the number of employees dropped marginally over that period.

We are also working on using alternative channels, in particular the Internet and emerging mobile banking platform to improve customer and market reach.

Growth: In terms of growth, we are coming to the end of our geographical expansion. In future, growth will be defined more in terms of optimizing and leveraging our existing platform and network to accelerate growth in revenues, deposits and profits.

Efficiency: Although our efficiency ratio deteriorated during the year, it is worth pointing out that we achieved significant improvements in cost containment. The growth in staff costs dropped from 61% to -3% and headcount was reduced by over 1%, even as we increased our branch network by 22%. Growth in other operating costs also dropped from 69% to 32%.

Return on average assets deteriorated marginally to 0.7% during the year. Return on average equity also dropped as a result of the higher equity base and the reduced performance during the year.

Shareholder Value: Total shareholder returns measured in terms of capital gains and dividends declined during the year as a result of a crash in one of the major stock exchanges on which we are listed. Market capitalization of our stock at the

end of 2009 was US$961 million, compared to US$2,516 million at the end of 2008. However, market capital has increased by over 50% since the end of 2009.

Return on average equity dropped to 5.6% as a result of the reduced profit during the year and the increased capital base. Earning per share amounted to 0.58 US cents.

Conclusion

Competition in the banking industry continues to gather strength. We see several banking groups looking to implement regional strategies similar to Ecobank's. We believe that our first mover advantage has positioned us to better withstand the unfolding competition. To fortify the group, we would be looking to strengthen our balance sheet through raising additional capital and bringing new talent to strengthen the management pool. We also aim to invest in training and staff development and in modernizing and improving our risk management and operating processes, systems and controls.

While 2009 was a challenging year for the group, our priority in 2010 is to improve the financial and operating performance of the group. We will re-energize the group for improved performance and results. Barring any unforeseen circumstances, these measures should start bearing fruit over the course of 2010.

Arnold Ekpe
Group Chief Executive Officer

Corporate Governance

Commitment to corporate governance

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

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

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

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

"Independent Director" means a Director who:

- has not been employed by ETI or any of its subsidiaries and affiliates in the past five years;
- is not affiliated with a company that is, an advisor or consultant to ETI or any of its subsidiaries and affiliates;
- is not affiliated with a significant customer or supplier of the group or any of its subsidiaries and affiliates;
- has no personal service contracts with the group, any of its subsidiaries and affiliates, or its senior management;
- is not affiliated with a non-profit organization that receives significant funding from the group or any of its subsidiaries and affiliates;
- is not employed as an executive of another company where any of the group's executives serve on that company's board of directors;
- is not a member of the immediate family of an individual who is, or has been during the past five years, employed by the group or any of its subsidiaries and affiliates as an executive officer;
- is not, nor in the past five years has been, affiliated with or employed by a present or former auditor of the group or of its subsidiaries and affiliate; or
- is not a controlling person of the group (or member of a group of individuals and/or entities that collectively exercise effective control over the group) or such person's brother, sister, parent, grandparent, child, cousin, aunt, uncle, nephew or niece or a spouse, widow, in-law, heir, legatee and successor of any of the foregoing (or any trust or similar arrangement of which any such persons or a combination thereof are the sole beneficiaries) or the executor, administrator or personal representative of any person described in this sub-paragraph who is deceased or legally incompetent.

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

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

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

- **Independence** – Although not all non-executive directors need to meet the independent director definition above, all directors should be capable of exercising independent judgment and decision-taking.
- **Demonstrated business acumen** – Strong business experience and a proven understanding of corporate and business processes through a successful track record and a strong reputation in the business community.

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

The board has also adopted standard evaluation tools to help assess the performance of the board as a whole as well as that of individual directors. In 2009, evaluation was administered to all directors of ETI and subsidiaries across the group. Analysis of the reports of the evaluation indicate very high performance of the board of the group.

Governance structures within the Ecobank Group

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

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

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

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

The following are the governance units within the group:

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

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

Corporate Governance (continued)

Parent Company Board of Directors

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

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

As at the end of 2009, the membership of the board was fourteen, comprising six executive and eight non-executive directors (refer to pages 10 to 14). The Group Corporate Governance Charter requires that there are more non-executive directors than executives on the board.

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

The board of directors met six (6) times during the year. The Governance Committee met four (4) times, the Audit and Compliance Committee, three (3) times and the Risk Committee one (1) time during the year to deliberate on issues under their respective responsibilities.

The membership of the committees was reconstituted during the year following changes on the board. The current composition and terms of reference of the committees are summarized below:

Governance committee

Composition

At the end of 2009, the Committee comprised of five members:the board Chairman, the two vice –Chairmen (Messrs Christian Adovelande and Andre Siaka), the Chief Executive Officer and one non executive director (Mr. Oba Otudeko). Mr. Siaka joined the committee on its reconstitution on December 4, 2009.

The Company Secretary is the secretary to the Committee.

Responsibilities

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

Audit and compliance committee

Composition

Membership as the end of 2009 was composed of two non-executive directors (Messrs . Kwasi Boatin as Chairman and Paulo Gomes) and one shareholder (Mr. Ayi A. Amavi) with the Chief Executive Officer in attendance where appropriate.

Mr. Lawson ceased to be the Chairman of this committee upon his appointment as chairman of the board and of the Governance Committee. Mr. Boatin was appointed as director in his own right, ceased to be a representative of SSNIT on the committee,

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

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

Responsibilities

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

Risk committee

Composition

At the end of 2009, the Committee was composed of two non-executive directors (Messrs Andre Siaka as Chairman and Isyaku Umar) and the Chief Executive Officer. Members have good knowledge of business, finance, banking, general management and credit. The Chief Risk Officer serves as Secretary to the Committee. Mr. Siaka was appointed chairman following his appointment as second vice chairman of the board.

Responsibilities

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

Country Boards of Directors

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

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

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

Group Executive Management committee

In 2009, the Group Executive Management Committee (GEMC) was comprised of the Chief Executive Officer, the regional and group business heads and group functional heads, a total of seventeen members. They are responsible for the operational management of the group and its subsidiaries.

Corporate Governance (continued)

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

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

Country Executive Management committee

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

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

Business leaders conference

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

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

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

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

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

Corporate Social Responsibility and Sustainability

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

We seek to factor social and environmental concerns into our business operations, and are especially sensitive to the challenges of our environment, to the challenges of poverty, disease, corruption and to developing human capacity.

The Ecobank Group is not only committed to contributing to operating as a responsible corporate citizen contributing to the economic and social development of communities in which we operate.

Ecobank foundation

The Ecobank Group, through its Foundation provides assistance to African communities in the areas of education, health, environment, entrepreneurship, culture and research.

From 2005 to 2008, the Ecobank Foundation funded 28 projects for approximately nine hundred thousand US$. These included projects in Benin, Burkina Faso, Chad, Côte d'Ivoire, Mali, Nigeria, Sao Tome and Principe, Senegal and Togo and projects of a Pan-African, nature such as FESPACO, The Pathfinder Excellence camps and the West and Central African Education Research Network.

In 2009, ten programs were approved for a total of eight hundred thousand US$ including a project to provide access to technology in village schools in 5 countries (Cameroon, Côte d'Ivoire, Ghana, Liberia, Sierra Leone) in partnership with the Western Union Foundation.

The Ecobank Foundation focuses on projects in countries in which the Ecobank Group is present.

Microfinance

Ecobank is committed to extending banking services to the poor and low income population and in empowering the micro and small entrepreneurs in Africa

During the year, we obtained a licence to establish a microfinance bank in Cameroon and acquired a controlling interest in a microfinance bank in Burkina Faso. Including Nigeria and Ghana, this bring to 4 the number of countries in which we have microfinance operations. Ecobank also banks and assists over 200 microfinance institutions across various countries, in supporting their micro-clients numbering over 2 million.

In recognition of the bank's commitment to serving the grass root population, The Bill and Melinda Gates Foundation awarded a landmark grant of US$ 6 million to Ecobank to assist in bringing quality, affordable savings accounts and other financial services to the doorsteps of the poor in Africa through mobile banking. Pilot projects have been launched in Ghana and Liberia with the objective of reaching 10 million low-income savers in the long-term. This innovative and pioneering initiative, which leverages electronic banking technology and retail agents network, has as its objective the promotion of a savings culture among Africa's unbanked population.

Corporate Social Responsibility and Sustainability (continued)

Human capital

Ecobank is an equal opportunity employer. We believe our people are our greatest resource and we invest in attracting, retaining and developing our people. More than 11,000 people from 32 African nationalities work in Ecobank in local and virtual teams to deliver value to our customers.

We estimate that we directly support up to 5 times our number of employees or over 50,000 people. Through our contractors, suppliers and distributors, we believe we directly and indirectly provide employment to a much larger number of people across Africa.

The bank has also strengthened its team of human resource professionals and specialists and has launched a transformation project with the objective of significantly upgrading the overall quality of its personnel. Tools such as Gallup talent measurement process, assessment and development centres and psychometrics are being embedded in our personnel development and assessment.

We appreciate and recognize our people for outstanding performance and we work to expand their career options for growth.

Learning and development

Learning and Development for Ecobank is aimed at implementing a creative and effective approach to learning, based on feedback from all key stakeholders. Our focus is on designing training and developmental initiatives to meet the evolving needs of the bank and employees in the ever fast-changing global financial markets.

We devote up to 5% of payroll cost to training and development opportunities. A key strategic intent and indicator for training and development is that all staff must have at least an average of 40 hours of training and coaching every year. Over 90% of our senior managers and country heads were developed internally through a structured process that identifies, develops, advances, and retains current and future leaders. Our leadership programs offer project and secondment assignments, job shadowing, coaching and seminars.

We seek to offer our people appropriate training and development opportunities and to provide an environment for our people to be empowered and motivated. We seek to provide them with the tools and resources including the appropriate technological platform.

Leadership building

Our leadership programs offer project and secondment assignments, coaching and virtual and classroom seminars. We support human capital development in Africa through graduate and internship opportunities.

We continue to upgrade and update the skills and competence of senior management and our executives, with modern trends in management and business development. At the senior management and executive levels, all country heads and other senior managers underwent external training programs in 2008 to hone their leadership skills and prepare them to face the challenges posed by the changing global and African economic and financial landscape.

Diversity and inclusion

Diversity and inclusion are an integral part of our culture and strategy. Ecobank, by virtue of its geographical spread, is one of the most diversified groups in Africa in terms of its people. Ecobank also has a policy of ensuring diversity in its employee talent pool, without compromising the quality of its staff. Our employees come from 32 different nationalities across Africa and we communicate in English, French and Portuguese.

In terms of gender balance, 41% of the workforce is female and 59% male. Women also make up 33% of the management and executive team.

We believe this diversified workforce provides a competitive advantage in responding to the varied needs of our customers and makes the group a more interesting place to work, pursue a career and respond to local sustainable development needs.

Health and work Life balance

We recognize the health and work life balance needs of our employees and seek to harness the power of our human capital in our mission of building a world class bank and contributing to the development of Africa. We support the need for attractive working conditions and accommodate gender and cultural specific needs. We support employees' dependants and the well being of their immediate family. We have a comprehensive and progressive medical and health care plan for our employees.

The environment

In line with emerging concerns about global warming, Ecobank has taken steps to reduce its carbon footprint. The group adopted a general policy in 1999, which outlined the Board's commitment to a clean and green environment, and requires all Ecobank subsidiaries to be environmentally responsible.

In furtherance of the Policy, Ecobank has adopted a Social and Environmental Management System (SEMS) and policy that governs project financing across the entire group. The Group Environmental Risk Manager actively engages subsidiaries to ensure that they abide by IFC performance standards on social and environmental sustainability. Each subsidiary has an environmental coordinator responsible for all social and environmental issues in that particular country. Ecobank also works with other international financial institutions to enhance performance standards related to the environment.

Lending units of the group are required to conduct social and environmental due diligence for projects with potential adverse social or environmental impacts, be they site-specific or general, and irrespective of whether they are reversible or irreversible. Client companies and projects are monitored where appropriate to ensure that they demonstrate compliance with environmental standards, or sign up to a corrective action plan that will ensure compliance.

The group is currently reviewing its credit processes to ensure all lending activities are consistent with the SEMS and Policy. All stages of the credit process cycle (initiation, review, approval, disbursement, and monitoring) are being aligned with social and environmental standard steps. The centralized and independent risk management ensures all credit decisions are consistent with the group commitment.

Paper usage

The Straight Through Processing (STP) initiatives that are currently being implemented in Operations help to eliminate manual intervention and improve paper management.

A workflow platform is also being implemented also across the group which will help to further reduce paper usage.

We have included in all emails sent within the group a question seeking to discourage unnecessary printing of documents.

Ecobank has chosen to use recycled wood free paper (about 20 tons) for the production of its annual report, thus preserving equivalent forest areas.

Energy

Our electronic communications platforms (such as video and audio conferencing) promote reduced energy usage by reducing the need for air and road travel. We are also working on an energy audit of the group to migrate the group to more environmentally friendly appliances such as energy efficient light bulbs and air conditioners.

Our new head office building currently under construction is designed to be an energy intelligent building designed to minimize energy usage.

Business and Financial Review

Performance Highlights

Strong performance in a difficult period.

Highlights

- Achieved solid growth in revenues and balance sheet in difficult economic conditions
- Geographical coverage increased to 30 countries. Now present in more African countries than any other bank.
- Branch network increased by 22% to 746
- Customer numbers increased by 50% to 2.7m
- Further recapitalized parent company and its subsidiaries
- ATM network increased by 33% to 665
- Strengthened alliance with Nedbank of South Africa
- Signed co-operation agreement with Bank of China
- Won Africa's Best Bank award in 2009 – the African Banker

Financial Highlights

Revenues
US$873m
+6%

Profit before tax
US$101m
-38%

Total assets
US$9,007m
+8%

Total equity
US$1,236m
+6%

Revenues for 2009 increased by 6% to US$873 million despite 15% adverse exchange rates effect amounting to US$131 million. Profit before tax, however, declined by 38% to US$101 million as loan quality deteriorated, especially in Nigeria, and higher operating costs of new subsidiaries filtered in. Profit after tax also declined by 42% to US$65 million. Consequently, profit attributable to the shareholders of the holding company fell by 46% to US$51 million resulting in basic earnings per share of 0.58 cents (2008: 1.36 cents).

Return on average equity dropped to 5.6% from 17.1% as a result of lower profits and higher equity. Return on average assets also fell to 0.7% from 1.5% in 2008 as assets increased and profit fell.

In 2009, new subsidiaries were opened in Zambia, Uganda and Gabon, bringing the number of countries in which we have banking operations in Africa to 28. We also opened a representative office in South Africa and an international financial and capital markets affiliate in Paris, France. Ecobank is now present in more African countries than any other bank.

Branch network increased by 22% to 746 through addition of new subsidiaries and development of existing subsidiaries. ATM network also increased by 33% to 665 and number of customers by 50% to 2.7m. During 2009, we strengthened our alliance with Nedbank and signed a co-operation agreement with Bank of China.

General Economic Environment

Slow down in African economies due to the negative impact of the global economic and financial crises on the African banking sector.

Highlights

- Decline in trade and commodity prices
- Significant currency depreciation in our markets, especially in Ghana and Nigeria
- Sharp decline in stock markets resulting from global financial crises, but some recovery in the second half of the year
- Slowdown in economic growth as 2008 economic crisis continued
- Major challenges in Nigerian banking sector after central bank intervention

The 2008 global economic and financial crises continued in 2009. The crisis negatively affected Africa in many ways. Trade fell sharply, capital flows dried up, remittances slowed down, currencies depreciated and liquidity shrank.

Particularly in Nigeria, the stock market fell sharply after an unprecedented upsurge which began two years earlier. Coupled with the sudden and rapid reduction in oil prices after it had hit its highest ever levels in 2008, the country's economy suffered the effects. The Nigerian banking sector which was heavily exposed to the stock market and oil sector was forced to recognize significant loan loss provisions. After stress testing by the central bank, nine banks were declared insolvent and effectively taken over.

The overall result was a disappointing year for the African economy, bringing to an end, the longest and broadest expansion in modern history. In 2009, growth in sub-Saharan Africa reduced to nearly 2%, from 5% to 7% beforehand. Average per capita incomes fell marginally in 2009, the first decline in nearly two decades.

In line with the rest of the world, the African recovery began in the latter half of 2009. There were signs of a rebound in trade, bank credit extension and commercial activity. Stock markets stabilized and started showing signs of recovery. For 2010, the IMF projects a growth of around 4.5% for Africa, signaling potential improvement in corporate performance. Ecobank is well positioned to take advantage of the emerging opportunities in the post crises African economy due to our unmatched network across Africa.

Business and Financial Review (continued)

Income statement analysis

Revenue grew but profit was affected by higher provisions and higher operating expenses from network expansion.

Operating income and profit US$'000	2009	2008	Variance
Net interest income	**459,027**	**390,401**	**18%**
Net fees and commissions	240,206	266,138	-10%
Trading income	147,628	117,259	26%
Other operating income	26,457	52,326	-49%
Non-interest income	**414,291**	**435,723**	**-5%**
Operating income	**873,318**	**826,124**	**6%**
Impairment losses	(139,658)	(113,071)	24%
Operating expenses	(632,594)	(550,812)	15%
Profit before tax	**101,066**	**162,241**	**-38%**

Net interest income

Net interest income was up 18% to US$459m underscored by strong loan growth and lower interest expense. Gross interest income increased by 8% to US$764 million largely accounted for by 11% growth in interest on customer loans, especially from the wholesale business. Interest on investment securities and interbank transactions declined marginally due to lower volumes.

Interest expense reduced 5% to US$305 million due to capital injection into many of our subsidiaries and increased customer deposit mobilization.

Non-interest income

Non-interest income fell 5% to US$414 million resulting from a fall in fees and commissions as business activities slowed down and our investment banking business suffered from lower investor activity on the stock markets.

a) Fees and commissions

Net Fees and commissions were down 10% to US$240 million, due primarily to lower fee income in our investment banking activities. Cash management fees were up 5% to US$137 million as customer transaction volumes rose across the group. All other fees and commissions fell with particular emphasis on portfolio management fees due to low volumes of trading on the stock markets.

b) Trading income

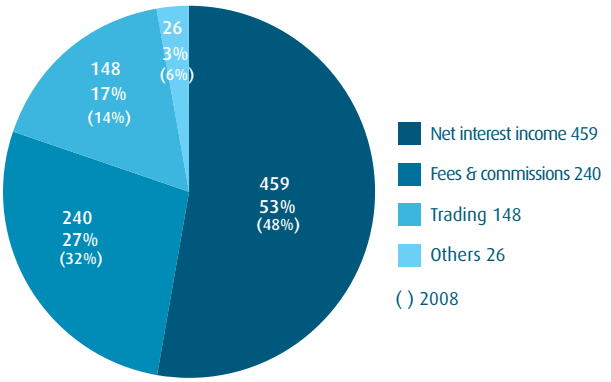
Trading income increased 26% to US$148 million arising from strong foreign exchange transaction volumes particularly in Ecobank Nigeria where trading income rose by over 200%.

c) Other operating income

Lease income increased 200% to US$17 million largely coming from Nigeria as the subsidiary grew its finance lease business. Losses on investment securities reduced substantially due to relatively stable stock markets. All other revenues registered a reduction due a to decline in volumes.

The chart below shows the income structure of the group.

Income structure (US$m)



Impairment losses

Impairment losses rose 24% to US$140 million. US$98 million represented provisions from our subsidiary in Nigeria accounting for 70% of the incremental provisions, reflecting the economic and systemic conditions in Nigeria, a situation which affected the entire Nigerian banking sector. We also recorded US$10 million in provisions from Kenya arising from an acceleration of provisions on legacy.

Operating expenses

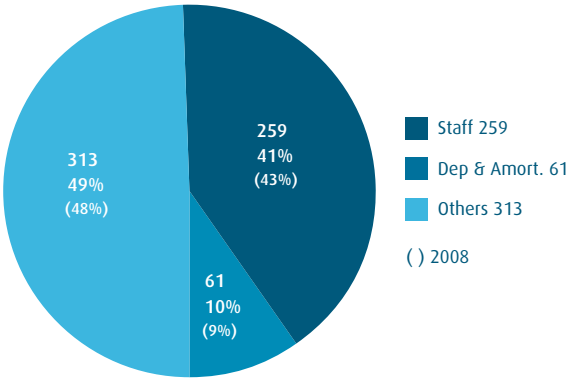
Total operating expenses went up 15% to US$633 million compared to a 65% increase in 2008 as our efficiency measures started to bear fruit.

Staff expenses which accounted for 41% of the total operating expenses fell 3% to US$259 million due to a reduction of 1% in headcount. As a result, average number of staff per branch fell from 18 to 15.

Other operating expenses relating to branch operations, technology, marketing and administration increased by 32% to US$374 million (2008: 69%) due mainly to branch network expansion and higher costs reflecting higher inflation in many of our markets. Branch network increased 22% to 746 and ATMs went up 33% to 665 as we sought to increase our distribution network across our various markets.

The chart below shows the cost structure of the group.

Operating expense structure (US$m)



Cost-to-income ratio

Cost-to-income ratio increased from 67% to 72%. The deterioration in cost-to-income ratio is explained by the rapid expansion of the group over the past 5 years. As a result, about 40% of our branches are less than 2 years old. In addition, we added 10 new subsidiaries to our network in the past two years. These new branches and subsidiaries are yet to mature and fully contribute to revenues and profits.

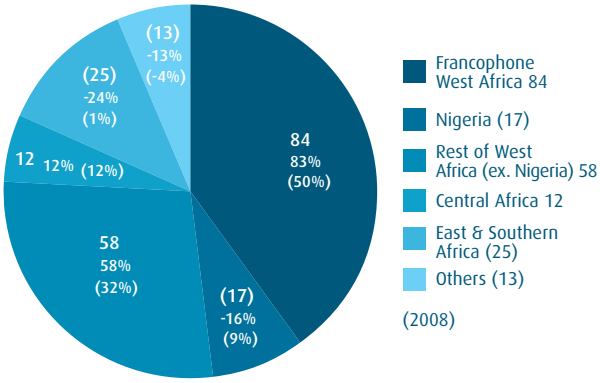
Our geographical expansion is now coming to an end and the focus is on consolidating and optimizing the operations of the group. We are therefore expecting to see substantial improvement in the cost-to-income ratio in the coming years.

Business and Financial Review (continued)

Profit before tax

Profit before tax fell 38% to US$101 million, largely due to higher provisions and high start-up costs of our new subsidiaries. Four new start-ups contributed a loss of US$20 million. In addition, start-ups and acquisitions over the past two years together contributed a loss of US$41 million.

Profit before tax by region (US$m)



Outlook

We expect the group's profit performance to improve in the coming years for a number of reasons.

a) General economic environment

African economies are projected to grow at around 4.5% in 2010 in response to the global economic recovery.

The prospects of higher economic recovery will impact positively on consumer and business volumes. Ecobank is well positioned to take advantage of this upturn.

b) Nigeria

Significant provisions have been taken in Nigeria over the past two years. We expect the provisions to have peaked, giving Nigeria's economic prospects and expectation for reduced policy volatility in Nigeria. We have taken steps to manage the non performing loans and recovery and collection efforts have been strengthened. Recoveries from margin facilities and other unpaid loans are expected in the coming years as markets recover and the Nigerian authorities take steps to stabilize the economy.

c) New affiliates and new branches

10 of our banking affiliates are less than two years old and are currently making losses. In addition, 40% of the group's branches are less than two years old. As these new subsidiaries and branches become more efficient and profitable, they will contribute strongly to revenues and profits.

d) Restructuring of the group

The group has restructured its operations in 2010, putting more emphasis on customers and less on geographical expansion. This is expected to improve customer service, accelerate revenue growth and enhance efficiency. In addition, branch network and geographical expansion are being curtailed and emphasis placed on existing branches.

Balance Sheet Analysis

Balance sheet crossed US$9 billion fuelled by accelerated deposit mobilization as we leveraged our unmatched network across Africa.

Balance sheet highlights US$'000	2009	2008	Variance
Total Assets	**9,006,523**	**8,306,186**	**8%**
Loans and advances to banks	1,380,451	1,994,951	-31%
Loans and advances to customers	4,766,197	3,754,206	27%
Investment securities	1,045,412	1,011,422	3%
Property and equipment	474,214	315,802	50%
Customer deposits	6,472,459	5,798,895	12%
Borrowed funds	253,902	345,157	-26%
Total equity	**1,235,565**	**1,157,622**	**7%**

Balance sheet size increased 8% to US$9,007 million as we increased customer deposits through our branch network. The acquisition of BACB in Burkina Faso also contributed US$228 million or 33% of the total increase in assets.

Loans and advances to banks

Loans and advances to banks, comprising operating account balances and inter-bank placements declined 31% to US$1,380 million largely accounted for by a switch to loans and restrained market conditions in Nigeria.

Loans and advances to customers

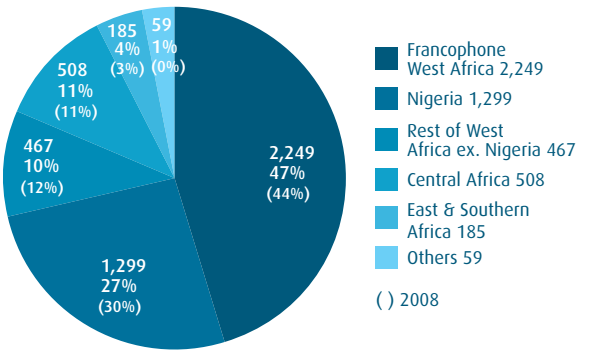
Net customer loans rose 27% to US$4,766 million. Gross Customer loans increased 29% to US$5,101 million, through selective lending to credit worthy clients. Francophone West Africa Region contributed 53% or US$600 million to the growth, partly accounted for by acquisition in Burkina Faso and growing our business in Côte d'Ivoire, Benin and Senegal.

The non performing component of the gross loans (NPLs) increased 21% to US$814 million compared to the gross loan growth of 29%, resulting in a slightly improved NPL ratio to 16% (2008: 17%). Ecobank Nigeria contributed 65% or US$90 million of the total increase in NPLs.

Accumulated provisions increased by 63% to US$335 million. Out of the total increase of US$130 million, Nigeria contributed US$93 million or 72% arising from the deterioration of its credit portfolio as a result of market conditions.

The chart below shows the contribution of the net loans by regions.

Net loans by region (US$m)



Business and Financial Review (continued)

Investment securities

Investment securities comprising treasury bills, trading securities and available-for-sale investment securities rose 3% to US$1,045 million. Treasury bills component increased 26% to US$532 million.

Trading assets were up 5% to US$7 million. The lower growth rate was accounted for by low activities on the stock markets.

Available-for-sale investment securities declined 13% to US$506 million. Out of the total decline of US$78 million, Nigeria accounted for US$61 million or 78% largely due to lower liquidity in the Nigerian stock market.

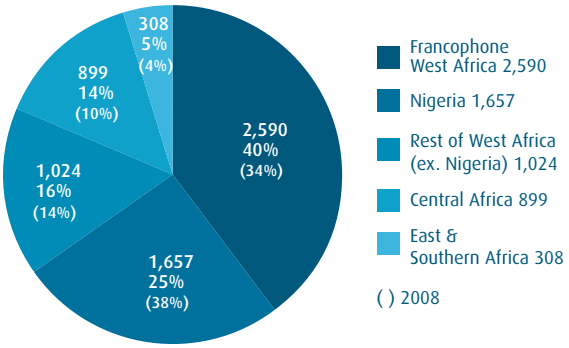
Property and equipment

In line with branch network expansion, property and equipment increased 50% to US$474 million, representing investment in branch expansion, technology and the on-going head office projects of the parent company and some subsidiaries. In addition, the group undertook revaluation of its properties. Revaluation gain accounted for in this regard amounted to US$63 million.

Customer deposits

In 2009, the group continued to focus on enhancing liquidity and building a strong and competitive balance sheet. In this respect, we leveraged our wide network coverage to mobilize deposits. As a result, customer deposits grew by 12% to US$6,472 million except in Nigeria where customer deposits fell due to tight liquidity in the market. The chart below shows the contribution of deposits by regions.

Deposit by region (US$m)



Deposits from retail clients fell marginally to US$3,914 million reflecting the market conditions in Nigeria.

Wholesale deposits, however, rose by 43% to US$2,558 million largely accounted for by leveraging our branch network across Africa.

Borrowed funds

In November 2009 the International Finance Corporation (IFC) converted its US$100 million convertible loan into shares. As a result, borrowed funds decreased by 26% to US$254 million.

Total equity

Total equity rose 7% to US$1,236 million on the strength of the conversion of US$100 million IFC loan into equity. Total equity was negatively affected by US$112 million in translation losses largely attributed to depreciation of the Nigerian Naira and Ghana cedi which was partly offset by net revaluation gain on our buildings of US$48 million.

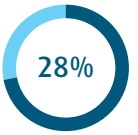
Retail banking

Revenues

US$244m

-4%

Contribution to Group Revenues



Our retail banking business focused on providing banking products and services to consumers, small and medium size enterprises and microfinance establishments with a strong emphasis on deposit mobilization.

During 2009 our network of branches and offices increased from 610 to 746. During the same period, our ATM network increased from 500 ATMs to 665. Point of Sale terminals also grew to 789.

During the year we improved our retail services in the areas of deposit mobilization, loans, mortgages, Visa cards, Regional cards, payments and collections, e-banking products, remittances and Treasury products. Islamic banking products were also launched in Chad for the first time in the group.

In 2009 we re-branded our RapidTranfer product, and rolled it out on a web-based platform in all our affiliates.

At the end of 2009 our retail customer base had increased by 50% to 2.7m across the network driven by sale promotions, aggressive branch expansion program and the roll out of a branch transformation plan in selected countries to improve customer experience in our branches.

However, due to the tight market conditions, in Nigeria, the retail deposits fell 2% to US$ 3,914 million.

Loans and advances to retail clients also fell 11% to US$1,316 million due to tighter credit conditions and revenues similarly fell 4% to US$244 million.

In 2010, we expect volumes to pick up and revenues to improve due to the projected improvement in market conditions.

Wholesale banking

Revenues

US$395m

+1%

Contribution to Group Revenues

During 2009, the Wholesale bank grew its business with multinationals, regional and large local corporate entities as well as to public sector companies and international organisations.

Group Account Management services to multinational and regional corporates were further developed in order to provide one-stop banking solutions to this segment. Our presence in more countries in Africa provides enormous competitive advantage.

During the year emphasis was placed on transaction banking including cash management and trade services and products as a result of which important mandates were won in this area.

Our Paris office which started business in June 2009 played a significant role in the marketing and delivery of trade services and products outside Africa.

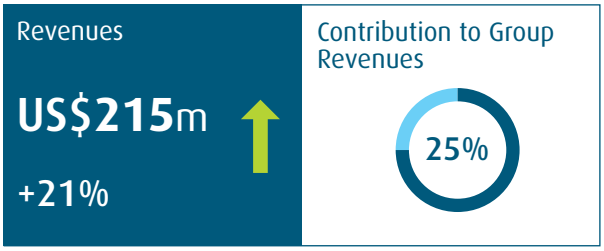
We strenghtened our alliance with Nedbank over the period. As a result, South African companies expanding into the rest of sub Sahara Africa increasingly see Ecobank as the preferred bank to deal with.

Despite the international economic and financial crises and the increasing competition, the Wholesale bank significantly grew volumes. Loans and advances rose by 52% to US$3,451 million through selective lending to credit worthy clients. Customer deposits also grew 43% to US$2,558 million by leveraging our regional network of clients.

Revenues increased by 1% to US$395 million. The lower growth of revenues is explained by lower fee income over the period.

Business and Financial Review (continued)

Treasury



Our Treasury business continued to be a leading player in all the markets in which we operate, particularly in the foreign currency markets. The re-organization of the Treasury in 2008 laid the foundation for a deeper penetration across our markets. Emphasis was placed on focused sales and marketing of products to corporate clients and financial institutions; our position as an active market maker in sub-Sahara African currencies, coupled with our ability to offer niche Treasury solutions to our clients contributed immensely to the financial performance of the segment in 2009.

In 2009, we started building a research capability to increase the depth of our product offering in fixed income to clients in both middle Africa and offshore.

Treasury revenue therefore, increased by US$37 million to US$215 million in 2009, representing a growth of 21%.

Transaction banking

Our Transaction Banking business focused on providing cash management and trade products to our retail and wholesale customers.

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

In card services, Ecobank cards is now distributed in 28 Ecobank affiliates, and are used in over 665 automated teller machines (ATMs) and 800 Point of Sale (POS) terminals group-wide.

Currently a total of 13 affiliates are enabled with Visa-acquiring functionality on their ATMs. The Ecobank switch is also presently being connected to the Nedbank switch in South Africa and to other switches in Africa.

As a result, the Ecobank switch has the largest coverage of any switch within Africa and provides convenience for our cardholders.

Technology and operations

During 2009, we fully stabilized our technology services at our data centre in Accra, Ghana. The centre hosts an integrated international telecommunications platform that connects all Ecobank affiliates, their payment systems and ATM platforms.

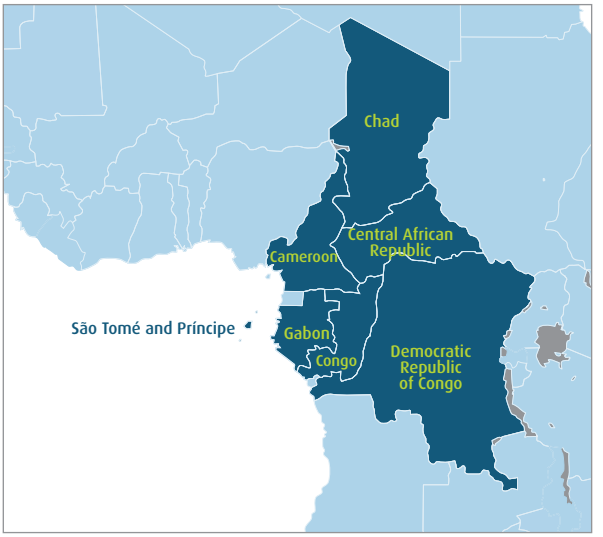
Leveraging on the technology centre, we re-launched our Rapidtransfer product on a web-based platform across 29 countries in Africa, providing fast, secure and efficient way to make cross-border payments and facilitate regional trade.

In addition, eAlert, eStatement and SMS alert messages were deployed across the Group to ensure that our customers receive up-to-date information of their transactions on a 24/7 basis.

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

Central Africa

Financial Highlights (US$'000)	2009	2008	Variance
Revenues	87,793	75,804	16%
Profit before tax	12,176	19,306	-37%
Total assets	1,088,615	763,858	43%
Loans and advances to customers	508,429	405,178	25%
Customer deposits	898,174	581,785	54%



The Central Africa Region comprises nine countries, Angola, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon and Sao Tome & Principe

Six countries in this region - Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon- are members of the Economic and Monetary Community of Central Africa (CEMAC). These countries share the same currency and the same central bank (the BEAC); they also have a common Business Law.

Ecobank commenced start-up banking operations in Gabon in April 2009, bringing our presence in this region to seven countries. Plans are to open banking operations in Equatorial Guinea and in Angola.

The world economic and financial crises negatively affected growth in the region due to the decline in commodity prices. As a result, national budgets were considerably revised downwards and state infrastructural projects suspended, impacting negatively on the level of economic activities across the region.

In spite of this unfavourable economic conditions, the region registered a strong performance in most areas.

Balance sheet size increased 43% to US$1,089 million coming from strong growth in deposits through an enlarged branch network. The branch network was up 49% to 76 and this fuelled a 54% increase in customer deposits to US$898 million. Through selective lending, customer loans were up 25% to US$508 million.

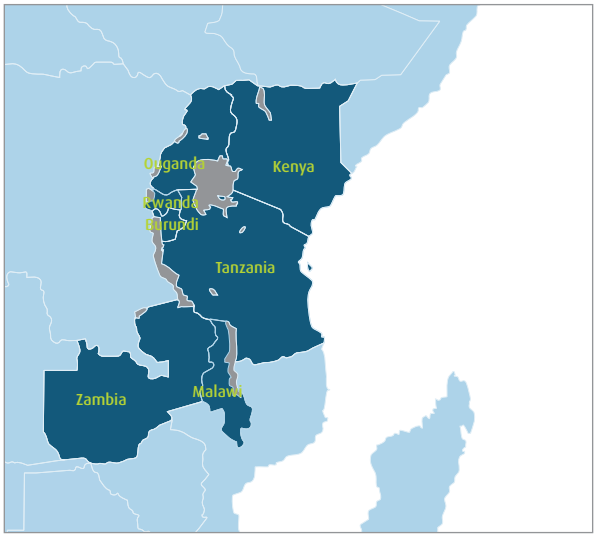
Due to increased volumes, revenues rose 16% to US$88 million. Profit before tax, however, fell 37% to US$12 million mainly due to losses contributed by new subsidiaries which are less than two years old.

Branch network expansion has been restrained and attention redirected on ensuring that the existing branches are efficient and profitable. We therefore expect the profit performance of this region to improve significantly in the coming years.

Business and Financial Review (continued)

Eastern and Southern Africa

Financial Highlights (US$'000)	2009	2008	Variance
Revenues	36,003	19,681	83%
Profit before tax	(24,506)	1,568	-1663%
Total assets	424,781	282,655	50%
Loans and advances to customers	184,549	121,724	52%
Customer deposits	308,063	212,003	45%



Eastern and Southern Africa Region comprise Kenya, Tanzania, Uganda, Rwanda, Burundi, Malawi, Zambia and Zimbabwe. Ecobank is present in all these countries with the exception of Zimbabwe. Ecobank is relatively new in this region as it only started operations in 2007. Operations in Uganda and Zambia began in 2009 and Tanzania in January 2010.

Like the rest of Africa, the economies of the countries in these regions came under pressure from the global economic and financial crises in 2009. Despite this, financial performance of the region was strong especially with respect to the balance sheet.

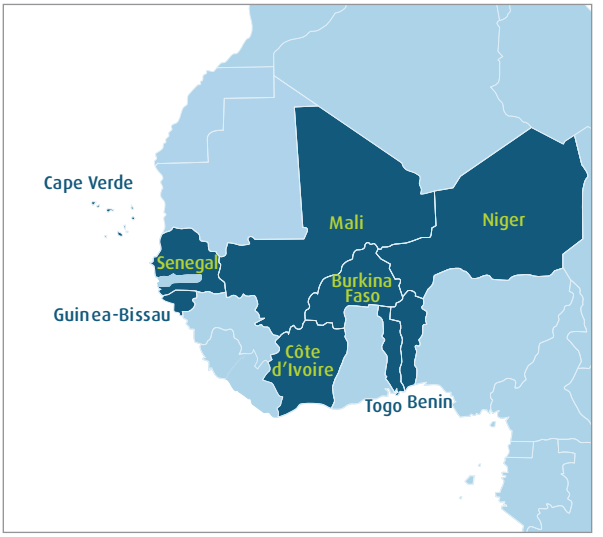
Customer deposits rose 45% to US$308 million resulting in total assets growth of 50% to US$425 million. Deposit mobilization was underpinned by branch network expansion which grew by 86% to 54.

Growth in business volumes translated into an 83% growth in revenues. The region however reported a loss of US$25 million as most of the subsidiaries are less than two years old and are yet to make a profit; and the acceleration of provisions on legacy loans from the acquisition in Kenya.

Measures have been taken to significantly improve the quality of legacy loans. Emphasis has also been placed on revenue growth and branch efficiency. We therefore expect significant improvement in the performance of this region in the coming years.

Francophone West Africa

Financial Highlights (US$'000)	2009	2008	Variance
Revenues	275,296	237,129	16%
Profit before tax	84,311	81,356	4%
Total assets	3,735,814	2,715,568	38%
Loans and advances to customers	2,248,714	1,653,911	36%
Customer deposits	2,590,468	1,957,556	32%



The Francophone West Africa region comprises eight francophone countries namely: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo. For management purposes, Cape Verde and Mauritania are included in this region.

The eight countries share the same currency – the CFA franc – and the same regional central bank – the Central Bank of West African States or BCEAO. These countries also have a common business law and a stock exchange. With the exception of Mauritania, Ecobank currently operates in all Francophone West African countries and in Cape Verde. In 2009, Ecobank acquired a 90% interest in Banque Agricole et Commerciale du Burkina (BACB). BACB was subsequently merged with Ecobank Burkina 2010.

Despite adverse economic conditions arising from the global economic and financial crises, Francophone West Africa Region registered strong performance in 2009.

Total assets rose 38% to US$3,736 million on the back of the acquisition of BACB in Burkina Faso and deposit mobilization. Deposit grew 32% to US$2,590 million resulting from 22% branch network growth. Through development of the business in Côte d'Ivoire, Benin and Senegal, loans and advances to customers rose 36% to US$2,249 million.

In line with volume growth, revenues increased 16% to US$275 million resulting in profit before tax growth of 4%. The lower profit growth is explained by operating cost resulting from impact of new branches and higher inflation in some of the countries.

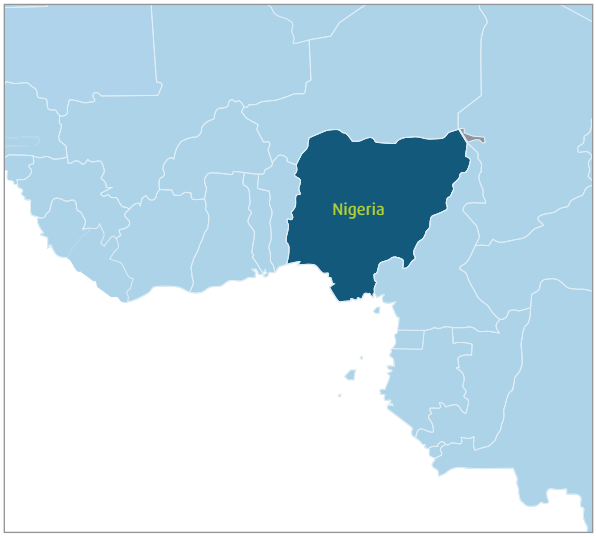
The region's contribution to group total assets and profit before tax were respectively 41% (against 33% in 2008) and 83% (against 48% in 2008).

With the prospects of improved economic conditions in 2010, our operations in Francophone West Africa are projected to register strong performance in the coming years.

Business and Financial Review (continued)

Nigeria

Financial Highlights (US$'000)	2009	2008	Variance
Revenues	292,800	332,987	-12%
Profit before tax	(16,617)	14,061	-218%
Total assets	2,472,427	3,093,891	-20%
Loans and advances to customers	1,298,662	1,112,330	17%
Customer deposits	1,651,976	2,231,603	-26%



The effects of world economic and financial crises on Nigeria's economy continued in 2009. The stock market fell sharply after an unprecedented upsurge which began two years earlier. Coupled with the sudden and rapid reduction in oil prices after it had hit its highest ever levels in 2008, the country's economy suffered. The Nigerian banking sector which was heavily exposed to the stock market and oil sector was forced to recognize significant loan loss provisions. After stress testing by the central bank, nine major banks were declared insolvent and taken over. Ecobank Nigeria passed the central bank's stress test due to its strong capital base. However, the financial performance of the subsidiary was negatively affected by the deterioration in the general economic conditions accompanied by significant currency depreciation.

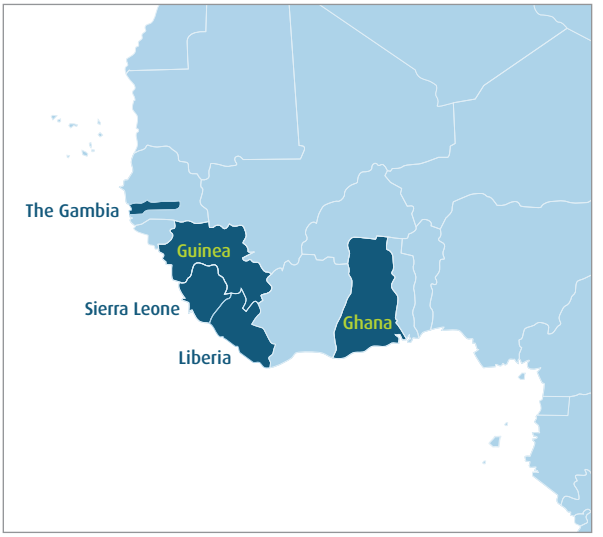
Customer deposits fell by 26% to US$1,652 million which resulted in a fall in total assets of 20% to US$2,472 million. Loans to customers, however, grew 17% to US$1,299 million coming from selective lending to some credit worthy wholesale clients.

Due to the decline in volumes, revenues fell 12% to US$293 million mainly from a fall in fees and commissions. Loan loss provisions for the year were US$98 million, same as previous year. For the first time in many years, Ecobank Nigeria reported a loss of US$17 million.

Significant provisions have been taken in Nigeria over the past two years. We expect the provisions to have peaked, given Nigeria's economic prospects and actions being taken by the Nigerian authorities. We have taken steps to manage the non performing loans and recovery and collection efforts have been strengthened. Recoveries from margin facilities and other unpaid loans are expected in the coming years as markets recover and the Nigerian authorities take steps to stabilize the economy.

The Rest of West Africa (excluding Nigeria)

Financial Highlights (US$'000)	2009	2008	Variance
Revenues	164,212	142,495	15%
Profit before tax	58,447	51,678	13%
Total assets	1,451,477	1,136,652	28%
Loans and advances to customers	466,843	446,409	5%
Customer deposits	1,023,780	815,948	25%



The Rest of West Africa excluding Nigeria comprises five countries. These are Ghana, Guinea, Liberia, Sierra Leone and Gambia. Ecobank is present in all these countries.

Economic growth slowed in 2009 owing to the global economic and financial crises. These resulted in a fall in foreign direct investments, tourism revenues and remittances which negatively impacted the economic performance of the region in the first half of the year. A rebound in commodity prices leading to improved revenues from exports and greater foreign assistance brought some stability in the second half of the year. As a result, inflationary pressures and currency depreciation stabilized at the later part of the year.

Despite these challenges, the financial performance of the region was resilient. Customer deposits rose 25% to US$1,024 million resulting in total assets growth of 28% to US$1,451 million. Lending was however restrained due to the market conditions. Customer loans therefore, increased marginally to US$467 million.

The strong balance sheet growth translated into 15% revenue growth to US$164 million. Profit before tax consequently increased 13% to US$58 million. Ecobank Ghana remained dominant in this region as it contributed 89% of the region's profit.

With prospects of oil revenue in Ghana and forecast improvement in general economic conditions, this region is expected to continue its strong performance.

Outlook

GDP growth in countries in which we operate is projected to remain strong in the coming years accompanied by stable interest rates and controlled inflation. Ecobank is well positioned to take advantage of these developments. We intend to leverage our network to accelerate revenue growth and deposit mobilization.

We will continue to selectively grow our loan portfolio and to improve on our remedial and recovery efforts to reduce loan provisions.

Laurence do Rego
Group Executive Director,
Finance and Risk

Risk Management

1. Risk management framework

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

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

1.1 Risk identification

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

1.2 Risk measurement

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

1.3 Risk monitoring and control

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

1.4 Risk reporting

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

2. Major risk types

The group is exposed to the following major risk types:

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

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

- **Interest rate risk:** the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors:

  - **Repricing risk** (or mismatch risk) arises from timing differences in the **maturity** (for fixed rate) or **repricing** (for floating rate) of assets, liabilities and off-balance sheet instruments. A financial contract is said to "reprice" whenever the interest rate that it pays changes. Instruments with fixed interest rates do not reprice, by definition.

- **Yield curve risk is the risk that changes in market interest rates** may have different effects on yields or prices on similar instruments with different maturities.

- **Basis risk** risk is the risk that changes in market interest rates may have different effects on rates received or paid on instruments with similar repricing characteristics (e.g. a floating-rate loan whose rate is based on the three-month Treasury bill rate that is funded with three-month LIBOR deposits). Interest rates for various assets and liabilities change at the same time but not necessarily in the same amount.

- **Options risk** is inherent in interest-rate related options embedded in assets and liabilities, such as provisions in agreements that give borrowers the right (and not the obligation) to prepay their loans or give depositors the right (and not the obligation) to withdraw funds at any time, often with little or no penalty. These options, if exercised, can affect net interest income and underlying economic value.

- **Liquidity risk** arises from the general funding needs of the activities of the group and in the management of its assets and liabilities. The group is exposed to the risk that depositors' demands for withdrawals outstrip its ability to realize longer-term assets in cash. The group, therefore, seeks to maximize liquidity access and minimise funding costs by capturing stable, reliable and cost-effective sources of funding in all of its markets. There are two types of liquidity risk:

- **Funding liquidity risk is the risk that funds will not be available when** needed to meet our financial commitments.

- **Trading liquidity risk** is the risk that assets cannot be liquidated quickly enough. This can happen when the liquidity of a market disappears making it difficult or costly to close or modify positions.

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

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

- **Equity price risk:** the risk of loss from adverse changes in the value of equity portfolios due to changes in the level of equity prices.

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

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

Risk Management (continued)

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

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

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

3. Governance structure

The **Board of Directors** exercises its oversight of risk management as a whole and through the Board's **Risk Committee** and **Audit and Compliance Committee**. The Board articulates the amount of risk that Ecobank is willing to accept in the normal course of business (risk appetite) and sets the overall risk profile for the group. The Risk Committee proposes risk policies and the overall approach to risk management and monitors the adequacy of controls, compliance with risk policies and the group's risk profile. The Audit and Compliance Committee ensures that the financial activities of the business are subject to independent review and external audit.

Group Risk Management, under oversight of the Risk Committee and the supervision of the Group Head Risk Management, develops the risk management strategy, principles, framework and policies, and implements appropriate risk management processes, methodologies and tools for managing risk. The Group Head Risk Management advises and coaches management and business units on risk management; monitors the application and effectiveness of risk management processes; and co-ordinates appropriate and timely delivery of risk management information to the Group Chief Executive Officer, the Group Executive Committee (GEC), the Risk Committee and the Board. The Group Head Risk Management is assisted by a group portfolio manager, a group operational and environmental risk manager, a group market risk manager, and a risk analytics manager.

Within each subsidiary bank, Group Risk Management is represented by a risk management department which is completely independent from all the operating and risk-taking units. The risk management department is managed by a country risk manager who, until the end of December 2009, reported administratively to the Managing Director of the subsidiary and functionally to the Group Head Risk Management. Under the new organization structure (Section 6), however, the risk management function reports administratively to Group Head Risk Management.

Within each business region, Group Risk Management was, until the end of December 2009, represented by a regional risk manager who reported administratively to a regional director who was a member of the GEC, and functionally to the Group Head Risk Management. Regional Risk Managers assisted Regional Directors in approving and managing risk in all the countries under their supervision. Under the new organization structure (Section 6), the regional risk management function has been replaced by the positions of corporate credit risk managers and Domestic credit risk managers at the group level.

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

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

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

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

4. Risk management approach

4.1 Credit risk

4.1.1 Organization

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

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

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

Under the new organization structure (Section 6), all credits require the additional sign-off of corporate credit risk managers at the group level.

The Board reviews and approves all credits in excess of the policy limit, defined as maximum credit exposure to any borrower or group of related borrowers. It has, however, delegated this function to the Risk Committee, which has the authority to approve all such credits when the Board is not sitting. The Risk Committee comprises the Group Chief Executive Officer, two executive directors and two non-executive directors. The policy limit, originally set at 20% of the consolidated shareholders' funds of the group, was dropped during the year to 7.5% in order to further reduce concentration risk.

The primary responsibility for managing credit risk, however, lies with the Group Head Risk Management. He ensures that Ecobank has resources, expertise, and controls in place for efficient and effective management of credit risk across the group. The Group Head Risk Management approves all unusual risks as well as extensions of credit which exceed the credit authority granted to regional heads and regional risk managers, and to corporate credit risk managers under the new organizational structure. At the subsidiary bank level, the above functions are fulfilled by a specially designated country risk manager.

Ecobank subsidiaries receive delegations of credit approval authority from their respective boards of directors, in line with the general framework set up by the Group Chief Executive Officer and Group Head Risk Management.

4.1.2 Risk identification

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

Credit decisions are based on an in-depth review of the obligor's creditworthiness. The group utilizes an internal risk rating system based on a scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments, as well as small- and medium-scale enterprises.

Risk Management (continued)

A rating of "1" identifies obligors of the highest quality, comparable to AAA on the scale of Standard and Poor's. A risk rating of "10" is assigned to obligors of lowest quality or highest risk, identical to D on the scale of Standard and Poor's. Obligors risk rated 1 to 6 are considered as "normal borrowers"; those risk rated 7 and 8 are considered as "borrowers requiring caution" while those risk rated 9 are "substandard borrowers", and those risk rated 10, "borrowers at risk of permanent default".

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

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

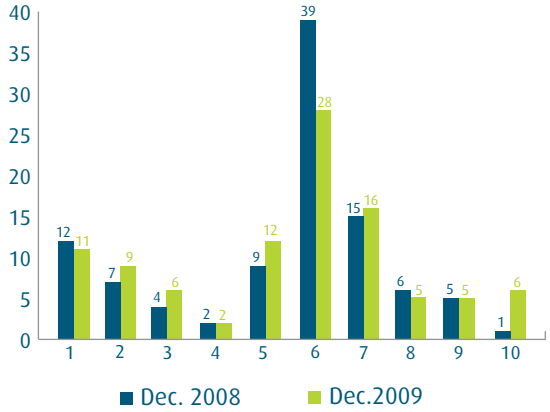
With regard to consumer lending, the group utilizes a credit program approach whereby credit is extended on the basis of product-specific risk parameters, using manual scoring systems. The products involved are ordinarily secured and of a self-liquidating nature.

A facility risk rating describes the risk associated with a particular facility of a given obligor. It is usually equivalent to the obligor risk rating; however, a different facility risk rating may be assigned by adjusting the obligor risk rating to take into account such factors as the facility structure or collateral.

The following graphs show our credit portfolio as of 31 December, 2009, broken down by facility risk ratings.

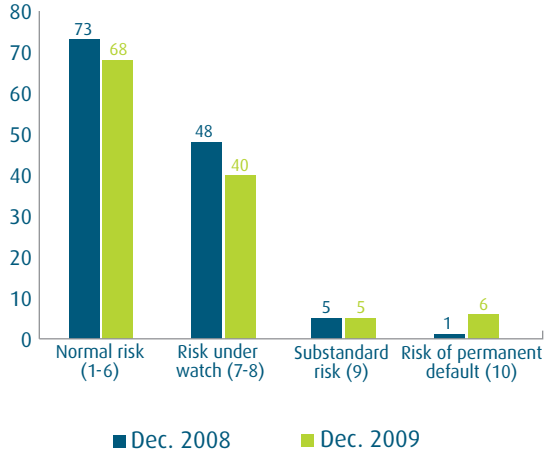
Sixty-eight percent of our credit exposures were categorized as being of normal credit risk quality.

Portfolio distribution by facility risk rating
Percent of total portfolio



Facility risk rating

Portfolio breakdown by risk category
Percent of total portfolio



4.1.3 Risk measurement

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

To measure credit risk, the group estimates the level of the statistical expected economic loss in the event of default. This figure measures the net present value of credit costs that the group would face from the time of default until the end of the recovery process. Credit costs include all provisions taken against bad debts, write-offs, fully reserved interest earned not collected and possibly attorney fees incurred in the process of enforcing the group's claims in court. Under the current methodology, the group proceeds by assigning risk ratings to credit facilities of all the obligors in the credit portfolio. Then, the amount of credit exposure with a given facility risk rating is multiplied by the corresponding loss norms to arrive at a measure of loss in the event of default on the exposure involved. The weighted average loss norm provides a measure of the portfolio risk profile and portfolio risk rating.

As of December 2009, the portfolio risk rating was 7 (risk under watch) compared to 6- as of December 2008. The deterioration noted in 2009 reflects the challenges the group is facing in its operating environment as a consequence of the global financial and economic crisis.

As of December 2009, the portfolio risk rating was 7 (high risk) compared to 6- as of December 2008. The deterioration noted in 2009 reflects the challenges the group is facing in its operating environment as a consequence of the global financial and economic crisis.

4.1.4 Risk monitoring and control

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

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

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

4.1.4.1 Credit risk portfolio

The credit exposure, net of provisions, amounted to US$9.4 billion as of 31 December, 2009 (US$8.7 billion as of 31 December, 2008). This portfolio comprises loans and advances to customers, loans and advances to governments, deposits with central banks, loans, advances and placements with banks and financial institutions, as well as off-balance sheets exposures in the form of financial and performance guarantees.

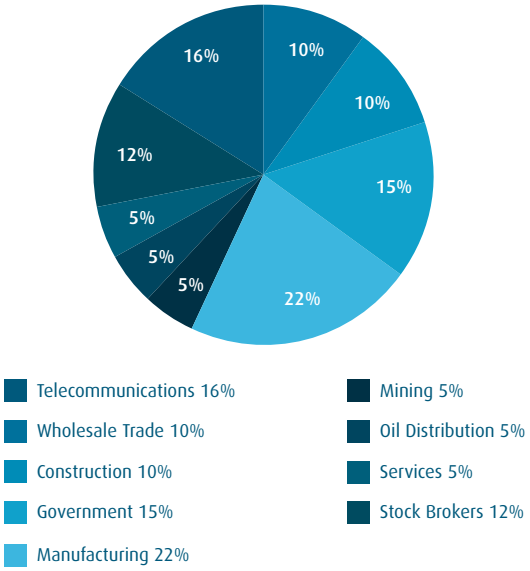
4.1.4.2 Obligor concentration

During the year under review, the Group took a strategic decision to reduce the single obligor limit (i.e. policy limit) to 7.5% (from 20% as of December 2008) in an effort to control concentration risk. As of December 31, 2009, therefore, four obligors or economic groupings had individual credit outstandings in excess of 7.5% of the group capital. These exposures will be progressively brought to the newly approved limit in 2010.

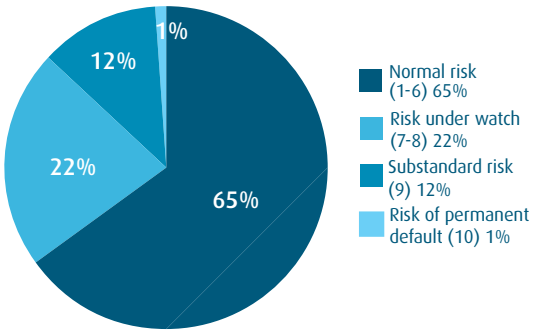
Risk Management (continued)

However, the twenty largest non-bank exposures in aggregate amounted to 116% of the capital (December 2008: 96%) and 21% of the total non-bank credit exposures (December 2008: 15%), indicating a more concentrated credit risk portfolio. These exposures were nonetheless diversified across various industry sectors and 65% of them were of normal credit risk quality.

Top 20 exposures per industry sector



Top 20 exposures per internal risk rating



4.1.4.3 Industry diversification

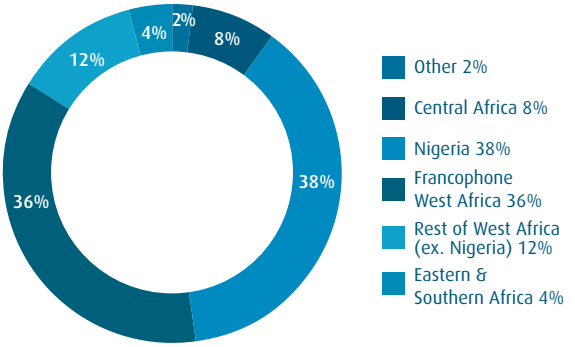
The portfolio breakdown by industry shows a relatively stable diversification of credit exposure, with concentrations in the banking sector (mainly comprised of ordinary short term banking transactions with local banks and OECD-based correspondent banks domiciled in OECD countries), in the Wholesale and Retail trade sector and in the government sector (mainly treasury bills held for liquidity management purpose). These four industry sectors accounted for 64% of the total group exposures (December 2008: 59%). The Board revised the group concentration limits during the year to align our risk appetite to the prevailing difficult environment.

Diversification industry segment
Percent of total portfolio

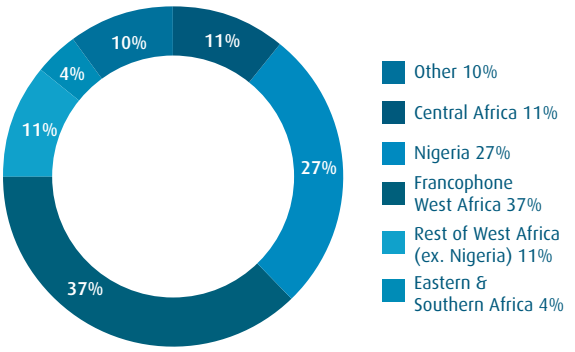
4.1.4.4 Geographic diversification

The group has banking operations in 30 countries and accordingly benefits substantially from geographic diversification of its credit exposure. The group exposure by country of obligor domicile highlights the decline of its Nigerian operations (27% from 35% in 2008). No other country represents more than 9% of the total exposure. At the regional level, Francophone West Africa Region became this year the largest concentration (ahead of Nigeria) as exposures on residents of that region represented 37% of the portfolio. The drop in the exposure to residents of Nigeria was more than offset by the growth in the exposure to residents of the Rest of West Africa (excluding Nigeria), Central Africa and Eastern and Southern Africa regions.

2008 Exposures by region of residence
Percent of total



2009 Exposures by region of residence
Percent of total

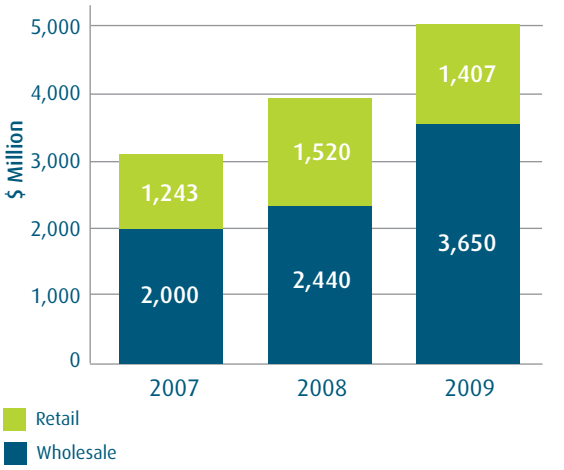


4.1.4.5 Asset quality

4.1.4.5.1 Gross loans and advances to customers

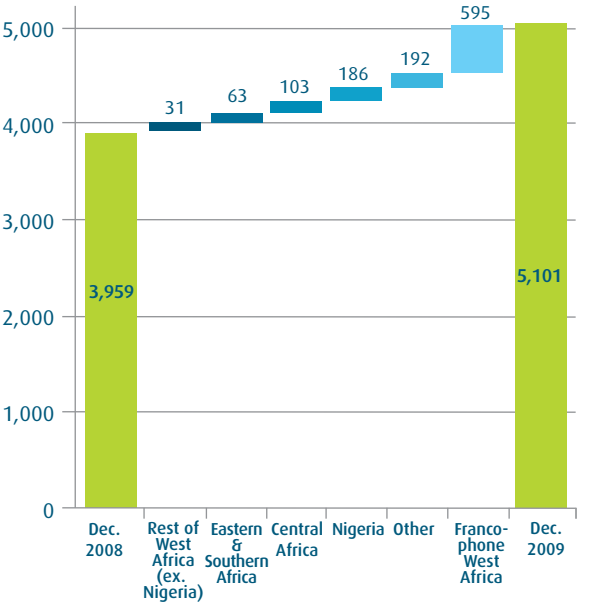
Gross loans and advances to customers rose 29% in 2009 to US$5.1 billion. This growth was mainly driven by wholesale customers (+50%) while the retail business contracted by 4%.

Gross loans by business



Subsidiaries in the Francophone West Africa Region contributed 52% of the wholesale asset growth. Nigeria's share, at 14%, reflects the subsidiary's shift in focus from business development to improving asset quality.

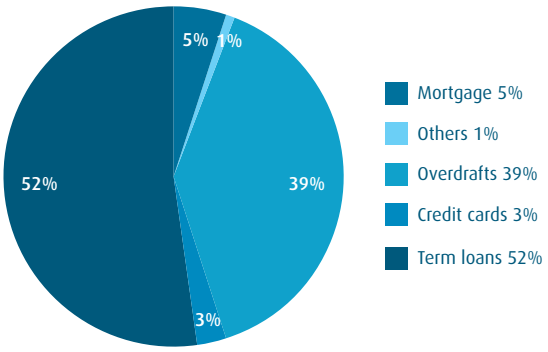
Contribution to growth in loans to customers
($Million)



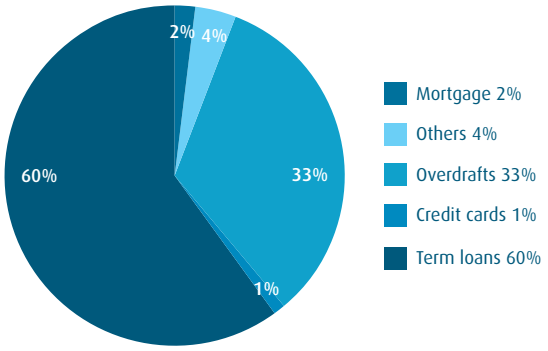
Risk Management (continued)

At the product level, loan growth was driven mainly by term loans which contributed 60% of the assets (52% in 2008). Overdrafts grew by only 10% and now accounts for 33% of the portfolio compared to 39% in 2008.

Loans to customers dec. 2008



Gross loans to customers dec. 2009

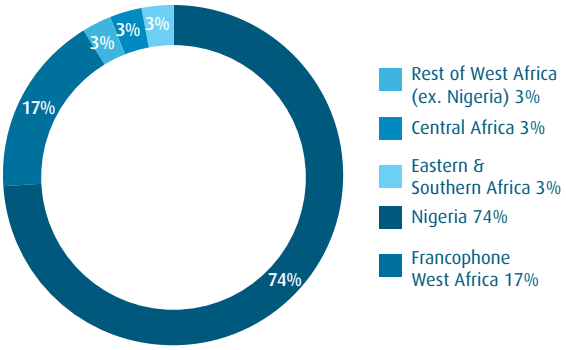


4.1.4.5.2 Non-performing loans

Non-performing loans (NPL) rose 21% to US$814 million in December 2009, mainly driven by Nigeria, which accounted for 74% of the non-performing loans of the group and where the combined effect of the international financial crisis and economic downturn negatively impacted the local banking system.

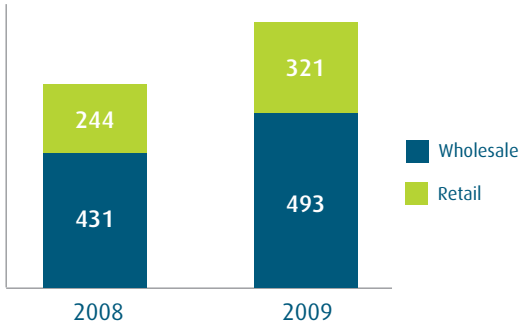
The classification of additional assets following stress tests carried out on Nigerian banks by Central Bank of Nigeria and Nigeria Deposit Insurance Corporation is the main reason for the build-up of non-performing loans. While our Nigerian subsidiary emerged among the banks that successfully passed the stress tests, it had, like all other Nigerian banks, to establish a significant amount of provisions for loan impairments during the third quarter. Nevertheless, asset quality improved marginally, as the ratio of non-performing loans to gross loans and advances ("NPL ratio") decreased by one percentage point to 16%. Management has taken appropriate remedial measures to ensure a turnaround in 2010.

2009 Non-performing loans



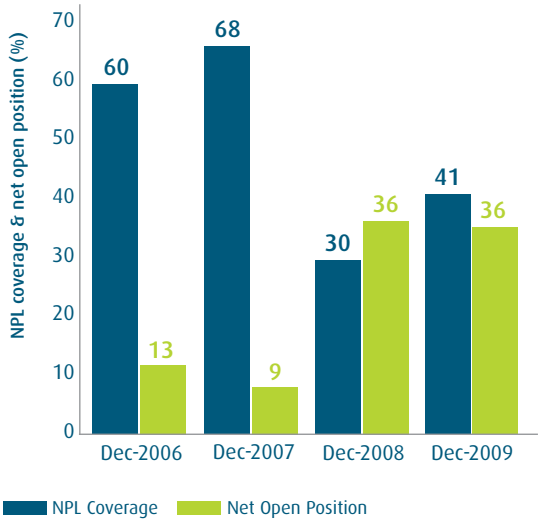
The breakdown of non-performing loans by business segments highlights a higher concentration of non-performing loans with Wholesale banking customers (61%) than with Retail Bank customers (39%). However, Retail Bank customers appear to have been more vulnerable to the weak economic environment. They contributed 55% of the growth in the group's non-performing loans.

Non-performing per business segment
($ Million)



As non-performing loans grew by 21% to US$814 million and impairment provisions increased to US$335 million from US$205 million at the end of December 2008, the NPL provisioning rate ("NPL coverage") improved to 41% from 30% in 2008. However, the unreserved portion of non-performing loans (i.e. the "net open exposure ratio") represented 36% of capital in 2009 (same level as in 2008).

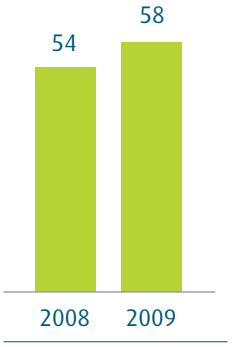
NPL coverage



Without Nigeria, our non-performing loan ratio would have improved from 6.4% in December 2008 to 6.2% in December 2009. Similarly, and the NPL coverage ratio would have increased by 4 percentage points to 58%.

NPL ratio (%)
Group excluding Nigeria

Coverage ratio (%)
Group excluding Nigeria



4.1.5 Portfolio stress testing

Stress testing is part of the group's strategy for identifying possible events or future changes in economic conditions that could have an unfavorable impact on its base case projections, including its capital requirements, resources and adequacy of capital buffers. Stress testing exercises address different types of risk and cover the impact of specific shocks as well as a downturn in macroeconomic factors. The outcomes of stress scenarios are ultimately assessed against earnings and capital adequacy on a consolidated basis across all risk types and compared with the group's set risk appetite. They are reviewed by the management and the Risk Committee to ensure that the group is prepared for worse case scenarios and that appropriate decisions are taken in the area of the group risk appetite and capital management.

Several stress test exercises were undertaken during 2009 to assess the potential impact of the international financial crisis on our business. They all confirmed the group's continuing resilience.

4.1.6 Risk reporting

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

4.2 Market risk

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

4.2.1 Organization

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

Risk Management (continued)

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

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

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

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

4.2.2 Risk identification

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

4.2.3 Risk measurement

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

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

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

4.2.4 Risk monitoring and control

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

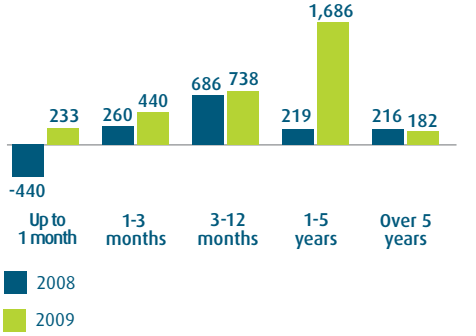
They monitor foreign exchange risk by ensuring that open foreign currency positions are kept within the approved overnight and intraday price risk limits.

Liquidity risk is monitored through gap analysis and ensuring not only that the deposit base is diversified but also that the market risk management policy framework is complied with.

4.2.4.1 Interest Rate Risk

The maturity profile of interest rate sensitive assets and liabilities as of December 31, 2009 shows a positive repricing for all maturities. The group is therefore exposed to falling interest rates for maturities above one month.

Interest rate repricing profile
($ Million)

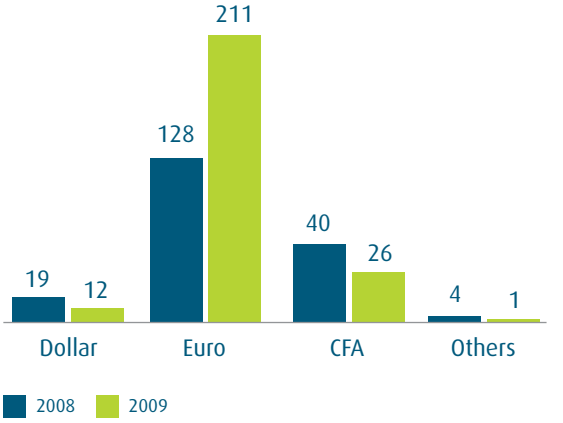


4.2.4.2 Foreign Exchange Risk

As of December 31, 2009, the Group is exposed to foreign exchange rate fluctuations in 33 currencies, 16 of which are legal tender in the 29 countries it operates. In thirteen of those markets, it is exposed to the CFA franc (43% of the portfolio against 38% the previous year), which is pegged to the euro under financial agreements between the French Treasury and the countries in the Francophone West Africa and Central Africa regions.

The group had a long net open position of US$250 million (US$189 million in December 2008) mainly in euros (84% contribution). The other significant net long open positions were in CFA francs (US$26 million against US$40 million in 2008) and in US dollars (US$12 million against US$19 million in 2008).

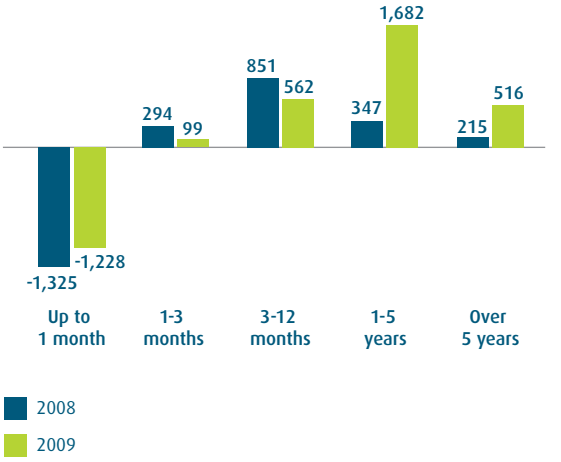
Net foreign exchange position
($ Million)



4.2.4.3 Liquidity Risk

The group is exposed to liquidity risk for maturities of up to one month. This is mainly due to the fact that 73% of total deposits are either current or savings. But on a behavioural perspective, these deposits are very stable.

Contractual maturity gap ($ Million)



Risk Management (continued)

4.3 Operational risk

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

4.3.1 Organization

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

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

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

4.3.2 Risk identification

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

4.3.3 Risk measurement

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

4.3.4 Risk monitoring and control

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

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

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

4.3.5 Risk reporting

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

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

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

In 2009, gross operational losses decreased by 35% to US$5.7 million (2008: US$8.8 million). However, net operational losses of US$4.8 million for 2009 were 18% worse, compared with US$4.1 million for 2008. In 2008, insurance claims reduced net losses, but recoveries were weak during 2009. Execution losses are on the increase, constituting 41% of net losses. External Fraud took 22%, while Internal Fraud contributed 26%. Net losses were concentrated in Nigeria (35%).

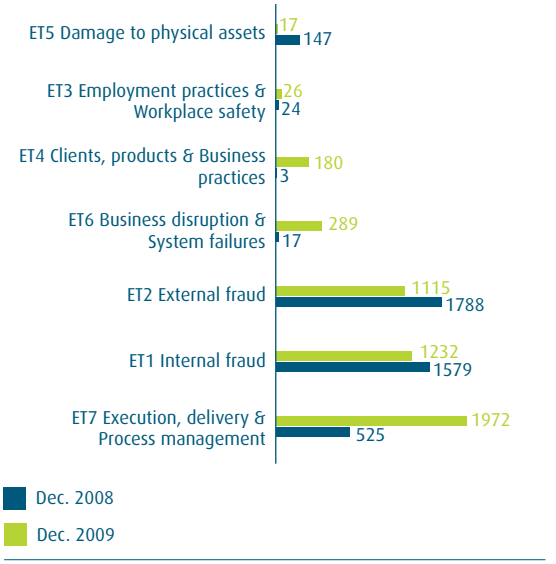
5. Capital adequacy

The group manages its capital base to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence, and providing competitive returns to shareholders. This highlights he need for a proper integration of risk, capital and performance.

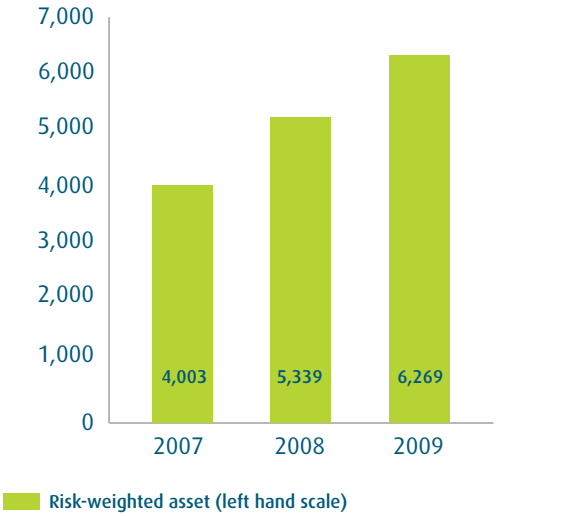
In all the countries where Ecobank operates, banks are required to hold a minimum capital level determined by the regulators in line with the recommendations of the Basel Committee on Banking Supervision. Under the original Basel accord, banks were to maintain a ratio of regulatory capital to risk-weighted assets of 8%. This ratio has been increased in some countries to 10% and, in some cases, 15%.

Under Basel I standards, risk-weighted assets rose by 17% from US$5.3 billion in December 2008 to US$6.3 billion. The unimpaired capital, on the other hand, increased marginally to US$1.34 billion in 2009 from US$1.31 billion in December 2008 (2% increase).

Net operational losses
($ Thousands)



Risk-weighted assets
($ Million)



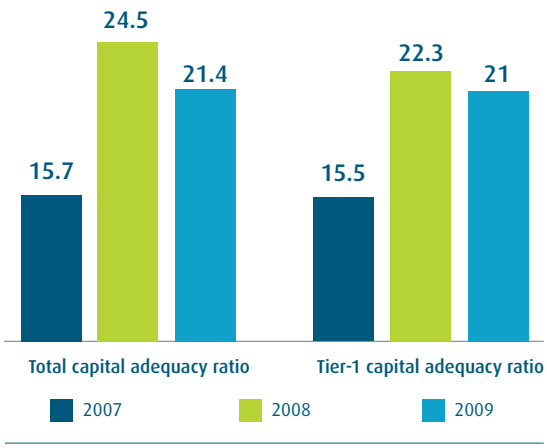
Risk Management (continued)

Loans and advances to customers were the main drivers of the increase in risk-weighted assets (US$990 million) represented 76% of the total.

Risk-Weighted Assets	2008	2009	Var (%)
Liquid Assets	413	291	-30
Loans to Customers	3,754	4,766	27
Other On-Balanced Sheet Items	720	909	23
Off-Balanced Sheet Items	452	323	-28
Total	**5,339**	**6,269**	**17**

In line with this increase in risk-weighted assets, the capital adequacy ratio under Basle I decreased from 24.5% to 21.4% as of 31 December, 2009, but still exceeds by far the minimum international standard and confirms the financial strength of our group. At the same time, the core capital adequacy (tier-1) ratio decreased by 1.3 percentage point to 21.3%. The lower rate of decrease in the core capital adequacy ratio is due to conversion into common shares of the company of a senior convertible loan by the International Finance Corporation.

Capital adequacy ratio (%)



6. 2010 Outlook

As the group is nearing the end of its pan-African expansion, it has been focusing on consolidation and optimization of its business platforms.

As from January 2010, and in line with the new strategy, the risk management and the finance functions have been merged into one single unit fully independent of the businesses and headed by an executive director. This newly created department will also oversee internal control and compliance functions previously managed by the Group Audit and Compliance department. The Executive Director Finance and Risk will be assisted by a group head with overall responsibilities over the risk function.

The risk management function is now centralized and fully independent of the businesses. At the group level, it will be comprised of:

- A Corporate Credit Center with the responsibility for the approval of credit transactions originated by all group businesses on behalf of corporate customers and to provide advice in loan approvals to country operations;
- A Domestic Credit Center with the responsibility for production and approval of all credit programs for the Domestic Bank and to provide advice on credit processes for retail and small and medium scale enterprises;

- A central Early Warning, Remedial and Recovery unit for the early identification of potential bad loans and for the design and implementation of strategies to mitigate the risk of default/loss.
- An Enterprise Risk Management unit (ERM), comprising of a portfolio and capital management function, operational and environmental risk management, market risk management and risk analytics. The main objectives of ERM are:

a) Mitigate against downside risk

b) Reduce unwanted earnings volatility

c) Inform senior management and line staff in risk/return trade-offs

d) Enable growth by delegation of day-to-day credit decisions to subsidiaries as we build the necessary control and information infrastructure

e) Further improve the already excellent relationship with regulators by demonstrating that our risk and capital management processes are best in breed

f) Improve communication with rating agencies, analysts and other stakeholders in order to improve Ecobank's financial reputation and therefore its position in capital/debt raising, potential M&A and other activities.

In order to achieve these objectives, the Group has launched various initiatives:

a) Automation of credit portfolio data collection, aggregation and reporting to ensure timely delivery of information on risk exposures to the key decision makers;

b) Recruitment of risk managers with risk analytics background;

c) Implementation of economic capital and value-at-risk (VaR) models to measure risk across the Group;

d) Implementation of a centralized Early Warning, Remedial and Recover unit;

e) Provision of training in early problem recognition and remedial management across the Group;

f) Development and implementation of in-house training programs in credit risk management, designed for entry-level and senior risk professionals;

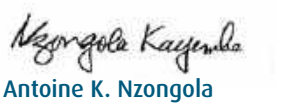
g) Implementation of a credit risk review function independent of Group Audit;

h) Implementation of a funds transfer pricing (FTP) policy that can be easily adopted on a subsidiary level;

i) Setting up a central Asset and Liability Management unit to oversee local balance sheet limits;

j) Implementation of a new credit approval process in line with the new organization structure.

We expect these changes to enhance our risk management in 2010 and contribute to overall improvement of the group financial performance going forward.



Antoine K. Nzongola
Senior Advisor &
Group Head, Risk Management

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 include 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 it's 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 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 58 to 124 were approved by the board of directors on 23 April 2010 and signed on its behalf by:

Kolapo Lawson
Chairman

Arnold Ekpe
Group Chief Executive Officer

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (the 'Group') which comprise the consolidated statement of financial position as of 31 December 2009 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 2009, 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
28 April 2010

PricewaterhouseCoopers, SA
Chartered Accountants
Abidjan, Côte d'Ivoire

Consolidated Income Statement

(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Interest income	6	763,954	710,249
Interest expense	6	(304,927)	(319,848)
Net interest income		**459,027**	**390,401**
Fee and commission income	7	249,566	275,683
Fee and commission expense	7	(9,360)	(9,545)
Net fee and commission income		**240,206**	**266,138**
Lease income	8	16,894	5,625
Dividend income	9	2,209	2,679
Net trading income	10	147,628	117,259
Gains less losses from investment securities	22	(1,467)	(11,299)
Other operating income	11	8,821	55,321
Operating income before impairment loss		**873,318**	**826,124**
Impairment losses for loans	13	(139,658)	(113,071)
Operating income after impairment loss		**733,660**	**713,053**
Staff expenses	12	(258,578)	(266,709)
Depreciation and amortisation	12	(61,470)	(49,869)
Other operating expenses	12	(312,546)	(234,234)
Total operating expenses		**(632,594)**	**(550,812)**
Operating profit		**101,066**	**162,241**
Share of profit of associates	23	-	144
Profit before income tax		**101,066**	**162,385**
Income tax expense	14	(36,466)	(51,245)
Profit for the year		**64,600**	**111,140**
Attributable to:			
Equity holders of the parent company		51,075	94,195
Non-controlling interest		13,525	16,945
		64,600	**111,140**

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

Basic	15	0.58	1.39
Diluted	15	0.57	1.35

The notes on pages 63 to 124 are an integral part of these consolidated financial statements

Consolidated Statement of Comprehensive Income

(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Profit for the year		**64,600**	**111,140**
Exchange difference on translation of foreign operations		(111,997)	(93,063)
Available-for-sale investments:			
- Net valuation (losses)/gains taken to equity	39	(348)	22,092
- Reclassified to income	39	1,403	(1,102)
Property and equipment - net revaluation gain/loss	25	63,522	-
Taxation relating to components of other comprehensive income	35	(16,164)	(6,577)
Other comprehensive income for the year, net of taxation		**(63,584)**	**(78,650)**
Total comprehensive income for the period		**1,016**	**32,490**
Total comprehensive income attributable to:			
- Parent company shareholders		4,420	24,054
- Non controlling interest		(3,404)	8,436
		1,016	**32,490**

The notes on pages 63 to 124 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

(All amounts in US dollar thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
Assets			
Cash and balances with central banks	16	901,945	810,393
Treasury bills and other eligible bills	17	531,567	420,316
Loans and advances to banks	18	1,380,451	1,994,951
Loans and advances to customers	21	4,766,197	3 754,206
Trading assets	19	7,469	7,106
Derivative financial instruments	20	10,017	-
Investment securities: available-for-sale	22	506,376	584,000
Investments in associates	23	-	1,514
Intangible assets	24	31,579	34,924
Property and equipment	25	474,214	315,802
Investment property	26	13,280	12,083
Deferred income tax assets	35	25,279	9,589
Other assets	27	358,149	361,302
Total assets		**9,006,523**	**8,306,186**
Liabilities			
Deposits from other banks	28	393,403	334,446
Due to customers	30	6,472,459	5,798,895
Other deposits	29	85,793	93 819
Derivative financial instruments	20	10,022	-
Borrowed funds	31	253,902	345,157
Other liabilities	33	477,001	495,825
Current income tax liabilities		36,662	37,073
Deferred income tax liabilities	35	32,743	31,180
Retirement benefit obligations	36	8,973	12,169
Total Liabilities		**7,770,958**	**7,148,564**
Equity			
Capital and reserves attributable to the equity holders of the parent entity			
Share capital	38	867,714	774,496
Retained earnings	39	220,605	206,401
Other reserves	39	23,810	52,313
		1,112,129	**1,033,210**
Non-controlling interests in equity		**123,436**	**124,412**
Total Equity		**1,235,565**	**1,157,622**
Total Liabilities and Equity		**9,006,523**	**8,306,186**

The notes on pages 63 to 124 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

(All amounts in US dollar thousands unless otherwise stated)

	Note	Attributable to equity holders of the company				Total
		Share capital	Retained earnings	Other reserves	Non-controlling interest	
At 1 January 2008		**265,155**	**145,314**	**103,079**	**138,212**	**651,760**
Net changes in available for sale investments, net of tax	39	-	-	14,413	-	14,413
Currency translation differences	39	-	-	(84,554)	(8,509)	(93,063)
Net income recognised directly in equity		-	-	(70,141)	(8,509)	(78,650)
Profit for the year		-	94,195	-	16,945	111,140
Total recognised income for 2008		**-**	**94,195**	**(70,141)**	**8,436**	**32,490**
Dividend relating to 2007	40	-	(26,940)	-	(22,236)	(49,176)
Transfer to general banking reserves	39	-	(9,335)	9,335	-	-
Transfer to statutory reserve	39	-	(5,508)	5,508	-	-
Share options granted	39	3,168	8,675	-	-	11,843
Convertible loans - equity component	32	-	-	4,532	-	4,532
Proceeds from shares issued:						
- Rights issue	38	184,490	-	-	-	184,490
- Public offer	38	369,991	-	-	-	369,991
Share issue expenses	38	(48,308)	-	-	-	(48,308)
At 31 December 2008 / 1 January 2009		**774,496**	**206,401**	**52,313**	**124,412**	**1,157,622**
Net changes in available for sale investments, net of tax	39	-	-	541	-	541
Currency translation differences	39	-	-	(95,068)	(16,929)	(111,997)
Net gains on revaluation of property				47,872		47,872
Net loss recognised directly in equity		-	-	(46,655)	(16,929)	(63,584)
Profit for the year		-	51,075	-	13,525	64,600
Total recognised income for 2009		**-**	**51,075**	**(46,655)**	**(3,404)**	**1,016**
Dividend relating to 2008	40	-	(17,500)	-	(12 363)	(29,863)
Transfer to general banking reserves	39	-	(9,449)	9,449	-	-
Transfer to statutory reserve	39	-	(13,235)	13,235	-	-
Share options granted	38	-	3,313	-	-	3,313
Net proceeds from shares issued:						
- Convertible loans	38	93,218	-	(4,532)	-	88,686
- Rights issue		-	-	-	14,791	14,791
At 31 December 2009		**867,714**	**220,605**	**23,810**	**123,436**	**1,235,565**

The notes on pages 63 to 124 are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

(All amounts in US dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Cash flows from operating activities			
Interest and similar income received		756,557	667,225
Interest paid		(322,468)	(292,822)
Dividends received		2,209	2,679
Net fee and commission receipts		179,780	266,138
Net trading and other incomes		173,067	178,194
Cash payments to employees and suppliers		(710,760)	(604,458)
Income taxes paid		(51,004)	(51,426)
Changes in operating assets and liabilities			
- net decrease/(increase) in trading assets		(363)	3,269
- net decrease/(increase) in derivative financial assets		(10,017)	75,003
- net decrease/(increase) in other treasury bills		(304,708)	200,926
- net decrease/(increase) in loans and advances to banks		353,567	(461,374)
- net increase in loans and advances to customers		(1,011,991)	(637,170)
- net increase in other assets		10,550	(155,709)
- net increase in mandatory reserve deposits		(55,283)	(95,744)
- net increase in other deposits		85,793	93,819
- net increase in amounts due to customers		673,564	1,084,568
- net (decrease)/ increase in derivative liabilities		10,022	(75,000)
- net increase in other liabilities		(1,283)	119,740
Net cash from/(used in) operating activities		**(222,768)**	**317,858**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	43	4,180	25,656
Purchase of software	24	(2,642)	(18,322)
Purchase of property and equipment	25	(135,311)	(164,891)
Proceeds from sale of property and equipment		1,559	17,452
Purchase of investment securities	22	(2,499,265)	(172,351)
Proceeds from sale and redemption of securities		2,542,535	71,948
Net cash used in investing activities		**(88,944)**	**(240,508)**
Cash flows from financing activities			
Proceeds from borrowed funds		1,963	133,391
Proceeds of subscription of ordinary shares	38	-	509,341
Issue of shares (minority interest)		14,791	-
Dividends paid to minority shareholders		(12,363)	(22,236)
Dividends paid	39	(17,500)	(26,940)
Net cash from/(used in) financing activities		**(13,109)**	**593,556**
Net (decrease)/increase in cash and cash equivalents		**(324,821)**	**670,906**
Cash and cash equivalents at start of year	41	1,493,804	856,154
Effects of exchange differences on cash and cash equivalents		(152,257)	(33,256)
Cash and cash equivalents at end of year	**41**	**1,016,726**	**1,493,804**

The notes on pages 63 to 124 are an integral part of these consolidated financial statements

Notes to Consolidated Financial Statements

1. General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, the group) provide retail, corporate and investment banking services throughout sub Saharan Africa outside South Africa. The Group has operations in 29 countries and employs 11,097 people (2008: 11,211) as at 31 December 2009.

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) Côte D'Ivoire.

The consolidated financial statements for the year ended 31 December 2009 have been approved for issue by the Board of Directors on 23 April 2010.

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 years presented, unless otherwise stated.

2.1 Basis of presentation

The group's consolidated financial statements for the year 2009 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.

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 presentational 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 41 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. Interest received or paid are classified as operating cash flows.

Notes to Consolidated Financial Statements (continued)

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

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.

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 would first be 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

Notes to Consolidated Financial Statements (continued)

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.

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 jointly-controlled 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 cost 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 value 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 hedged 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.

Notes to Consolidated Financial Statements (continued)

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.

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 2009.

2.2 Consolidation

The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date.

a) Subsidiaries

The consolidated financial statements of the Group comprise the financial statements of the parent entity and all consolidated subsidiaries as of 31 December 2009.

Subsidiaries are companies in which the Group directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The results of the subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective acquisition date or up to the effective date on which control ceases, as appropriate.

Inter-company transactions, balances and intragroup gains on transactions between group companies are eliminated. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

The integration of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

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:

I) 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

II) 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 to Consolidated Financial Statements (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.

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-forsale 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.

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.

Notes to Consolidated Financial Statements (continued)

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 instrumetns 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'.

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 initial 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 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 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 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 for which the fair value option is not applied, convertible bonds and subordinated debts.

Notes to Consolidated Financial Statements (continued)

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 major exchanges and broker quotes.

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 are 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 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.

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.

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	None	Not applicable
Loans and receivables	Loans and advances to banks	21
Held-to-maturity Investments	None	Not applicable
Available-for-sale financial assets	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	None	Not applicable
Financial liabilities at armortised cost	Deposits from banks	28

Off balance sheet financial instruments

Category (as defined by IAS 39)	Class (as determined by the group)	Note
Loan commitments	Loan commitments	37
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	37

Notes to Consolidated Financial Statements (continued)

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.

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 (forexample, 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.

Notes to Consolidated Financial Statements (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 2009.

2.14 Share-based payments

The Group engages in equity settled share-based payment transactions in respect of services received from certain 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'.

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 retail 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.

Notes to Consolidated Financial Statements (continued)

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, plant and equipment

Land and buildings comprise mainly branches and offices. All property, plant 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.

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 credit 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 to Consolidated Financial Statements (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 which 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 to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-retirement obligations

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

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

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

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.

Notes to Consolidated Financial Statements (continued)

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.

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 key 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 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-statement of financial position 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 four rating classes. The Group's rating scale, which is shown above, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

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 - 6	Normal assets	AAA to B
7 - 8	Assets under watch	CCC to C
9	Substardard assets	C
10	Assets with risk of default	D

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

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

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

II) Exposure at default

EAD 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.

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.

Notes to Consolidated Financial Statements (continued)

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 five 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.

Group's rating	2009 Loans and advances		2009 Impairment provision		2008 Loans and advances		2008 Impairment provision	
1 Current	3,425,071	67%	23,769	1%	2,775,861	70%	5,048	0%
1A. Other loans especially mentioned	623,585	12%	1,075	0%	466,984	12%	1,459	0%
II. Substandard	238,076	5%	5,222	2%	268,418	7%	22,481	8%
III. Doubtful	568,664	11%	149,746	26%	351,861	9%	87,486	25%
IV. Loss	245,574	5%	154,961	63%	96,188	2%	88,632	92%
	5,100,970	**100%**	**334,773**	**7%**	**3,959,312**	**100%**	**205,106**	**5%**

3.1.4 Credit concentration

Maximum exposure to credit risk before collateral held

	Maximum exposure 2009	Maximum exposure 2008
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Treasury bills and other eligible bills	531,567	420,316
Loans and advances to banks	1,380,451	1,994,951
Loans and advances to customers:		
Retail		
- Overdrafts	487,877	494,087
- Credit cards	30,822	116,943
- Term loans	704,024	686,244
- Mortgages	92,897	183,001
Wholesale		
- Overdrafts	1,003,975	905,185
- Term loans	2,275,685	1,330,413
- Others	170,917	38,333
Trading assets		
- Debt securities	4,771	-
Derivative financial instruments	10,017	-
Investment securities - available-for-sale:		
- Debt securities	433,180	520,511
Other assets	273,855	281,416
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	1,555,690	1,717,974
Loan commitments	60,086	539,964
At 31 December	**9,015,814**	**9,229,338**

The above table represents a worse case scenario of credit risk exposure to the Group at 31 December 2009 and 2008, 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 financial position.

As shown above, 68% of the total maximum exposure is derived from loans and advances to banks and customers (2008: 62%); 5% represents investments in debt securities (2008: 6%).

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:

- 78% of the loans and advances portfolio are considered to be neither past due nor impaired (2008: 75%);
- 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

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

3.1.5 Loans and advances

Loans and advances are summarised as follows:

	31 December 2009		31 December 2008	
	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers
Neither past due nor impaired	1,380,451	4,043,352	1,994,951	2,969,815
Past due but not impaired	-	243,380	-	314,679
Impaired	-	814,238	-	674,818
Gross	1,380,451	5,100,970	1,994,951	3,959,312
Less: allowance for impairment	-	(334,773)	-	(205,106)
Net	**1,380,451**	**4,766,197**	**1,994,951**	**3,754,206**

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 2009	Loans and advances to customers							
	Retail				Wholesale			Total
Grades:	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
Current	361,305	29,631	548,609	45,372	929,962	1,346,698	180,539	3,442,116
Other loans especially mentioned	4,061	-	84,370	1,980	42,126	467,420	1,279	601 236
Total	**365,366**	**29,631**	**632,979**	**47,352**	**972,088**	**1,814,118**	**181,818**	**4,043,352**

31 December 2008	Loans and advances to customers							
	Retail				Wholesale			Total
Grades:	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
Current	400,638	29,530	532,975	75,602	482,155	921,390	30,040	2,472,330
Other loans especially mentioned	8,061	-	55,912	96,674	105,266	227,478	4,094	497,485
Total	**408,699**	**29,530**	**588,887**	**172,276**	**587,421**	**1,148,868**	**34,134**	**2,969,815**

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 2009	Loans and advances to customers							
	Retail				Wholesale			Total
Past due	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
Past due up to 30 days	9,744	81	102,060	34	3,050	96,395	-	211,364
Past due 30-60 days	3,217	35	3,398	1,083	1,240	1,221	145	10,339
Past due 60-90 days	5,424	51	5,530	264	2,172	8,032	204	21,677
Total	**18,385**	**167**	**110,988**	**1,381**	**6,462**	**105,648**	**349**	**243,380**
Fair value of collateral	5,117	-	6,684	1,975	384	1,384	303	15,847
Amount of undercollateralisation	**13,268**	**167**	**104,304**	**(594)**	**6,078**	**104,264**	**46**	**227,533**

31 December 2008	Loans and advances to customers							
	Retail				Wholesale			Total
Past due	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
Past due up to 30 days	6,108	13,705	19,018	22	81,218	8,513	34	128,618
Past due 30-60 days	7,730	7,597	2,059	15	5,906	42,450	18	65,775
Past due 60-90 days	41,738	45,289	9,254	2,157	19,926	1,529	393	120,286
Total	**55,576**	**66,591**	**30,331**	**2,194**	**107,050**	**52,492**	**445**	**314,679**
Fair value of collateral	1,084	-	9,313	-	606	1,282	303	12,588
Amount of undercollateralisation	**54,492**	**66,591**	**21,018**	**2,194**	**106,444**	**51,210**	**142**	**302,091**

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:

	Retail				Wholesale			Total
	Overdrafts	Credit cards	Term Loans	Mortgages	Overdrafts	Term loans	Others	
31 December 2009								
Gross	222,705	22,570	66,000	12,331	128,729	349,817	12,086	814,238
Impairment allowance	62,035	21,546	46,579	6,099	114,063	49,099	5,286	304,707
Fair value of collateral	54,577	287	30,284	6,948	204,838	265,791	-	562,725
31 December 2008								
Gross	84,171	23,839	55,985	8,835	152,974	347,128	1,886	674,818
Impairment allowance	37,054	4,208	23,395	1,192	78,111	30,002	2,156	176,118
Fair value of collateral	63,605	1,133	19,186	11,120	9,757	18,767	-	123,568

II) Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2009 was nil (2008: 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 US$852.0 million at 31 December 2009 (2008: US$150.1 million).

	2009	2008
Loans and advances to customers		
Continuing to be impaired after restructuring (included in non performing loans)	370,163	37,262
Non–impaired after restructuring – would otherwise have been impaired	163,068	104,936
Non–impaired after restructuring – would otherwise not have been impaired	318,725	7,859
Total	**851,956**	**150,057**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

3.1.6 Repossessed collateral

During 2008, the bank obtained possession of collateral held as security, as follows:

Nature of assets	2009 Carrying amount		2008 Carrying amount	
	Collateral	Related loan	Collateral	Related loan
Residential property	2,146	3,570	238	1,075
Commercial property	212	265	178	273
Vehicle and equipment	13,127	13,131	24	24
	15,485	**16,966**	**440**	**1,372**

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 2009. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

	Francophone West Africa	Nigeria	Rest of West Africa (ex. Nigeria)	Central Africa	Eastern & Southern Africa	Others	Total
As at 31 December 2009							
Treasury bills and other eligible bills	124,081	182,382	212,504	-	12,600	-	531,567
Loans and advances to banks	171,902	476,342	41,143	86,298	62,713	542,053	1,380,451
Loans and advances to customers:							
Retail							
Overdrafts	139,057	249,087	35,873	16,625	47,235	-	487,877
Credit cards	-	28,788	2,034	-	-	-	30,822
Term loans	398,932	56,191	108,278	74,744	65,879	-	704,024
Mortgages	45,392	28,378	4,610	1,899	12,618	-	92,897
Wholesale							
Overdrafts	374,088	382,690	102,449	133,607	11,111	30	1,003,975
Term loans	1,273,664	494,756	216,516	248,705	42,044	-	2,275,685
Others	38,724	92,266	4,691	4,098	5,661	25,477	170,917
Trading assets – debt securities	-	-	-	-	4,771	-	4,771
Derivative financial instruments	-	-	-	10,000	17	-	10,017
Investment securities – debt securities	186,048	86,129	113,322	11,064	35,958	659	433,180
Other assets	86,694	91,515	61,101	15,796	12,074	6,675	273,855
Total	**2,838,582**	**2,168,524**	**902,521**	**602,836**	**312,681**	**574,894**	**7,400,038**
As at 31 December 2008							
Treasury bills and other eligible bills	72,621	267,875	59,719	2,232	17,869	-	420,316
Loans and advances to banks	239,203	900,501	164,961	12,370	52,586	625,330	1,994,951
Loans and advances to customers:							
Retail							
Overdrafts	255,679	143,971	26,170	28,351	39,605	311	494,087
Credit cards	-	115,478	1,465	-	-	-	116,943
Term loans	346,559	142,064	108,475	36,874	52,237	35	686,244
Mortgages	130,681	36,399	560	1,960	13,401	-	183,001
Wholesale							
Overdrafts	279,618	316,559	172,544	128,555	7,855	54	905,185
Term loans	648,195	338,239	136,744	199,782	6,477	976	1,330,413
Others	1,667	34,185	464	867	1,150	-	38,333
Investment securities – debt securities	240,240	146,325	109,425	2,128	22,393	-	520,511
Other assets	64,992	96,798	77,035	4,473	9,612	28,506	281,416
Total	**2,279,455**	**2,538,394**	**857,562**	**417,592**	**223,185**	**655,212**	**6,971,400**

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	Manufacturing	Government	Mining & Construction	Services & Others	Total
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	331,423	1,491,852
- Credit cards	-	2,034	-	-	-	28,788	30,822
- Term loans	419,900	982,103	279,882	208,558	89,166	1,000,100	2,979,709
- Mortgages	-	18,821	2,366	55	2,253	69,402	92,897
- Others	268	71,981	15,451	20	5,802	77,395	170,917
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	**1,874,979**	**1,882,616**	**515,024**	**1,234,557**	**187,431**	**1,705,431**	**7,400,038**
31 December 2008							
Treasury bills and other eligible bills	-	-	-	420,316	-	-	420,316
Loans and advances to banks	1,994,951	-	-	-	-	-	1,994,951
Loans and advances to customers:							
- Overdrafts	37,151	416,690	218,545	42,838	152,573	531,475	1,399,272
- Credit cards	-	-	-	-	-	116,943	116,943
- Term loans	290,184	561,956	212,328	95,751	117,373	739,065	2,016,657
- Mortgages	1,121	28,695	8,520	2,798	3,424	138,443	183,001
- Others	417	10,070	1,841	418	8,534	17,053	38,333
Investment securities – debt securities	-	-	-	520,511	-	-	520,511
Other assets	-	-	-	-	-	281,416	281,416
Total	**2,323,824**	**1,017,411**	**441,234**	**1,082,632**	**281,904**	**1,824,395**	**6,971,400**

3.2 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates, equity products 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, equity prices 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.

Notes to Consolidated Financial Statements (continued)

(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 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**
31 December 2008							
Assets							
Cash and balances with central banks	65,051	22,776	489,449	134,506	45,251	53,360	810,393
Treasury bills and other eligible bills	-	-	74,854	267,874	46,387	31,201	420,316
Loans and advances to banks	781,267	228,345	124,401	787,017	13,760	60,161	1,994,951
Loans and advances to customers	412,984	8,712	2,052,514	910,282	209,552	160,162	3,754,206
Trading assets	-	-	2,909	-	4,197	-	7,106
Investment securities - available-for-sale	720	-	249,313	193,775	63,981	76,211	584,000
Other assets	155,372	5,309	52,194	7,153	89,183	52,091	361,302
Total financial assets	**1,415,394**	**265,142**	**3,045,634**	**2,300,607**	**472,311**	**433,186**	**7,932,274**
Liabilities							
Deposits from banks	40,391	31,028	98,398	141,991	1,465	21,173	334,446
Due to customers	411,254	47,385	2,508,452	2,231,336	313,338	287,130	5,798,895
Other deposits	6,725	7	77,848	9,207	-	32	93,819
Other borrowed funds	289,467	4,194	36,392	-	5,091	10,013	345,157
Other liabilities	73,228	2,023	236,294	98,913	61,525	23,842	495,825
Total financial liabilities	**821,065**	**84,637**	**2,957,384**	**2,481,447**	**381,419**	**342,190**	**7,068,142**
Net on-statement of financial position	**594,329**	**180,505**	**88,250**	**(180,840)**	**90,892**	**90,996**	**864,132**
Credit commitments	**523,764**	**163,507**	**445,291**	**996,125**	**24,975**	**104,276**	**2,257,938**

3.2.2 Interest rate risk

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

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

As at 31 December 2009	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	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**		
At 31 December 2008							
Assets							
Cash and balances with central banks	450,513	9,141	-	-	-	350,739	810,393
Treasury bills and other eligible bills	145,130	219,977	40,124	15,085	-	-	420,316
Loans and advances to banks	1,543,702	451,249	-	-	-	-	1,994,951
Loans and advances to customers	1,190,339	792,141	967,753	663,395	140,578	-	3,754,206
Trading assets	7,106	-	-	-	-	-	7,106
Investment securities - available-for-sale	98,835	53,768	101,470	137,073	129,365	63,489	584,000
Other assets	-	-	-	-	-	361,302	361,302
Total financial assets	**3,435,625**	**1,526,276**	**1,109,347**	**815,553**	**269,943**	**775,530**	**7,932,274**
Liabilities							
Deposits from banks	120,668	157,586	56,192	-	-	-	334,446
Due to customers	3,628,971	1,108,183	333,952	331,655	40,647	355,487	5,798,895
Other deposits	84,573	-	9,246	-	-	-	93,819
Trading liabilities	-	-	-	-	-	-	-
Borrowed funds	41,475	714	24,171	265,094	13,703	-	345,157
Other liabilities	-	-	-	-	-	495,825	495,825
Total financial liabilities	**3,875,687**	**1,266,483**	**423,561**	**596,749**	**54,350**	**851,312**	**7,068,142**
Total interest repricing gap	**(440,062)**	**259,793**	**685,786**	**218,804**	**215,593**		

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(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.

3.3.2 Non-derivative cash flows

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

As at 31 December 2009	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
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	185,483	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**	**144,995**	**7,970,938**
Total assets (expected maturity dates)	**4,625,890**	**834,189**	**1,081,170**	**2,485,169**	**684,446**	**9,710,864**
As at 31 December 2008						
Deposits from banks	249,844	12,189	75,768	-	-	337,801
Due to customers	4,737,445	595,040	395,059	369,946	38,984	6,136,474
Other deposits	85,607	-	9,338	-	-	94,945
Other borrowed funds	24,419	9,102	18,423	310,983	42,370	405,297
Other liabilities	8,139	25,439	139,256	-	322,991	495,825
Current income tax liabilities	23,453	13,620	-	-	-	37,073
Deferred income tax liabilities	-	-	10,053	21,127	-	31,180
Retirement benefit obligations	-	-	-	1,217	10,952	12,169
Total liabilities (contractual maturity dates)	**5,128,907**	**655,390**	**647,897**	**703,273**	**415,297**	**7,550,764**
Total assets (expected maturity dates)	**3,803,717**	**949,317**	**1,498,974**	**1,050,459**	**629,807**	**7,932,274**

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

3.3.3 Derivative cash flows

a) Derivatives settled on a gross basis

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

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

As at 31 December 2009	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives held for hedging:						
- Foreign exchange derivatives:						
- Outflow	-	-	10,000	-	-	10,000
- Inflow	-	-	(10,022)	-	-	(10,022)
At 31 December 2008						
Derivatives held for hedging:						
- Interest rate derivatives:						
- Outflow	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-

3.4 Off-balance sheet items

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

At 31 December 2009	No later than 1 year	Over 1 year	Total
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**
At 31 December 2008			
Loan commitments	513,398	26,566	539,964
Guarantees, acceptances and other financial facilities	1,145,145	572,829	1,717,974
Capital commitments	17,781	-	17,781
Total	**1,676,324**	**599,395**	**2,275,719**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

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 .

	Carrying value		Fair value	
	2009	2008	2009	2008
Financial assets:				
Loans and advances to banks	1,380,451	1,994 951	1,791,752	2,088,920
Loans and advances to customers	4,766,197	3,754 206	4,824,314	3,766,171
Financial liabilities:				
Deposits from banks	393,403	334,446	342,837	749,338
Due to customers	6,472,459	5,798,895	6,418,999	5,547,003
Other deposits	85,793	93,819	85,839	84,612
Borrowed funds	253,902	345,157	269,403	358,644

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.

b) Financial instruments measured at fair value

See Note 2.5 '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 2009
	Level 1	Level 2	Level 3
Treasury and other eligible bills	-	531,567	-
Trading assets	2,698	4,771	-
Derivative financial instruments	-	10,017	-
Investment securities - available-for-sale	152,087	354,289	-
Total financial assets	**154,785**	**900,644**	**-**
Trading liabilities	-	-	-
Derivative financial instruments	-	10,017	-
Debt securities in issue	-	-	-
Financial liabilities designated at fair value	-	-	-
Total financial liabilities	**-**	**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), minority interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: subordinated loan capital, unrealised gains 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.

Notes to Consolidated Financial Statements (continued)

(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 2009 and 2008. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

	2009	2008
Tier 1 capital		
Share capital	867,714	774,496
General bank reserves	33,737	24,288
Statutory reserve	86,452	73,217
Retained earnings	220,605	206,401
Minority interests	123,436	124,412
Less: goodwill	(14,613)	(14,044)
Total qualifying Tier 1 capital	**1,317,331**	**1,188,770**
Tier 2 capital		
Convertible loans (including liability and equity portions)	-	100,000
Revaluation reserve – available-for-sale investments	23,265	22,724
Total qualifying Tier 2 capital	**23,265**	**122,724**
Less investments in associates	-	1,514
Total regulatory capital	**1,340,596**	**1,309,980**
Risk-weighted assets:		
On-statement of financial position	5,945,354	4,887,274
Off-statement of financial position	323,155	451,588
Total risk-weighted assets	**6,268,509**	**5,338,862**
Basel ratio	**21.4%**	**24.5%**
Tier I	**21.0%**	**22.3%**

The increase of the capital in the year of 2009 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) 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, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

c) Impairment of available for-sale equity investments

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

d) Income taxes

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

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.

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

5. Segmental analysis

In the financial year 2009, segment reporting by the group was prepared for the first time in accordance with IFRS 8, 'Operating segments'. Segment information for 2008 that is reported as comparative information for 2009 has been restated to conform to the requirements of IFRS 8.

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Executive Management 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.

The Group is organised into the following segments:

I) **Francophone West Africa** 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) **Rest of West Africa (excluding Nigeria)** 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) **Central Africa** region comprises all subsidiaries within the CEMAC monetary zone. Countries in this zone share a common currency. Cameroon, Chad, Central Africa, DR Congo , Congo Brazaville, Gabon and Sao Tome are the only countries currently included in this segment.

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

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis. The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Group Executive Board reviews operating profit, the results of discontinued operations are not included in the measure of operating profit.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Management Committee. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.

Segment results of operations

The segment information provided to the Group Executive Management Committee for the reportable segments for the year ended 31 December 2009 is as follows:

	Francophone West Africa	Nigeria	Rest of West Africa (ex. Nigeria)	Central Africa	Eastern & Southern Africa	Others	Total
At 31 December 2009							
Net interest income	149,255	170,804	79,780	42,430	15,955	803	459,027
Net fees and commission income	81,067	61,765	51,646	30,968	8,441	19,311	253,198
Other income	44,974	60,230	32,786	14,394	11,607	101,626	265,617
Operating income	275,296	292,799	164,212	87,792	36,003	121,740	977,842
Loan impairment charges	(14,842)	(97,661)	(14,480)	(1,665)	(9,932)	(1,078)	(139,658)
Operating expenses	(176,144)	(211,756)	(91,285)	(73,952)	(50,577)	(62,823)	(666,537)
Operating profit	**84,310**	**(16,618)**	**58,447**	**12,175**	**(24,506)**	**57,839**	**171,647**
Profit before tax	**84,310**	**(16,618)**	**58,447**	**12,175**	**(24,506)**	**57,839**	**171,647**
Taxation	(19,768)	1,697	(17,145)	(4,701)	4,538	(1,087)	(36,466)
Profit after tax	**64,542**	**(14,921)**	**41,302**	**7,474**	**(19,968)**	**56,752**	**135,181**
Total assets	**3,735,814**	**2,472,427**	**1 ,451,477**	**1,088,615**	**424,781**	**1,394,807**	**10,567,921**
Total liabilities	**3,427,916**	**1,942,736**	**1,277,222**	**1,020,497**	**354,807**	**367,827**	**8,391,005**
At 31 December 2008							
Net interest income	124,151	170,709	63,393	30,213	9,420	(7,485)	390,401
Net fees and commission income	66,649	107,533	37,312	29,375	3,920	30,875	275,664
Other income	46,328	54,745	41,789	16,216	6,341	103,841	269,260
Operating income	237,128	332,987	142,494	75,804	19,681	127,231	935,325
Loan impairment charges (negative)	(6,154)	(97,892)	(9,345)	(226)	546	-	(113,071)
Operating expenses (negative)	(149,619)	(221,035)	(81,471)	(56,272)	(18,659)	(61,301)	(588,357)
Operating profit	81,355	14,060	51,678	19,306	1,568	65,930	233,897
Share of profit of associates	-	-	-	-	144	-	144
Profit before tax	**81,355**	**14,060**	**51,678**	**19,306**	**1,712**	**65,930**	**234,041**
Taxation	(21,441)	3,348	(14,676)	(10,927)	1,014	(2,634)	(45,316)
Profit after tax	**59,914**	**17,408**	**37,002**	**8,379**	**2,726**	**63,296**	**188,725**
Total assets	**2,878,568**	**3,118,981**	**1,136,652**	**763,858**	**282,655**	**1,368,421**	**9,549,135**
Total liabilities	**2,676,040**	**2,892,411**	**1,036,392**	**708,470**	**249,601**	**496,412**	**8,059,326**

Reconciliation of segment results of operations to consolidated results of operations

At 31 December 2009	Total management reporting	Consolidation and adjustments	Total consolidation
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	-	-	-
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**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

5. Segmental analysis (continued)

At 31 December 2008	Total management reporting	Consolidation and adjustments	Total consolidation
Net interest income	390,401	-	390,401
Net fees and commission income	275,664	9,526	266,138
Other income	269,260	99,675	169,585
Operating income	935,325	109,201	826,124
Loan impairment charges	(113,071)	-	(113,071)
Operating expenses	(588,357)	(37,545)	(550,812)
Operating profit	**233,897**	**71,656**	**162,241**
Share of profit of associates and joint venture	144	-	144
Profit before tax	**234,041**	**71,656**	**162,385**
Taxation (negative)	(45,316)	5,929	(51,245)
Profit after tax	**188,725**	**77,585**	**111,140**
Total assets	**9,549,135**	**1,242,949**	**8,306,186**
Total liabilities	**8,059,326**	**910,762**	**7,148,564**

5.1 Entity-wide disclosures

The group is also organised into three main business segments:

a) Retail banking comprises private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
b) Wholesale banking specialises in serving the public sector, multinational institutions, financial institutions and other major players in the private sector.
c) Treasury comprises assets and liability management, money market operations, the treasury sales and trading unit, and is also responsible for compliance with regulatory capital requirements.

Other Group operations comprise fund management and investment banking services, none of which constitutes a separately reportable segment. Internal charges have been reflected in the performance of each business.

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 2009	Wholesale banking	Retail banking	Treasury	Investment banking	Others	Elimination	Group
Net interest income	279,601	100,089	78,637	539	161	-	459,027
Net fees and commission income	97,276	132,378	2,997	4,102	16,446	(12,993)	240,206
Other income	18,170	11,958	132,969	8,117	94,015	(91,144)	174,085
Operating income	395,047	244,425	214,603	12,758	110,622	(104,137)	873,318
Loan impairment charges	(69,219)	(70,439)	-	-	-	-	(139,658)
Net operating income	**325,528**	**173,986**	**214,603**	**12,758**	**110,622**	**(104,137)**	**733,660**
Share of profit of associates and joint venture	-	-	-	-	-	-	-
Total income	**325,528**	**173,986**	**214,603**	**12,758**	**110,622**	**(104,137)**	**733,660**
Total assets	**3,450,576**	**1,315,621**	**1,702,689**	**145,839**	**3,965,796**	**(1,573,998)**	**9,006,523**
Total liabilities	**2,558,173**	**3,914,286**	**733,098**	**126,801**	**1,045,787**	**(607,187)**	**7,770,958**

At 31 December 2008	Wholesale banking	Retail banking	Treasury	Investment banking	Others	Elimination	Group
Net interest income	246,582	79,766	71,871	554	(8,372)	-	390,401
Net fees and commission income	136,906	99,211	15,054	18,144	6,349	(9,526)	266,138
Other income	6,725	74,648	90,279	(5,039)	102,647	(99,675)	169,585
Operating income	390,213	253,625	177,204	13,659	100,624	(109,201)	826,124
Loan impairment charges (negative)	(79,033)	(34,038)	-	-	-	-	(113,071)
Net operating income	**311,180**	**219,587**	**177,204**	**13,659**	**100,624**	**(109,201)**	**713,053**
Share of profit of associates and joint venture	-	-	-	-	144	-	144
Total income	**311,180**	**219,587**	**177,204**	**13,659**	**100,768**	**(109,201)**	**713,197**
Total assets	**2,273,931**	**1,480,275**	**1 487,566**	**234,438**	**4,072,925**	**(1,242,949)**	**8,306,186**
Total liabilities	**1,788,635**	**4,010,260**	**773,422**	**207,250**	**1,279,759**	**(910,762)**	**7,148,564**

6. Net interest income

	Year ended 31 December 2009	2008
Interest income		
Loans and advances to banks	48,364	46,674
Loans and advances to customers:		
- Wholesale	446,134	382,143
- Retail	179,783	179,314
Treasury bills and other eligible bills	51,438	62,038
Investment securities - available for sale	37,924	39,580
Trading securities	241	215
Others	70	285
	763,954	**710,249**
Interest expense		
Deposits from banks	32,452	71,115
Due to customers:		
- Wholesale	166,533	135,561
- Retail	79,694	99,548
Other borrowed funds	25,387	13,624
Others	491	-
	304,927	**319,848**

7. Net fee and commission income

Fee and commission income		
Credit related fees and commissions	93,890	105,686
Corporate finance fees	12,975	21,098
Portfolio and other management fees	1,929	11,601
Cash management and related fees	137,278	130,507
Brokerage fees and commissions	1,969	5,421
Other fees	1,525	1,370
	249,566	**275,683**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

7. Net fee and commission income (continued)

	Year ended 31 December	
	2009	2008
Fee and commission expense		
Brokerage fees paid	738	572
Other fees paid	8,622	8,973
	9,360	**9,545**

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

8. Lease income

Equipments	9,240	-
Motor vehicles	6,818	5,038
Other leased assets	836	587
	16,894	5,625

9. Dividend income

Trading securities	201	-
Available-for-sale securities	2,008	2,679
	2,209	2,679

10. Net trading income

Foreign exchange:		
- translation gains less losses of trading assets	15,062	1,032
- transaction gains less losses	125,334	109,366
Equities	7,232	6,861
	147,628	117,259

11. Other operating income

Negative goodwill arising from business combination:		
- acquisition by parent company (Note 43)	-	7,429
- acquisition by subsidiary	-	17,851
Profit on sale of loans	-	20,322
Others	8,821	9,719
	8,821	55,321

12. Operating expenses

	Year ended 31 December	
	2009	**2008**
Staff cost:		
Wages, salaries and allowances	244,660	250,648
Social security costs	10,905	10,657
Pension costs:		
- defined contribution plans	973	759
Other post retirement benefits (Note 36)	2,040	4,645
	258,578	**266,709**
Directors' emoluments	2,533	2,981
Profit on sale of property and equipment	(276)	(155)
Impairment charges:		
- property and equipment (Note 25)	-	264
Software costs (Note 24)	7,555	5,460
Restructuring costs	1,888	-
Social responsibility	1,229	1,923
Other administrative expenses	307,536	229,221
Depreciation (Note 25)	53,915	44,409
Total operating expenses	**632,594**	**550,812**

13. Impairment losses on loans and advances

Loans and advances to customers (Note 21)	139,658	113,071

14. Income tax expense

Current income tax	52,160	51,322
Deferred income tax (Note 35)	(15,694)	(77)
	36,466	**51,245**

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

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

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	
	2009	2008
Profit before tax	101,066	162,385
Tax calculated at local tax rates applicable to profits in the respective countries	46,459	53,604
Tax impact on income not subject to tax	(10,867)	(15,097)
Tax impact on expenses not deductible for tax purposes:	9,357	13,266
Utilisation of previously unrecognised tax losses	(6,886)	(528)
Others	(1,597)	-
Income tax expense	**36,466**	**51,245**

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

15. Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders of the Company	51,075	94,195
Weighted average number of ordinary shares in issue (in thousands)	8,832,315	6,758,268
Basic earnings per share (expressed in US cents per share)	0.58	1.39

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has only one category of dilutive potential ordinary shares at the end of 2009: 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 value.

Weighted average number of ordinary shares in issue (in thousands)	8,832,315	6,758,268
Adjustment for share option	136,609	208,551
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	8,968,924	6,966,819
Dilutive earnings per share (expressed in US cents per share)	0.57	1.35

16. Cash and balances with central banks

	Year ended 31 December	
	2009	2008
Cash in hand	324,584	282,650
Balances with central banks other than mandatory reserve deposits	239,084	244,749
Included in cash and cash equivalents (Note 41)	563,668	527,399
Mandatory reserve deposits with central banks	338,277	282,994
	901,945	**810,393**

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

17. Treasury bills and other eligible bills

Maturing within 3 months	171,650	365,107
Maturing after three months	359,917	55,209
	531,567	**420,316**
Current	530,952	405,231
Non current	615	15,085
	531,567	**420,316**

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

18. Loans and advances to banks

Items in course of collection from other banks	58,380	583,063
Deposits with other banks (Note 41)	674,811	935,744
Placements with other banks	647,260	476,144
	1,380,451	**1,994,951**

All loans and advances to banks are current.

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

19. Trading assets

	Year ended 31 December	
	2009	2008
Debt securities:		
- Government bonds	4,771	-
Equity securities:		
- Listed	2,698	7,106
Total trading assets	**7,469**	**7,106**
Current	2,699	-
Non current	4,770	7,106
	7,469	**7,106**

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.

	Contract /	Fair value	
Derivatives	**notional amount**	**Assets**	**Liabilities**
At 31 December 2009			
Currency forwards	-	17	-
Currency swaps	10,000	10,000	10,022
Currency futures	-	-	-
Total derivatives assets	**-**	**10,017**	**10,022**
At 31 December 2008			
Interest rate swaps	-	-	-
Currency swaps	-	-	-
Total derivatives liabilities	**-**	**-**	**-**

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.

21. Loans and advances to customers

Year ended 31 December

	Wholesale		Retail		Total	
	2009	2008	2009	2008	2009	2008
a) Analysis by type:						
- Overdrafts	1,143,038	972,251	554,979	571,174	1,698,017	1,543,425
- Credit cards	-	-	52,368	121,151	52,368	121,151
- Term loans	2,324,784	1,426,872	750,603	643,182	3,075,387	2,070,054
- Mortgage loans	-	-	98,996	184,193	98,996	184,193
- Others	176,202	40,489	-	-	176,202	40,489
Gross loans and advances	**3,644,024**	**2,439,612**	**1,456,946**	**1,519,700**	**5,100,970**	**3,959,312**
Less: allowance for impairment	(193,448)	(125,605)	(141,325)	(79,501)	(334,773)	(205,106)
	3,450,576	**2,314,007**	**1,315,621**	**1,440,199**	**4,766,197**	**3,754,206**
Secured against real estate	247,432	280,339	214,044	314,416	461,476	594,755
Otherwise secured	2,203,546	1,087,684	761,180	704,557	2,964,726	1,792,241
Unsecured	1,193,046	1,071,589	481,722	500,727	1,674,768	1,572,316
	3,644,024	**2,439,612**	**1,456,946**	**1,519,700**	**5,100,970**	**3,959,312**
Current					2,866,148	2,950,233
Non current					2,234,822	803,973
					5,100,970	**3,754,206**
b) Analysis by performance						
Performing loan	3,150,948	2,008,737	1,135,784	1,275,757	4,286,732	3,284,494
Non performing loan	493,076	430,875	321,162	243,943	814,238	674,818
	3,644,024	**2,439,612**	**1,456,946**	**1,519,700**	**5,100,970**	**3,959,312**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

21. Loans and advances to customers (continued)

c) Allowance for impairment

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

At 31 December 2009	Wholesale			Retail				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January 2008	103,111	30,002	2,156	41,042	4,208	23,395	1,192	205,106
Provision for loan impairment	59,824	31,310	4,568	32,571	18,297	32,477	4,998	184,045
Amounts recovered during the year	(11,085)	(13,463)	(1,935)	(7,720)	(966)	(8,636)	(582)	(44,387)
Loans written off during the year	(10,541)	(1,102)	(66)	(3,288)	-	(4,284)	(172)	(19,453)
Exchange difference	(2,246)	2,352	563	4,497	7	3,627	663	9,463
At 31 December 2009	**139,063**	**49,099**	**5,286**	**67,102**	**21,546**	**46,579**	**6,099**	**334,774**
At 31 December 2008								
At 1 January 2007	26,496	45,108	2,193	21,930	-	29,946	827	126,500
Provision for loan impairment	96,304	6,375	1,374	38,169	3,747	8,738	1,101	155,808
Amounts recovered during the year	(14,300)	(10,298)	(422)	(13,146)	-	(4,135)	(437)	(42,738)
Loans written off during the year	(6,475)	(4,804)	(398)	(3,187)	-	(4,467)	(54)	(19,385)
Exchange difference	1,086	(6,379)	(591)	(2,724)	461	(6,687)	(245)	(15,079)
At 31 December 2008	**103,111**	**30,002**	**2,156**	**41,042**	**4,208**	**23,395**	**1,192**	**205,106**

	Year ended 31 December	
	2009	2008
Gross investment in finance leases, receivable		
No later than 1 year	10,483	14,726
Later than 1 year and no later than 5 years	56,132	89,329
Later than 5 years	1,081	1,259
	67,696	**105,314**
Unearned future finance income on finance leases	(14,362)	(20,723)
Net investment in finance leases	**53,334**	**84,591**
The net investment in finance lease may be analysed as follows:		
No later than 1 year	9,615	14,104
Later than 1 year and no later than 5 years	42,816	69,467
Later than 5 years	903	1,020
	53,334	**84,591**

22. Investment securities

Securities available-for-sale

	Year ended 31 December	
	2009	2008
Debt securities - at fair value:		
- listed	148,273	205,132
- unlisted	284,907	315,379
Total	**433,180**	**520,511**
Equity securities - at fair value:		
- listed	3,814	22,508
- unlisted	69,382	40,981
Total	**73,196**	**63,489**
Total securities available-for-sale	**506,376**	**584,000**
- Current	-	254,073
- Non current	506,376	329,927
	506,376	**584,000**

The Group has not reclassified any financial asset measured at amortised cost rather than fair value during the year. (2008: nil)

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

	Available-for-sale	Treasury & other eligible bills	Total
At 1 January 2009	584,000	420,316	1,004,316
Additions	2,499,265	2,386,457	4,885,722
Disposals (sale and redemption)	(2,544,002)	(2,299,033)	(4,843,035)
Losses from impairment of available-for-sale equity securities	(93)	-	(93)
Gains/(loss) from changes in fair value	(3,895)	3,547	(348)
Exchange differences	(28,899)	20,280	(8,619)
At 31 December 2009	**506,376**	**531,567**	**1,037,943**
At 1 January 2008	553,013	547,401	1,100,414
Additions	172,351	167,472	339,823
Disposals (sale and redemption)	(83,247)	(223,439)	(306,686)
Losses from impairment of available-for-sale equity securities	(12,697)	-	(12,697)
Gains from changes in fair value	19,611	2 481	22,092
Exchange differences	(65,031)	(73,599)	(138,630)
At 31 December 2008	**584,000**	**420,316**	**1,004,316**

Gains less losses from investment securities	2009	2008
Derecognition of available-for-sale financial assets	29	296
Net gains transferred to net profit on impairment (Note 39)	(1,403)	1,102
Impairment of available-for-sale equity securities	(93)	(12,697)
	(1,467)	**(11,299)**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

23. Investment in associate

	Year ended 31 December	
	2009	2008
At 1 January	1,514	-
Acquisition of subsidiary	-	1,377
Disposal	(1,546)	-
Share of results	-	203
Share of tax	-	(59)
Exchange differences	32	(7)
At 31 December	**-**	**1,514**

At 31 December 2008

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (loss)	%Interest
Mercantile Insurance Company	Kenya	11,510	7,519	584	144	35%

24. Intangible assets

Goodwill		
At 1 January	14,044	11,752
Acquisition of subsidiary	569	2,292
At 31 December	**14,613**	**14,044**

Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occured. There was no impairment identified in 2009 (2008: Nil).

Software costs		
At 1 January	20,880	8,693
Purchase	2,642	18,322
Amortisation (Note 12)	(7,555)	(5,460)
Exchange differences	999	(675)
At 31 December	**16,966**	**20,880**
Total intangibles	**31,579**	**34,924**

25. Property and equipment

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Construction in progress	Total
At 1 January 2008						
Cost	29,535	116,919	126,742	29,073	50,157	352,426
Accumulated depreciation	13,973	17,119	65,075	13,275	-	109,442
Net book amount	**15,562**	**99,800**	**61,667**	**15,798**	**50,157**	**242,984**
Year ended December 2008						
Opening net book amount	15,562	99,800	61,667	15,798	50,157	242,984
Acquisition of subsidiaries	318	5,311	1,333	223	6	7,191
Additions	16,249	38,534	52,420	25,551	32,137	164,891
Disposals - cost	(5,315)	(750)	(10,828)	(9,506)	-	(26,399)
Disposals - accumulated depreciation	4,079	17	3,257	1,749	-	9,102
Reclassifications - cost	763	11,067	8,817	3,390	(24,037)	-
Impairment charge	-	(264)	-	-	-	(264)
Depreciation charge	(8,147)	(5,250)	(26,825)	(4,187)	-	(44,409)
Exchange rate adjustments	(2,406)	(19,454)	(9,294)	511	(6,651)	(37,294)
Closing net book amount	**21,103**	**129,011**	**80,547**	**33,529**	**51,612**	**315,802**

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Construction in progress	Total
At 31 December 2008/1 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
Reveluation	-	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						
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**

The group revalued its buildings at 31 December 2009. The valuations were done by professionally qualified independent valuers, using market values as the reference.

26. Investment property

	Year ended 31 December	
	2009	2008
1 January	12,083	-
Additions	-	-
Acquisition of subsidiaries	-	13,022
Fair value gains	1,588	1,140
Disposal	(710)	-
Exchange rate adjustments	319	(2,079)
At 31 December	**13,280**	**12,083**

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

The following amounts have been recognised in the income statement:

Rental income	836	994
Direct operating expenses arising from investment properties that generate rental income	(605)	(613)
	231	**381**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

27. Other assets

	Year ended 31 December	
	2009	2008
Fees receivable	60,426	53,029
Accounts receivable	202,720	197,258
Prepayments	84,294	79,886
Sundry receivables	10,709	31,129
	358,149	**361,302**

All other assets are current

28. Deposits from other banks

Items in course of collection	1,828	16,671
Deposits from other banks	391,575	317,775
	393,403	**334,446**

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

29. Other deposits

Other money-market deposits	**85,793**	**93,819**

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

30. Due to customers

Wholesale		
Current accounts	1,758,116	1,268,316
Term deposits	800,057	520,319
	2,558,173	**1,788,635**
Retail		
Current accounts	2,007,271	2,416,332
Term deposits	924,465	882,535
Savings deposits	982,550	711,393
	3,914,286	**4,010,260**
Total	**6,472,459**	**5,798,895**
Current	**4,178,338**	**5,071,106**
Non current	**2,294,121**	**727,789**

Customer deposits carry variable interest rates

31. Borrowed funds

	Year ended 31 December	
	2009	2008
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)	50,464	50,112
European Investment Bank	94,722	93,902
International Finance Corporation	44,512	43,471
International Finance Corporation - Convertible loans	-	96,241
Deutsche Bank	6,078	-
African Development Bank	-	4,286
Social Security and National Insurance Trust	2,974	3,592
BHK Bank	-	3,824
OIKOCREDIT Ecumenical Development	1,101	1,875
Export Development Investment Fund	467	1,245
Banque Ouest-Africaine de Dévelopment (BOAD)	9,883	19,154
Credit Foncier du Cameroon	8,565	8,300
Banque Centrale de la République de Guinée	-	7,363
Societe Mamadou Dalaba	2,913	2,779
Ecobank Senegal bonds	7,321	-
Le Mans and Union Des Assurances Vie	2,416	3,405
Agence Française de Developpement	5,068	-
International Cooperation Development Fund, China	3,105	-
Legba Hounsou	2,196	-
Akanni A. Ibouraima	1,098	-
Balogoun EP Akanni Naimatou	1,098	-
Other loans	9,921	5,608
	253,902	**345,157**
Current	**27,358**	**66,360**
Non current	**226,544**	**278,797**

Nderlandse Financierings (FMO) Loan is repayable over five (5) years in twenty (20) equal quarterly instalments from 2009-2015. Interest rate is based on 3 month LIBOR rate plus margin of 4% payable quarterly.

The loan from the European Investment Bank to Ecobank Transnational Incorporated is repayable in ten equal semi-annual instalments starting from 2009. This attracts interest at 6 month LIBOR rate plus 2.564% payable semi-annually.

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

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

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

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.

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

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

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

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

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

Agence Française de Developpement loan BACB has an interest rate of 2% and expires in 2012

International Cooperation Development Fund, China is a term to BACB expiring in 2023 with an interest rate of 4.5%

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%

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(All amounts in US dollar thousands unless otherwise stated)

32. Convertible loans

On 1 August 2008, ETI secured a convertible loan of US$ 100 million from International Finance Corporation (IFC). The loan was converted into ordinary shares on 13 November 2009.

The convertible loan is presented in the consolidated statement of financial position as follows:

	Year ended 31 December	
	2009	2008
Liability component at 1 January	96,241	-
Initial recognition:		
- Face value of convertible bond issued	-	100,000
- Equity conversion component	-	(4,532)
	96,241	**95,468**
Interest expense	6,419	2,209
Interest paid	(2,660)	(1,436)
	100,000	96,241
Conversion to ordinary shares	(100,000)	-
Liability component at 31 December	**-**	**96,241**

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

Interest on the loan is calculated on the effective yield basis by applying the effective interest rate (5.48%) for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2009 amounted to US$6.4 million (2008: US$2.2 million). The actual interest paid in 2009 was US$ 2.7 million (2008: US$1.4 million).

33. Other liabilities

Accrued income	40,851	58,392
Unclaimed dividend	6,227	14,486
Accruals	303,689	259,534
Other provisions (Note 34)	10,870	12,784
Obligations under customers' letters of credit	42,263	79,007
Bankers draft	67,427	62,975
Others	5,674	8,647
	477,001	**495,825**

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

34. Other provisions

At 1 January	12,784	6,661
Additional provisions charged to income statement	6,146	9,283
Recoveries during the year	(2,476)	-
Utilised during year	(2,449)	(1,980)
Exchange differences	(3,135)	(1,180)
At 31 December	**10,870**	**12,784**

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

35. Deferred income taxes

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

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

	Year ended 31 December	
	2009	2008
At 1 January	21,591	15,091
Income statement charge	(15,694)	(77)
Available-for-sale securities:		
- fair value remeasurement	84	6,930
- transfer to net profit	430	(353)
Revaluation of property and equipment	15,650	-
Others	(12,400)	-
Exchange differences	(2,196)	-
At 31 December	**7,465**	**21,591**

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

Deferred income tax liabilities		
Accelerated tax depreciation	10,296	16,125
Available-for-sale securities	4,483	6,577
Revaluation of property and equipment	15,650	-
Other temporary differences	2,314	8,478
	32,743	**31,180**

Deferred income tax assets		
Pensions and other post retirement benefits	62	2,734
Provisions for loan impairment	1,783	1,526
Other provisions	7,376	4,734
Tax loss carried forward	16,058	595
	25,279	**9,589**

Deferred tax liabilities		
To be recovered within 12 months	6,692	3,286
To be recovered after more than 12 months	26,051	27,894
	32,743	**31,180**

Deferred tax assets		
To be recovered within 12 months	6,161	5,224
To be recovered after more than 12 months	19,118	4,365
	25,279	**9,589**

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

Accelerated tax depreciation	(5,829)	278
Pensions and other post retirement benefits	2,672	(600)
Allowances for loan losses	(257)	1,396
Other provisions	(2,642)	(1,943)
Tax losses carry forward	(15,463)	320
Other temporary differences	5,825	472
	(15,694)	**(77)**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

35. Deferred income taxes (continued)

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

	2009			2008		
	Gross	Tax	Net	Gross	Tax	Net
Fair value gains/loss on available for sale	1,055	(514)	541	20,990	(6,577)	14,413
Revaluation gains/loss on property and equipment	63,522	(15,650)	47,872	-	-	-
	64,577	**(16,164)**	**48,413**	**20,990**	**(6,577)**	**14,413**

36. Retirement benefit obligations

Amounts recognised in the statement of financial position:

Other post retirement benefits	**8,973**	**12,169**

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 balance sheet are as follows:

	Year ended 31 December	
	2009	2008
Present value of funded obligations	9,405	8,464
Fair value of plan assets	(5,692)	(2,948)
	3,713	**5,516**
Present value of unfunded obligations	5,141	6,517
Unrecognised actuarial losses	119	5,652
Liability in the statement of financial position	**8,973**	**12,169**

The amounts recognised in the income statement are as follows:

	Year ended 31 December	
	2009	2008
Current service cost	3,138	4,749
Interest cost	947	1,244
Expected return on plan assets	(483)	(182)
Net actuarial losses recognised in year	(1,562)	(1,166)
Total included in staff costs	**2,040**	**4,645**

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

At 1 January	12,169	13,508
Total expense - as above (Note 12)	2,040	4,645
Contributions paid	(5,055)	(3,873)
Exchange differences	(181)	(2,111)
At 31 December	**8,973**	**12,169**

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:

At 1 January	2,948	-
Expected return on plan assets	483	182
Contributions	2,682	2,766
Exchange differences	(421)	-
At 31 December	**5,692**	**2,948**

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. The principal assumptions used for the subsidiaries operating in the Francophone West Africa Region were as follows:

	2009	2008
Discount rate	3%	3%
Expected return on plan assets	1.8%	1.8%
Future salary increases	2%	2%

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

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

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

37. Contingent liabilities and commitments

a) Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2009 with contingent liabilities of US$80.6m (2008: US$47.4m). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

At 31 December 2009, the Group had capital commitments of US$45.6m (2008: US$17.8m) 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 2009 the group had contractual amounts of the off-balance sheet financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

	2009	2008
Acceptances	34,563	86,919
Guaranteed commercial papers	427,168	167,493
Documentary and commercial letters of credit	513,011	947,346
Performance bond, guarantees and indemnities	580,948	516,216
Loan commitments	60,086	539,964
	1,615,776	**2,257,938**

38. Share capital

	No of shares ('000)	Ordinary shares	Share premium	Total
At 1 January 2008	1,347,034	168,268	96,887	265,155
Employee share option	7,920	990	2,178	3,168
Additional shares from 5 for 1 share split	5,419,814	-	-	-
Proceeds from share subscription:				
- Rights issue	683,295	17,082	167,408	184,490
- Public offer	1,275,831	31,896	338,095	369,991
Shares offer expenses	-	-	(48,308)	(48,308)
At 31 December 2008/ 1 January 2009	**8,733,894**	**218,236**	**556,260**	**774,496**
Proceeds from share subscription:				
- Convertible debt converted	1,181,056	29,526	63,692	93,218
At 31 December 2009	**9,914,950**	**247,762**	**619,952**	**867,714**

The total authorised number of ordinary shares at year end was 50 billion (2008: 50 billion) with a par value of US$0.025 per share (2008: US$0.025 per share).

In November 2009, US$100 million convertible loan of IFC was converted into 1.2 million ordinary shares at a price of US$0.085 per share.

Share option

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. Following the 5 for 1 split issue made in 2008, the shares under the employee share option scheme were accordingly split into five equal parts and reflected in the 2008 number of shares under the option scheme.

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

	Year ended 31 December	
	2009	2008
At 1 January	352,720	66,264
Granted	-	50,000
Additional shares from share split	-	265,056
Lapsed	(6,600)	(28,600)
At 31 December	**346,120**	**352,720**

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 2009.

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

	2009	2008
Expiry date; 1 January	**'000**	**'000**
2010	148,060	151,360
2011	139,166	140,816
2012	58,894	60,544
	346,120	**352,720**

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

39. Reserves and retained earnings

	Year ended 31 December	
	2009	2008
General banking reserve	33,737	24,288
Statutory reserve	86,452	73,217
Revaluation reserve - Available-for-sale investments	23,265	22,724
Convertible bond - equity component	-	4,532
Revaluation reserve - property and equipment	47,872	-
Translation reserve	(167,516)	(72,448)
	23,810	**52,313**

Movements in the reserves were as follows:

General banking reserve		
At 1 January	24,288	14,953
Transfer from retained profits	9,449	9,335
At 31 December	**33,737**	**24,288**

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

Statutory reserve		
At 1 January	73,217	67,709
Transfer from retained profits	13,235	5,508
At 31 December	**86,452**	**73,217**

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

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

39. Reserves and retained earnings (continued)

	Year ended 31 December	
Revaluation reserves - Available -for-sale	**2009**	**2008**
At 1 January	22,724	8,311
Net gains transferred to income statement on impairment (Note 22)	1,403	(1,102)
Less deferred tax (Note 35)	(430)	353
Net gains from changes in fair value (Note 22)	(348)	22,092
Deferred income taxes (Note 35)	(84)	(6,930)
At 31 December	**23,265**	**22,724**

The revaluation reserve shows the effects from the fair value measurement of available-for-sale investment securities after deduction of deferred taxes.

Convertible bond - equity component

Movement in equity component of convertibles were as follows:

At 1 January	4,532	-
Conversion of convertible loan	(4,532)	4,532
At 31 December	**-**	**4,532**

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

Translation reserve		
At 1 January	(72,448)	12,106
Currency translation difference arising during the year	(95,068)	(84,554)
At 31 December	**(167,516)**	**(72,448)**

Reserves and retained earnings

Revaluation Reserve - property and equipment		
Net gains/(losses) from changes in fair value	63,522	-
Deferred income taxes	(15,650)	-
At 31 December	**47,872**	**-**

Retained earnings

Movements in retained earnings were as follows:

At 1 January	206,401	145,314
Net profit for year	51,075	94,195
Dividend	(17,500)	(26,940)
Employee share option scheme	3,313	8,675
Transfer to general banking reserve	(9,449)	(9,335)
Transfer to statutory reserve	(13,235)	(5,508)
At 31 December	**220,605**	**206,401**

40. Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the forthcoming annual general meeting, a dividend in respect of 2009 of 0.3 cents per share (2008: 0.2 cents per share) is to be proposed. This amounts to a total of US$29.7 million (2007: US$17.5 million). The financial statements for the year ended 31 December 2009 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 2010.

41. Cash and cash equivalents

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

	Year ended 31 December	
	2009	2008
Cash and balances with central banks (Note 16)	563,668	527,399
Treasury Bills and other eligible bills (Note 17)	171,650	365,107
Deposits with other banks (Note 18)	674,811	935,744
Deposits from other banks (Note 28)	(393,403)	(334,446)
	1,016,726	**1,493,804**

42. Related party transactions

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

	Year ended 31 December			
	Directors and key management personnel		Related companies	
Loans and advances to related parties	2009	2008	2009	2008
Loans outstanding at 1 January	5,065	1,077	31,782	25,046
Loans issued during the year	2,949	4,640	21,559	8,851
Loan repayments during the year	(2,015)	(159)	(18,056)	(2,096)
Exchange difference	368	(493)	(1,296)	(19)
Loans outstanding at 31 December	**6,367**	**5,065**	**33,989**	**31,782**
Interest income earned	**262**	**218**	**5,509**	**3,432**

No provisions have been recognised in respect of loans given to related parties (2008: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			
	Directors and key management personnel		Related companies	
Deposit from related parties	2009	2008	2009	2008
Deposits at 1 January	2,194	408	113	525
Deposits received during the year	2,409	44,353	51,296	806
Deposits repaid during the year	(2,318)	(42,117)	(50,865)	(1,133)
Exchange difference	(1,793)	(450)	81	(85)
Deposits at 31 December	**492**	**2,194**	**625**	**113**
Interest expense on deposits	**16**	**3**	**175**	**41**

Notes to Consolidated Financial Statements (continued)

(All amounts in US dollar thousands unless otherwise stated)

42. Related party transactions (continued)

Directors' remuneration	Year ended 31 December 2009	2008
Total remuneration of the directors	**2,533**	**4,181**

A listing of the members of directors of the Board of Directors is shown on [pages 10 to 14] of the Annual Report.

Key management compensation		
Salaries and other short term benefits	**1,008**	**2,981**

43. Major business acquisitions

In January 2009, the Group completed the acquistion of 90% of the share capital of Banque Agricole, Commecial de Burkina (BACB). The acquired bank contributed operating income and profit before tax of US$11.1m and US$2.1m respectively to the group for the period ending 31 December 2009.

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

	BACB	
	Fair value on date of Acquisition 01 January 2009	Acquiree's previous carrying value 31 December 2009
Cash and cash equivalent	21,533	21,533
Loans and advances to customers	12,193	12,193
Investment securities	135,005	135,005
Property, plant and equipment	21,019	21,019
Other assets	6,325	6,325
Deposit from banks	(23,833)	(23,833)
Deposit from customers	(132,223)	(132,223)
Other borrowed funds	(15,984)	(15,984)
Other liabilities	(5,386)	(5,386)
Net assets value	**18,649**	**18,649**
Less minority interest	(1,865)	
Net assets acquired	16,784	
Cost of acquisition (discharged by cash)	17,353	
Net assets acquired	16,784	
Goodwill (Note 24)	569	
Cost of acquisition (discharged by cash)	17,353	
Cash and cash equivalents in subsidiaries acquired	21,533	
Net cash flow	**4,180**	

The goodwill is attributable to the high profitability of the acquired business and the significant synergies expected to arise.

44. Events after the balance sheet date

A new subsidiary, Ecobank Tanzania commenced operations in January 2010. Ecobank Tanzania is a wholly owned subsidiary of the company.

In January 2010, the board of directors approved implementation of a new structure for the group. This new structure which is based on business is to replace the existing geography based structure.

Five Year Summary of Financial

(All amounts in US dollar thousands unless otherwise stated)

	2009	2008	2007	2006	2005
At the year end					
Total assets	9,006,523	8,306,186	6,550,224	3,503,739	2,199,230
Loans and advances to customers	4,766,197	3,754,206	3,117,036	1,919,366	1,022,140
Deposits from customers	6,472,459	5,798,895	4,714,327	2,500,178	1,532,478
Shareholders' equity	1,112,129	1,033,210	513,548	382,088	221,547
Total equity	1,235,565	1,157,622	651,760	482,315	303,879
Book value per share (cents)	12.1	11.4	6.5	4.8	4.2
For the year					
Revenues	873,318	826,124	543,988	348,464	236,351
Loan loss provision	139,658	113,071	19,148	13,091	14,898
Profit before tax	101,066	162,385	190,570	129,299	73,729
Profit after tax	64,600	111,140	138,936	86,365	50,939
Profit attributable	51,075	94,195	107,373	69,350	41,502
Earnings per phare (cents)	0.58	1.39	1.56	1.11	1.01
Earnings per phare (cents) - diluted	0.57	1.35	1.51	1.11	1.01
Dividend per phare (cents)	0.3	0.2	0.4	0.3	0.3
Return on average equity	5.6%	17.1%	24.5%	23.0%	23.8%
Return on average assets	0.70%	1.5%	2.8%	3.0%	2.5%
Efficiency ratio	72%	67%	61%	59%	63%

Parent Company's Financial Statement

(All amounts in US dollar thousands unless otherwise stated)

Income Statement

	Year ended 31 December 2009	2008
Interest income	8,604	2,825
Interest expense	(7,831)	(8,473)
Net interest income/(expense)	**773**	**(5,648)**
Fee and commission income	15,420	12,804
Fee and commission expense	(681)	(42)
Net interest, fee and commission income	**15,512**	**7,114**
Dividend income	67,817	81,388
Operating expenses	(20,462)	(23,455)
Profit for the year	**62,867**	**65,047**

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

Basic	0.71	0.96
Diluted	0.70	0.93

Statement of Comprehensive Income

	Year ended 31 December 2009	2008
Profit for the year	**62,867**	**65,047**
Other comprehensive income		
Available-for-sale investments		
Net valuation losses taken to equity	(234)	-
Other comprehensive income for the year	(234)	-
Total comprehensive income for the period	**62,633**	**65,047**

Statement of Financial Position

	As at 31 December 2009	2008
Assets		
Loans and advances to banks	97,439	234,939
Investment in subsidiaries	951,833	346,131
Investment securities - available- for-sale	6,193	-
Other assets	65,689	538,096
Property and equipment	18,054	1,357
Total Assets	**1,139,208**	**1,120,523**
Liabilities		
Borrowed funds	123,947	224,160
Other liabilities	33,630	52,419
Retirement benefit obligations	2,807	2,252
Total Liabilities	**160,384**	**278,831**
Equity		
Share capital	866,709	773,491
Retained earnings	78,209	38,959
Other reserves	33,906	29,242
Total Equity	**978,824**	**841,692**
Total Liabilities and Equity	**1,139,208**	**1,120,523**

Parent Company's Financial Statement (continued)

(All amounts in US dollar thousands unless otherwise stated)

Statement of Changes in Equity

	Share capital	Retained earnings	Other reserves	Total
At 1 January 2008	264,547	1,538	14,953	281,038
Net profit for the year	-	65,047	-	65,047
Total recognised income for 2008	**-**	**65,047**	**-**	**65,047**
Dividend relating to 2007	-	(26,940)	-	(26,940)
Share option granted	-	9,071	-	9,071
Convertible bond- equity component	-	-	4,532	4,532
Transfer to general banking reserve	-	(9,757)	9,757	-
Proceeds from issue of shares	508,944	-	-	508,944
At 31 December 2008/ 1 January 2009	**773,491**	**38,959**	**29,242**	**841,692**
Net profit for the year	-	62,867	-	62,867
Total recognised income for 2009	**-**	**62 867**	**-**	**62 867**
Dividend relating to 2008	-	(17,500)	-	(17,500)
Share option granted	-	3,313	-	3,313
Net change in available for sale investments,net of tax	-	-	(234)	(234)
Transfer to general banking reserve	-	(9,430)	9,430	-
Proceeds from issue of shares	93,218	-	(4,532)	88,686
At 31 December 2009	**866,709**	**78,209**	**33,906**	**978,824**

Statement of Cash Flows

	Year ended December 2009	2008
Cash flows from operating activities		
Profit for the year	62,867	65,047
Depreciation	354	258
Provision for gratuity	555	492
Dividend received	(67,817)	(81,388)
Share option granted	3,313	1,746
Cash flows from operating profits before changes in operating assets and liabilities	(728)	(13,855)
Changes in operating assets and liabilities		
Net increase /(decrease) in other assets	462,148	(493,961)
Net (decrease) /increase in other liabilities	(18,789)	45,997
Net cash used in operating activities	**442,631**	**(461,819)**
Cash flows from investing activities		
Dividend received	67,817	81,388
Purchase of property and equipment	(9,393)	(1,160)
Proceeds from sale of property and equipment	27	10
Investments in subsidiaries	(603,128)	(44,918)
Investments securities available for sale	(6,427)	-
Net cash used in investing activities	**(551,104)**	**35,320**
Cash flows from financing activities		
Repayment of borrowed funds	(105,097)	(51,917)
Drawdown on borrowed funds	352	150,826
Proceeds from issue of ordinary shares	93,218	509,341
Dividends paid	(17,500)	(26,940)
Net cash used in financing activities	**(29,027)**	**581,310**
Net (decrease)/increase in cash and cash equivalents	**(137,500)**	**154,415**
Cash and cash equivalents at beginning of year	234,939	80,524
Cash and cash equivalents at end of year	**97,439**	**234,939**

Executive Management

(as at December 31, 2009)

Group executive management

Arnold Ekpe	Chief Executive Officer
Evelyne Tall	Regional Head, Francophone West Africa
Offong Ambah	Regional Head, Nigeria
Albert Essien	Regional Head, the Rest of West Africa (excluding Nigeria) and Eastern & Southern Africa
Abou Kabassi	Regional Head, Central Africa
Patrick Akinwuntan	Head Operations & Technology
Christophe Jocktane-Lawson	Regional Head, International
Yves Coffi Quam Dessou	Head, Wholesale Bank
Antoine Kayembe Nzongola	Senior Advisor, Risk, Audit & Compliance
Laurence do Rego	Chief Financial Officer
Steve Williams	Treasurer
Iyane Dia	Chief Risk Officer
Samuel Ayim	Company Secretary/Chief Legal Officer
Folusho Mike-Fadayomi	Group Human Resources Officer
Sani Yaya	Group Audit & Compliance Officer

Country heads

Cheikh Travaly	Benin
Roger Dah Achinanon	Burkina-Faso
Christian Assossou	Burundi
Babahady Marega	Cameroon
Amadou Moctar Sall	Cape Verde
Serge Ackre	Central African Republic
Mahamat Ali Kerim	Chad
Lazare Noulekou	Congo (Brazzaville)
René Awambeng	Congo (Dem. Rep. of)
Charles Daboiko	Côte d'Ivoire
Jolone Okorodudu	The Gambia
Samuel Ashitey Adjei	Ghana
Assiongbon Ekué	Guinea
Gilles Guérard	Guinea-Bissau
Anthony Okpanachi	Kenya
Morenike Adepoju	Liberia
Olufemi Salu	Malawi
Binta Ndoye	Mali
Moukaramou Chanou	Niger
Offong Ambah	Nigeria
Daniel Sackey	Rwanda
Alfred Kasongo	Sao Tome
Ehouman Kassi	Senegal
Clement Dodoo	Sierra Leone
Didier Correa	Togo
Dele Alabi	Uganda
Charity Lumpa	Zambia

Shareholder Information

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B.P. 3261, Lome - Togo
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(228) 221 31 68
Fax: (228) 221 51 19
Contact:
Ato Arku
email: aarku@ecobank.com
Lucette Koffi
email: ladeoussi@ecobank.com

2. Registrars

Abidjan: EDC Investment Corporation

Immeuble Alliance, 4ème étage
Avenue Terrasson de Fougères
01 BP 4107 - Abidjan 01
Côte d'Ivoire
Phone: (225) 20 21 10 44
Fax: (225) 20 21 10 46
Contact: **Guy-Stéphane Gbla**
email: ggbla@ecobank.com

Accra: Ghana Commercial Bank

Registry Department
Thorpe Road, High Street
P.O. Box 134 - Accra - Ghana
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Kojo Essel
email: kessel@gcb.com.gh

Lagos: EDC Securities Limited

Registrars Department
139 Broad Street
Lagos – Nigeria
Phone: (234) 01 7301260 – 1
Fax: (234) 1 461 03 45
Contact:
Prisca Enwe
email: penwe@ecobank.com
James Napoleon
email: njames@ecobank.com

3. Stock Exchanges

Bourse Régionale Des Valeurs Mobilières

18, Rue Joseph Anoma
(Rue des Banques)
01 BP 3802 - Abidjan 01
Côte d'Ivoire
Phone: (225) 20 32 66 85
(225) 20 32 66 86
Fax: (225) 20 32 66 84
Contact: **Le Directeur Général**
email: brvm@brvm.org

Ghana Stock Exchange

5th Floor, Cedi House
P.O. Box 1849 - Accra - Ghana
Phone: (233) (0)21 669 908
(233) (0)21 669 914
(233) (0)21 669 935
Fax: (233) (0)21 669 913
Contact: **The Managing Director**
email: info@gse.com.gh

Nigerian Stock Exchange

Stock Exchange House
(8th, 9th, & 11th Floors)
2/4 Customs Street
P.O. Box 2457 - Lagos - Nigeria
Phone: (234) 1 266 02 87
(234) 1 266 03 05
(234) 1 266 03 35
Fax: (234) 1 266 87 24
(234) 1 266 82 81
Contact: **The Managing Director**
email:
info@nigerianstockexchange.biz

Holding Company and Subsidiaries

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Rue du Gouverneur Bayol
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Tel: (229) 21 31 30 69 / 21 31 40 23
Fax: (229) 21 31 33 85

Burkina-Faso
49, rue de l'hôtel de ville,
01 B.P. 145 - Ouagadougou 01 - Burkina-Faso
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Fax: (226) 50 31 89 81

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Boulevard de la Liberté
B.P. 582 - Douala - Cameroun
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(237) 33 43 84 88 / 89
Fax: (237) 33 43 86 09

Central African Republic
Place de la République -B.P. 910
Bangui - République Africaine
Tel: (236) 21 61 00 42
Fax: (236) 21 61 61 36

Chad
Avenue Charles de Gaulle
B.P. 87 - N'Djamena - Tchad
Tel: (235) 2252 43 14 / 21
Fax: (235) 2252 23 45

Congo
Rond point de la coupole
B.P. 2485 - Brazzaville - Congo
Tel: (242) 644 11 00 / 559 54 54
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