1985 1986 1987
1988 1989 1990
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1997 1998 1999
2000 2001 2002
2003 2004 2005
2006 2007 2008
2009 2010 2011

Ecobank Group, Annual Report 2011

Ecobank
The Pan African Bank

Contents

Business review

Performance highlights

Ecobank delivered a robust performance in 2011, reflecting our continued focus on the integration and optimization of our unique franchise and the re-alignment of our business along customer-centric lines.

In the year ahead, Ecobank will leverage its unrivalled geographical footprint to take advantage of the continued economic growth expected in sub-Sahara Africa.

Income statement

Revenues	Loan impairments	Profit before tax	Net income
$1.2b	$85.7m	$277m	$207m
2010: $900m; +33%	2010: $101m; -15%	2010: $169m; +64%	2010: $132m; +57%

Balance sheet

Total assets	Customer loans	Customer deposits	Equity
$17.2b	$7.4b	$12.1b	$1.5b
2010: $10.5b; +64%	2010: $5.3b; +40%	2010: $7.9b; +52%	2010: $1.3b; +13%

Profitability

Return on average equity	Return on average assets	Basic earnings per share	Dividend per share
15.9%	1.5%	1.76¢	0.4¢
2010: 10.4%	2010: 1.4%	2010: 1.14¢; +54%	2010: 0.4¢

Efficiency and capital

Efficiency ratio	NPL ratio	Capital adequacy ratio	Tier 1 capital ratio
69.6%	5.5%	18.6%	12.5%
2010: 69.9%	2010: 15.2%	2010: 20.8%	2010: 20.2%

Distribution network

Markets	Branches and offices	ATMs	POS machines
35	1,151	1,487	2,151
2010: 33; +6%	2010: 755; +52%	2010: 779; +91%	2010: 888; +142%

Group at a glance

Ecobank is a full-service bank focused on Middle Africa. It provides wholesale, retail, investment and transactional banking services to governments, financial institutions, multinationals, local companies, SMEs and individuals. The Group has 23,355 employees in 35 countries.

Mission and vision

Ecobank's dual purpose is to build a world-class pan-African bank and to contribute to the economic and financial integration and the development of the African continent. We seek to provide our customers with convenient and reliable banking products and services locally, regionally and internationally.

Unrivalled pan-African network

Ecobank is present in more countries in Africa than any other bank in the world. Ecobank currently is present in 32 countries across the continent, as highlighted in the map opposite. The Group also has a subsidiary in Paris and representative offices in Dubai and London.

One Bank

Ecobank operates as "One Bank" with common branding, standards, policies, processes and technology to provide a consistent and reliable customer experience across the entire network. At 31 December 2011, Ecobank had a unique network of 1,151 branches, 1,487 ATMs and 2,151 POS machines, servicing 8.4 million customers.

Diversified business mix

Ecobank's mix of retail, wholesale and investment banking is diversified across geographies, customers and products to provide a sustainable platform for long-term growth and value creation.

Sustainability

Ecobank seeks to comply with international best practices in key areas such as business ethics, anti-money laundering and corporate governance. We also seek to factor social responsibility and sustainability into our business approach and to contribute to poverty alleviation and wealth creation.

Investment story

Incorporated in Lomé, Togo, Ecobank Transnational Incorporated (ETI) is the parent company of the Ecobank Group. ETI is listed on the BRVM in Côte d'Ivoire, the Ghana Stock Exchange and the Nigeria Stock Exchange and has over 585,000 shareholders.

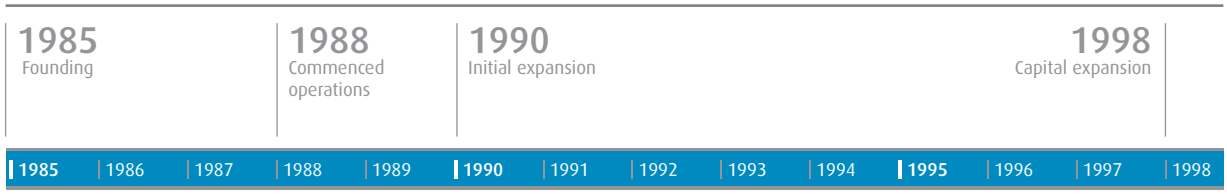
Timeline

1985 Founding
ETI established as a bank holding company, under a project initiated by the Federation of West African Chambers of Commerce. An agreement with the Republic of Togo grants the rights and status to operate as a regional, non-resident financial institution.

1987
Commences technical services agreement with Citibank.

1990
By 1990, operations in five countries: Togo, Côte d'Ivoire, Nigeria, Ghana and Benin.

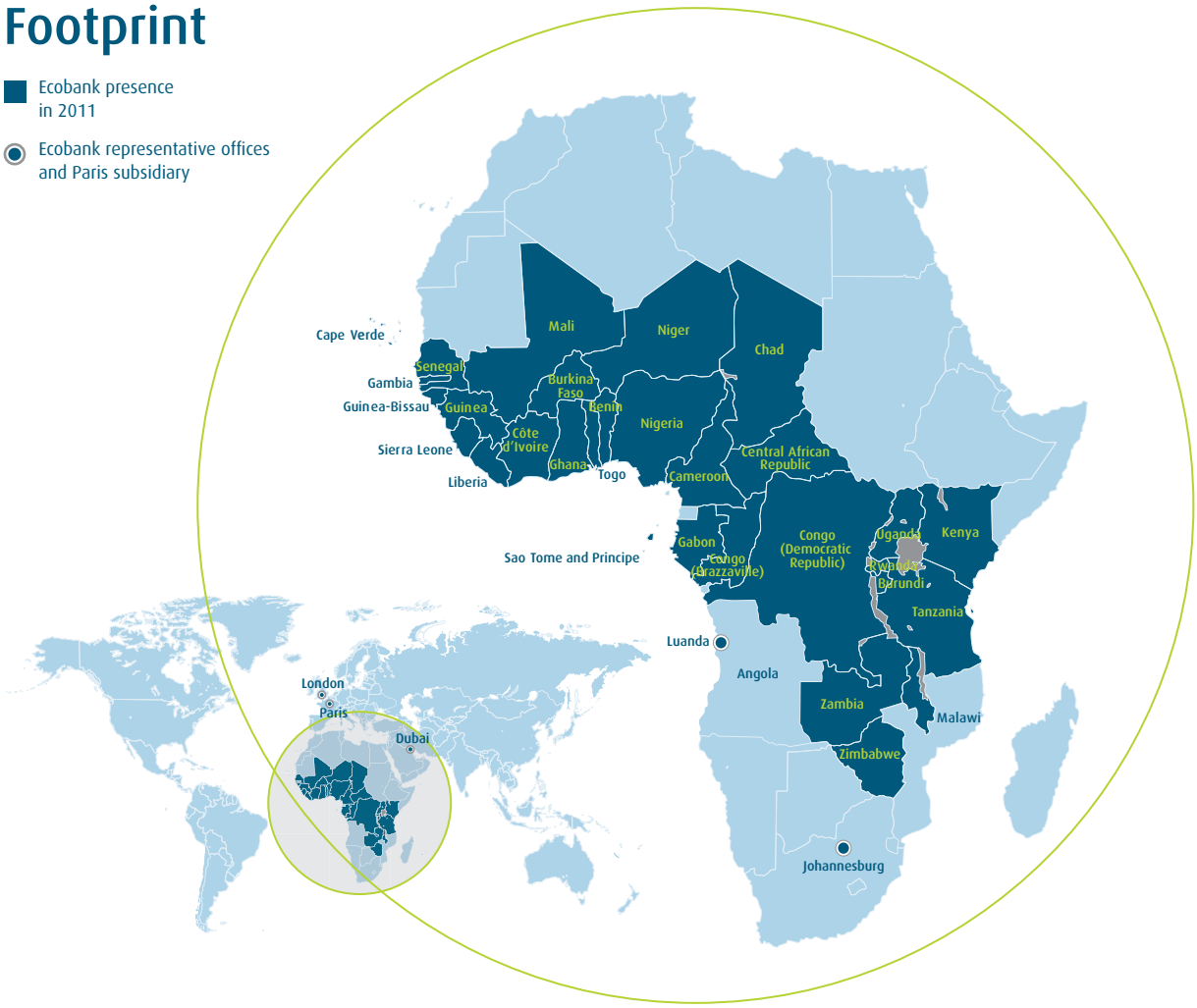
1998
Investors outside of ECOWAS introduced to finance expansion. Investors include the IFC and Kingdom Holdings.



Footprint

Ecobank presence in 2011

Ecobank representative offices and Paris subsidiary



2001
By 2001, operations in 12 countries, having added Burkina Faso, Mali, Guinea, Liberia, Niger, Senegal and Cameroon.

2005
Board adopts plan to transform Ecobank from a wholesale bank into a balanced full-service bank with pan-African coverage.

2006
ETI shares listed on BRVM, GSE and NSE.

2009
Group restructured into three customer-focused business segments – Corporate Bank, Domestic Bank and Ecobank Capital; shifting the emphasis from geographical expansion to customer service.

2011
Group completes the migration of all subsidiaries onto single Oracle FLEXCUBE platform.

2001 Secondary expansion

2005 Transformation strategy

2006 Goes public

2009 Group restructures

2011 Single IT platform

1999 | **2000** | 2001 | 2002 | 2003 | 2004 | **2005** | 2006 | 2007 | 2008 | 2009 | **2010** | 2011

Business segments

Ecobank's services are delivered by three customer-focused business segments.

Corporate Bank

Overview

Provides financial solutions to global and regional corporates, public corporates, financial institutions and international organizations. Products focus on pan-African lending, trade services, cash management, internet banking and value chain finance.

Strategic focus

- Leverage pan-African network to provide a convenient one-stop, one-view and one-bank experience for clients.
- Deepen customer relationships by migration across the network and increasing cross-sell ratios.
- Diversify deposit base by moving into public sector collections.
- Extend reach of Omni, the Ecobank corporate internet banking platform.
- Leverage African trade corridors and our international offices and alliances.

Highlights of 2011

- Revenue increased by 38% to $351 million and profit before tax increased by 40% to $122 million.
- Launch of Ecobank Omni, our corporate internet banking platform.
- Launch of China Desk in Ghana in collaboration with Bank of China.
- Signed MOU with Islamic Development Bank to collaborate on trade finance across Africa.

Contribution to Group revenue US$351m

Contribution to Group profit before tax US$122m

Note: Relative contributions to Group results from business segments determined before Group allocations and consolidation adjustments.

Domestic Bank

Overview

Provides convenient, accessible and reliable financial products and services to retail, local corporate, public sector and microfinance customers. Leverages an extensive branch and ATM network as well as mobile, internet and remittances banking platforms.

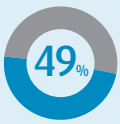
Strategic focus

- Leverage the value chain of Corporate Bank customers, and key local corporate and public sector customers, by providing banking services to their staff, suppliers and distributors.
- Speed up credit approval process through use of pre-approved credit programs for target customer segments.
- Provide product and service bundles that make banking convenient for customers and encourage migration onto electronic banking platforms.

Highlights of 2011

- Revenue increased by 34% to $598 million and profit before tax increased by 649% to $53.9 million.
- Launch of new retail internet banking platform.
- Pan-African agreements signed with MasterCard International and Bharti Airtel.
- Launch of Ecobank African Diaspora Account.
- Ghanaian microfinance business awarded "Microfinance Project of the Year" at African Banker Awards.

Contribution to Group revenue US$598m



Contribution to Group profit before tax US$54m

Ecobank Capital

Overview

Provides treasury, corporate finance, investment banking, securities and asset management solutions to corporate and government customers. Our research team, based on the ground in key markets, provides unique information support capabilities.

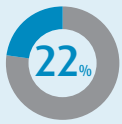
Strategic focus

- Build on momentum in debt capital markets and advisory transactions throughout Middle Africa.
- Leverage balance sheet presence in Middle African currencies to establish Ecobank as the leading provider of treasury products.
- Repackage and distribute African assets for international investors.
- Grow asset management and securities business in key markets.

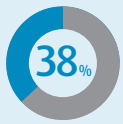
Highlights of 2011

- Revenue increased by 34% to $267 million and profit before tax increased by 34% to $106 million.
- Electronic FX platform quoting 22 African currencies launched.
- Awarded "Best Investment Bank" in Cameroon, Chad, Côte d'Ivoire and Gabon at EMEA Finance Awards.
- Awarded "Best Africa Research Team" at Africa Investor Index Series Awards.

Contribution to Group revenue US$267m



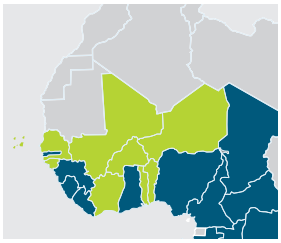
Contribution to Group profit before tax US$106m



Geographic clusters

- Countries in the cluster
- Other Ecobank clusters
- No Ecobank presence

Francophone West Africa UEMOA



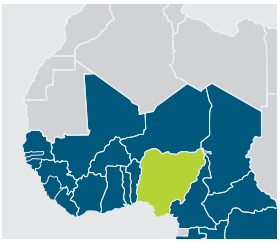
Overview

Countries	9
Branches	237
Customers	1.1m
Employees	2,399

Highlights

- Revenue grew strongly in all markets. Côte d'Ivoire is recovering well from the political crisis in the first quarter of 2011.
- Revenue increased by 31% to $368 million.
- Profit before tax increased by 30% to $118 million.
- Assets increased by 19% to $4.7 billion.

Nigeria



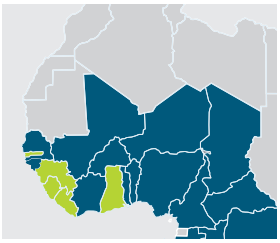
Overview

Countries	1
Branches	613
Customers	5.9m
Employees	16,518

Highlights

- Completed sale of non-performing loans to AMCON.
- Oceanic Bank was acquired in the fourth quarter of the year, creating Nigeria's second largest bank by branch network and fifth largest bank by assets.
- Revenue increased by 42% to $360 million.
- Profit before tax increased by 338% to $38.8 million.
- Assets increased by 150% to $7.5 billion.

Rest of West Africa WAMZ



Overview

Countries	5
Branches	135
Customers	0.8m
Employees	1,759

Highlights

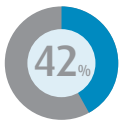
- Strong growth in revenue, particularly in Guinea and Sierra Leone.
- We reached agreement to acquire The Trust Bank, which will increase our market share and make Ecobank the largest bank in Ghana.
- Revenue increased by 25% to $229 million.
- Profit before tax increased by 19% to $87.8 million.
- Assets increased by 32% to $2.2 billion.

At a glance comparison

Note: Relative contributions to Group results from geographic clusters determined before Group allocations and consolidation adjustments.

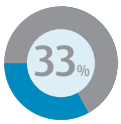
2011
Contribution to Group revenue
US$368m

2006
Contribution to Group revenue
US$146m



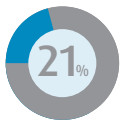
2011
Contribution to Group revenue
US$360m

2006
Contribution to Group revenue
US$117m



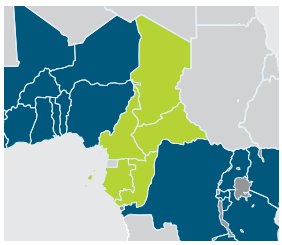
2011
Contribution to Group revenue
US$229m

2006
Contribution to Group revenue
US$71.4



Our operations in Middle Africa are grouped into six geographic clusters according to size and shared attributes. Our international operations outside of Middle Africa form a seventh cluster.

Central Africa
CEMAC



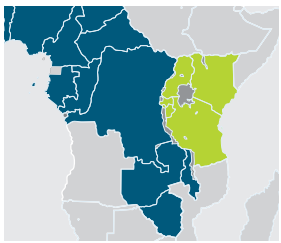
Overview

Countries	6
Branches	61
Customers	0.3m
Employees	798

Highlights

- Strong growth across the region.
- Revenue increased by 34% to $129 million.
- Operating profit increased by 30% to $34.8 million.
- Assets increased by 18% to $1.4 billion.

East Africa
EAC



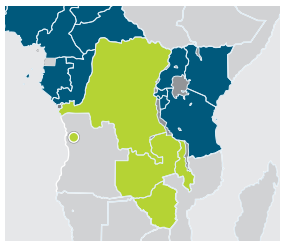
Overview

Countries	5
Branches	68
Customers	0.2m
Employees	967

Highlights

- Burundi, Uganda and Tanzania all experienced strong growth in revenues. The business environments in Kenya and Rwanda remained difficult throughout the year.
- Revenue increased by 14% to $57.2 million.
- Loss before tax increased by 16% to $3.5 million.
- Assets increased by 2% to $620 million.

Southern Africa
SADC



Overview

Countries	5
Branches	33
Customers	0.1m
Employees	383

Highlights

- Solid progress made in each country, particularly in the DRC and Malawi.
- Commencement of operations in Zimbabwe in the first quarter led to a significant increase in the balance sheet and business development across the region.
- Revenue increased by 103% to $36.7 million.
- Loss before tax increased by 109% to $5.3 million.
- Assets increased by 107% to $331 million.

International

Overview

Countries	4
Branches	4
Customers	–
Employees	43

Highlights

- The international cluster is focused on leveraging Ecobank's network in Africa.
- Opened representative office in London.
- Revenue increased by 403% to $15.6 million.
- Profit before tax increased by 464% to $5.4 million.
- Assets increased by 2% to $325 million.

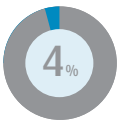
2011
Contribution to Group revenue
US$129m

2011
Contribution to Group revenue
US$57.2m

2011
Contribution to Group revenue
US$36.7m

2011
Contribution to Group revenue
US$15.6m

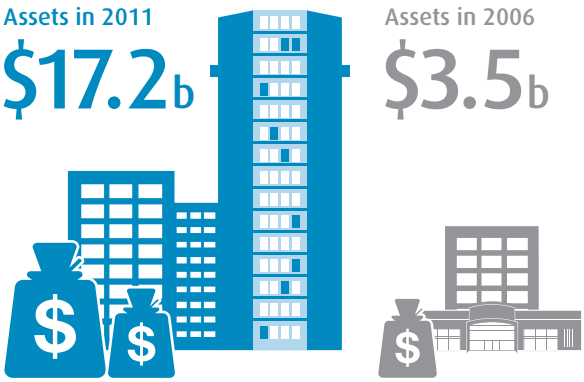
2006
Contribution to Group revenue
US$15.3m



Our performance
Progress from 2006 to 2011

Assets in 2011
$17.2b

Assets in 2006
$3.5b



Increasing scale

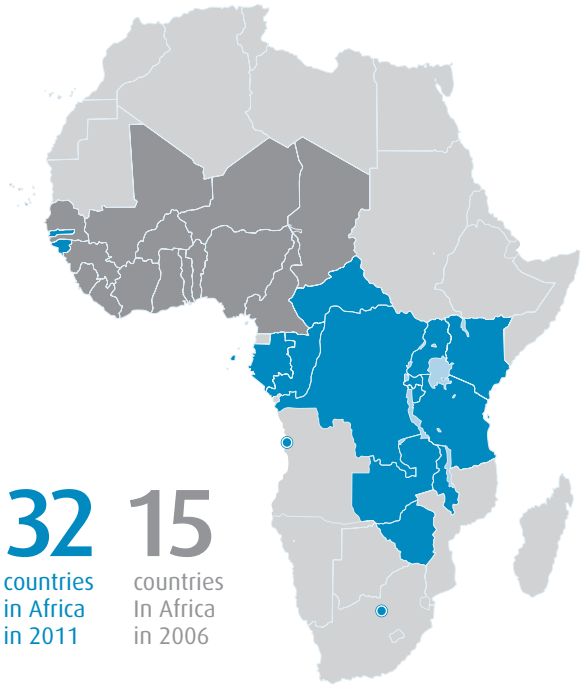
Since 2006, Ecobank has experienced a phase of rapid growth. Through a combination of organic and inorganic means, assets grew from $3.5 billion in 2006 to $17.2 billion in 2011. Scale drives economies, our ability to handle major transactions and increased profitability.

Branches

We are committed to providing our customers with convenient and reliable banking products and services. In conjunction with our market expansion, we continue to increase the number of our branches in each market. We expanded our branch network from 305 branches in 2006 to 1,151 by the end of 2011.

1,151
branches in 2011

305
branches in 2006

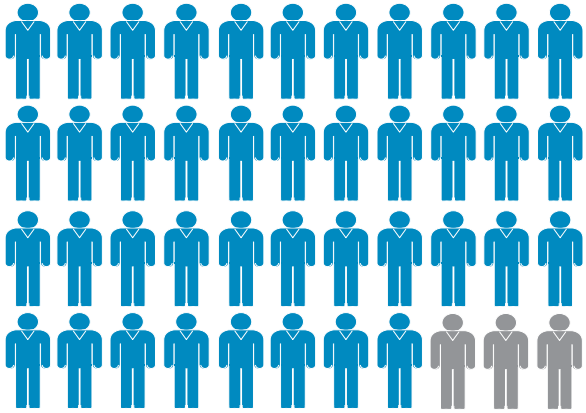


32
countries in Africa in 2011

15
countries In Africa in 2006

Unrivalled pan-African network

From operations in 15 West and Central African countries in 2006, by 2011 we had a presence in 32 African countries, more than any other bank and spanning the breadth of the continent.



Customers

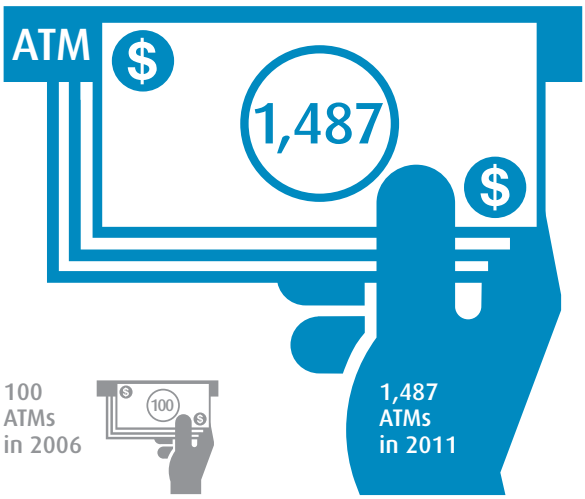
Customers have recognised our value proposition and our increasing geographic and branch footprint has enabled us to reach out to customers across the continent. From just 0.6 million customers in 2006, our customer base had increased to 8.4 million by the end of 2011.

8.4m
customers in 2006

0.6m
customers in 2006

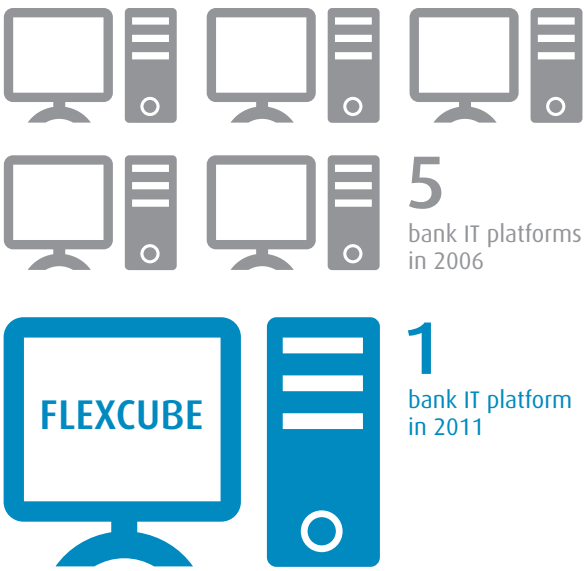
2006

2011



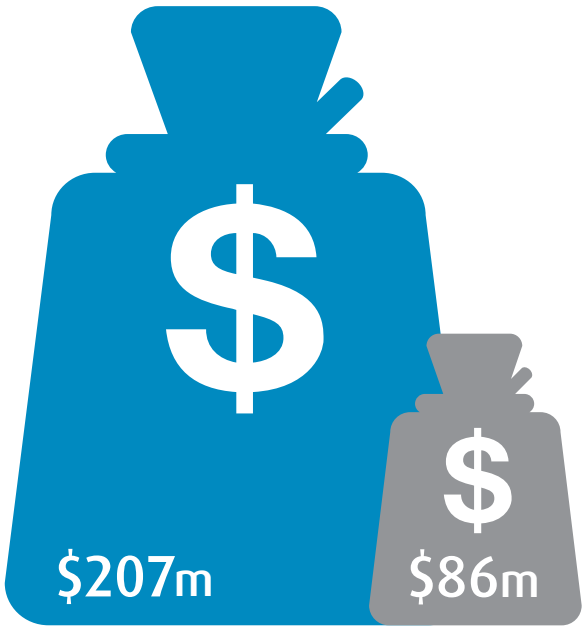
ATMs

We are investing heavily in electronic banking platforms, including ATMs, mobile banking and internet banking. From 100 ATMs in 2006, we now have over 1,487 ATMs across the continent. Our customers are able to use their cards in any ATM in any country within our network, as well as in Nedbank ATMs in South Africa.



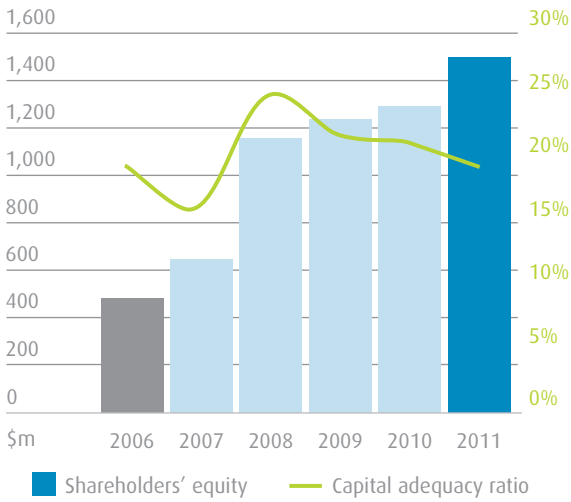
Integrated IT platform

In 2006 we launched our "One Bank" project to integrate operations and amalgamate technology platforms. By the end of 2011 we had successfully migrated all of our operations onto a single core banking application – Oracle FLEXCUBE.



Profit

The increase in scale and the expansion of the network has resulted in increasing profitability. Profit after tax has grown from $86 million in 2006 to $207 million in 2011, equating to a compound annual growth rate of 19%.



Capital

Ecobank has always maintained a sound capital position. From $0.5 billion in 2006, shareholders' equity has increased to $1.5 billion in 2011. Over the same period, we have maintained an average capital adequacy ratio of 20%.

2011
The year in review

Q1
January – March 2011

2011 was another year of significant progress for Ecobank, seeing acquisitions, accolades and the launch of new products and services. We have pursued our vision to provide our customers with convenient and reliable banking – single-mindedly and with confidence.

This section highlights some of the key milestones and achievements of the year.

January

- First China desk in an Ecobank branch opened in Accra in partnership with the Bank of China.
- Acquisition of Premier Finance Group in Zimbabwe completed and operations commenced as Ecobank Zimbabwe.

February

- Temporary closure of operations in Côte d'Ivoire due to political crisis. Ecobank is the last bank in the country to close.

March

- Results for the year ended 31 December 2010 announced. Net income up 104% on prior period.

Q2
April – June 2011

April

- Ecobank was the first bank to resume operations in Côte d'Ivoire.

June

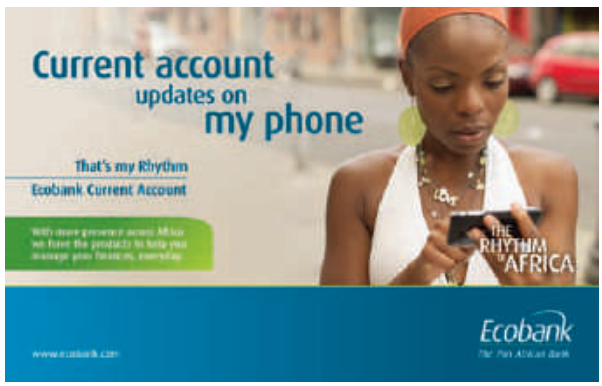
- Agreement signed with Bharti Airtel, a leading global telecommunications company, to facilitate mobile banking services in 14 African countries.
- Commenced a partnership with MoneyGram in Ghana to permit transfers from abroad to be collected at any Ecobank branch.
- Ecobank Capital acted as lead arranger for a $120 million structured crude oil financial facility for Société Ivoirienne de Raffinage, Côte d'Ivoire's largest industrial enterprise.
- Opened London representative office.
- New Ecobank Pan Africa Centre headquarters inaugurated in Lomé, Togo.

Q3
July – September 2011

July

- Launch of Ecobank Omni, a cash management solution for corporate clients.
- Ecobank named "Best Bank in Africa" in Euromoney's 2011 Excellence Awards in London.

- Ecobank announced its intention to acquire The Trust Bank in Ghana.
- Ecobank Capital acted as lead arranger for oversubscribed 100 billion CFA ($215 million) five-year, 6% coupon sovereign bond on behalf of Chad; the country's first local currency bond.
- Agreement signed to acquire and recapitalize Oceanic Bank.



August

- Announced rollout of private communications infrastructure, which links offices and ATMs across the world, supported by data centers in Accra, Lomé and London.
- Ecobank's microfinance affiliate in Nigeria won "Best Microfinance Bank of the Year" in the Lagos Enterprise Awards, in recognition of its significant contribution to economic development.

September

- Ecobank's microfinance joint-venture in Ghana won "Microfinance Institution / Project of the Year" at the African Banker Awards in Washington DC for creating a platform for financial inclusion of the unbanked, underbanked and low income earners.

- Ecobank Capital won "Best Africa Research Team" award at Africa Investor Index Series Awards in New York.
- Shareholders of Oceanic Bank approved a Scheme of Arrangement whereby Ecobank acquired 100% of the outstanding share capital.

Q4

October – December 2011

October

- Acquisition of 100% of Oceanic Bank concluded following approval by shareholders of both institutions and the completion of all required regulatory and legal processes.

November

- MasterCard Worldwide and Ecobank agree to collaborate in bringing MasterCard's payment solutions to Middle Africa across a range of pre-paid, debit and credit card products.
- Ecobank hosted the inaugural UK-Guinea Bissau Investment Summit in London.
- Ecobank received approval for a banking licence in Equatorial Guinea.

December

- Nedbank provided a $285 million three year facility in support of Ecobank's corporate development programs.
- The Banker named Ecobank as "Bank of the Year 2011" in Burundi, Burkina Faso, Central African Republic, Guinea-Bissau, Mali, Niger, Congo Brazzaville, Senegal and Togo.

- Ecobank Capital launched the Ecobank Middle Africa Bond Index (MABI), the first-ever benchmark index to measure the performance of sub-Sahara African domestic bond markets (excluding South Africa).
- Ecobank voted "Best Investment Bank" in Cameroon, Chad, Côte d'Ivoire and Gabon and "Best Bank" in Côte d'Ivoire at the EMEA Finance African Banking Awards in London.
- Succession plan announced with Group CEO Arnold Ekpe retiring at the end of 2012. Thierry Tanoh, who is currently IFC Vice-President in charge of Africa, Latin America and Western Europe, announced as Group CEO designate. At the same time, Albert Essien and Evelyne Tall were promoted to Deputy Group CEOs.
- Ecobank Nigeria shareholders approved the merger of Ecobank Nigeria with Oceanic Bank to create one of the largest banks in Nigeria.

Group Chairman's statement

Kolapo Lawson,
Group Chairman

We have come a long way. From humble beginnings in 1985, Ecobank has grown to become a pan-African banking champion, with the largest presence in Middle Africa of any bank.

It gives me great pleasure to report on the significant progress that Ecobank has made during 2011. We have come a long way. From humble beginnings in 1985, Ecobank has grown to become a pan-African banking champion, with the largest presence in Middle Africa in terms of countries and branch network of any bank.

In this, my third year as Chairman, I believe that we have reached a pivotal moment in the history of the Group. We have built the largest financial services delivery platform in Middle Africa and are now beginning to realize its potential.

Global environment

2011 was a tumultuous year, starting with political unrest in Côte d'Ivoire and the so-called "Arab Spring". The Eurozone debt crisis deepened during the course of the year and Standard & Poors downgraded the credit rating of the USA for the first time ever. This turbulence was reflected in global markets. Commodity prices hit record highs during the year whilst global equity markets tumbled. In an increasingly interconnected world, Africa was not immune, with all major African equity markets losing value in 2011.

Financial results

Against this volatile background, Ecobank achieved pleasing growth in 2011. Total assets were $17.2 billion at the end of 2011, an increase of 64% on 2010. This was driven by a 52% increase in customer deposits to $12.1 billion and 40% increase in customer loans to $7.4 billion.

2011
Net revenues
$1.2b

Up 33% from 2010

Our performance was consistently strong across business segments and geographic clusters. Revenues grew by 33% to $1.2 billion, continuing to outpace increases in operating expenses. This contributed to a 57% rise in the profit for the year to $207 million, on the basis of which we are proposing a dividend payment of 0.4 US cents per share.

Developments during the year

As encouraging as these results are, we are not resting on our laurels. In 2011 we focused on consolidating our presence in key markets and integrating and optimizing our network.

Our Nigerian operation has now been restored to health.

Our Nigerian operation has now been restored to health, having completed the sale of non-performing loans to AMCON during the year. This turnaround was reinforced by the transformative acquisition of Oceanic Bank, which has propelled Ecobank into the first tier of banks in Nigeria. I wish to take this opportunity to welcome the more than 410,000 former shareholders of Oceanic Bank into the Ecobank family.

We also initiated the acquisition of The Trust Bank Limited (TTB) in Ghana, increasing our market share in what was the fastest growing economy in sub-Sahara Africa in 2011. The transaction was completed in the first quarter of 2012. All existing subsidiaries of the Ecobank Group are now running on the Oracle FLEXCUBE IT platform and we expect to migrate the operations of Oceanic Bank and TTB to this platform in 2012.

2011
Profits attributable to shareholders
$182m

Up 62% from 2010

We continued to make progress in the Ecobank-Nedbank Alliance with the announcement that Nedbank has provided a US$285 million three-year loan facility. The loan facility provides Nedbank with the option to become a shareholder in Ecobank between 2013 and 2014 and allows for the possibility of Ecobank establishing a reciprocal shareholding in Nedbank.

Board changes

We place the highest importance on corporate governance at Ecobank. Of the 14 Board positions, 10 are non-executive. There were a number of changes to the Board during the year.

Christian Adovelande stepped down from the Board during 2011. He had been a Director since 2002 and First Vice-Chairman since 2009. I want to thank him for his sterling services to Ecobank over many years.

During 2011 we welcomed Messrs Sena Agbayissah and Bashir Mamman Ifo to the Board. They are already making a significant contribution and I look forward to working with them both in the years to come.

Arnold Ekpe has announced that he will retire from his role as Group CEO at the end of 2012. Following extensive succession planning, we have appointed Thierry Tanoh as Group CEO designate. Thierry is currently IFC Vice-President in charge of Africa, Latin America and Western Europe.

Group Chairman's statement

He will be joining the Group in July to work alongside Arnold to ensure a smooth handover. I have no doubt that he is the right person to take Ecobank forward.

Sustainability

Ecobank is committed to the sustainable financial and economic development of Africa, the protection of the environment and to operate according to socially responsible standards. The long-term future of your institution is predicated on building sustainability principles into all of our business processes.

In January 2012 we announced the adoption of the Equator Principles.

In January 2012 we announced the adoption of the Equator Principles, a framework for determining, assessing and managing environmental and social risk in project finance transactions. As a result, Ecobank has committed itself not to fund projects where the borrower is unable to comply with certain laid down social and environmental policies.

I refer you to the sustainability section of this annual report for further information.

Looking forward

More uncertainty abounds in 2012. Europe remains in crisis, with credit rating downgrades for several European countries. There are upcoming elections in the USA and France, and a transition of power in China. Increasing economic hardship in the developed world is depressing demand for commodities from emerging markets.

2012 SSA GDP growth **5.4%**

Despite all this, we remain confident in the future of Africa. Overall, SSA grew by 5.3% in 2010 and 5.1% in 2011. The International Monetary Fund predicts real growth of 5.4% in 2012 and 5.3% in 2013, driven by increasing investment flows, rising consumer spending and new mineral exports coming on-stream. The continent is in a sustained growth cycle and very much "open for business".

We are now positioned to rapidly become the undisputed number one bank in Middle Africa.

While we still have much to do, we are now closer than ever to achieving our objective of building a world-class institution, thereby contributing to the development of Africa. Your Board reviewed these objectives in 2011 and believe that, after many years of hard work, we are now positioned to rapidly become the undisputed number one bank in Middle Africa.

Appreciation

I want to thank all Ecobank staff for their hard work and dedication. Thanks go also to all of our customers, suppliers and partners for their continued confidence and support.

Finally, we acknowledge and hereby show appreciation to our shareholders for your continued belief in what we are building. I am confident that the future is bright for all of Ecobank's stakeholders as we begin to reap the rewards of our hard work.

Kolapo Lawson
Group Chairman

Directors' report

Principal activity

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. There was no change in the principal activity of the company in 2011.

Two new countries were added to the Group's network during 2011, namely Zimbabwe and the United Kingdom. Emphasis was placed on optimization and efficiency through improvements in the Group's operating platform, systems and processes and containing costs.

A review of the business of the Group during the 2011 financial year, and of likely future developments, is contained in the Business and Financial Review section of this annual report.

2011
Proposed dividend per share
US ¢0.4

Acquisitions

Two major acquisitions were undertaken during the year. These were the acquisition of Oceanic Bank International Limited (Oceanic Bank) in Nigeria and the acquisition of The Trust Bank Limited in Ghana. The two institutions are being merged with the operations of our subsidiaries in Nigeria and Ghana respectively, moving our market position from number fourteen to number five in Nigeria and from number two to number one in Ghana.

Results

The Group's profit after tax was US$207 million. Net profit attributable to the parent company was US$182 million. The details of the results for the year are set out in the consolidated financial statements.

The Board of Directors approved the financial statements of the company and the Group for the year ended 31 December 2011 at the meeting of the Board held on 16 March 2012.

Messrs Kolapo Lawson and Arnold Ekpe were authorised to sign the accounts on behalf of the Board.

International Financial Reporting Standards

The accounts of both the parent company and the Group are prepared in accordance with International Financial Reporting Standards.

Dividend

The Directors recommend payment of a dividend of 0.4 US cents per share, totaling US$55.6 million based on the total number of ordinary and preference shares outstanding as of 31 December 2011.

Capital

The authorised share capital of the company is US$1.25 billion, divided into 50 billion ordinary shares of 2.5 US cents per share. At the beginning of 2011 there were a total of 9,913 million ordinary shares in issue.

Under the terms of the acquisition of Oceanic Bank, 2,489 million ordinary shares and 1,067 million preference shares were issued to Oceanic Bank shareholders and to the Asset Management Company of Nigeria.

ETI then undertook a process of merging the operations of Oceanic Bank with those of Ecobank Nigeria and a process to delist Ecobank Nigeria from the Nigeria Stock Exchange and to acquire 100% of the equity of Ecobank Nigeria.

As part of this process, 402 million ordinary shares of ETI were issued to the minority shareholders of Ecobank Nigeria in exchange for their shareholdings in Ecobank Nigeria.

This, together with 34 million ordinary shares issued to staff under the employee stock option scheme, brought the total number of issued ordinary shares to 12,837 million at the end of 2011.

Directors' report

All of the issued ordinary 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

The names of the Directors of the company appear on pages 21 – 25 of this annual report.

As of 31 December 2011, the Board was composed of 14 Directors: ten Non-Executive and four Executive Directors. Mr Bashir Mamman Ifo replaced Mr Christian Adovelande as the representative of ECOWAS Bank for Investment and Development and Mr Sena Agbayissah was co-opted as a Director. Ratification of these appointments will be sought at the Annual General Meeting.

The Board of Directors met seven times during the year. The Governance Committee and the Audit and Compliance Committee each met five times, whilst the Risk Committee met four times 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.

Subsidiaries

In 2011, our subsidiary in Cape Verde started full banking operations. We acquired a bank in Zimbabwe and also opened a representative office in London, bringing the total number of countries in which the Group has a presence to 35.

Our investment banking subsidiary, Ecobank Development Corporation, as well as its stockbrokerage units in Ghana, Nigeria, Côte d'Ivoire (for the Francophone West Africa region) and Cameroon (for the Central 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.

ETI 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 2011 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 and to 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

Independent External Auditors

The Joint Auditors, PricewaterhouseCoopers, Lagos, Nigeria and PricewaterhouseCoopers S.A., Abidjan, Côte d'Ivoire have indicated their willingness to continue in office. A resolution will be presented at the 2012 AGM to authorize the Directors to determine their remuneration.

Dated in Lomé, 28 March 2012
By Order of the Board,
Morgan F. Asiedu
Company Secretary

Board of Directors
Profiles

The Board is composed of 14 Directors, 10 Non-Executive Directors and four Executive Directors.

Kolapo Lawson (61)

Chairman since 2009
Non-Executive Director since 1993

Nigerian

Kolapo Lawson is the Chief Executive Officer of a diversified industrial and trading group with operations in the United Kingdom and West Africa. He is the Chairman of Acorn Petroleum Plc and Agbara Estates Limited, as well as a Non-Executive Director of three publicly quoted companies: Beta Glass Plc, Pharma-Deko Plc and Sovereign Trust Insurance Plc.

He was a Director of Ecobank Nigeria from 1989 to 1997 and of Ecobank Togo from 1990 to 1993.

Kolapo Lawson has a degree in Economics from the London School of Economics and Political Science and is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Nigeria.

André Siaka (62)

Vice-Chairman since 2009
Non-Executive Director since 2006

Cameroonian

André Siaka has been the Chief Executive Officer of SA 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 joining SABC, André Siaka worked with Société Générale in Paris from 1974 to 1976.

André Siaka is a member of the Financial Markets Commission and a Director of Orange Cameroun and Chanas Assurances SA. He holds an engineering degree from École Polytechnique, Paris. André Siaka has recently been appointed as the Honorary Consul for the Monaco Principality in Douala.

Board of Directors
Profiles

Arnold Ekpe (58)

Group Chief Executive Officer since 1996 to 2001 and since 2005

Nigerian

Arnold Ekpe has been Chief Executive Officer of the Ecobank Group since 2005. He previously held the same position from 1996 to 2001.

With 30 years of banking experience, Arnold Ekpe has held several senior positions in African and international banking.

He was Head of sub-Sahara Africa Structured Trade and Corporate Finance at Citibank in the 1990s. In this position, he played a leading role in building Citibank's corporate finance business in Africa, including several landmark transactions. He is also a former Managing Director of United Bank for Africa Plc.

Arnold Ekpe's abiding passion is in promoting pan-African private sector initiatives, particularly in the financial services sector. He holds a first class honours degree in Mechanical Engineering from Manchester University and a Masters in Business Administration from Manchester Business School.

Albert Essien (56)

Deputy Chief Executive Officer since 2012
Executive Director since 2005
Head of Corporate and Investment Bank

Ghanaian

Albert Essien is currently the Group Executive Director for Corporate and Investment Bank. Prior to that, he was the Regional Head for the Anglophone 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.

He started his banking career in 1986 with the National Investment Bank in Accra, Ghana and 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 (graduating 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.

Evelyne Tall (53)

Deputy Chief Executive Officer since 2012
Executive Director since 2005
Chief Operating Officer

Senegalese

Evelyne Tall is currently the Group Chief Operating Officer. Prior to that, she was the Executive Director for Domestic Bank.

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. Evelyne Tall 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.

Laurence do Rego (47)

Executive Director since 2010
Head of Finance and Risk

Beninese

Laurence do Rego was appointed Group Executive Director, Finance and Risk in January 2010, having previously been the Group Chief Financial Officer from 2005 to 2009. She joined Ecobank in 2002 as Head of Financial Control for Ecobank Benin.

Prior to this, Laurence do Rego had over 15 years of experience in senior financial roles, including being Financial Director at Binney & Smith, France, a subsidiary of the Hallmark Group (USA), and Group Thoer (France), and Managing Director of SOCIEC, an accountancy firm in France.

Laurence do Rego is a Certified Chartered Accountant and holds a bachelor and post-graduate degrees in Finance and Accounting.

Sena Agbayissah (49)

Non-Executive Director since 2011

French

Sena Agbayissah is a qualified French lawyer and a partner at the law firm of Hughes Hubbard & Reed LLP in Paris. He began his career at Landwell (Pricewaterhouse), where he became a partner in 1999.

His experience includes: project finance, securities issuance, financial and banking transactions, structured financing, derivatives, banking and financial regulations and group restructurings. He is also an expert in carbon trading.

Sena Agbayissah is a member of the Board of Directors of the European Association for Banking and Financial Law. He is a lecturer in financial law at Rennes University for DJCE (Diplôme de Juriste Conseil d'Entreprise) students, at Montpellier University and at University of Paris XI.

He holds a DEA (Diploma of advanced studies in private law), University of Paris XI; a DJCE and DESS (postgraduate degrees in business law), University of Rennes and an advanced diploma in taxation ("Certificat d'Etudes Supérieures"), University of Montpellier.

Babatunde A M Ajibade(44)

Non-Executive Director since 2010

Nigerian

Babatunde Ajibade is engaged in private commercial legal practice and is a Senior Advocate of Nigeria. He has been the Managing Partner of SPA Ajibade & Co, a leading commercial legal practice in Nigeria, since 1996.

He is the Chairman of the Capital Market Solicitors Association, Nigeria; Vice-Chairman of the Banking, Finance and Insolvency Committee of the Nigerian Bar Association's Section on Business Law; Vice-Chairman of the Rules and Regulations Sub-Committee of the Nigerian Securities and Exchange Commission's Capital Market Committee; a Fellow of the Institute of Advanced Legal Studies (UK); and an International Practice Fellow of the International Bar Association.

Babatunde Ajibade holds a PhD in Private International Law and an LLM in Corporate and Commercial Law, both from King's College, University of London, and an LLB from the Obafemi Awolowo University, Ile-Ife, Nigeria.

Board of Directors
Profiles

Kwasi A Boatin (50)

Non-Executive Director since 2009

Ghanaian

Kwasi Boatin is an investment consultant and former Director General of the 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 SSNIT from 2003 to 2008.

He has significant experience in investment consulting and asset management and has made several presentations and issued publications on Social Security Financing. In February 2006 he was appointed Reporter by the International Social Security Association (ISSA), under the ILO, Geneva, and was Vice-Chairperson of the Technical Commission on Investments from 2007 to 2010.

From 1989 to 2003 he held senior finance positions in major UK companies including Barratt London Plc, AT&T (UK) and Winkworth. Kwasi Boatin holds an MBA from Henley Business School, Oxfordshire, England and is a Fellow of the Association of Chartered Certified Accountants, UK.

Paulo Gomes (48)

Non-Executive Director since 2006

Bissau Guinean

Paulo Gomes was an Executive Director of the World Bank Group in Washington DC 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 the 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 (USA).

Sipho G Mseleku (45)

Non-Executive Director since 2009

South African

Sipho Mseleku is the Chairman of the Global Business Roundtable; he is the former Chief Executive Officer of the Association of SADC Chambers of Commerce and Industry (ASCCI), a Non-Executive Chairman of Sakhumnotho Group Holdings (Pty) Ltd and a director of several other institutions.

He was the Chief Executive Officer of the Chambers of Commerce and Industry of South Africa (CHAMSA) from 2004 to 2005, of the National African Federated Chamber of Commerce and Industry (NAFCOC) and Sakhumnotho Group Holdings (Pty) Ltd from 2002 to 2005.

Sipho Mseleku has a background in investment banking, structured finance and legal practice. He is an Attorney of the High Court of South Africa and the current President of the Pan-African Chamber of Commerce and Industry. Sipho Mseleku holds an LLM (Tax Law), an HDip Company Law, an LLB and a BA (Hons) of the University of Witwatersrand, Johannesburg.

Assaad J Jabre (60)

Non-Executive Director since 2010

French

Assaad Jabre is a Corporate Investment Advisor. From 1980 to 2005, he worked with the International Finance Corporation (IFC), a member of the World Bank Group, where he held a number of senior positions, including: Acting Executive Vice-President and Chief Executive Officer (2005); Vice-President, Investments and Advisory Operations (2000 – 2005) and Vice-President, Portfolio Management (1997 – 2000). From 1997 to 2005 he was also a member of the IFC Corporate Investment Committee and its Finance and Risk Management Committee.

Assaad Jabre sits on the Advisory Board of ICD, the private sector affiliate of the Islamic Development Bank and the Strategic Committee of the Center for Mediterranean Integration.

He is a Graduate of the "Institut d'Etudes Politiques de Paris" and holds a degree in International Law from the University of Paris and an MBA from the Wharton School (University of Pennsylvania).

Isyaku Umar (64)

Non-Executive Director since 2006

Nigerian

Isyaku Umar started his career with UAC of Nigeria. From 1972 to 1976, he worked for 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, a Master of Public Administration degree from Pittsburgh University (USA) and an Honorary Doctorate Degree from Nnamdi Azikiwe University Awka Anambra State, Nigeria.

Bashir M Ifo (53)

Non-Executive Director since 2011

Nigerian

Bashir Ifo is the current President of the ECOWAS Bank for Investment and Development (EBID), formerly known as the ECOWAS Fund for Cooperation, Compensation and Development in Togo.

He has 30 years of experience in both the public and private sectors. Between 1995 and 2011 he held several senior management positions at EBID. These included Head of Financial Operations Division, Director of Treasury Department, Head of Finance and Administration Department, Acting Managing Director of the former ECOWAS Regional Investment Bank (ERIB) and Vice President for Finance and Corporate Services.

From 1982 to 1995, Bashir Ifo worked in both the public and private sectors in Nigeria. He holds a Bachelor's degree in Business Administration (Banking and Finance) and an MBA (Finance), both obtained from the Ahmadu Bello University, Zaria, Nigeria.

Group Chief Executive's review

Arnold Ekpe,
Group Chief
Executive Officer

By the end of 2011, Ecobank was a strong, diversified and growing banking group, with a balance sheet of US$17.2 billion and employing over 23,355 people.

2011 proved to be transformational for Ecobank; we ended the year as a stronger, more diversified and growing banking group, with total assets of US$17.2 billion and employing 23,355 professionals in 1,151 branches across 35 countries in Africa, the Middle East and Europe. This has been achieved through our collective effort, working together with the shared objective of building Ecobank into a world-class, pan-African banking group.

Financial performance

Revenues grew by 33% in 2011 to $1.2 billion. This was driven by a 23% increase in net interest income and a 44% increase in non-interest revenue. At the same time we were able to improve the cost-to-income ratio from 69.9% to 69.6%.

2011
Net interest income
$583m

Up 23% from 2010

Provisions for impairment losses were much improved at $85.7 million, compared to $101 million in 2010. Profits before tax were $277 million, a 64% increase on 2010.

Lower interest rates and competitive pressures led to an erosion of net interest margins in 2011 to 6.1% versus 6.9% in 2010. There were, nevertheless, encouraging signs of margin improvement in the latter part of the year. We are working hard to grow fee-based income, which increased to 51.2% of revenue from 47.2% in 2010.

Deposit mobilization initiatives continued to bear fruit in 2011 and customer deposits grew 52% to $12.1 billion. Customer loans grew by 40% to $7.4 billion as we maintained a conservative lending policy. At the same time, non-performing loans have declined from 15.2% in 2010 to 5.5%.

During a period of strong growth, it was important to ensure that the Group remained well capitalized. We raised $190 million in new equity and secured a net increase of $1.2 billion in loan finance. At the end of 2011, our Tier 1 capital was 12.5% and total capital adequacy ratio was 18.6%.

Business segments

Each of our three business segments achieved significant growth in 2011. Corporate Banking benefited from an improving business environment across sub-Sahara Africa that led to significant growth in trade finance, cash management and corporate lending. Our alliance with Nedbank provided opportunities to service their clients across our network.

2011
Non-interest revenue
$612m

Up 44% from 2010

Domestic Banking experienced strong growth in non-interest revenue with the success of new products such as Rapidtransfer, our pan-African card and the Advance Account package. The customer base more than doubled to 8.4 million by the end of the year, although this was partly due to the acquisition of Oceanic Bank. Cards in issue showed similar growth, from 1.2 million in 2010 to 4.4 million.

Ecobank Capital, launched in September 2010, had a very successful year, witnessing strong growth in treasury, corporate advisory and fixed income financing.

2011
Customer loans
$7.4b

Up 40% from 2010

Strategic review of 2011

Our growth strategy is based on five objectives:

- To extend our presence into every market in "Middle Africa", which we define as sub-Sahara Africa excluding South Africa.
- To build scale, with the ultimate aim of achieving a top 3 position in each market.
- To keep the services that we offer simple and to ensure we do things well.
- To integrate our network to ensure a seamless customer experience; and
- To place efficiency at the heart of everything that we do.

I will now outline our progress on each of these fronts during 2011.

Group Chief Executive's review

Expansion of geographic footprint

A key strategic goal has been to expand Ecobank's presence into every country in Middle Africa. This not only increases the value of our network but also provides a clear competitive advantage, as we are the only bank able to provide customers and partners with a one-stop solution across the region. In volatile markets, geographical diversification also provides stability.

2011
Cards on issue
4.4m

Up from 1.2m in 2010

We entered Zimbabwe in January 2011, which brought to 30 the total number of countries across SSA in which we have banking operations, with representative offices in a further two African countries (Angola and South Africa). Whilst, to complete our core African presence, three to four countries have yet to be included, we have already built a unique footprint that would be very difficult to replicate.

In key countries where we already have a presence, such as Côte d'Ivoire, Cameroon and Kenya, we are focused on expanding our branch and electronic banking networks.

The acquisition of Oceanic Bank provides us with the necessary critical mass within Nigeria.

The acquisition of Oceanic Bank provides us with the necessary critical mass within Nigeria.

Ecobank's strategy of establishing offices outside of Africa aims at reaching out to international markets and attracting trade flows to the Group platform. We have a subsidiary in Paris and representative offices in Dubai and London, with plans to add New York and Beijing to our international network in due course.

Building scale in each market

Scale is important for competitiveness, both across the Group and within individual markets, because it creates economies, establishes the ability to handle major transactions and secure lines of credit, and ensures eligibility to act as a clearing house. In 2010 we shifted our strategic focus to building scale in key markets. This was the rationale for our acquisitions of Oceanic Bank in Nigeria and The Trust Bank (TTB) in Ghana in 2011. We rank in the top three in 15 markets, so we still have some way to go.

We now have the largest distribution network in Middle Africa with 1,151 branches and 8.4 million customers. With US$17.2 billion in assets, we are close to the US$20 billion size that we believe is critical to really benefit from economies of scale.

Core banking

Ecobank does not engage in proprietary trading, nor does it use derivative instruments. There is so much unfulfilled demand for basic banking products and services in Africa that we do not believe there is any need to complicate our business model in the medium term. Instead, we are focused on continually improving customer service and ensuring that we deliver basic services with seamless execution and accuracy.

2011
Markets with top three ranking
15

The Rapidtransfer product launched in 2010 is a good example of this. It provides a convenient, reliable and low-cost solution for customers to send their money rapidly between any two branches of Ecobank, even if they are not Ecobank account holders.

Integration of the network

We are intent on delivering a seamless customer brand experience across the network. For example, standardized payment solutions reduce the number of days to affect payment across the network and Corporate Bank customers have a single point of contact.

A matrix organizational structure ensures that knowledge and processes are consistent across the Group. In 2011, all Ecobank affiliates moved onto a single FLEXCUBE IT platform. The newly acquired Oceanic Bank and TTB will be migrated quickly onto this new platform in 2012.

Efficiency

We have several programs under way to ensure more efficient use of resources, improved technology and processes, and improved customer service. Risk management, finance, operations and IT functions have now been centralized. Our "One Bank" program is aimed at standardizing all processes across the entire Group. An ongoing LEAN program is underway to improve branch productivity.

2011
Non-performing loans
5.5%

Down from 15.2% in 2010

Acquisition of Oceanic Bank

We remain committed to a flexible strategy that utilizes both organic and inorganic means of growth. In countries where we need to gain market share, opportunistic acquisitions have been, and will continue to be, used to achieve faster growth.

> The single most significant event of 2011 was the acquisition of Oceanic Bank in Nigeria.

The single most significant event of 2011 was the acquisition of Oceanic Bank in Nigeria. This fulfils one of our long-standing objectives to substantially increase our scale in the most populous country in Africa. With the acquisition of Oceanic Bank completed, Ecobank is now the second largest bank in Nigeria by branch network (with 610 branches) and fifth largest bank by assets. Synergies will be realized as we complete the integration over the course of 2012.

Alliances

Alliances are a critical way for Ecobank to extend its international reach, leverage the skills and experience of our partners and operate according to global best practice.

In collaboration with The Bank of China, we piloted Chinese desks in selected Ecobank branches in Ghana during the year.

> I am pleased with the progress we have made in our alliance with Nedbank.

This has proved successful and we plan to expand this initiative in 2012. During 2011 we also announced collaborations with MasterCard to bring their payment solutions to SSA and with Airtel to extend mobile banking solutions in the 14 countries where we both operate.

I am pleased with the progress we have made in our alliance with Nedbank.

Banking and technology platforms have been integrated to allow customers to manage their accounts seamlessly and access both ATM networks.

There is now also increasing collaboration between our two institutions in corporate and investment banking. Multinational companies have been attracted by the alliance's tailored banking solutions and its ability to facilitate their expansion across the continent, providing a "One Bank" solution to clients.

2011
Customer deposits
$12b

Up 52% from 2010

During 2011, the two banks began to discuss the possibility of closer integration to leverage the obvious synergies in terms of geography, customer base and cultural affinity.

The alliance was further strengthened with the announcement that Nedbank has provided a $285 million three-year facility to Ecobank. Nedbank also has an option to become a 20% shareholder in Ecobank over the next two to three years.

The arrangement also provides for the possibility of Ecobank establishing a reciprocal shareholding in Nedbank, a review of the geographical alignments of the businesses across the combined footprint and reciprocal board representation.

Group Chief Executive's review

Risk management

Banking is fundamentally about managing risk. Our risk management framework ensures that we identify, assess and manage the risks that arise. Group businesses are supported by an independent and centralized finance and risk function.

2011
Capital adequacy ratio
18.6%

Down from 20.8% in 2010

In 2011, our focus was on optimizing our risk management framework and practices to achieve a balance between our pursuit of value and our risk exposure.

We have set ourselves the objective of making Ecobank the undisputed Nº 1 Bank in Middle Africa by the end of 2014.

This included targeted reviews, adoption of risk management technology and the implementation of various initiatives and comprehensive staff training to reinforce our risk management culture. Group policies on Credit Risk Management, Operational Risk Management and Market Risk Management were reviewed, aligned with our strategic objectives and approved by the Board.

The Group adopted the Equator Principles, reflecting its commitment towards sustainable and socially responsible development on the continent.

These initiatives have provided a platform for achieving our strategic objectives and ensuring a portfolio of quality assets is maintained. We have laid a solid foundation to build on in the coming years.

Towards becoming the Leading Bank in Middle Africa

Whilst the pace of our geographic expansion has slowed, there are a few countries remaining with respect to our Middle African rollout, namely Equatorial Guinea, Mozambique, Angola, South Sudan and Madagascar. In November, we received approval to establish operations in Equatorial Guinea and we are considerably advanced in exploring opportunities in the other markets mentioned.

We have set ourselves the objective of making Ecobank the undisputed Nº 1 Bank in Middle Africa by the end of 2014.

2011
Countries with Ecobank presence
35

In 2012, our priority will be the integration of our acquisitions in Nigeria and Ghana and further investment in key African markets where we rank outside the top three. We expect to see increasing consolidation in the banking sector and we will continue to be opportunistic when it comes to acquiring market share.

Conclusion

I will be retiring as Group CEO of Ecobank at the end of 2012. I am delighted that we have been able to attract an individual of the calibre of Thierry Tanoh to oversee the next phase of Ecobank's global development. Thierry brings a track record of performance and achievement with the IFC, together with a thorough knowledge of the African continent and the financial services industry. Thierry and I will be working very closely together this year to ensure a smooth transition.

Arnold Ekpe
Group Chief Executive Officer

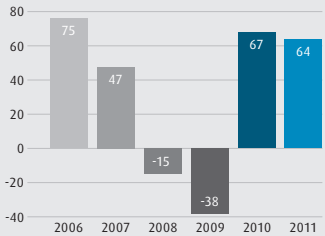
Key performance indicators

Progress towards strategic objectives is assessed by comparison with targets and historical performance.

- 2011 results
- 2010 results
- 2009 results
- 2008 results
- 2007 results
- 2006 results

Strategic objective 1: Deliver earnings growth and improved shareholder returns.

Earnings growth (%)

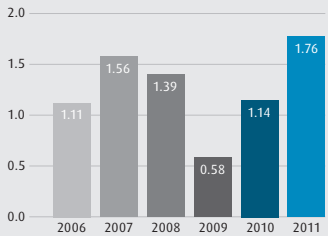


Measure
Percentage increase in reported profit before tax (PBT).

Target
Deliver annual PBT growth in excess of 30%.

Outcome
PBT increased by 64% in 2011 to $277 million, due to strong revenue growth, tight cost control and lower impairment charges.

Basic earnings per share (US$¢)

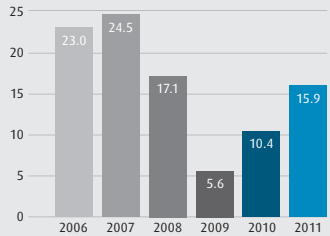


Measure
Basic earnings per ordinary share (EPS).

Target
Deliver consistent growth in EPS over the long term.

Outcome
EPS increased by 54% in 2011 to 1.76 cents. Earning growth was offset by a 29% increase in the number of shares in issue at year end, mainly due to the acquisition of Oceanic Bank.

Return on equity (%)



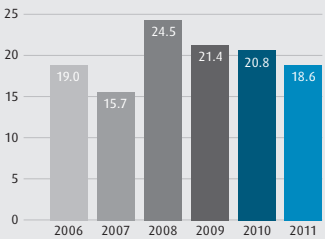
Measure
Profit after tax divided by weighted average total equity.

Target
Achieve and maintain a minimum return on equity (ROE) of 25%.

Outcome
Consistently improving ROE, up to 15.9% in 2011. We expect to achieve our target in the medium term.

Strategic objective 2: Maintain capital strength and solvency.

Capital adequacy ratio (%)

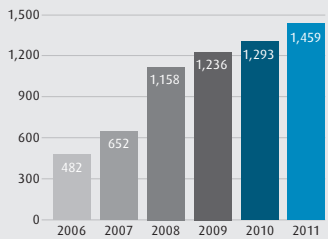


Measure
Capital adequacy ratio (CAR) equates to qualifying Basel capital divided by risk-weighted assets.

Target
Maintain a CAR of 25%.

Outcome
CAR was 18.6% at the end of 2011. We expect to achieve our target in the medium term.

Shareholders' equity (US$m)

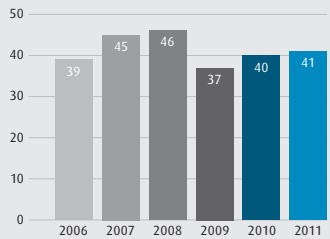


Measure
Total shareholders' equity.

Target
Deliver consistent growth in shareholders' equity to maintain a strong base to support the business.

Outcome
Shareholders' equity increased by 13% to $1.5 billion, reflecting an expansion in the share capital during the year and retention of earnings.

Liquidity ratio (%)



Measure
Ratio of liquid assets to total assets.

Target
Maintain a minimum level of 30%.

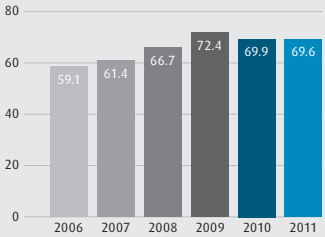
Outcome
Liquidity ratio increased slightly to 41% driven primarily by growth in deposits.

Key performance indicators

- 2011 results
- 2010 results
- 2009 results
- 2008 results
- 2007 results
- 2006 results

Strategic objective 3: Improve efficiency through economies of scale and operational / risk management.

Efficiency ratio (%)

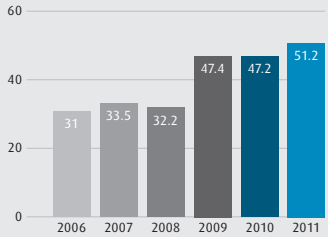


Measure
Total operating expenses divided by net operating income before impairment losses.

Target
Achieve a cost efficiency of 50% over the medium term.

Outcome
Cost efficiency continues to improve, despite negative impact of the acquisition of Oceanic Bank in 2011.

Non-interest revenue ratio (%)

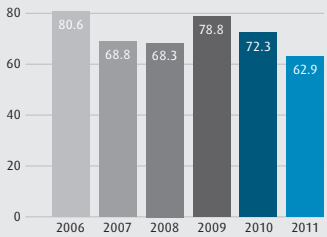


Measure
Ratio of non-interest revenue to total net revenue.

Target
Continue to increase ratio.

Outcome
Ratio has been on a rising trend which is expected to continue.

Loans to deposits ratio (%)



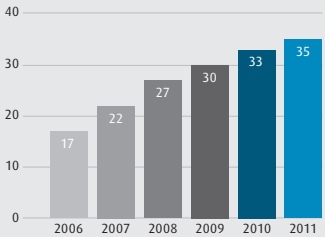
Measure
Gross customers loans divided by customer deposits.

Target
75%

Outcome
Deposit mobilization drive in 2011 has proved very successful. Conservative loan growth and acquisition of Oceanic Bank has resulted in a decline of the ratio to 63%.

Strategic Objective 4: Expand geographic footprint and customer reach.

Markets

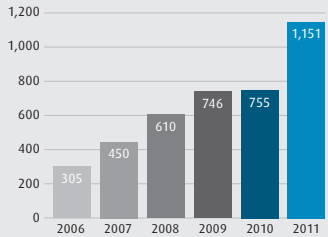


Measure
Number of markets in which Ecobank has a presence.

Target
42

Outcome
We are now in 35 markets after commencing operations in Zimbabwe and opening a representative office in London during 2011.

Branches

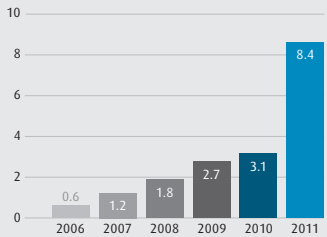


Measure
Number of branches.

Target
1,450 by 2014 and to have the largest branch network in each of our markets.

Outcome
Significant expansion in branch presence with the acquisition of Oceanic Bank in Nigeria and Premier Finance in Zimbabwe, resulting in a total of 1,151 branches at the end of 2011.

Customers (millions)



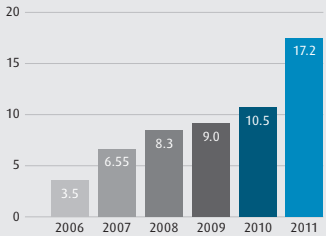
Measure
Number of customers.

Target
10 million active customers by end of 2012 and 15 million by 2014.

Outcome
Customers increased to 8.4 million, including 4.7 million customers acquired with Oceanic Bank.

Strategic objective 5: Achieve operational scale in all markets.

Total assets (US$b)

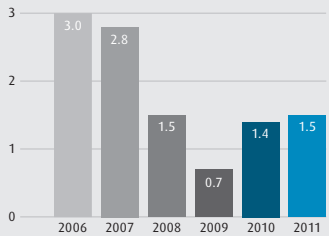


Measure
Total assets.

Target
Medium-term target of $25 billion assets and to deliver sustained growth thereafter.

Outcome
Total assets grew by 64% to $17.2 billion, principally driven by the acquisition of Oceanic Bank in Nigeria.

Return on assets (%)



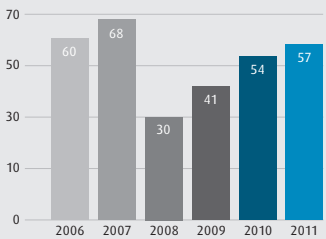
Measure
Profit after tax divided by average total assets.

Target
Medium-term target of more than 3.5% RoA of 1.5% in 2011.

Outcome
Increase in return on assets to 1.5% for 2011, impacted by the acquisition of Oceanic Bank late in the year.

Strategic objective 6: Maintain asset quality.

Coverage ratio (%)

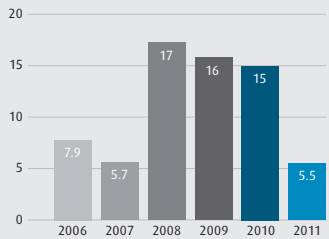


Measure
Ratio of allowance for loan impairments divided by non-performing loans.

Target
75% coverage believed to be adequate and at international standards.

Outcome
Coverage ratio increased to 57% in 2011, with target to be achieved in 2012.

Non-performing loans ratio (%)



Measure
Non-performing loans (NPLs) divided by gross loans.

Target
Maintain ratio at below 3%.

Outcome
NPLs reduced to 5.5% at the end of 2011. Achieved through a combination of rigorous credit policies and the sale of a portfolio of non-performing loans in Nigeria to AMCON.

Business and financial review

Operational highlights

Ecobank delivered significant growth in revenues and profits during 2011.

Completed acquisition of Oceanic Bank and subsequent merger with Ecobank Nigeria. Ecobank Nigeria is now the second largest bank by branches and fifth largest bank by assets in the country.

Agreement reached to acquire The Trust Bank (TTB) in Ghana, which was completed in January 2012. Following the merger of TTB with Ecobank Ghana, we are now the largest bank in Ghana by assets.

Completed migration of all subsidiaries onto single technology platform, FLEXCUBE.

Sustained conservative lending policy and strengthened risk management resulted in a 15% reduction in loan impairment loss.

Group net revenues rose 33% to $1.2 billion (2010: $900 million), despite margin compression in some of our markets. Thanks to reduced loan impairment losses, profit before tax rose by 64% to $277 million. Oceanic Bank contributed $23 million to profit before tax. Profit after tax rose by 57% to $207 million. Consequently, earnings per share increased by 54% to 1.76 US$ cents whilst return on average equity rose to 15.9% (2010: 10.4%).

Total assets increased 64% to $17.2 billion. This was due both to the acquisition of Oceanic Bank and strong growth in customer deposits, which increased by 52% to $12.1 billion, including $3.2 billion from Oceanic Bank. Loans and advances to customers increased by 40% to $7.4 billion, which included $1.1 billion from Oceanic Bank.

During the year, we focused on improving the efficiency of our existing branches. The acquisitions of Oceanic Bank in Nigeria and Premier Finance Group in Zimbabwe added a further 376 branches to our network which totalled 1,151 at the end of 2011. Our customer base increased by 171% to 8.4 million thanks to the addition of 4.7 million customers from Oceanic Bank, as well as increased marketing across the Group.

In 2011, Ecobank commenced operations in Zimbabwe through the acquisition of Premier Finance Group and opened a representative office in the United Kingdom, bringing the total of markets in which we are present to 35.

Economic environment

2011 saw significant economic growth across Ecobank's footprint.

Real GDP (annual % change)	2006	2007	2008	2009	2010	2011	2012f	2013f
World	5.2	5.4	2.8	(0.6)	5.3	3.9	3.5	4.1
Sub-Sahara Africa	6.4	7.1	5.6	2.8	5.3	5.1	5.4	5.3
Consumer prices (annual % change)								
Sub-Sahara Africa	6.9	6.9	11.7	10.6	7.4	8.2	9.6	7.5

Source: International Monetary Fund (IMF), April 2012

Three negative factors defined the global economy in 2011:

- The sovereign debt crisis in the Eurozone;
- Significant undercapitalization of internationally-active banks; and
- A flight to cash as a safe haven.

Real GDP across sub-Sahara Africa expanded on average by 5.1% in 2011, a credible result given the ongoing weakness in developed economies. Growth was supported by strong commodity prices and robust agricultural production, despite the drought in East and Southern Africa. Manufacturing and industry continued to experience difficulties stemming from poor infrastructure and insufficient power. By contrast, services continued to perform well due to strong demand for telecommunications, financial and trade related services.

In 2011, inflation and inflationary expectations increased in Middle Africa against a backdrop of increasingly weak and volatile global financial markets, a deepening debt crisis in the Eurozone, limited fiscal stimulus to boost growth, rising global commodity prices and several natural disasters. Trade imbalances as a result of weak demand for Africa's exports and rising global commodity prices resulted in many Middle African currencies depreciating against the USD last year. Currency weakness led to rising inflation across Middle Africa, which in turn led to a tightening of monetary policy in an effort to cut inflation, strengthen currencies and reduce capital flight.

Political unrest in the Middle East and North Africa (MENA) led to higher oil prices, which benefitted oil producers such as Nigeria, Angola, Ghana, Cameroon and Equatorial Guinea. In contrast, natural disasters disrupted production in soft commodity producing countries such as Kenya, Uganda, Côte d'Ivoire and Burundi. Weak demand from Europe and Asia also reduced export revenues.

Outlook

The outlook for growth in 2012 for countries in Middle Africa remains relatively positive, underpinned by high global oil and soft commodity prices. Sustained high oil prices at around US$100 / barrel and moderately rising oil production in 2012 will boost nominal oil GDP for the major oil producers such as Angola, Nigeria, Gabon and Congo-Brazzaville.

Non-oil GDP in oil producing countries is also likely to strengthen due to the impact of increased oil revenues on government expenditure on infrastructure projects. Improvements in the balance of payments in some of these countries should also help reduce domestic debt and allow for additional spending. Growth in non-oil GDP is expected to be driven mainly by the services sector, whilst the manufacturing sector is expected to face ongoing infrastructure, power and other constraints.

As the majority of countries in Ecobank's footprint are not oil producers, 2012 growth prospects will vary. Agriculture will remain an important employer and supplier of inputs to industry. However, concerns are increasing across Middle Africa regarding further drought and possible food shortages. Increased food imports will push current accounts further into deficit, putting pressure on exchange rates, both of which will add to inflationary pressures. The outlook for the services sector in non-oil producing countries is positive. Growth remains strong for telecom service providers, whilst demand for banking and financial services continues to increase.

Income statement analysis

Ecobank succeeded in growing revenues and profits significantly despite pressures on margins and increased competition in our markets.

Financial highlights

Revenues	Net interest income	Non-interest revenue
$1,196m	$583m	$612m
Up 33%	Up 23%	Up 44%

Profit before tax	Profit after tax	Profit attributable
$277m	$207m	$182m
Up 64%	Up 57%	Up 62%

Impairment losses	Operating expenses
$85.7m	$833m
Down 15%	Up 32%

Efficiency ratio	Non-interest income to total income	Effective tax rate
69.6%	51.2%	25%
Down from 69.9%	Up from 47.2%	Up from 22%

Summary of income statement

All amounts in US$ thousands	2011	2010	Growth (%)
Revenues	1,195,628	899,643	+33
Provisions for impairment	(85,748)	(101,473)	-15
Operating expenses	(832,704)	(629,180)	+32
Operating profit	277,176	168,990	+64
Share of profit of associates	246	36	+583
Profit before tax	277,422	169,026	+64
Income tax expense	(70,582)	(37,207)	+90
Profit for the year	206,840	131,819	+57

Operational highlights

Net interest income increased by 23% despite margin compression.

Non-interest revenue grew strongly, accounting for 51% of total net revenue.

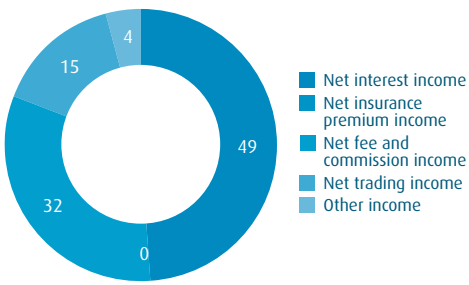
Impairment loss declined by 15% due to conservative credit risk management.

Business and financial review

Revenues

All amounts in US$ thousands	2011	2010	Growth (%)
Interest income	878,493	697,084	+26
Interest expense	(295,103)	(222,313)	+33
Net interest income	**583,390**	**474,771**	**+23**
Insurance premium income	2,466	–	
Insurance premium ceded to reinsurers	(418)	–	
Net insurance premium	**2,048**	**–**	
Fee and commission income	404,475	297,522	+36
Fee and commission expense	(21,453)	(10,653)	+101
Net fee and commission income	**383,022**	**286,869**	**+34**
Lease income	8,706	10,223	-15
Dividend income	4,209	2,587	+63
Net trading income	182,737	117,233	+56
Net gains / losses from investment securities	(549)	111	NM
Other operating income	32,065	7,849	+309
Other income	**227,168**	**138,003**	**+65**
Operating income	**1,195,628**	**899,643**	**+33**

Operating income 2011 (%)



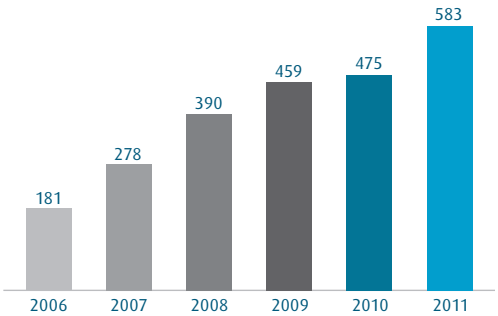
Net interest income

Net interest income increased by 23% to $583 million, representing 49% of total revenue. This increase reflected significant growth in average earning assets which outweighted a decline in net interest margins.

The increase in earning assets was predominantly in customer loans, investment securities, placements with banks and treasury bills. The acquisition of Oceanic Bank on 31 October 2011 was a significant contributor to the growth in earning assets; however, its impact on net interest income was tempered by the fact that this year's results include only a two-month contribution from Oceanic Bank.

The net interest margin fell from 6.9% in 2010 to 6.1% in 2011. This was mainly due to a shift into lower yielding assets. In particular, the loans to deposits ratio declined from 72% in 2010 to 63% in 2011. This was a result of the maintenance of a conservative lending policy and a focus on improving the quality of the existing loan portfolio. The acquisition of Oceanic Bank, with a low loans-to-deposits ratio, was also a significant contributory factor.

Net interest income (US$ million)



There was also an increase in funding costs. Whilst we were able to continue to grow low-cost deposits to 76% of the deposit base, deposits as a portion of the total funding base declined from 76% in 2010 to 70% in 2011. This was largely due to an increase in borrowings, including debt from the IFC, Nedbank, the European Investment Bank and preference shares issued as part of the consideration for the acquisition of Oceanic Bank.

Net insurance premium

An insurance business came with the acquisition of Oceanic Bank. Net insurance premium was $2.0 million, on revenue of $2.5 million and premium ceded to reinsurers of $0.4 million.

Net fee and commission income

Net fee and commission income increased by 34% to $383 million thanks to broad-based growth in business volumes. Gross fees and commissions increased by 36% to $404 million, primarily due to growth in fees and commissions on loans and cash management. The Oceanic Bank acquisition contributed $18.8 million to net fee and commission income.

Credit-related fees and commissions increased by 32% to $149 million, underpinned by growth in the loan book. Cash management fees increased by 20% to $183 million on the back of the continued growth of the deposit base and transaction volumes. Our geographic footprint provides a competitive advantage allowing us to capture the increasing trade flows across the continent. Card management fees increased by 78% to $22.7 million as we increased the number of customers with cards.

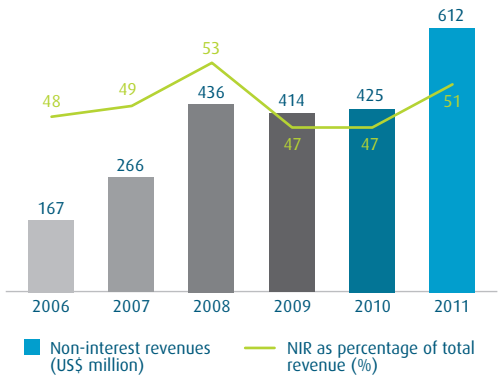
Other income

Other income rose by 65% to $227 million, primarily driven by a 56% increase in net trading income to $183 million as a result of strong growth in the volume of foreign exchange (FX) transactions and spreads, with our trading platform quoting and dealing in 22 African currencies.

Outlook

Operating income increased by 33% to $1.2 billion during 2011, with non-interest revenue accounting for over 51% of total revenue. With governments maintaining tight monetary policy to control inflation, net interest margins improving, a full contribution from Oceanic Bank and continued growth in lending and business volumes, revenue growth is expected to continue in 2012.

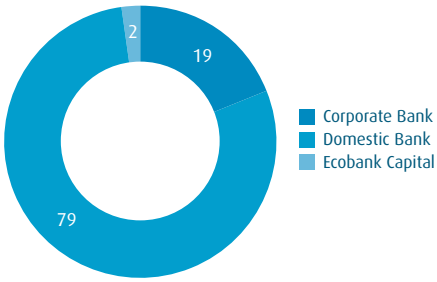
Non-interest revenues (US$ million)



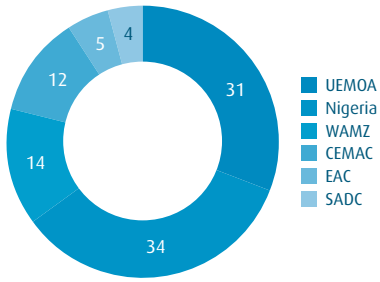
Provisions for impairment

All amounts in US$ thousands	2011	2010	Growth (%)
Provisions for loan impairment	168,826	146,152	+16
Provisions no longer required	(16,092)	–	
Amounts recovered during the year	(66,986)	(44,679)	+50
Net provision for loan impairment	**85,748**	**101,473**	**-15**

Provisions for impairment by business segment 2011 (%)



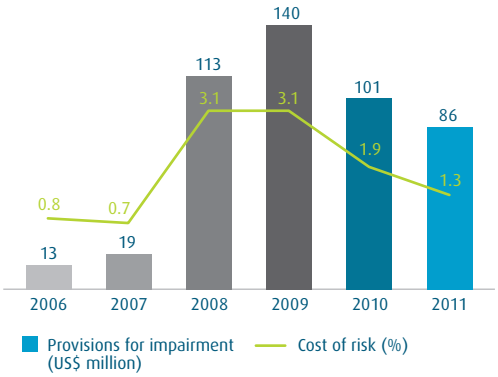
Provisions for impairment by geographic clusters 2011 (%)



Gross provisions for loan impairment increased by 16% to $169 million. This increase in provisions was a result of prudent underwriting standards and credit administration. The amount of loans recovered increased by 50% to $67.1 million, reflecting the continued efforts of our Early Warning, Remedial and Recovery (EWRR) unit under Risk Management. Additionally, we benefitted from a $16.1 million write-back of provisions.

The net provision for impairment losses declined 15% to $85.7 million and was distributed across the clusters, with Domestic Bank contributing 79% of net impairment losses.

Net provisions for loan impairment (US$ million)



The cost of risk, defined as the provision for impairment losses divided by average gross loans, reduced from 1.9% in 2010 to 1.3% in 2011 as credit conditions continued to improve.

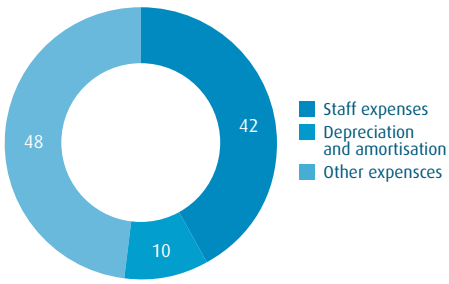
Operating expenses

All amounts in US$ thousands	2011	2010	Growth (%)
Staff expenses	346,660	265,381	+31
Depreciation and amortisation	81,846	68,687	+19
Other operating expenses	404,198	295,112	+37
Total operating expenses	**832,704**	**629,180**	**+32%**

Staff expenses

Despite a $36.6 million increase in staff expenses due to the acquisition of Oceanic Bank, overall staff expenses as a percentage of total operating expenses remained unchanged year-on-year at 42%.

Operating expense structure 2011 (%)



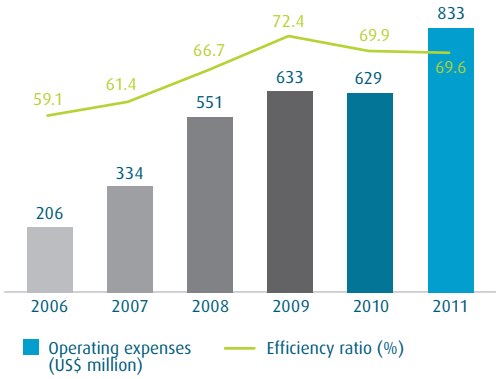
Depreciation and amortisation

Depreciation and amortization expenses increased by 19% to $81.8 million (of which $8.4 million related to the acquisition of Oceanic Bank) due to a 77% increase in property and equipment.

Other operating expenses

Other operating expenses increased by 37% to $404 million reflecting increased activity levels across the Group, including rent, insurance, advertising, travel costs and professional fees. Communications and technology costs increased by 41% to $74.3 million as the Group continued to invest in our platform. Other operating expenses included a $25 million charge relating to Oceanic Bank.

Operating expenses (US$ million)



Outlook

Total operating expenses rose by 32% to $833 million, including $69.9 million attributable to Oceanic Bank. In the short term, this acquisition has offset the impact of higher revenue growth on our efficiency ratio which improved only marginally year-on-year to 69.6% (2010: 69.9%).

We are targeting an efficiency ratio of 50% in the medium term. This ratio is expected to improve in 2012 as revenue continues to grow and we begin to leverage the investment in infrastructure and our distribution platform.

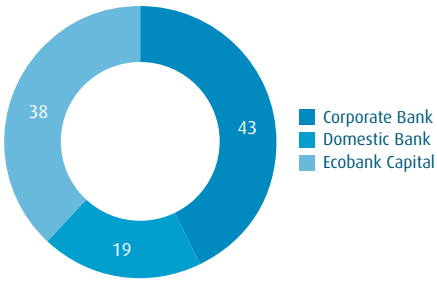
Business and financial review

Profit

Profit before tax increased by 64% to $277 million due to strong revenue growth across the Group. The contribution from Oceanic Bank amounted to $23 million.

Profit after tax increased by 57% to $207 million despite an increase in the effective tax rate from 22% in 2010 to 25% in 2011.

Profit before tax by business segment 2011 (%)



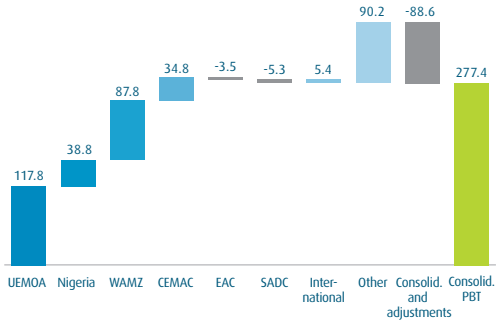
Note: Relative contributions to Group results from business segments determined before Group allocations and consolidation adjustments.

Outlook

With the losses in Nigeria now behind us, that cluster is expected to grow in 2012 as we begin to realize benefits from the acquisition of Oceanic Bank.

In addition, newer operations in EAC and SADC are expected to become profitable in 2012.

Profit before tax by geographic cluster 2011 (US$ million)



Balance sheet analysis

Ecobank delivered significant balance sheet growth in 2011 as a result of the acquisition of Oceanic Bank in Nigeria.

Total assets	Customer loans	Customer deposits
$17.2b	$7.4b	$12.1b
Up 64%	Up 40%	Up 52%

Total equity	NPL ratio	Coverage ratio
$1.5b	5.5%	56.5%
Up 13%	Down from 15.2%	Up from 56.3%

Loans to deposits ratio	Capital adequacy ratio	Tier 1 ratio
62.9%	18.6%	12.5%
Down from 72.3%	Down from 20.8%	Down from 20.2%

Summary of balance sheet

All amounts in US$ thousands	2011	2010	Growth (%)
Assets			
Earning assets			
Interbank placements	1,608,475	884,145	+82
Treasury bills and other eligible bills	745,943	588,922	+27
Other investment securities	2,708,092	909,928	+198
Loans and advances to customers	7,359,940	5,264,184	+40
	12,422,450	**7,647,179**	**+62**
Non-earning assets			
Cash and balances with central banks and other banks	2,657,495	1,855,399	+43
Property, equipment and intangibles	1,353,053	505,405	+168
Other assets	728,914	458,888	+59
Total assets	**17,161,912**	**10,466,871**	**+64**
Liabilities			
Deposits from other banks	936,612	372,384	+152
Customer deposits	12,076,495	7,924,585	+52
Other deposits	170,099	50,918	+234
Borrowed funds	1,403,021	225,975	+521
Other liabilities	1,116,349	600,399	+86
Total liabilities	**15,702,576**	**9,174,261**	**+71**
Total equity	**1,459,336**	**1,292,610**	**+13**
Total liabilities and equity	**17,161,912**	**10,466,871**	**+64**

Business and financial review

Operational highlights

Significant increase in balance sheet size following the acquisition of Oceanic Bank in Nigeria.

52% growth in customer deposits due to continued deposit mobilization.

Non-performing loans decreased by 52% on clean-up of Nigerian loan portfolio.

Interbank placements

Interbank placements increased by 82% to $1.6 billion. This was predominantly due to a significant increase in our core deposit base, particularly following the acquisition of Oceanic Bank. Ecobank was a net lender in the interbank market during 2011.

Treasury bills and other eligible bills

The balance of treasury bills and other eligible bills increased by 27% to $746 million. Higher yields in key markets led to the increased placement of treasury bills during 2011.

Other investment securities

Other investment securities, consisting principally of listed and unlisted debt and equity securities, increased by 198% to $2.7 billion, primarily due to the acquisition of Oceanic Bank.

Loans and advances to customers

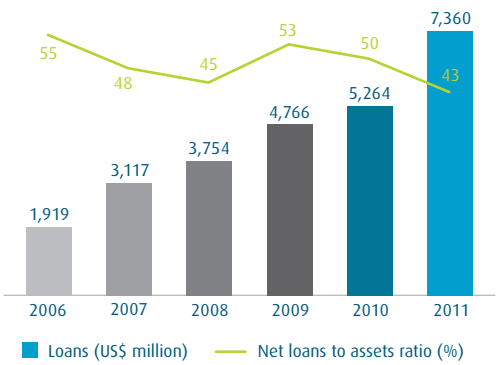
Gross loans and advances to customers increased by 33% to $7.6 billion, thanks to $1.1 billion contribution from Oceanic Bank and growth in other markets, particularly UEMOA and WAMZ.

In Corporate Bank, gross loans increased by 21% due to a broad-based growth in activity. In Domestic Bank, gross loans increased by 43%, principally due to growth in term loans.

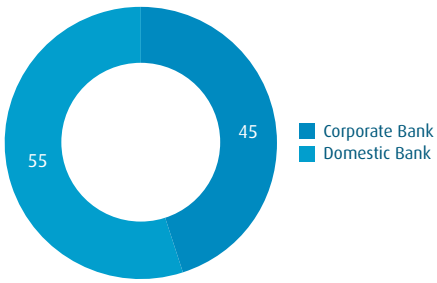
The allowance for impairment decreased by 50% to $235 million in 2011. Improved credit management and underwriting standards reduced estimated losses in the portfolio. Non-performing loans (NPLs) decreased by 52% to $415 million. This was primarily due to the sale of $372 million of NPLs to AMCON in Nigeria and the write-off of fully provisioned NPLs across the Group. As a result the NPL ratio fell to 5.5% from 15.2% in 2010.

Net customer loans and advances increased by 40% to $7.4 billion. Cautious loan growth will continue in 2012 as we focus on key markets across Middle Africa.

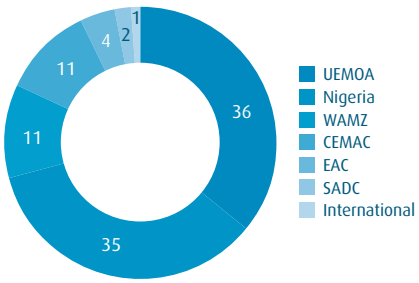
Customer loans (US$ million)



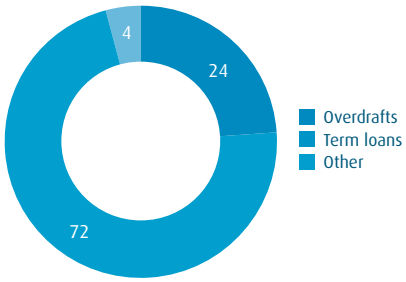
Net customer loans by business unit 2011 (%)



Net customer loans by geographic cluster 2011 (%)



Net customer loans by type 2011 (%)



Cash and balances with central banks and other banks

Cash and balances with central banks and other banks increased by 43% to $2.7 billion. This increase was due to the acquisitions in Nigeria and Zimbabwe and increased regulatory requirements in some markets.

Property, equipment and intangibles

Property, equipment and intangibles increased by 168% in 2011 to $1.4 billion. The acquisition of Premier Finance in Zimbabwe and Oceanic Bank in Nigeria added considerably to the Group's fixed assets, as well as $389 million of goodwill.

Other assets

Other assets increased by 59% in 2011 to $729 million. This included a significant increase in listed and unlisted equities held at fair value as a result of the acquisition of Oceanic Bank.

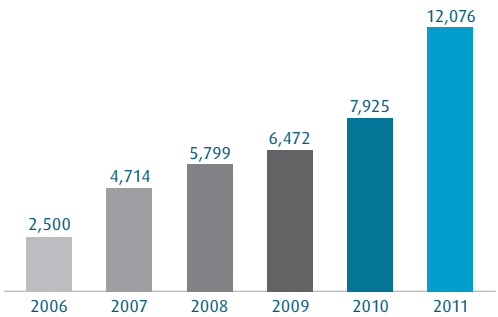
Total assets

Total assets grew by 64% over the course of 2011 to $17.2 billion, due to strong deposit growth across all the clusters and the addition of $3.8 billion of assets from Oceanic Bank. We will continue to grow our balance sheet in 2012 as we mobilize deposits across Middle Africa.

Due to customers

Deposits provide a stable and consistent source of funding for the Group. Customer deposits increased by 52% to $12.1 billion. The increase in customer deposits was particularly strong in WAMZ (up 25%) and UEMOA (up 13%). SADC deposits increased by 134%, reflecting solid growth across the region and the commencement of operations in Zimbabwe. The acquisition of Oceanic Bank added $3.2 billion of customer deposits in Nigeria.

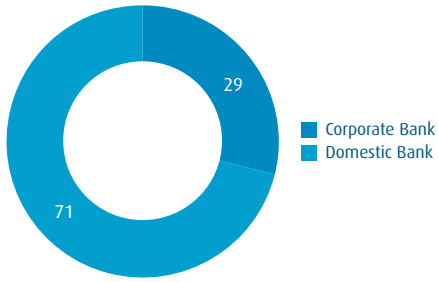
Customer deposits (US$ million)



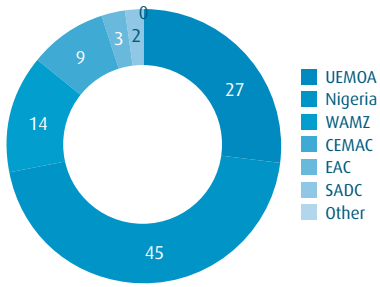
Domestic Bank achieved a 67% increase in deposits which represented 71% of total deposits at the end of 2011. This growth reflected our ability to utilize our extensive branch network to mobilize deposits.

Corporate Bank achieved a 25% growth in deposits, largely due to increased client activity and improved customer relationships.

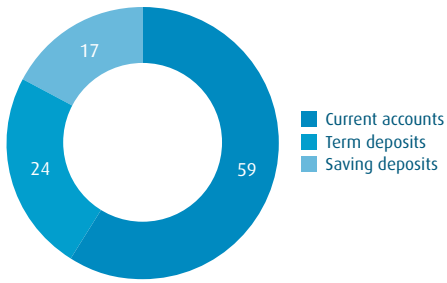
Customer deposits by business segment 2011 (%)



Customer deposits by geographic cluster 2011 (%)



Customer deposits by type 2011 (%)



Our focus is to consistently generate low-cost deposits in the form of current and savings accounts. Low-cost deposits represented 76% of total customer deposits at the end of 2011.

Borrowed funds

Borrowed funds are an alternative source of long-term funding and a critical component of the Group's liquidity and capital management activities. ETI, the parent company of the Group, is responsible for raising capital and deploys it to its affiliates as required.

Borrowings increased more than five-fold in 2011 to $1.4 billion, as the Group expanded its capital base to fund growth. A number of convertible and subordinated debt instruments were issued during the year. These included a $285 million facility from Nedbank, $104 million of preference shares issued as part of the consideration for the acquisition of Oceanic Bank and a $173 million convertible loan from the International Finance Corporation (IFC). Oceanic Bank had its own borrowings, including a $176 million loan facility from Merrill Lynch and a $202 million loan facility from the Bank of Industry in Nigeria.

Total liabilities

Total liabilities increased by 71% over the course of 2011 to $15.7 billion. Continued growth is expected in 2012, primarily due to deposit mobilization across Middle Africa.

Total Equity

Total equity increased by 13% in 2011 to $1.5 billion. This was a result of a $207 million increase in retained earnings, proceeds of $191 million from the issue of new ordinary shares as part of the consideration of Oceanic Bank and a $16.9 million gain (net of tax) on revaluations of property and equipment. However, this was offset by $81.3 million in losses on exchange rate translation of foreign operations, $59.8 million losses on assets available for sale (net of tax), payment of dividends for 2010, and $64.2 million in elimination of investments on consolidation of Oceanic Group subsidiaries.

Tier 1 capital declined from 20.2% to 12.5% of risk-weighted assets in 2011. This was due to the considerable expansion of the balance sheet and the significant goodwill on the acquisition of Oceanic Bank. However, capital adequacy remained strong at 18.6% (2010: 20.8%) following the introduction of Tier 2 capital during the year. In 2012, the Group announced the issuance of $250 million in Tier 1 capital to further strengthen its capital base.

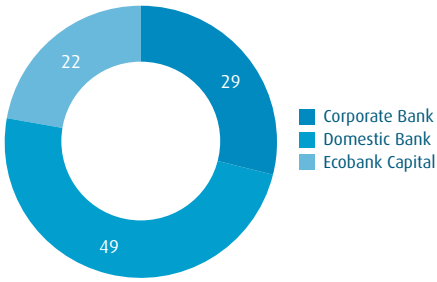
Business and financial review

Business segments

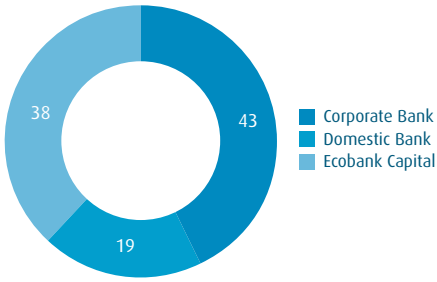
Ecobank's activities are organised into three customer-focused business segments:

- Corporate Bank
- Domestic Bank
- Ecobank Capital

Contribution to Group revenue by business segment 2011 (%)



Contribution to Group profit before tax by business segment 2011 (%)



Corporate Bank provides financial solutions to global and regional corporates, governments, financial institutions and international organisations.

Domestic Bank provides convenient, accessible and reliable financial products and services to retail, local corporate, public sector and microfinance customers. It leverages an extensive branch and ATM network as well as mobile, internet and remittances banking platforms.

Ecobank Capital provides treasury, corporate finance, investment banking and securities and asset management solutions to governments and corporate clients. Our research team, based on the ground in key markets, provides unique information support capabilities.

Corporate Bank

Corporate Bank serves five key customer segments:

Global corporates: Customers with operations in several countries headquartered outside Middle Africa and whose operations are coordinated globally.

Regional corporates: Customers with headquarters and operations in Middle Africa and whose operations are regionally coordinated.

Public corporates: Parastatal companies, such as airports, seaports, oil refineries and major state insurance companies, operating in one country with needs similar to Global Corporates.

Financial institutions: Banks, pension funds, insurance companies, development finance institutions, central banks, asset managers, private equity funds etc.

International organizations: Multilaterals, bi-laterals, international NGOs, embassies etc.

Corporate Bank is organized along customer segment and geographic cluster lines. Each customer segment is coordinated globally by a senior banker who ensures services are delivered to the clients to agreed standards. The coverage team establishes global product and service requirements for delivering in-country with the clients' global / regional decision makers. With a single point of contact and centralized global account management, a seamless "One Bank" experience is offered to corporates across Africa. Within each cluster and country, client focused teams serve local needs.

Corporate Bank offers comprehensive solutions to meet clients' requirements through a wide range of products:

- Cash management services: Solutions for every aspect of cash management, from payables to receivables, and the associated information reporting. Our payment products are designed to improve customer payments processes and to enhance the customer's operational efficiency. Our receivables solutions are structured to reduce collection cycles and to simplify reconciliations.
- Internet banking: Our internet banking services give customers secure access to corporate banking services 24/7. Ecobank Omni and Ecobank Corporate Internet Banking (ECIB) deliver customer benefits including speed in payment processing, access to critical account information for decision making and audit trail information for all user activities.
- Trade services: Provides comprehensive trade solutions to customers using various payment methods to facilitate cross-border trade through its network across Africa. Ecobank offers unique intra-African trade solutions, enabling its customers to settle their international trade transactions efficiently and to mitigate payment risks.
- Value chain finance: Provides customers with the necessary working capital to optimize their cash flows and enhance liquidity through financing sales and purchases. This includes receivables-based financing, trade loans, inventory / warehouse finance and other options.
- Lending: Offers short-term, mid-term and long-term finance. The finance facilities can be used for working capital purposes or capital expenditure.

Business and financial review

Strategic Focus

At the heart of Corporate Bank's strategy is the focus on the customer – to deliver convenient and reliable products and services to clients concentrating on:

- Leveraging the pan-Africa platform to ensure customers receive a "One Bank" experience wherever they do business.
- Deriving business and revenues from core product lines such as lending, cash management, trade and e-banking, whilst positioning Ecobank for leadership in new business initiatives such as regional trade, commodity finance and public sector collections.
- Increasing new client acquisition and the migration of existing customers across our network.
- Increasing the share of wallet by greater cross-selling.
- Improving client retention and customer loyalty through an increased focus on client care.
- Robust implementation of trade strategy, leveraging African trade corridors across the African sub-regions. Identifying opportunities in commodity finance for our key markets.
- Leveraging our international offices and alliances to drive more business onto our Africa platform.
- Strengthening our correspondent banking business to increase FX availability.
- Diversifying the deposit base and reducing the high cost of funds through public sector collections and by leveraging e-banking platforms.

Performance highlights

Corporate Bank – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	233,354	184,294	+27
– Non-interest revenue	117,738	70,882	+66
Total revenue	**351,092**	**255,176**	**+38**
Provisions for impairment	(16,260)	(38,542)	-58
Operating expenses	(212,746)	(129,268)	+65
Profit before tax	**122,086**	**87,366**	**+40**
Earning assets	3,302,441	2,667,922	+24
Customer deposits	3,465,583	2,763,096	+25
Efficiency ratio	61%	51%	
Loans / deposits ratio	96%	100%	
NPL ratio	1.3%	9.3%	

Business highlights

Business continued to grow in 2011 through new customer acquisitions, the expansion of existing customers into new territories and the increasing wallet-size of existing customers. Highlights of the year included:

- Launch of Ecobank Omni, our corporate internet banking platform, which offers our corporate clients world-class e-banking services.
- Launch of China Desk in Ecobank Ghana, seconding marketing staff from the Bank of China.
- MOU with Islamic Development Bank to collaborate on trade finance across Africa.

Financial performance

Net revenues for Corporate Bank reached $351 million, a 38% increase on 2010, including growth in non-interest revenue of 66% and growth in net interest income of 27%. Oceanic Bank contributed $6.9 million to total revenues.

Provisions for loan impairment declined by 58% to $16.3 million and operating expenses rose by 65% to $213 million, reflecting increases in both staff and non-staff related costs in line with the growth in business.

Profit before tax for Corporate Bank increased by 40% to $122 million. Oceanic Bank contributed a $7.4 million operating loss for the period.

Customer loans increased by 24% to $3.3 billion and customer deposits increased by 25% to $3.5 billion. Oceanic Bank contributed $285 million to loans and $368 million to deposits.

Outlook

The outlook for 2012 remains positive for Corporate Bank. There is opportunity for growth in good quality assets, while the increased drive for collections should reduce liabilities.

Ecobank's unrivalled pan-African footprint provides a strong competitive edge. The network advantage and global account management model will assist in new customer acquisition, customer migration across the network and increased transactional volumes and revenues. In 2012, we see particular opportunities in Nigeria and the East Africa and Southern Africa clusters.

Business and financial review

Domestic Bank

The Domestic Bank is responsible for providing convenient, accessible and reliable financial products and services to our retail, local corporate and public sector and microfinance customers. It serves five key customer segments:

Retail – consumer: Our consumer business caters for the banking needs of individuals with an emphasis on professionals, civil servants, teachers, regular salary earners and Diaspora Africans. It is further segmented into mass market, mass affluent and high net-worth individuals to enable us to deliver products and services tailored to the specific needs of customers.

Retail – small and medium scale enterprises: This segment caters for businesses with annual revenues of between $20,000 and $5 million. These are typically private family owned businesses and suppliers and distributors for multinationals, large corporates and government bodies and represent the largest business group in most of the countries in which we operate.

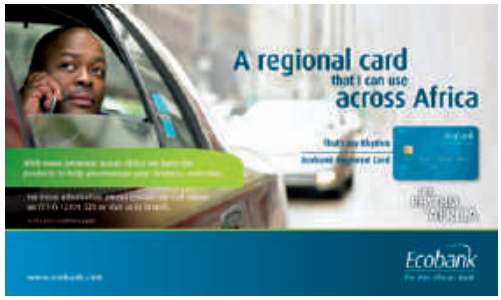
Local corporates: This segment caters for the needs of companies with annual revenues above $5 million, have formal structures (often quoted with corporate governance systems) and operate only within national boundaries.

Public sector: This business segment caters for all arms of government at Federal, National, State, Municipal, County and Local levels. As part of our value chain banking proposition, we also provide banking services to public sector staff, contractors and suppliers.

Microfinance: Through our microfinance associates in Ghana, subsidiaries in Cameroon, Burkina Faso and Sierra Leone and an affiliate in Nigeria, we empower low-income but economically active entrepreneurs by providing tailored, accessible microfinance services.

Domestic Bank has developed a suite of products and services to meet the banking needs of our business segments, including:

- Ecobank Current and Savings Accounts
- Ecobank Regional and International Cards
- Ecobank Advance Account
- Ecobank Personal and Business Loans
- Ecobank African Diaspora Account
- Ecobank Rapidtransfer
- Ecobank Western Union
- Ecobank Remittances and Collections
- Ecobank Mobile Money
- Ecobank Retail Internet Banking



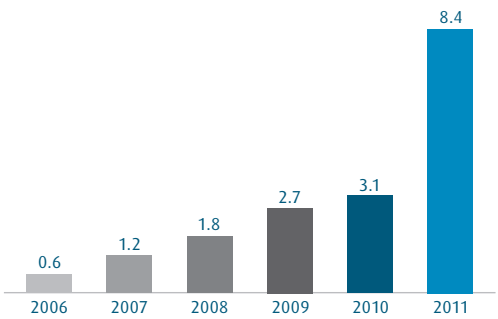
Strategy

Our goal is to be the leading banking business in Middle Africa. With a pan-African network across 32 countries, 1,151 branches and locations, 1,487 ATMs and leveraging our Ecobank Mobile, Ecobank Internet Bank and Ecobank Rapidtransfer services, we have the distribution platform to deliver payments and collections, receive deposits and grant loans to our customers across Africa.

To achieve this, we focus on:

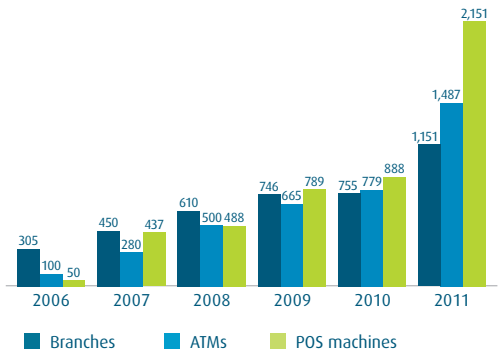
- Serving the value chain of our multinational and regional corporates, public sector, education sector and faith sector customers by providing banking services to their staff, suppliers and distributors in 32 countries in Africa.
- Product and service bundles that make banking convenient for our customers. For example, our current and savings accounts automatically provide a card, e-Alert, SMS-Alert, e-Statement and internet banking services to our customers as one service package focused on convenience.

Customers (million)



- Accessibility and reliability of our services on a 24/7 basis through various convenient channels including our branch, internet, Mobile, ATM and POS machines, and contact centre channels. We are pioneering cashless banking through our multichannel offerings.
- Providing quick loans and credit facilities based on specific packaged credit product programs that address the financing needs of our target market.

Distribution network



Business and financial review

Performance highlights

Domestic Bank – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	314,277	224,580	+40
– Non-interest revenue	283,509	223,094	+27
Total revenue	**597,786**	**447,674**	**+34**
Provisions for impairment	(68,062)	(63,729)	+7
Operating expenses	(475,789)	(376,743)	+26
Profit before tax	**53,935**	**7,202**	**+649**
Earning assets	4,057,499	2,596,262	+56
Customer deposits	8,610,912	5,161,489	+67
Efficiency ratio	80%	84%	
Loans / deposits ratio	50%	58%	
NPL ratio	8.7%	21%	

Business highlights

The acquisition of Oceanic Bank in Nigeria contributed significantly to the development of Domestic Bank during 2011. Customer numbers increased to 8.4 million, including 4.7 million from Oceanic Bank. The branch network expanded to 1,151 branches and offices. In addition to expansion, we continued to work on improving the efficiency of each branch to enhance profitability. Cards in issue increased to 4.4 million, of which 49% are active. 2.7 million of these card holders are former Oceanic Bank customers.

We are following a multi-channel distribution strategy including electronic channels. The ATM network increased to 1,487 and the POS machine network increased to 2,151 at the end of 2011. We also initiated mobile and internet banking projects.

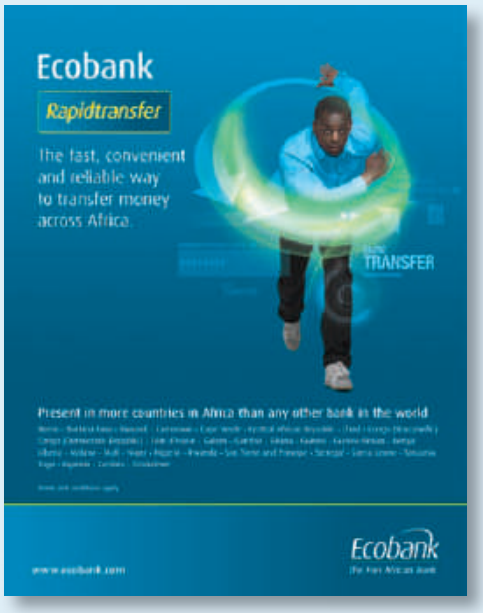
We made other significant achievements in 2011, including:

- Pan-African MOU with MasterCard International.
- Pan-African MOU with Bharti Airtel.
- Launched new world-class internet banking platform in Ghana in November.
- Launched the Ecobank African Diaspora Account in five countries.
- Launched Ecobank Mobile in four countries.

Awards in 2011

- African Banker's 2011 "Microfinance Project of the Year Award" – won by EB-Accion Microfinance in Ghana.
- 2011 Lagos Enterprise Awards "Best Microfinance Bank of the Year" – won by our affiliate in Nigeria, Accion Microfinance Bank.

Leveraging our pan-African network
Ecobank Rapidtransfer



Rapidtransfer press advertising.

Ecobank's flagship fund remittance product is Ecobank Rapidtransfer. This product is transforming the business and personal lives of traders, professionals, parents and students across Middle Africa.

Early West African civilizations thrived on trade from the Sahel to the Atlantic and vice versa. This trade route is still traveled today, albeit by another generation of merchants, which now includes professionals and students. While a merchant's family may reside in northern Mali, he / she shuttles back and forth to Niger gathering tradable goods, buying and selling wares along the way.

Goods are exchanged for money; money is exchanged for goods. Typically, these merchants carry bags of money as they traverse their trade routes, complete with all the concurrent risks.

The advent of money transfer products, cards, ATMs and POS machines, mobile and internet banking continue to redefine market dynamics. Our local merchants and families are increasingly joining the ranks of the 'banked' and Ecobank is actively facilitating this shift. While remittances are predominantly for subsistence living, we are witnessing an upsurge in cross-border remittances from diaspora to communities back home. This is driven by merchants and professionals who work in cities and industrial hubs such as Abidjan, Dakar, Lagos and Accra.

In 1998, we introduced a rapid transfer product to the region. Speed, convenience and security were the value proposition. This product was re-launched in 2010 as Ecobank Rapidtransfer, leveraging the geographical spread of Ecobank across Middle Africa and our "One Bank" approach to banking.

Ecobank Rapidtransfer is open to non-account holders and targets retail customers and small businesses seeking to transfer up to $10,000 across the length and breadth of Africa.

In recognition of the fact that we are present in more countries in Africa than any other bank in the world, our customers are embracing Rapidtransfer. Volumes more than doubled between 2010 and 2011.

Together with the Ecobank Regional Card which works on ATMs across 32 countries in Africa and Ecobank Mobile which is being rolled out within our network, Rapidtransfer will continue to make a significant contribution to the economic development of Africa and to Group revenues.

Business and financial review

Financial performance

The Domestic Bank experienced solid growth in 2011 in all key areas. Net revenues for Domestic Bank increased by 34% to $598 million. Net interest income and non-interest revenue grew by 40% and by 27% respectively. Rapidtransfer volumes grew by 106%, from $385 million in 2010 to $794 million in 2011. In Nigeria, the Oceanic Bank contributed an additional $79.6 million to revenue.

Provisions for impairment increased by 7% to $68.1 million. This moderate increase was predominantly due to prudent pre-emptive provisioning.

Operating expenses increased by 26% to $476 million on higher staff costs and branch rental charges. We are now in the process of moving from leased branches to owned branches to control costs.

Profit before tax increased by 649% to $53.9 million. Oceanic Bank contributed $31 million to operating profit, primarily due to write-backs on loans.

Customer loans increased by 56% to $4.1 billion and customer deposits increased by 67% to $8.6 billion. Oceanic Bank contributed $0.7 billion to loans and $2.8 billion to customer deposits.

Outlook

In 2012, Domestic Bank will continue to pursue branch efficiency and grow business volumes in cash management, Rapidtransfer and card services. We will complete a program of issuing cards to all existing customers and a rollout of the new internet banking platform across the Group. At the branch level, we are pursuing a hub and spoke model for sales offices.

Ecobank Capital

Ecobank Capital has four key business lines focused on solutions for corporate and government customers, namely:

- Treasury
- Investment banking
- Asset management
- Research

Treasury

Our Treasury operations provide a platform for structured FX solutions through our FX desk in Paris and a planned Currency and African Asset Distribution desk in London. Group Treasury also provides FX and fixed income products across all our operations and manages the Group's funding requirements in both local and foreign currencies.

Investment banking

Services focus on:

- Structured Trade and Project Finance, focusing on commodities and project financing using debt, equity and private / public partnerships.
- Syndications, including leading syndications with distribution within and outside the Ecobank Group, as well as arranging the participation of Ecobank affiliates in external syndications.
- Debt Capital Markets, including bonds (governments, municipals and corporate) and commercial paper for trading on stock markets and over the counter.
- Advisory and M&A, focusing on mergers and acquisitions advisory, public and private placements of equity and corporate restructuring.

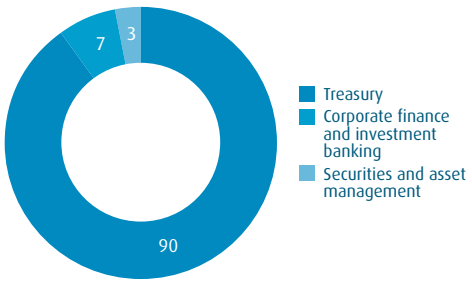
Asset management

- Asset management provides fund management and investment advisory services to individuals and institutional clients. The services include portfolio management services for high net-worth individuals and institutions, as well as collective investment schemes and buy-side advisory services to capitalize on opportunities / deal-flow in Ecobank countries.
- Stock-brokerage business provides stock market advice to investors and trades on Exchanges in Ghana, Nigeria, Abidjan and Douala.

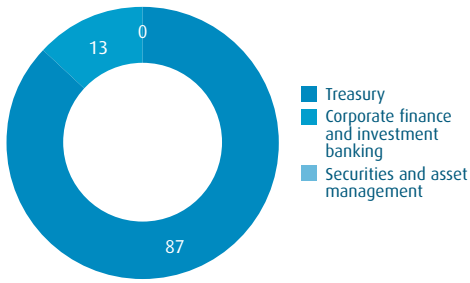
Research

Ecobank Research focuses on delivering high-quality African insights to our clients globally and also supports Corporate Bank, Domestic Bank and Ecobank Capital.
Our research team provides commodity, equity, currency and fixed income research, industry research and product-specific analysis to help individual and institutional clients navigate a complex African market place.

Ecobank Capital revenue 2011 (%)



Ecobank Capital profit before tax 2011 (%)



Strategy

There are four pillars to Ecobank Capital's overall strategy. Firstly, it aims to be the preferred bank in Africa for advising and arranging sophisticated debt and equity capital market transactions. It also is seeking to become the leading bank for foreign and local currency solutions. It aims to act as a one-stop solution for investors for asset and investment opportunities in Middle Africa. Finally, Ecobank Capital seeks to be the trusted strategic and M&A advisor to both international and Africa-based corporates.

Ecobank Capital's distinctive value proposition consists of four elements: pan-African footprint with local knowledge, client relationships, its ability to act as a direct link between African issuers and key local international investors and its premier Pan-African research.

The Ecobank Capital Research team has launched the first ever Middle Africa Bond Index (the 'Ecobank MABI') and the strategy going forward is to continue to address our customers' needs in an innovative and creative way.

The planned launch of the Currency and African Assets Distribution desk in London is aimed at strengthening our positioning as a one-stop solution for our international counterparts and investors. We want to be in a position to provide our clients with quality assets, whilst facilitating their access to Middle African markets.

Ecobank Capital has also strengthened the structured trade finance and project finance teams in order to seize the best opportunities in Middle Africa with lead arranger positions.

We will also leverage on partnerships with local banks, regional and international DFIs to increase our distribution capacity and deal execution.

Performance highlights

Ecobank Capital – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	41,503	69,376	-40
– Non-interest revenue	225,344	129,284	+74
Total revenue	**266,847**	**198,660**	**+34**
Provisions for impairment	(1,593)	798	NM
Operating expenses	(159,048)	(120,095)	+32
Share of profit of associates	246	36	+583
Profit before tax	**106,452**	**79,399**	**+34**
Earnings assets	5,065,946	2,386,176	+112
Funding	2,520,002	659,190	+282
Efficiency ratio	59.6%	60.5%	

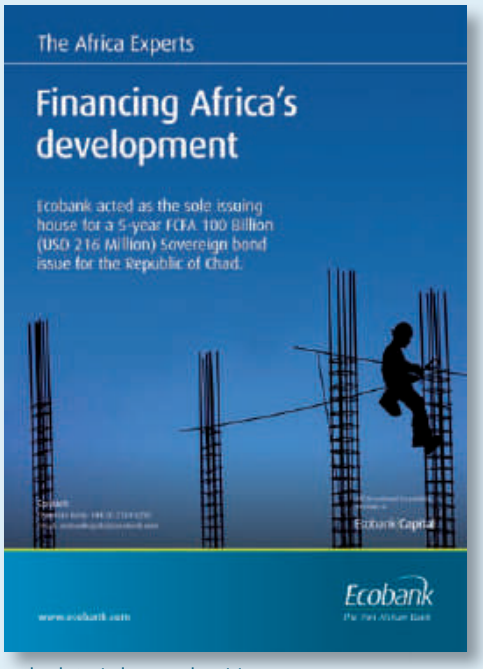
Business highlights

It was a difficult operating environment in 2011 in key markets. The Nigerian banking sector was affected by the wave of reforms, culminating in the recapitalization of all the rescued banks, as well as unfavorable earnings momentum at some banks. The Kenyan banking sector had to cope with rising inflation and interest rates as well as weak local currency. The Ivorian banking sector suffered as a result of the temporary closure of banks during the political unrest in early 2011.

Against this backdrop, Ecobank Capital made numerous achievements in 2011:

- The successful rebranding of Premier Finance as Ecobank Asset Management in Zimbabwe.
- The launch of an electronic FX platform quoting 22 African currencies versus all G10 currencies.
- Acted as lead arranger for $120 million structured crude oil facility for Société Ivoirienne de Raffinage in Côte d'Ivoire.
- Acted as lead arranger for the Republic of Chad's first local currency bond issuance, raising $215 million, a transaction which won "Best Local Currency Bond" at the EMEA Finance 2011 African Banking Awards.
- Acted as co-Advisor and Advisor to ETI for the acquisitions of The Trust Bank in Ghana and Oceanic Bank in Nigeria, the latter winning "Best financial institution deal" at the EMEA Finance 2011 African Banking Awards.
- Won the Best Africa Research Team award at the Africa Investor 2011 Index Series Awards.
- Awarded "Best Investment Bank" in Cameroon, Chad, Côte d'Ivoire and Gabon at EMEA Finance 2011 African Banking Awards.

Ecobank Capital arranges Chad's first local-currency bond



Ecobank Capital press advertising.

Ecobank is committed to reinforcing Africa's capital markets and in helping African economies to carry out the infrastructure investment essential to the development of the continent.

Ecobank Capital acted as lead arranger for the issuance of a 100 billion CFA ($215 million) 5-year, 6% coupon sovereign bond on behalf of the Republic of Chad. The transaction, which facilitated the financing of the government's infrastructure program, was structured around its receipts from the Chad-Cameroon oil export pipeline.

The Republic of Chad's first local-currency bond, launched in July 2011, was oversubscribed as local / regional institutional and retail investors were attracted by both the structure of the transaction and the attractive yield in comparison to other sovereign bonds in the CEMAC region.

This landmark deal for Chad marked its entry into the capital markets after a long, politically difficult period. This success, which contributed to raising the profile of the Ecobank Group in the region, was achieved with the collaboration of Ecobank Chad (origination) and the Ecobank network for the distribution in the CEMAC region.

In 2011, EMEA Finance recognized Ecobank Capital's impressive performance in the CEMAC region, winning the "Best Investment Bank" in Chad, Cameroon and Gabon; and the "Best Local Currency Sovereign Bond Issue in Africa" awards in its annual African banking awards. Ecobank Capital also won an award from BVMAC for the "Best Issuing House" in the CEMAC.

Including Chad, Ecobank was involved in raising more than $900 million via bond issues for various countries in West and Central Africa in 2011. This confirms Ecobank's dominant position in Middle Africa in the capital market space and, most importantly, our ongoing ability to arrange and distribute first-time issuances in both local / regional and international capital markets (e.g. the first local currency bond for the International Finance Corporation (IFC), the first local currency bond issue for Central Africa Development Bank, the first local currency bond issuance for Chad and the first Eurobond issue for Ghana).

Financial performance

Ecobank Capital's net revenue grew by 34% to $267 million. Net interest income declined 40% to $41.5 million, however this was more than offset by a strong growth in non-interest revenue which increased by 74% to $225 million. There was also a $10.5 million revenue contribution from Oceanic Bank.

Treasury revenues grew 30% year-on-year due to increased volumes in FX and fixed income trading. Investment banking more than doubled its 2010 revenues. This was due largely to growth in project finance, debt capital market and M&A and advisory parts of the business. Growth in the project finance and advisory was linked to the strengthening of the teams to better support the regional clusters. The asset management business recorded growth of 40%.

The key focus for 2011 was putting a new group structure in place and hiring key staff. As a result, operating expenses increased by 32% to $159 million. However, increased revenues resulted in a slight improvement in the efficiency ratio to 60%. Profit before tax remained strong in the year under review, recording a 34% growth to $106 million.

Earning assets increased by 112% to $5.1 billion and funding liabilities increased by 282% to $2.5 billion. Oceanic Bank contributed $1.1 billion to assets and $0.6 billion to funding. Funding comes from interbank deposits, interbank borrowings and other borrowed funds.

Outlook

The Paris platform is operational for FX, fixed income and debt distribution and, following regulatory approval, London will be operational in 2012. The treasury team has been reorganized to provide better coverage of all our clusters and risk architecture and systems are being implemented in all countries to improve the quality of our assets.

The focus for 2012 will be on deepening our market penetration and growing our revenue base in all our business lines whilst keeping our costs under control. Our research team will continue to develop innovative solutions and provide world-class analysis. Our investment banking team will seek to lead most of the major debt capital market opportunities in Middle Africa.

We will seek to be the broker of choice in all our operating markets and to grow our funds under management through pension and managed funds, thus ensuring the provision of superior returns to clients by our securities and asset management team.

Geographic clusters

Our operations in Middle Africa are grouped into six geographic clusters, according to size and shared attributes such as common currency or membership of a regional economic community. Our international operations outside of Middle Africa form a seventh cluster.

Francophone West Africa (UEMOA)

Francophone West Africa comprises the eight countries of the Union Economique et Monétaire Ouest Africaine (UEMOA), namely Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. Cape Verde is also included for management purposes although it is outside UEMOA. The eight UEMOA countries have a common currency, the CFA franc (XOF), and the same regional central bank – the Central Bank of West African States or BCEAO. These countries have a common business law (OHADA) and one stock exchange (BRVM).

Economic environment

	Date commenced operations	GDP US$m	Real GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Togo	1988	3,153	4.1	4.4	3.6	1.5
Côte d'Ivoire	1989	22,780	(4.7)	8.1	4.9	2.0
Benin	1990	6,633	3.1	3.5	2.7	7.0
Burkina Faso	1997	8,820	5.6	5.0	2.7	2.5
Mali	1998	9,251	2.7	6.0	3.1	6.1
Niger	1999	5,549	2.3	14.0	2.9	4.5
Senegal	1999	12,954	2.6	3.8	3.4	3.0
Cape Verde	2004	1,648	5.0	4.3	4.5	2.1
Guinea Bissau	2007	879	5.3	4.5	5.0	3.5
Total UEMOA		**71,667**				

Source: IMF, April 2012 and World Bank, July 2011

Economic activity improved across this region of 100 million people in 2011, despite political unrest in Côte d'Ivoire early in the year. The Euro-linked XOF depreciated nearly 4% against the US$ in 2011 due to economic uncertainties in the Eurozone. Nonetheless, inflation remained low at around 3% for most countries in the region due to the fiscal stability afforded by the exchange rate peg.

Performance highlights

Francophone West Africa – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	189,306	151,154	+25
– Non-interest revenue	178,247	129,897	+37
Total revenue	**367,553**	**281,051**	**+31**
Provisions for impairment	(25,628)	(8,589)	+198
Operating expenses	(224,144)	(181,956)	+23
Profit before tax	**117,782**	**90,506**	**+30**
Total assets	4,683,862	3,952,044	+19
Loans	2,632,702	2,210,630	+19
Deposits	3,260,560	2,885,122	+13
Net assets	329,508	318,367	+3
Efficiency ratio	61%	65%	
Loans / deposits ratio	82%	79%	
NPL ratio	4.5%	7.2%	

Financial highlights

Revenues for the cluster rose 31% to $368 million in 2011, underscored by growth in most markets. Having suffered a slowdown in the first half of the year due to the political crisis, revenues from Côte d'Ivoire rebounded strongly in the fourth quarter. Stable interest rates and inflation helped support growth in net interest income, which increased by 25% and represented 52% of revenue. Non-interest revenue increased by 37%, reflecting higher business volumes and client activity. Growth in non-interest revenue was particularly strong in Benin (up 54%), Mali (up 32%) and Côte d'Ivoire (up 26%).

Operating expenses increased by 23% to $224 million. This resulted in an improvement in the efficiency ratio to 61%.

Overall, credit quality improved in the region. Non-performing loans declined to 4.5% of portfolio. Provision for loan impairments increased by 23% to $23.7 million as the result of higher provisions in Burkina Faso, Côte d'Ivoire and Mali.

Profit before tax from this cluster increased by 30% to $118 million with growth in most markets.

Total assets rose by 19% to $4.7 billion on the back of a 11% rise in customer deposits to $3.2 billion. Customer loans grew by 19% to $3.3 billion.

Outlook

There will be an increased focus on cost control in 2012 to drive down the cost to income ratio whilst revenue growth will be driven by flagship products. The outcomes of the political unrest in Mali and Guinea Bissau remain uncertain at this time; they may have a negative impact on the cluster's results if not resolved quickly.

Nigeria

Nigeria constitutes a cluster in itself by virtue of its size.

Economic environment

	Date commenced operations	GDP US$m	GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Nigeria	1989	193,669	7.2	7.1	10.8	11.2

Source: IMF, April 2012 and World Bank, July 2011

GDP growth in Nigeria in 2011 was solid, expanding by over 7%, despite a slowdown in demand from the Eurozone, adverse shocks from terrorism and infrastructure deficiencies. Nigeria's strong growth reflects a number of factors, including its relative insulation from the Eurozone crisis, the diversification of its oil exports towards fast-growing emerging markets and resilient domestic demand. High commodity prices also supported the export sector, although foreign reserves remained relatively low for such a large oil exporter. Low reserves added to pressures on the Naira, which depreciated over 6% in 2011, resulting in high inflation of close to 11%.

Performance highlights

Nigeria – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	176,648	144,142	+23
– Non-interest revenue	183,770	110,431	+66
Total revenue	**360,418**	**254,573**	**+42**
Provisions for impairment	(28,830)	(71,089)	-59
Operating expenses	(292,747)	(199,803)	+47
Profit before tax	**38,841**	**(16,319)**	**+338**
Total assets	7,503,192	2,996,881	+150
Loans	2,606,013	1,517,383	+72
Deposits	5,471,717	2,257,713	+142
Net assets	523,625	506,541	+3
Efficiency ratio	81%	78%	
Loans / deposits ratio	50%	81%	
NPL ratio	7.5%	31.5%	

Highlights

Revenues in Nigeria increased by 42% to $360 million. Strong underlying growth in both net interest income and non-interest revenue was augmented by the acquisition of Oceanic Bank which added a two-month contribution of $78.9 million in revenue.

The merger with Oceanic Bank has transformed Ecobank Nigeria into a Tier 1 bank with the second largest branch network in Nigeria and ranking fifth overall in terms of assets.

Provision for loan impairments decreased by 59% to $28.8 million, largely due to the sale of non-performing loans to AMCON.

Operating expenses increased by 47% to $293 million, with Oceanic Bank contributing $69.9 million of that increase.

Profit before tax from this cluster increased by 338% to $38.8 million, including a $23 million contribution from Oceanic Bank, principally derived from the write-backs of provisions.

Total assets increased by 150% to $7.5 billion, largely due to the full consolidation of Oceanic Bank's $3.8 billion of assets. Customer deposits and customer loans also increased by 142% to $5.5 billion and 72% to $2.6 billion respectively, again principally attributable to Oceanic Bank's contribution of $3.2 billion and $1.1 billion respectively. There was little underlying loan growth in Nigeria due to the sale of a large portfolio of loans to AMCON.

Outlook

The outlook for Nigeria is positive thanks to an ongoing economic reform process, which is stimulating new financing opportunities, and the banking sector now being in a healthy state.

The focus for 2012 will be the integration of Oceanic Bank with Ecobank Nigeria, to maximise revenue synergies from the combined customer bases and expertise, as well as making cost savings.

Acquisition of Oceanic Bank fulfills objective of achieving scale in Nigeria

Ecobank acquired 100% of Oceanic Bank on 31 October 2011 following approvals by shareholders of both institutions and the completion of all the required regulatory and legal processes.

Purpose of acquisition

Nigeria is the most populous country in Africa and central to the growth strategy of the Group. A key strategic aim for the Group is to achieve a "Top 3" market position in each of our markets. The aim of this acquisition is to transform Ecobank into a leading financial services institution in Nigeria with a significant market share on all metrics and a powerful distribution network.

The acquisition has resulted in a number of key benefits:

- The creation of a leading distribution network across all states of Nigeria with 613 branches and offices, 870 ATMs and 1,328 POS machines.
- Achieving Ecobank's strategic goal of an increased market share in Nigeria. The combined entity ranks in the Top 5 (by assets), Top 4 (by deposits) and Top 2 (by branch network).
- Providing Ecobank with an exposure to Nigeria that better reflects the size of Nigeria's economy relative to other African markets.
- There are considerable synergies to be achieved from the merger as well as the potential to divest valuable non-core assets.

The acquisition also delivers economies of scale to the Ecobank Group, increasing the balance sheet value to $17.2 billion and the distribution network to 1,151 branches and 1,487 ATMs servicing 8.4 million customers across 35 countries.

Synergies

Oceanic Bank is highly complementary to our business and growth strategy in Nigeria. By combining Oceanic Bank's retail customer base and strong public sector franchise with Ecobank's multinational and local corporate clients, we will create a leading full service financial institution and consolidate Ecobank's position as a market leader in Nigeria.

Significant synergies are expected to be achieved from the merger:

- Leveraging economies of scale in procurement, infrastructure and funding costs.
- Rationalization of overlapping functions and branch network.
- Ability to fund larger transactions and apply best practice across the enlarged entity.
- Revenue synergies from expanded client base of large corporations and public sector clients.

The guidelines issued by the Central Bank of Nigeria require all commercial banks to divest non-core banking activities. As a result, the non-core banking subsidiaries of Oceanic Bank were spun off in a corporate reorganisation exercise to ETI and its subsidiaries. Businesses which complement the strategic objectives of the Group are to be retained; the remainder will be divested to interested third parties. ETI is currently in discussions with potential purchasers of a number of the subsidiaries.

Merger creates a new giant in Nigeria

	At 30 June 2011		At 31 December 2011
	Ecobank Nigeria	Oceanic Bank	Enlarged Ecobank Nigeria
Customer loans and advances	US$1,240m	US$1,706m	US$2,606m
Total assets	US$3,357m	US$6,389m	US$7,503m
Customer deposits	US$2,373m	US$3,647m	US$5,472m
Branch network	234	373	613
ATM network	205	681	870
Customers	1.1m	4.0m	5.9m
Employees	3,178	14,207	16,518

Transaction structure

The transaction was structured in two phases. In the first phase, ETI acquired 100% of Oceanic Bank for a consideration of N55 billion ($345 million). The consideration was made up of 70% ordinary shares and 30% convertible preference shares. AMCON reduced the net asset value of Oceanic Bank to zero at this time.

In the second phase, ETI merged Oceanic Bank with Ecobank Nigeria. As part of the merger, ETI raised its interest in the combined business to 100% by buying out the minority shareholders of Ecobank Nigeria. The larger Ecobank Nigeria was recapitalized to 12.4% capital adequacy at 31 December 2011. Ecobank Nigeria was delisted from the NSE in 2012.

Post-merger

The two banks merged formally on 30 December 2011. The Board of Ecobank Nigeria has been reconstituted to include the senior management of both banks as well as some of ETI's Board members.

Integration planning commenced in October 2011, even before the legal merger, with the setting up of the Integration Committee and the Integration Office and the hiring of McKinsey & Co to advise on the integration process. The process of integration and transformation began in Q4 2011 with Oceanic adopting the business model, risk framework, organizational structure, policies and procedures of Ecobank, including the embedding of experienced Ecobank staff in some key departments. Integration is expected to be completed in 2012.

Rest of West Africa (WAMZ)

Ecobank's Rest of West Africa cluster comprises five countries in the West African Monetary Zone (WAMZ) namely, Ghana, Guinea, Liberia, Sierra Leone and The Gambia.

Economic environment

	Date commenced operations	GDP US$m	GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Ghana	1990	31,306	13.6	8.8	8.7	9.6
Guinea	1999	4,511	3.6	4.7	21.5	15.0
Liberia	1999	986	6.4	8.8	8.5	5.2
Sierra Leone	2006	1,905	5.3	35.9	18.5	11.5
The Gambia	2007	807	3.3	(1.7)	4.8	4.7
Total WAMZ		**39,515**				

Source: IMF, April 2012 and World Bank, July 2011

Growth in the Rest of West Africa region was reasonably strong, at around 5% in real terms. With a population of 46 million people, domestic demand for consumer goods remained robust, boosted by Ghana's strong oil-related GDP growth of over 13%.

Weak fiscal policies across the region helped push up inflation to double digit rates. As most countries are oil importers, high oil prices in 2011, coupled with weak demand for exports to Europe, led to widening current account deficits.

Performance highlights

Rest of West Africa – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	120,813	103,403	+17
– Non-interest revenue	108,451	80,294	+35
Total revenue	**229,264**	**183,697**	**+25**
Provisions for impairment	(11,833)	(11,576)	-2
Operating expenses	(129,801)	(98,646)	+32
Share of profit of associates and joint venture	185	36	NA
Profit before tax	**87,815**	**73,511**	**+20**
Total assets	2,243,240	1,705,876	+31
Loans	837,110	475,864	+76
Deposits	1,628,257	1,303,724	+25
Net assets	228,548	200,637	+14
Efficiency ratio	57%	54%	
Loans / deposits ratio	53%	39%	
NPL ratio	2.1%	8.8%	

Highlights

Revenues in the Rest of West Africa cluster rose 25% to $229 million, underpinned by particularly strong growth in Guinea (55%) and Ghana (22%) which offset anemic growth in Liberia (3%). Net interest income increased by 17%, benefiting from higher yields on government securities. Non-interest revenue increased by 35% reflecting higher loan balances and client activity.

Provisions for loan impairment remained relatively flat at $11.8 million. Credit quality in the region improved significantly during 2011. Effective underwriting standards and credit management drove the NPL ratio down to 2.1% in 2011.

Operating expenses increased by 32% to $130 million due to higher staff and non-staff related costs across the cluster. The efficiency ratio deteriorated to 57% due to reduced efficiency in Liberia and Sierra Leone.

Profit before tax from this cluster increased by 20% to $87.8 million with growth in all markets apart from Liberia, which experienced loan losses, and the Gambia.

Total assets rose by 31% to $2.2 billion on the back of a 26% rise in customer deposits to $1.6 billion. Accelerated loan growth in Guinea, Ghana and Sierra Leone led to a 77% rise in customer loans to $841 million. During 2011, Ghana significantly reduced its holdings in available-for-sale assets and grew its loan portfolio by 57%. As a result of changes in the region's earnings mix, the loans-to-deposit ratio increased to 53% in 2011, compared to 37% in 2010, without material compromise to liquidity requirements.

Outlook

In the fourth quarter, the acquisition of The Trust Bank (TTB) in Ghana was announced. This deal closed in January 2012. A key focus for 2012 will be the integration of this business, which is particularly strong in the SME sector and has propelled Ecobank to the position of the largest bank in Ghana by assets.

A continued focus on shifting from non-earning assets to earning assets in Liberia, Guinea and The Gambia will also improve returns and loan growth.

Central Africa (CEMAC)

Central Africa comprises the six countries of the Commission de la Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC) and Sao Tome & Principe. Ecobank is present in all the countries with the exception of Equatorial Guinea, where Ecobank received approval to commence operations in 2011.

The six CEMAC countries have a common currency, the CFA franc (XAF), one regional central bank – the Banque des Etats de l'Afrique Centrale (BEAC), a common commercial law code (OHADA) and two stock exchanges: the Douala Stock Exchange (DSX) and the Gabon Stock Exchange.

Economic environment

	Date commenced operations	GDP US$m	GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Cameroon	2001	22,394	4.1	4.1	2.9	3.0
Chad	2006	7,588	1.6	6.9	1.9	5.5
Central African Republic	2007	2,013	3.1	4.1	0.7	2.5
Sao Tome & Principe	2007	197	4.9	5.5	14.3	8.3
Congo – Brazzaville	2008	11,898	4.5	3.1	1.9	2.7
Gabon	2009	13,011	5.8	5.6	1.3	2.3
Total CEMAC		**57,101**				

Source: IMF, April 2012 and World Bank, July 2011

Real GDP growth in the CEMAC region was mixed in 2011. Most oil producers recorded growth in excess of 5% due to higher oil prices. However, landlocked or island states performed weakly, reflecting high import costs and lower levels of domestic demand. The XAF peg to the Euro helped to contain inflation at around 3% as did more responsible fiscal policies. Current account deficits remained the norm, due to strong demand from a population of 41 million, combined with high global commodity prices.

Performance highlights

Central Africa – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	58,744	43,854	+34
– Non-interest revenue	70,519	52,738	+34
Total revenue	**129,263**	**96,592**	**+34**
Operating expenses	(84,493)	(63,161)	+34
Provisions for impairment	(9,989)	(6,688)	+49
Profit before tax	**34,781**	**26,744**	**+30**
Total assets	1,429,633	1,213,717	+18
Loans	807,906	582,963	+39
Deposits	1,083,270	979,302	+12
Net assets	112,035	84,255	+33
Efficiency ratio	65%	65%	
Loans / deposits ratio	77%	62%	
NPL ratio	3.4%	5.6%	

Highlights

Revenues increased by 34% to $130 million supported by continued economic growth across the cluster. The increase in net interest income was due to a slight improvement in net interest margins and higher earning asset balances. The increase in non-interest revenue reflected growth in business volumes.

Operating expenses also increased by 34% to $84.8 million, as a result of higher staff-related expenses in most markets. Efficiency gains were achieved in Chad, Congo Brazzaville and Central Africa, where the efficiency ratio averaged 55%. In the other affiliates, despite efficiency improvements, costs remained high relative to revenue. Cameroon, saw a decline in its efficiency ratio.

Provision for loan impairment for the year was $10.0 million, principally attributable to Cameroon and Chad. Credit quality improved in the region's loan portfolios, particularly in the Corporate Bank portfolio. The NPL ratio declined to 3.4% in 2011, reflecting improved credit risk management.

The Central Africa cluster achieved a 30% growth in profit before tax to $34.8 million, reflecting strong revenue growth, continued efficiency gains and improved credit management. This robust performance was a result of strong growth in The Central Africa Republic, Congo Brazzaville and Chad, which offset the decline in Cameroon. Gabon, the newest affiliate in the Central Africa cluster turned a loss of $0.9 million in 2010 into a pre-tax profit of $1.6 million in 2011.

Total assets increased by 18% to $1.4 billion, boosted by a 12% increase in deposits to $1.1 billion. A significant shift towards higher income earning assets contributed to the 41% increase in customer loans to $821 million, which resulted in an improvement in the loans to deposits ratio to 75%. Most markets, with the exception of Chad, experienced loan growth.

Outlook

Central Africa is expected to continue to perform well as the region develops.

East Africa (EAC)

Our East Africa region comprises the member countries of the East African Community (EAC), namely Burundi, Kenya, Rwanda, Uganda and Tanzania. We are the only bank to have operations in all the countries of the EAC.

Economic environment

	Date commenced operations	GDP US$m	GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Rwanda	2007	5,628	8.8	7.6	5.7	7.9
Kenya	2008	31,409	5.0	5.2	14.0	10.6
Burundi	2008	1,611	4.2	4.8	14.9	10.3
Uganda	2009	17,011	6.7	4.2	6.5	23.4
Tanzania	2010	23,057	6.7	6.4	7.0	17.4
Total EAC		**78,716**				

Source: IMF, April 2012 and World Bank, July 2011

Real growth in the EAC region was led in 2011 by Rwanda, closely followed by Tanzania and Uganda, which both expanded by nearly 7%. Growth in Kenya was constrained by a number of bottlenecks within the economy as well as the impact of drought. Domestic growth remained strong offsetting a slowdown in demand from the Eurozone particularly for horticultural goods and flowers.

Nonetheless, due to their focus on diversifying exports towards Asia, most EAC economies remained relatively insulated from the Eurozone crisis. Drought, currency weakness, and strong domestic demand led to high inflation, which reached 14% in Kenya, and significant current account pressures across the region – a deficit of 12% was recorded in Kenya and 11% in Uganda.

Performance highlights

East Africa – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	26,536	25,486	+4
– Non-interest revenue	30,691	24,875	+23
Total revenue	**57,227**	**50,361**	**+14**
Operating expenses	(56,656)	(49,559)	+14
Provisions for impairment	(4,082)	(3,833)	+6
Loss before tax	**(3,511)**	**(3,031)**	**+16**
Total assets	619,995	605,587	+2
Loans	282,762	227,058	+25
Deposits	417,605	396,123	+5
Net assets	61,864	101,147	-37
Efficiency ratio	98%	98%	
Loans / deposits ratio	71%	63%	
NPL ratio	7.5%	15.8%	

Highlights

The East Africa cluster achieved 14% revenue growth in 2011 to $57.2 million. A solid performance from subsidiaries in Burundi, Uganda and Tanzania reflected higher margins and loan growth. Results from Rwanda and Kenya were flat due to difficult business environments. Net interest income increased by just 4% overall primarily due to a 31% decline in Kenya. Non-interest revenue grew by 23%, reflecting strong growth in fees and commissions and trading income across the cluster.

Operating expenses increased by 14% to $56.7 million primarily due to higher non-staff related costs. Cost levels are comparatively higher in our East Africa cluster, reflecting the immaturity of our activities; the average number of years of operation here is only four years. Efficiency gains are being made; however results in Kenya and Rwanda adversely affected the overall efficiency ratio for the cluster.

Provisions for loan impairment during the year increased by 6% from 2010 to $4.1 million and primarily related to Rwanda.

The loss before tax increased by 16% to $3.5 million. Rwanda and Tanzania remain loss-making.

Total assets grew by 3% to $620 million, driven by a 5% growth in customer deposits to $418 million. Importantly, customer loans grew by 25% to $283 million, an encouraging sign of underlying business growth.

Outlook

With a turnaround in Kenya and Rwanda and continued momentum from aggressive marketing of our flagship products, East Africa's performance is expected to improve significantly in 2012.

Southern Africa (SADC)

The Southern African cluster comprises Angola, Democratic Republic of Congo, Malawi, Mozambique, Zambia and Zimbabwe, which form the Southern Africa Development Community (SADC). Ecobank is present in all of these countries except Mozambique. We have a representative office in Luanda, Angola.

Economic environment

	Date commenced operations	GDP US$m	GDP growth rate		Inflation	
		2010	2011	2012f	2011	2012f
Democratic Republic of the Congo	2008	13,145	6.9	6.5	15.5	12.7
Malawi	2008	5,106	5.5	4.3	7.6	11.1
Zambia	2009	16,193	6.6	7.7	8.7	5.6
Angola	2010	84,391	3.4	9.7	13.5	11.1
Zimbabwe	2011	7,474	9.3	4.7	3.5	6.2
Total SADC		**126,309**				

Source: IMF, April 2012 and World Bank, July 2011

Real growth in the Southern Africa cluster averaged 6% in 2011. The region was affected by the Eurozone slowdown and, to a lesser extent, the adverse impact of drought, as seen in East Africa. Nonetheless, the strong overall rate of growth reflects a relative insulation from the global and Eurozone crises and diversification of exports toward fast-growing emerging markets.

High commodity prices affected all markets, particularly landlocked countries, which increased current account deficits, leading to currency depreciation (excluding Zimbabwe, which was largely dollarized last year). Inflationary pressures remained high owing to drought and the strength of global commodity prices.

Performance highlights

Southern Africa – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	17,236	9,352	+84
– Non-interest revenue	19,484	8,702	+124
Total revenue	**36,720**	**18,054**	**+103**
Operating expenses	(38,249)	(20,105)	+91
Provisions for impairment	(3,793)	(497)	+663
Profit before tax	**(5,322)**	**(2,548)**	**-119**
Total assets	331,393	160,071	+107
Loans	157,480	63,185	+149
Deposits	199,744	85,383	+134
Net assets	35,315	28,005	+26
Efficiency ratio	104%	111%	
Loans / deposits ratio	83%	76%	
NPL ratio	13.2%	3.6%	

Highlights

Revenues of the cluster increased by 103% to $36.7 million as strong growth was achieved in most major income lines across each country. In addition, we began operations in Zimbabwe in January 2011 following the acquisition of a 70% interest in Premier Finance which is now operating as Ecobank Zimbabwe.

Operating expenses increased 91% to $38.2 million due to the addition of Zimbabwe as well as increased costs in Zambia and the DRC. Provisions for impairments increased by 663%, principally due to concerns in Zimbabwe and Zambia.

As our operations are relatively new in this cluster, we experienced a loss before tax of $5.3 million. Operations in Zambia and Zimbabwe are yet to break-even. However, operations in DRC and Malawi were profitable.

Total assets increased by 107% to $331 million, due to a 134% increase in customer deposits to $200 million and also to the acquisition in Zimbabwe. Customer loans grew 149% to $157 million on new business lending.

Outlook

Significant growth opportunities remain. We will maintain momentum in 2012 through the growth of our flagship products across the cluster. Continued growth, combined with a focus on efficient resource utilization to control costs, will improve efficiency.

In Zambia, the government has announced plans to increase the minimum capital requirements by the end of 2012. We are currently in negotiations regarding the implications for Ecobank.

Business and financial review

International

The International cluster incorporates our business outside of Africa. In 2009 EBI SA, a non-banking financial institution, was opened in Paris, France. Representative offices were opened in Dubai, UAE in 2010 and in London, United Kingdom, in 2011. The focus is on servicing multinational corporations and international institutions in Europe that do business with and in Africa.

Performance highlights

International – performance highlights (All amounts in US$ thousands unless otherwise stated)	2011	2010	Growth (%)
Revenue			
– Net interest income	1,293	879	+47
– Non-interest revenue	14,278	2,216	+544
Total revenue	**15,571**	**3,095**	**+403**
Operating expenses	(10,214)	(4,566)	+124
Provisions for impairment	–	–	–
Profit before tax	**5,357**	**(1,471)**	**NM**
Total assets	325,161	319,714	+2
Net assets	64,964	23,731	+174
Efficiency ratio	66%	148%	

Highlights

By continuing to leverage Ecobank's Middle African footprint, volumes continue to grow; revenues from this business increased by 403% in 2011 to $15.6 million. Operating expenses grew by 124% to $10.2 million, reflecting the expansion of the business. The bulk of the business is trade finance, however the FX business is growing and Ecobank is the only bank that can offer 24 African currencies.

Total assets remained relatively stable in 2011 at $325 million.

Outlook

A significant increase in capital occurred in late 2011, which will facilitate business expansion. The focus in 2012 will remain on leveraging Ecobank's network to support financial flows between Europe and Africa. A Currency and Africa Asset Distribution Desk (CAAD) will be set up in London to support the distribution of exotic currencies and structured products. Progress will also be made in relation to the establishment of representative offices in New York, USA, and Beijing, China.

Laurence do Rego
Group Executive Director
Head of Finance and Risk

Corporate governance

Corporate governance report

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 institutionalizing corporate governance principles in Africa as part of the Group's corporate culture. To this end, Ecobank aims to comply with international practice in 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 Corporate Governance Charter, adopted by the Board of Directors to guide the Group's corporate governance framework, is predicated on the International Finance Corporation (IFC) principles and methodology on corporate governance. The Group's governance practices are also guided by the Basel Committee standards on corporate governance. There are standard written rules for the internal operation of the Boards of Directors, a code of conduct for Directors and rules on business ethics for staff, all of which are aimed at ensuring transparency and accountability.

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 Ecobank Transnational Incorporated (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 affiliates; 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 or 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-making.

Demonstrated business acumen

Strong business experience, 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 carry out effectively the duties of a Non-Executive Director.

Additional considerations

Importance of increasing the diversity of the Board in terms of age, gender, demographicsc.

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 2011, evaluation was administered to all Directors of ETI and subsidiaries across the Group. Analysis of the reports evaluation show very high performance of the Boards across 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.
- Standard of conduct and procedure for Directors.

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

- The parent company acts as a "strategic controller" with appropriate involvement in operational management and decision-making at the 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 the 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 laws and regulations. Where there is a conflict between Group Policy and local laws and regulations, local laws 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 Committee
- Country Executive Management Committee
- Business leaders' conference

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

Parent Company 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.

The Group Corporate Governance Charter requires that there are more Non-Executive Directors than Executives on the Board.

As at the end of 2011, the membership of the Board was fourteen, comprising four Executive and ten Non-Executive Directors (refer to Board of Directors section).

The Board has three committees, namely, the Governance Committee, the Audit and Compliance Committee and the Risk Committee. The Board of Directors met seven times during the year. The Governance Committee met five times, the Audit and Compliance Committee met five times and the Risk Committee met four times to deliberate on issues under their respective responsibilities.

Board composition and attendance

Name	Role	Year appointed to Board	Number of meetings held	Number of meetings attended
Kolapo Lawson	Chairman	1993	7	7
Christian N Adovelande[1]	Vice-Chairman	2002	1	1
André Siaka	Vice-Chairman	2006	7	7
Sena Agbayissah[2]	Non-Executive	2011	2	1
Babatunde A M Ajibade	Non-Executive	2010	7	7
Kwasi A Boatin	Non-Executive	2009	7	7
Paulo Gomes	Non-Executive	2006	7	6
Bashir M Ifo[2]	Non-Executive	2011	4	3
Assaad J Jabre	Non-Executive	2010	7	7
Sipho G Mseleku	Non-Executive	2009	7	6
Isyaku Umar	Non-Executive	2006	7	6
Arnold Ekpe	Executive	2005	7	7
Albert Essien	Executive	2005	7	6
Evelyne Tall	Executive	2005	7	7
Laurence do Rego	Executive	2010	7	7

[1] Resigned from the Board during 2011. [2] Appointed to the Board during 2011.

Governance Committee

Committee composition and attendance

Name	Role	Number of meetings held	Number of meetings attended
Kolapo Lawson	Chairman	5	5
Christian N Adovelande[1]	Member	1	1
André Siaka	Member	5	5
Arnold Ekpe	Member	5	5
Sipho G Mseleku	Member	5	5

[1] Resigned from the Board during 2011.

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 ensures 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 relationships 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

Committee composition and attendance

Name	Role	Number of meetings held	Number of meetings attended
Kwasi A Boatin	Chairman	5	5
Paulo Gomes	Member	5	4
Assaad J Jabre	Member	5	5
Evelyne Tall	Member	5	5
Ralph Roland[1]	Member	5	5
Laurence do Rego[2]	Observer	5	5

[1] Shareholder representative from Social Security and National Insurance Trust, Ghana (Head of Financial Accounts Department).
[2] Laurence do Rego, Executive Director, Head of Finance and Risk sits in attendance. So does the Group Chief Executive Officer where appropriate.

All members have business knowledge and skills and familiarity with accounting practices and concepts. The Group Head of Audit serves as the Secretary 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.
- Ensures compliance with all applicable laws, regulations and operating standards.

Risk Committee

Committee composition and attendance

Name	Role	Number of meetings held	Number of meetings attended
André Siaka	Chairman	4	4
Isyaku Umar	Member	4	3
Babatunde A M Ajibade	Member	4	4
Arnold Ekpe	Member	4	4
Albert Essien	Member	4	4
Laurence do Rego	Member	4	4

Members have good knowledge of business, finance, banking, general management and credit.
The Chief Risk Officer serves as Secretary to the Committee.

Responsibilities

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

Subsidiary 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 subsidiaries in line with 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 Committee

In 2011, the Group Executive Committee (GEC) comprised the Chief Executive Officer, three other Executive Directors and three Group Executives. The Group General Counsel and Company Secretary served as secretary to the GEC. The GEC meets monthly and is responsible for the day-to-day operational management of the Group and its subsidiaries.

The Committee is responsible to the Board and plays an important role in the Group's corporate governance structure. The Committee manages the broad strategic and policy direction of the Group, submits them to the Board for approval where necessary, and oversees their implementation.

The Committee has decision-making powers in specific areas of Group Management. In particular, the Committee works with, and assists, the Chief Executive Officer to:

- Define and develop Group strategy.
- Confirm alignment of individual subsidiary's 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 strategy 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 specifics 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 Group strategy. Its role includes:

- Sharing and disseminating information, experiences and best practice 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.

Board remuneration

Non-Executive Directors' remuneration

Non-Executive Directors receive fixed fees of $100,000 per annum for services on the Board of ETI. The Vice-Chairman receives $120,000 and the Chairman receives $150,000. In addition, Directors receive nominal per diems for services on Board committees.

Non-Executive Directors do not receive any short–term or long–term performance incentives.

Directors' interests

Directors' interests in ETI ordinary shares

The Directors' interests in the issued shares of the Company as at the date of the statement of financial position are disclosed in the tables below.

Name	Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Total 2011	Total 2010
Current Directors						
Kolapo Lawson	–	31,174,092	49,520,334	48,628,320	49,520,334	79,802,412
André Siaka	1,086,600	1,044,670	–	–	1,086,600	1,044,670
Sena Agbayissah[1]	–	NA	–	NA	–	NA
Babatunde A M Ajibade	–	–	–	–	–	–
Kwasi A Boatin	21,026	21,026	–	–	21,026	21,026
Paulo Gomes	–	–	–	–	–	–
Bashir M Ifo[1]	-	NA	225,196,010	NA	225,196,010	NA
Assaad J Jabre	–	–	–	–	–	–
Sipho G Mseleku	–	–	–	–	–	–
Isyaku Umar	652,985	631,505	–	–	652,985	631,505
Arnold Ekpe	90,073,005	56,500,355	–	–	90,073,005	56,500,355
Albert Essien	932,600	932,600	–	–	932,600	932,600
Evelyne Tall	1,023,400	1,023,400	–	–	1,023,400	1,023,400
Laurence do Rego	1,462,360	1,462,360	–	–	1,462,360	1,462,360
Past Directors						
Christian N Adovelande[2]	NA	89,340	NA	225,196,010	NA	225,285,350
Total	**95,251,976**	**92,879,348**	**274,716,344**	**273,824,330**	**369,968,320**	**336,703,678**

[1] Appointed to the Board during 2011. [2] Resigned from the Board during 2011.

Directors' interests

Directors' interests in ETI Preference shares

The Directors' interests in the issued preference shares of the Company as at the date of the statement of financial position are disclosed in the tables below.

Name	Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Total 2011	Total 2010
Current Directors						
Isyaku Umar	2,889	NA	–	NA	2,889	NA
Total	**2,889**	**NA**	**–**	**NA**	**2,889**	**NA**

Executive share options

On 1 January 2007, the Group offered share options to key employees who had more than three years service. They vested on 1 January 2010, and were exercisable thereafter in three tranches on the date of vesting and on the two anniversaries of the vesting date.

Options remain exercisable at any time up to the tenth anniversary of the grant. Unexercised options are cancelled when an executive leaves employment. While no further options have been issued since 2007, the Board has authorised that options representing up to a total of 10% of outstanding share capital may be issued.

	Opening balance at 1 January 2011				
	Number of options	Date of issue	Issue price	Exercisable date	Expiry date
2010 tranche executive options	148,060	1 Jan 2007	US$0.08	1 Jan 2010	31 Dec 2016
2011 tranche executive options	89,166	1 Jan 2007	US$0.08	1 Jan 2011	31 Dec 2016
2011 tranche CEO options	50,000	1 Jan 2007	Note[1]	1 Jan 2011	31 Dec 2016
2012 tranche executive options	58,894	1 Jan 2007	US$0.08	1 Jan 2012	31 Dec 2016
Total	**346,120**				

Note[1]: CEO options are exercisable at a discount of 10% of the average market price.

	Exercised or cancelled during 2011				
	Number of options	Date of exercise / cancellation	Exercise price	Gain ($'000)	Closing balance at 31 December 2011
2010 tranche executive options	25,061	2011			122,999
2011 tranche executive options	31,794	2011			57,372
2011 tranche CEO options	33,573	30 Nov 2011	US$0.059	218	16,427
2012 tranche executive options	9,695	2011			49,199
Total	**100,123**				**245,997**

Sustainability report

1. Managing sustainable development

Sustainability is at the core of our dual purpose of building a world-class pan-African bank and contributing to the economic and financial integration and development of the African continent. We believe that the long-term success of Ecobank is intertwined with the sustainable development of the economies, societies and environment in which we operate.

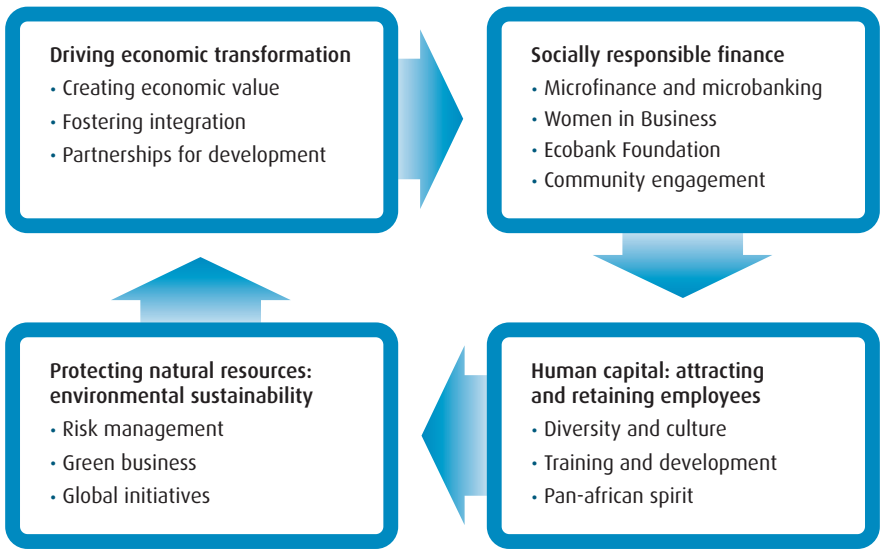
The Group's strategy, policies, risk management, compliance and operational practices have been aligned with the economic, social and environmental issues that are material to our aim of delivering exceptional service to customers and sustainable value to our shareholders. This alignment is ensured by our governance structure including the Group Board of Directors, Country Boards of Directors, Group Executive Committee, and Country Executive Management Committees.

While the Group provides strategic direction and defines policy framework governing sustainability matters that are material to its business, specific issues of sustainability are implemented by business groups.

2. Sustainability framework

In 2011, the Group adopted an integrated and comprehensive approach to sustainability and created a common framework. The framework defines sustainability such that our business model ensures effective, efficient and sustainable utilization of economic, social, human and natural capital. This framework reflects our commitment to drive economic transformation in Africa, while protecting our environment by being a socially responsible financial institution, and forms the building block for our integrated sustainability framework.

Sustainability framework



3. Driving economic transformation

3.1. Creating economic value

One of the most significant contributions that Ecobank Group is making to Africa's development is in supporting activities that ensure rapid, equitable and sustainable economic growth across the continent. We focus on operating businesses and generating revenues and profits that are sustainable, which also helps us to contribute taxes to governments, payments to suppliers, salaries to staff and dividends to our shareholders.

In 2011 Ecobank Group had gross revenues of $1.5 billion, an increase of 34% from 2010. We provide loans and other financial assistance to support private sector companies, enterprises and individuals as well as the public sector in Africa. These economic benefits have been distributed and applied in the form of taxes, salaries, operating expenses, dividends and retentions to support our future growth.

In 2011 we committed a total of $70.6 million in taxes to governments across Africa. In addition, we also collect taxes and duties of several millions of dollars on behalf of various government entities through payroll taxes and other duties.

Creation and distribution of wealth created	2011 US$m	%	2010 US$m	%
Wealth created				
Interest, fees and other income	1,512.7	100	1,132.6	100
Distribution of wealth created				
Interest paid to depositors	295.1	19	222.3	20
Operating expenses including suppliers	593.7	39	475.9	42
Employee compensation and benefits	346.7	23	265.4	23
Government taxes	70.6	5	37.2	3
Dividends paid to ordinary shareholders	51.3	3	39.7	4
Minorities	24.6	2	19.1	2
Retentions to support future business growth	130.7	9	73.0	6
Total wealth applied	**1,512.7**	**100**	**1,132.6**	**100**

3.2. Fostering financial and economic integration

Ecobank is committed to fostering financial and economic integration of African countries. With our footprint in 32 African countries and 1,151 branches, we remain the leading pan-African bank in terms of footprint. We seek to take maximum advantage of this unique position to drive regional integration and socio-economic reform in middle Africa.

Regional cooperation and integration offers the prospect of addressing several developmental challenges across the continent. Specifically, we have been strong advocates of harmonized financial products, standards and regulatory frameworks. For instance, in August 2011 Ecobank was invited to make a presentation to the College of Banking Supervisors of the West African Monetary Zone (WAMZ) on its unique regional holding company model. Ecobank also co-sponsored the WAMZ Trade and Investment Forum in London in May 2011.

Regional integration also offers us the opportunity to finance projects of larger scale at lower unit costs. We have been exploring opportunities to support the New Partnership for African Development (NEPAD). We have also been collaborating with regional economic cooperation institutions including the Economic Community of West African States (ECOWAS).

Our Rapidtransfer product enables diaspora African clients to transfer and remit funds promptly to their relatives and to support projects in their home country. Our Ecobank-Nedbank Alliance provides a platform for individuals and corporate bodies to conduct business seamlessly across borders.

In preventing cross-border and national financial crime, we have sought to comply with international best practices regarding anti-money laundering. Ecobank Group and its affiliates have in place policies and procedures to prevent, detect and control bribery, corruption and anti-money laundering in all the jurisdictions where they operate.

3.3. Partnership for development

Ecobank has also been deepening its partnerships with other institutions on issues that are material to, and enhance its sustainable development as well as that of the continent in which it operates. These partnerships provide Ecobank with the networks to interface with several stakeholders on diverse programs and initiatives that could impact on its sustainable development.

Ecobank has been a pioneer member of the Pan-African Private Sector Trade Policy Committee (PAFTRAC). PAFTRAC was established in 2010 as the platform to facilitate African private sector participation and engagement in trade issues in Africa, including trade policy formulation and trade negotiations. It was also agreed that PAFTRAC would focus on key areas of importance to the private sector on the continent, such as trade finance, non-tariff barriers (NTBs) and standards, trade facilitation and services. Ecobank is also one of a select few African financial institutions invited to participate in the Trade Policy Working Group of the World Trade Organization. We are working with the Africa, Caribbean and Pacific group of countries (ACP) on an initiative to further deepen support to small and medium enterprises.

Ecobank Group co-sponsored the African Green Revolution Forum (AGRF) in Accra, Ghana during 2010. We further deepened our engagement with AGRF in 2011 as a member of its Partnership Board and co-chair of its Finance committee. The African Green Revolution Forum (AGRF) is a multi-stakeholder forum which aims to mobilize private-public partnership stakeholders and drive sustainable agricultural productivity as a catalyst for enhancing food and nutrition security and, ultimately, economic growth for Africa.

Ecobank is a steering committee member of the Comprehensive Africa Agriculture Development Programme (CAADP) Pillar 2 on market access. We have been participating in forums and seminars organized by CAADP secretariats and the Group has also been instrumental in the formation of a value-chain approach to the implementation of the medium term ECOWAS Agricultural Policy (ECOWAP) programme. We are also a collaborating partner of the Forum for Agricultural Research in Africa (FARA).

We collaborated with the International Fund for Agricultural Development (IFAD) in Ghana to provide innovative impact financing for cassava processors in the 66 Districts in Ghana that are participating in the IFAD / Government of Ghana Root and Tuber Improvement and Marketing Programme.

In Guinea Bissau, we worked with the Joint United Nations Programme on HIV / AIDS (UNAIDS) to deepen awareness of the HIV / AIDS pandemic through the distribution of leaflets, voluntary counselling and testing information. In Nigeria, we supported the construction of HIV / AIDS awareness and information centers in selected universities in 2010 / 2011. We aligned with the United Nations Refugee Agency (UNHCR) and Ghana Refugee Board in ameliorating the plight of refugees fleeing the Côte d'Ivoire post-election crisis in 2011. We donated relief items, including water storage tanks, mosquito nets and toilet facilities. We partnered with the United Nations Development Programme (UNDP) in collaboration with the World Bank and the Musicians' Union of Ghana (MUSIGA) on a capacity-building initiative for the creative industry. We identified the need to develop the digital capacity of Ghana's music industry, initially working towards the upload of Ghanaian songs and music to a digital storage portal for facilitating local and international access through iTunes.

4. Socially responsible finance

4.1. Microfinance and microbanking

Ecobank is committed to providing access to finance for the unbanked and under-banked in partnership with Accion. The Group has established microfinance joint ventures in Ghana, Nigeria and Cameroon. We also have microfinance operations in Sierra Leone and Burkina Faso. The microfinance businesses have been established to:

a. Facilitate financial inclusion of the unbanked and provide financial services to the low income and un-banked through the most convenient and cost-effective channels.

b. Focus on the economically active business owners located within urban and rural areas who need financial services to expand their businesses. These are mostly people who do not meet the requirement of traditional banks in operating savings accounts and / or accessing credit. In some cases, there are no banking facilities within easy reach.

c. Offer, through a multi-channel network, simplified processes, service delivery with speed, competitive pricing, convenience and reliable services.

d. Leverage the Group's strong technological platform and expertise to deliver innovative banking products and services wherever this target market is located. Using technology enables the microfinance affiliates to serve clients through the integration of branch networks and branchless channels such as ATMs, POS machines and SMS and mobile phone banking; and

e. Utilize strong in-house data mining and analytical tools that provide information for risk-focused decision-making in new product development, profitability enhancement and customer satisfaction (speed and convenience).

The notable achievements made by microbanking include:

- Over 1.2 million customers with total savings of over US$140 million were given the opportunity to save and manage their funds through innovative, flexible and value-adding deposit products. Customers benefit from free business advisory services provided by the field staff. The average savings balance is approximately US$100, reflecting our resolve to serve the low income segment.
- A loan portfolio of over $20 million supporting individuals and entrepreneurs, with loans sometimes as low as US$40 per facility.

In addition to our retail operations, Ecobank supports other microfinance institutions and is the main banking partner for many of the leading microfinance institutions and cooperatives in Middle Africa, with an indirect reach to several million micro-clients.

4.2. Women in business

The Group has been involved in the Women in Business (WIN) program sponsored by IFC since 2009. Led by two senior executives within the Group, our vision is to be the first choice bank for women across Africa. We have initiated programs in Benin, Cameroon, Côte d'Ivoire, Niger, Nigeria and Senegal and continue to work with our partners to increase opportunities for women to succeed in their chosen fields. By focusing specifically on women, Ecobank aims to promote and develop the status of women across Africa; increase women's access to finance; reduce gender-based barriers in the business environment; partner with female professionals and women in other leadership roles; create opportunities for stakeholders in terms of business development, and create a network of women in various endeavors across Africa, thereby introducing and facilitating inter-regional trade. We will continue to work closely with the International Finance Corporation (IFC) to develop the program.

4.3. Ecobank Foundation

The Group has committed 1% of profit after tax to the Foundation which focuses on education and health programs. Since 2005, the Foundation has directed funds to areas where they are needed, mostly in education, health and culture. This investment has included:

- Promotion of science and mathematics education for girls.
- Rehabilitation of King's College in Nigeria.
- Access to education for 350 children in Senegal in partnership with USAID.
- Provision of 5,000 portable tables to be used by school children in Cameroon, Côte d'Ivoire, Liberia and Sierra Leone.
- Renovation of, and equipment for, the paediatric intensive care unit of the University Hospital in Lomé, Togo, which will benefit approximately 18,000 children annually.
- Intensive training for 26 aspiring young Nigerian entrepreneurs on best practice management techniques.
- Institution of a special Sembène Ousmane Prize for FESPACO. FESPACO is the Pan African Festival of Cinema and Television of Ouagadougou. The Foundation also donated to the city of Ouagadougou a statue of Sembène Ousmane, considered one of the founding fathers of African cinema. At over two meters high and sculpted by a renowned Burkinabe artist, this has become a recognized landmark of Ouagadougou, where filmmakers meet.

4.4. Community engagement

Ecobank takes an active role in local communities. This section provides just a few examples of projects undertaken in 2011.

In Malawi, we supported a three-year tree planting project led by a Harvard University researcher, aimed at informing future tree planting programs for carbon sequestration in Malawi and the rest of Africa. The project was implemented by ICRAF Malawi and Ntchisi District Departments of Forestry and Agriculture Extension. The project site had been heavily deforested, partly due to tobacco production. The selected species, M'bawa (Khaya anthotheca), is a native hardwood species with a desirable long-term carbon storage profile that offers substantial economic benefits to the contract holder after approximately 15 to 20 years. After 25 years, full compliance with the program will result in 10,000 tons of sequestered carbon.

A total of 170 farmers participated in the initial program. Of the 8,500 trees planted, over 80% survived the delicate planting and establishment process, where trees are most vulnerable. Some farmers had a 100% survival rate after six months. Participating villages are motivated and continue to learn from the results.

In Kenya, the bank supported or sponsored a number of community activities including:

- Mathira Education Day: 2,000 community members and 50 schools participated in a program which was organized to celebrate the value of education to society.
- Kitale Education Day.
- Malindi Street light project.
- Blood donation campaign to boost blood banks.
- Support of hunger victims (caused by the extended drought that hit the region in 2011).

5. Protecting natural resources: environmental sustainability

The Board of Directors of Ecobank Transnational Incorporated (ETI) adopted an environmental policy in 1999. The policy affirms the Group's commitment to the promotion and preservation of a safe environment for our staff, our customers and the public in all our markets. All employees are expected to adhere to these environmentally sound policies and promptly advise management of any situation that may result in a potentially negative environmental and social impact. Over the years, the Group has improved its policies, processes and procedures and joined global initiatives to reflect these commitments.

5.1. Risk management

Risk covers policies and tools for environmental and social (E&S) assessments. Clients' business operations may involve environmental and social risks, which are classified using a three-point ranking system (high, medium, and low). All credits are screened with an E&S categorization guide. "High-rated" transactions carry potentially significant adverse environmental or social impacts that are diverse, irreversible or unprecedented. "Medium-rated" transactions have potentially limited adverse social or environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures. "Low-rated" transactions carry minimal or no environmental or social impact. Lending officers ensure that clients take actions to mitigate potential impacts identified in the E&S assessments.

In 2011 the Group focused on capacity-building and upgraded the knowledge of country risk managers and key managers involved in credit approval processes. Several managers undertook intensive training under the sponsorship of the United Nations Environment Programme Finance Initiative (UNEP-FI). In preparation of adopting the Equator Principles (EPs), cluster risk managers and other risk managers were trained on how to conduct E&S risk analysis. The rolling out of tools will continue during 2012.

5.2. Green business financing

The Group has made concerted efforts in curbing rising carbon emissions from the African region through "green banking". This initiative aims at contributing to the global emissions reduction efforts by financing projects with the potential to reduce carbon emissions. The Group will select projects for subsidiaries to mobilize and match development funds to facilitate customized credit facilities to "green businesses" such as renewable energy, energy efficiency and clean technology projects.

In 2011, the Group partnered with the IFC Sustainable Energy Advisory Service to organize capacity-building training on Sustainable Energy Finance (SEF) for key officers of the bank from Kenya, Rwanda, Uganda, Burundi, Tanzania, Malawi and Ghana. Ghana and Kenya have been selected as pilots for SEF projects. Each will finance approved projects from their own balance sheets or work with development financial institutions to access funding during 2012.

We provided customized funding to the Kumasi Institute of Technology and Environment (KITE), an organization working on several renewable energy and sustainable development initiatives to fast track the deployment of energy efficient solar lanterns in rural and peri-urban Ghana. This was co-funded by the Economic, Industry and Technology division of the United Nations Environment Programme (UNEP), based in Paris, as part of its African Rural Energy Enterprise Development (AREED) project.

5.3. Global initiatives

5.3.1. UNEP-FI

The Group joined the United Nations Environment Programme Finance Initiative (UNEP-FI) in 2010. UNEP-FI is a global partnership between the UN Environment Programme and the financial sector. Over 190 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. During the year, the Group contributed to the activities of the African Task Force and was represented at the Global Roundtable, as well as the Annual General Meeting.

5.3.2. UN Global Compact

The Group joined The United Nations Global Compact (UNGC) in 2011, as part of the implementation of an integrated sustainability strategy. The aim of this initiative is to enable the Group to align its operations and strategies with 10 universally accepted principles in the areas of human rights, labor, environment and anti-corruption. These principles are covered by the Group's existing policies (Human Resources Policies, Code of Conduct and Ethics, and Environmental Policies), but formal adoption will enable the Group to work with partners across the UNGC network to make further improvements.

5.3.3. IFC Initiatives

The IFC-led Community of Learners, organized in 2011, prepared the Group to take the next step towards adopting the Equator Principles. The Group is now working with the revised IFC Performance Standards, which have been formally integrated into our credit processes. IFC has played a significant role in upgrading the Group's environmental sustainability and we expect process to continue in the future.

5.3.4. Equator Principles

The Equator Principles (EPs) are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Project finance is often used to fund the development and construction of major infrastructure and industrial projects. The 10 principles are applied where total project capital costs exceed US$10 million. The EPs are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making. The Group has adopted the EPs effective from 1 January 2012.

5.3.5. Carbon Footprint

During 2011, the Group moved into its new corporate headquarters in Lomé. The ultra-modern building was designed with efficient use of resources as a key objective. Within the building, sensors have been installed so lights come on when movement is detected. Glass windows have been used extensively to utilize natural light, thereby reducing the use of electricity. The air conditioning system utilizes water cooling, which also reduces electricity consumption. A central control room monitors all air conditioning and lighting. All light bulbs are energy saving. A detailed analysis has been commissioned to further improve resource usage.

The Group has committed to communicating progress on internal carbon footprint management. Effective January 2012, all businesses will actively manage footprint related to electricity consumption, water usage, paper usage and pollution caused by internal power generation and travel. A data collection platform has been established across the Group to collect base data against which progress will be measure.

6. Human capital

At Ecobank, we seek to harness the power of human capital. We are revising our human resource strategy based on international best practice and reflecting the phenomenal growth of Ecobank over the last five years. Our human resource strategy recognizes that human capital constitutes a critical competitive advantage in the context of attracting and retaining quality talent. The strategy is fully aligned with our business strategy and our goal of developing talent across the continent.

The strategy provides clear direction around overall talent development, including resourcing, leadership and succession. It places emphasis on the employee value proposition of engagement, transformation, talent management, learning and development. It also seeks to align reward, recognition and performance management with talent demands, while institutionalizing learning and development through the Ecobank Academy. We seek to have the right people, with the right skills, at the right place, at the right time.

6.1. Talent management

We are one of Africa's largest employers and the largest in the financial sector in Middle Africa. We are a people-focused institution and we take pride in providing a conducive environment for our employees to deliver value to our customers. We equip our people with the right skills and competencies to deliver passionately world-class sales and services. Our greatest resource is our people and we have made considerable investment in attracting, retaining and developing 23,355 employees. In addition, we estimate that we directly support over 100,000 people. Ecobank also provides employment indirectly to a much larger number of people across Africa through its contractors, suppliers and distributors.

6.2. Learning and development

Ecobank appreciates the contribution made by its employees and seeks to provide them with an empowering and motivating work environment. In addition to providing tools and resources to expand career prospects within Ecobank, training is central to our strategy of enhancing human capital. In 2011, we completed our 'state of the art' Ecobank Academy and conference center, with modern facilities to offer training, seminars, and workshops to our staff and interns. The Ecobank Academy is a critical enabler of in-house leadership development.

We allocate up to 5% of payroll cost to training and development; each year our employees receive a minimum of 40 hours training. Our training and development programs and institutional standards are aimed at developing a human capital base that will make tangible contributions to the institution and society, while also promoting customer service and ethical standards.

Nine out of ten of our senior managers and country heads were developed through a structured internal process of identification, development and retention of future leaders. Our leadership programs offer project and secondment assignments, job shadowing, coaching and seminars. We will continue to build leadership capability through an integrated development program informed by the outcomes of competency audits, performance and talent management interventions, 360º surveys, employee opinion survey, and employee equity plan.

We also support human capital development in Africa through graduate and internship opportunities. In 2011, over 1,050 undergraduates had the opportunity to experience first hand what it is like to work for Ecobank. Our internship program, ranging from three to 12 months, offers participants a chance to prepare for their future careers in Ecobank and Africa.

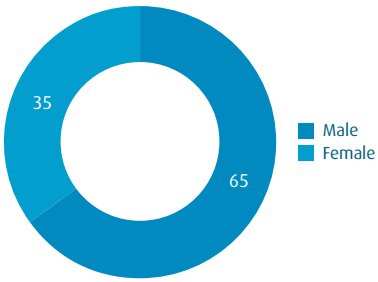
We also place a premium on the health and welfare of our employees. We provide a comprehensive health program that encourages our employees to pursue healthy lifestyles and to manage their work / life balances. Ecobank also provides full medical cover to its employees.

Training	2011	2010
Number of training programs conducted	2,044	1,797
Number of participants in training programs	7,311	10,442
Training budget as a % of payroll	5%	5%

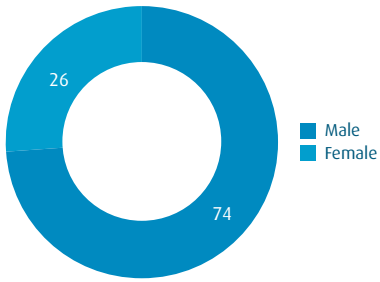
6.3. Diversity

Diversity is integral to Ecobank's culture and strategy. We have a policy of ensuring diversity in our employee talent pool, without compromising the quality of our staff. We are a multi-cultural and multi-lingual institution. By virtue of our geographical spread, we are one of the most diversified private sector groups in Africa. Our employees come from all nations of Middle Africa as well as many other countries. We communicate in English, French and Portuguese. Our workforce is 35% female and our management team is 26% female. We believe this diversified workforce provides a competitive advantage in responding to the varied needs of our customers and makes the Ecobank Group a more interesting place in which to work.

Group headcount (%)



Management and executive headcount (%)



Risk management

Risk management

1. Risk management framework

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

The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposure 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 identified risks. Such strategies include setting appropriate risk limits by customer, product and business, and obtaining sufficient collateral coverage. The use of derivatives to hedge against default events is prohibited by policy.

1.2. Risk measurement

The Group uses a variety of methodologies to measure risk. These include calculating probable loss (both expected and unexpected), conducting stress tests and benchmarking.

1.3. Risk monitoring and control

The Group regularly reviews risk management policies and systems to reflect changes in markets, products and emerging best practice. Risk monitoring is based on the following central risk areas: credit risk (including counterparty risk), market risk, liquidity risk and operational risk. Risk professionals and internal auditors monitor risk exposures and adherence to approved risk limits on a daily, weekly and monthly basis, using reliable and up-to-date information systems.

1.4. Risk reporting

The Group allocates considerable resources to ensure ongoing compliance with the approved risk limits. It has set guidelines for reporting to relevant management bodies, including the Board of Directors and the Group Executive Committee. Significant changes in the credit portfolio, non-performing loans and other risk measures are reported on a daily, weekly and monthly basis.

2. Major risk types

The Group is exposed to the following major risk types:

Credit risk

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 clients 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 before the contract matures and the Group suffers a financial loss in the process of replacing the unexecuted contract. The settlement risk becomes direct credit risk at the time of default.

Market risk

Market risk is the risk of loss arising from adverse changes in market conditions during the period required by the Group to close out its on- and off-balance sheet positions; losses may be driven by changes in interest rates, exchange rates, equity prices, etc. 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 is 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 arises from timing differences in the maturity or repricing of assets, liabilities and off-balance sheet instruments.
  - Yield curve risk is the risk that changes in market interest rates may have different effects on prices of similar instruments with different maturities.
  - Basis risk is the risk that changes in market interest rates may have different effects on rates received or paid on instruments with similar repricing characteristics (e.g. funding an adjustable rate loan that is indexed to the 3-month Treasury bill with deposits that are indexed to the 3-month LIBOR). Interest rates for various assets and liabilities change at the same time, but not necessarily by the same amount.
  - Options risk is inherent in embedded options in assets and liabilities. An example is 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 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 realise longer-term assets in cash. The Group, therefore, strikes a balance between its liquidity requirements and funding costs by capturing stable, reliable and low-cost 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 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 is 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 is the risk of loss from adverse changes in the value of equity portfolios due to changes in the level of equity prices.

Operational risk

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

Sovereign risk includes political, convertibility and cross-border risks. Such risks can arise from actions of a sovereign state or from 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 Group subsidiaries registered within either economic union on residents of any country within either economic union are not considered cross-border risk.

Strategic and franchise risks

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

Compliance risk is related to violations of rules and regulations in force in countries where the Group operates. 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.

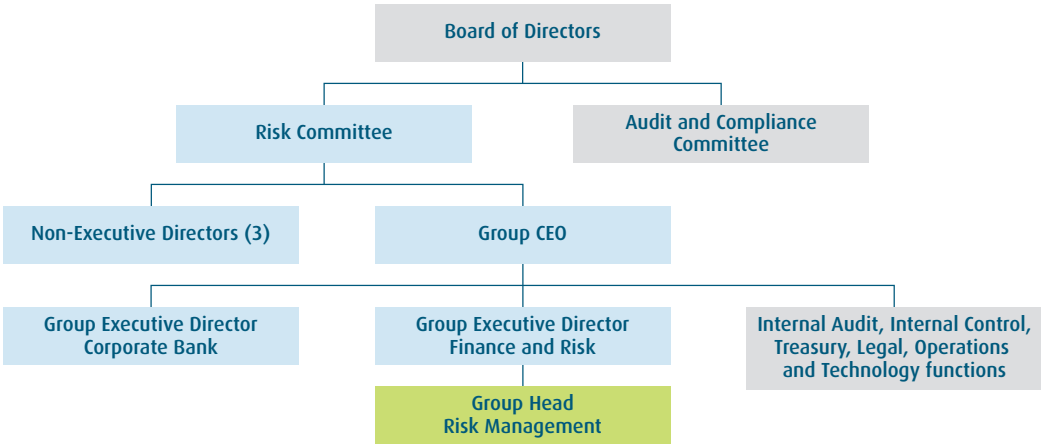
Disclosure risk

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.

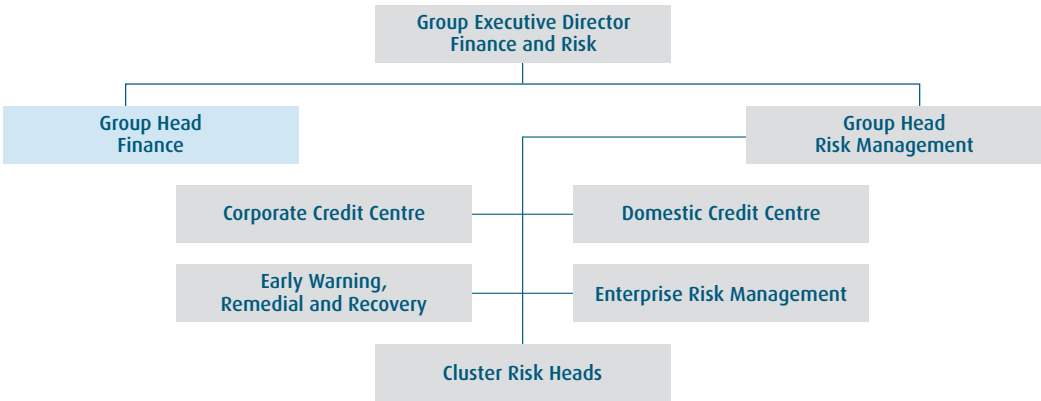
3. Governance Structure

The Board of Directors oversees risk management through the Risk Committee and the Audit and Compliance Committee of the Board. 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.

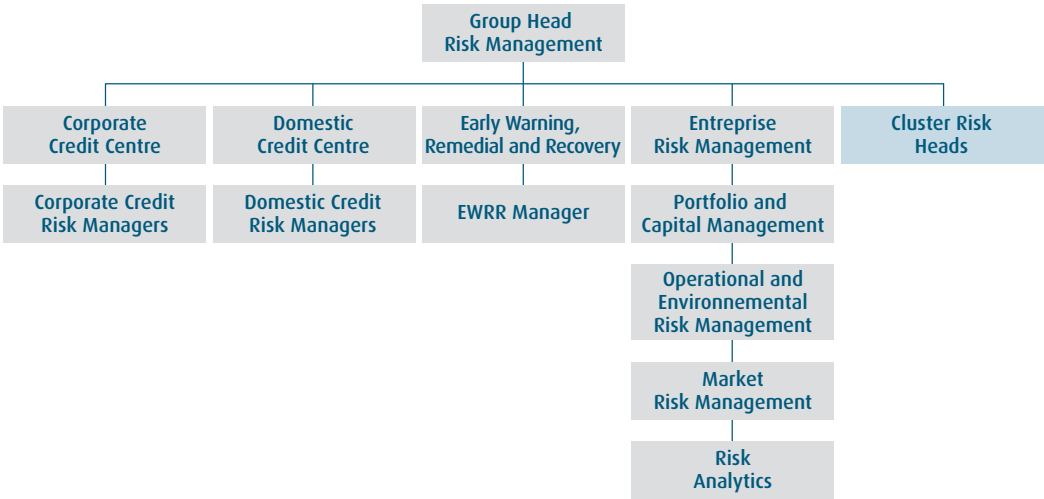


The Group's Risk Management function is overseen by the Risk Committee and supervised by the Group Executive Director, Finance and Risk and the Group Head, Risk Management. It develops the risk management strategy, principles, framework and policies, and implements appropriate risk management processes, methodologies and tools for. The Group Executive Director, Finance and Risk is responsible for all the finance and risk activities, and reports directly to the Group Chief Executive Officer.



Risk management

The Group Head, Risk Management, is the most senior risk management officer in the organisation and reports administratively to the Group Executive Director, Finance and Risk and functionally to the Risk Committee of the Board. 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 Executive Director, Finance and Risk, the Group Chief Executive Officer, the Group Executive Committee (GEC), the Risk Committee and the Board. The Group Head, Risk Management, provides overall supervision of a Corporate Credit Centre, a Domestic Credit Centre, an Early Warning, Remedial and Recovery Centre (EWRR) and an Enterprise Risk Management Unit. The latter comprises four departments in charge of portfolio and capital management, operational and environmental risk management, market risk management and risk analytics.



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

Within each business cluster, Group Risk Management is represented by a Cluster Risk Manager, who reports administratively to a Cluster Business Head and functionally to the Group Head, Risk Management.

The risk management approval process is centralized and fully independent of the businesses. Accordingly, all credit approval requests require the "no objection" of Group Risk Management before submission to the relevant board of directors for approval.

Credits to Governments, Financial Institutions and Corporate businesses

- Subsidiary banks initiate and approve credits within their approved limits.
- Group Risk Management, through its Corporate Credit Centre (CCC), reviews all credits initiated by the subsidiaries for consistency with Group policies and procedures and provides its "no objection".
- Upon receipt of the "no objection" from CCC, the initiating subsidiary submits the request to the local board for approval for transactions above their approved limits.

Credit to Individuals and SMEs

- Credit transactions are approved under the terms and conditions of credit programs previously approved by Group Risk Management through its Domestic Credit Centre (DCC).
- DCC reviews all credits initiated by the subsidiaries for consistency with Group policies and procedures and provides its "no objection".
- Upon receipt of "no objection" from DCC, the initiating subsidiary submits the request to the local board for approval.

The Group Asset and Liability Committee (GALCO), a sub-committee of the Group Executive Committee (GEC), is responsible for the supervision and management of market risk, mainly interest rate and liquidity risks. Its members are: Group Chief Executive Officer, Group Chief Operating Officer, Group Executive Director Finance and Risk, Group Head Risk Management, Group Market Risk Manager, Group Internal Audit Manager, Group Compliance Manager, Group Treasurer and business heads in the Corporate Bank and Domestic Bank. ALCO members meet monthly to review the structure and pricing of Group assets and liabilities, to agree the optimum maturity profile and mix of incremental assets and liabilities, to evaluate inherent market risks 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 and 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 maximise returns. Local ALCO membership includes the Country Head, the Country Treasurer, the Country Risk Manager, the Internal Auditor, the Financial Controller and Legal Officer.

4. Risk Management approach

4.1. Credit risk

4.1.1. Organisation

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 adhere scrupulously 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 in isolation. 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 the Risk Management department.

The Board reviews and approves all credits in excess of the policy limit, defined as the maximum credit exposure to any borrower or group of related borrowers, currently set at 7.5% of the Group consolidated shareholders' funds. 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 (including the Group Executive Director, Finance and Risk), and three Non-Executive Directors. One of the Non-Executive Directors is the Committee Chairman. The Group Head, Risk Management participates in Risk Committee meetings in a consultative and record-keeping capacity.

The primary responsibility for managing credit risk, however, lies with the Group Head, Risk Management, whose role is to ensure that Ecobank has resources, expertise and controls in place for efficient and effective credit risk management across the Group. The Group Head, Risk Management is expected to review all unusual risks as well as extensions of credit which exceed the credit authority granted to the Corporate Credit Centre and the Domestic Credit Centre and issue a no objection, where applicable. 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, the Group Executive Director, Finance and Risk and the Group Head, Risk Management.

4.1.2. Risk identification

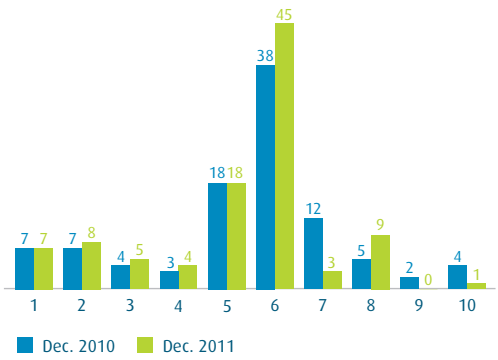
The Group is involved in a number of business activities. These activities can be divided roughly into three segments: commercial banking, investment banking and the provision of shared services (technology platform, etc.) designed to improve operating efficiencies. Each of these activities entails various risks, which fall into the main categories of the Group risk management framework; these are credit, market, operational and liquidity risks.

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 obligor creditworthiness. The Group utilises an internal risk rating system that is based on a scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments, as well as SMEs. 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 & 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".

Portfolio distribution by facility risk rating (%)
Percent of total portfolio



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

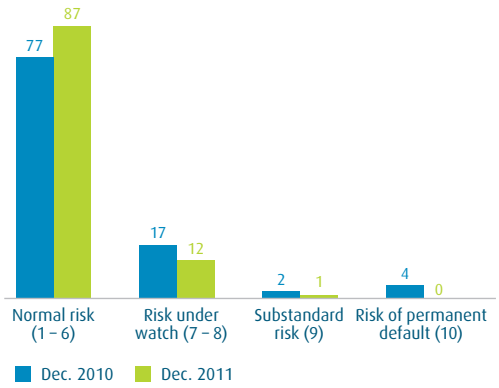
Risk ratings are assigned to obligors based on the probability that the obligor will default and to facilities based on the loss that is expected in the event of such a default. An obligor risk rating is defined as the risk of default on long-term unsecured debt in local currency over a twelve month 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 automated decision-making tools.

With regard to consumer lending, the Group utilises a credit program approach whereby credit is extended on the basis of product-specific risk parameters, using manual scoring systems. The products involved are 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.

As of 31 December 2011, the credit portfolio distribution by facility risk rating highlights the positive results of the Group consolidation and integration strategy to de-risk the balance sheet. In particular, the Group continued to improve its risk profile as reflected in the migration of risk assets from the higher risk rating categories to normal risk. The normal credit risk category represented 87% of the portfolio compared to 77% as of 31 December 2010.

Portfolio breakdown by risk category (%)
Percent of total portfolio



4.1.3. Risk measurement

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

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 legal 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 statistical measure of loss in the event of default on the exposure involved. The loss norm is the probability that an obligor will default within the next twelve months multiplied by the economic loss expected in the event of such a default. The weighted average loss norm provides a measure of the portfolio risk profile and portfolio risk rating. The results are compared with statistical loss measurement under the Group economic capital model.

The portfolio risk rating improved from 7 in 2010 to 6 as of December 2011, highlighting the positive results of the various actions taken during the past year to de-risk the portfolio. The average probability of default for the portfolio was 8% compared to 10% in December 2010.

4.1.4. Risk monitoring and control

Credit risk exposures of subsidiaries are monitored at both the subsidiary level and the Group risk management level. 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. Risk control units within the internal control department provide a second line of defence as they ensure that controls are in place and are effective. Remedial management units identify early warning signals of portfolio quality deterioration and 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 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 the Group 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 unexpected and expected economic loss and the overall direction of the portfolio risk profile.

The portfolio management unit ensures that the Group is not exposed to excessive concentration of credit risk on any one obligor, asset class, 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

In accordance with the Group credit risk management policy, risk concentration limits are in place for managing the credit portfolio and monitoring compliance with the risk appetite. These limits are regularly reviewed by the Risk Committee to take into account changes in our operating environment or in our business segments.

The Group has developed a framework for setting concentration limits. Concentration risk is monitored by addressing credit quality deterioration and portfolio diversification. With respect to portfolio quality, the probability of default (PD) of each risk factor (geography, industry segment, business sector, product etc) is the main driver for limit setting because any increase in the PD (loss norms) is an indication of portfolio quality deterioration; conversely, any decrease is indicative of an improvement in portfolio quality. With regard to portfolio diversification, concentration risk is measured by the level of statistical unexpected loss associated with each risk factor. Whereas the expected loss has a direct impact on Group profitability, unexpected loss affects Group capital and consequently future performance. With the unexpected loss concept, Group Risk Management has been able to cap risk factors, which otherwise would have widened the gap between regulatory capital and economic capital, and, thus, improve the credit risk profile.

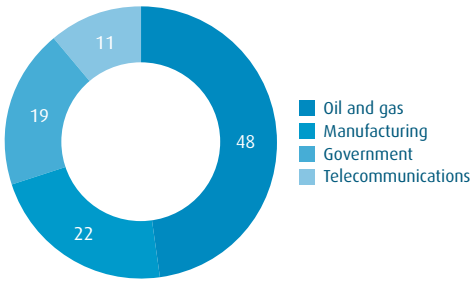
The credit portfolio, net of provisions, amounted to US$17.9 billion as of 31 December 2011 (US$11.8 billion as of 31 December 2010). The 52% increase was largely a result of the acquisition of Oceanic Bank which accounted for 54% of the use in risk assets. This portfolio consists of loans and advances 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 sheet exposures in the form of financial and performance guarantees as shown in the table below.

Risk assets (US$ million)	2011	2010
Loans and advances to customers	7,360	5,264
Treasury bills and bonds	3,092	1,368
Loans and advances to banks and financial institutions	2,559	1,613
Deposits with central banks	1,257	778
Other on-balance sheet assets	357	478
Sub-total direct exposures	**14,625**	**9,500**
Import letters of credit	1,654	699
Other guarantees and undertakings	1,663	1,585
Sub-total contingent exposures	**3,317**	**2,284**
Total portfolio	**17,938**	**11,785**

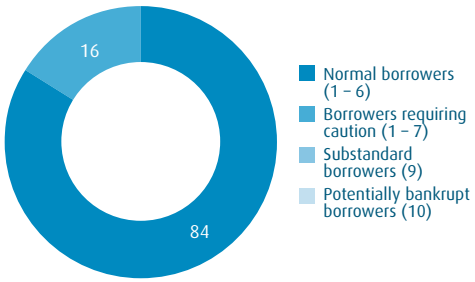
4.1.4.2. Obligor concentration

A large exposure is defined as any individual exposure that represents at least 10% of the total portfolio or at least 10% of the capital. As at 31 December 2011, there was no exposure equal to or greater than 10% of the total portfolio. However, one non-bank obligor had an individual outstanding balance of 13.7% of capital. The twenty largest non-bank exposures represented 111% of Group capital (2010: 124%), and 16% of the total non-bank credit exposures (December 2010: 20%). These exposures came from four industry sectors – oil and gas, manufacturing, government and telecommunications. The quality of the top twenty exposures improved significantly as 84% of these exposures were of "normal credit risk" quality (i.e. with ratings ranging from 1 to 6) compared to 68% as of 31 December 2010.

Top 20 exposures by industry sector (%)



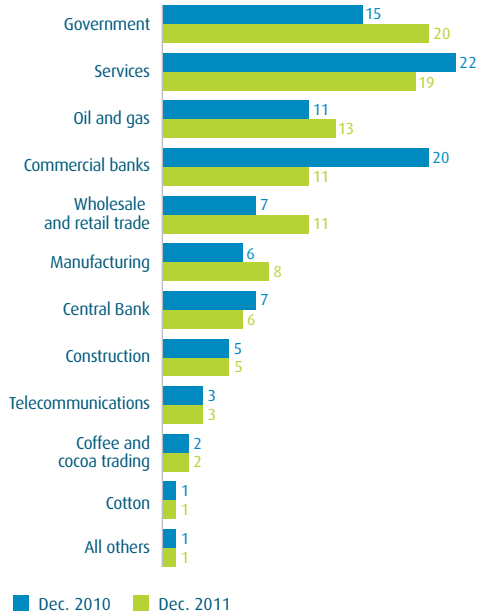
Top 20 exposures by risk category (%)



4.1.4.3. Industry diversification

The portfolio breakdown by industry is consistent with a well-diversified credit portfolio, notwithstanding the highlighted concentrations in the government sector (mainly treasury bills held for liquidity management purposes and bonds received in consideration of assets sold in Nigeria), the services sector, the oil and gas sector, the banking sector (mainly comprised of ordinary short-term banking transactions with local banks and OECD correspondent banks), and the wholesale and retail trade sector. These five industry sectors accounted for 74% of the total credit portfolio (December 2010: 75%).

Diversification by industry sector (%)
Percent of total portfolio

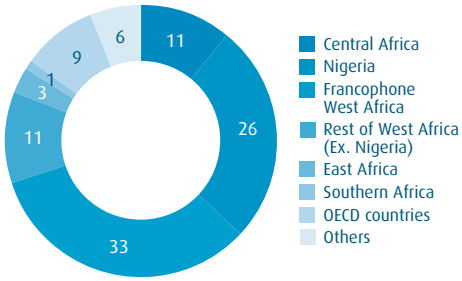


4.1.4.4. Geographic diversification

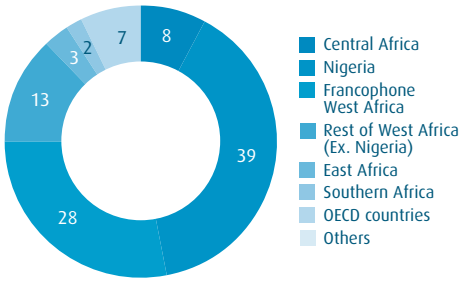
The Group has banking operations in 31 countries and benefits substantially from the geographic diversification of its credit portfolio. Thirty-nine percent of the Group credit portfolio was granted to obligors in Nigeria (December 2010: 26%); the increase is attributed to the acquisition of Oceanic Bank, which accounted for 19% of the portfolio. Apart from Nigeria, no other country represented more than 10% of the portfolio.

At the regional level, Nigeria accounted for the largest concentration as exposure to obligors in that region represented 39% of the portfolio (December 2010: 26%). Other significant contributions are attributable to the Francophone West Africa Region (28%), the Rest of West Africa excluding Nigeria (13%), Central Africa (8%) and OECD countries (7%).

2010 exposures by region of residence (%)
Percent of total portfolio



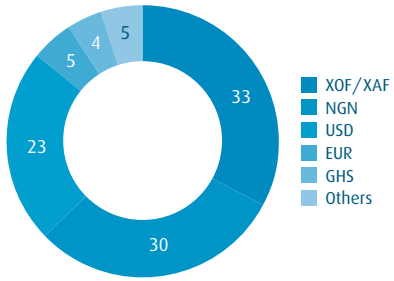
2011 exposures by region of residence (%)
Percent of total portfolio



4.1.4.5. Currency breakdown

The portfolio was mainly denominated in three major currencies, namely the CFA Franc (33%), the Nigerian Naira (30%) and the US dollar (23%). The three currencies accounted for 86% of the lending portfolio.

Credit portfolio by currency (%)

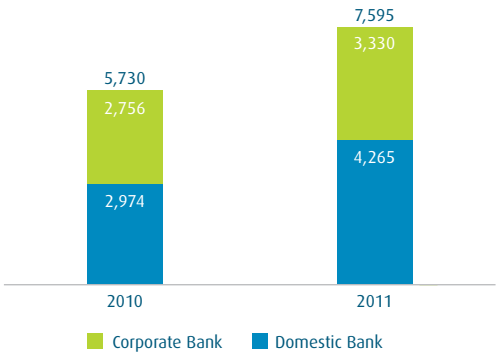


4.1.4.6 Asset quality

4.1.4.6.1 Gross loans and advances to customers

Gross loans and advances to customers rose 33% in 2011 to US$7.6 billion. The growth was mainly driven by the Domestic Bank, which increased by 43%, while the Corporate Bank increased by 21%.

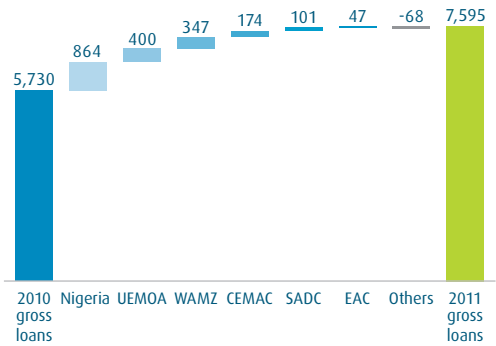
Gross loans by business segment (US$m)



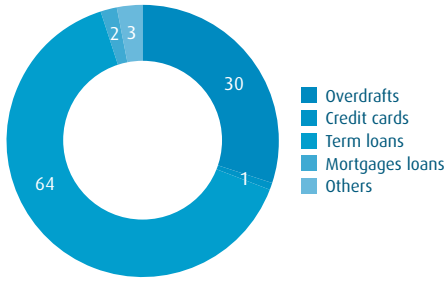
Nigeria, with the newly acquired Oceanic Bank, contributed 46% of the gross loan growth in 2011. The other significant drivers were UEMOA (21%), WAMZ (19%) and CEMAC (9%).

At the product level, loan growth was driven by term loans, which represented 72% of the loan portfolio (2010: 64%).

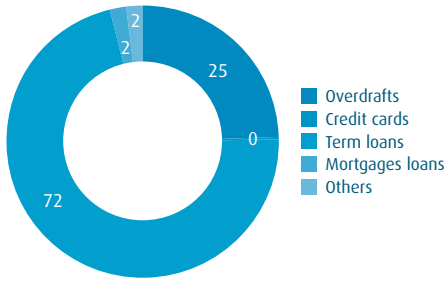
Contribution to the increase in customer loans by Regional Economic Community (US$m)



Loans: Product concentration 2010 (%)



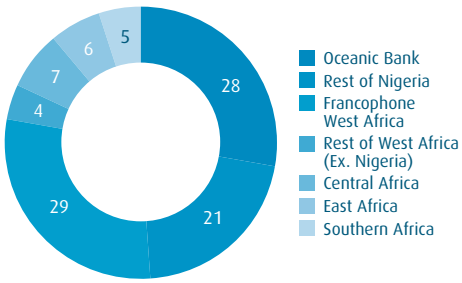
Loans: Product concentration 2011 (%)



4.1.4.6.2. Non-performing loans

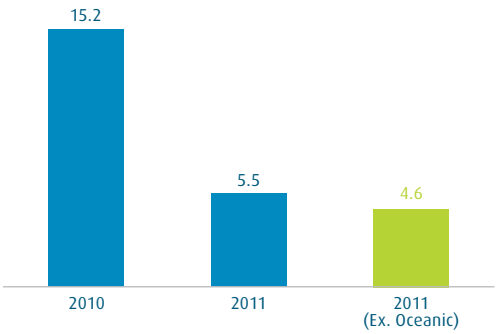
Non-performing loans decreased by 52% to US$415 million in 2011 (2010: $868 million), largely due to the sale of loans to the Asset Management Corporation of Nigeria (AMCON) in 2011. As a consequence, Nigeria (excluding Oceanic Bank) represented only 21% of non-performing loans (2010: 66%). Non-performing loans in the Oceanic Bank portfolio accounted for 28% of total non-performing loans.

Non-performing loans contribution by cluster (%)



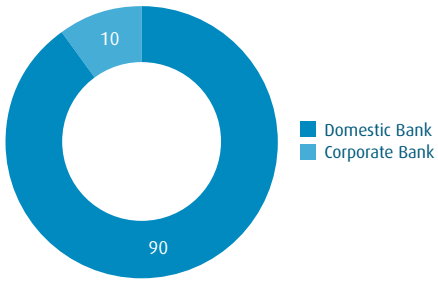
Consequently, asset quality improved significantly as the ratio of non-performing loans to gross loans and advances (NPL ratio) decreased to 5.5% (2010: 15.2%). The impact of the Oceanic Bank portfolio on the NPL ratio was a deterioration of almost one percentage point.

NPL ratio trend (%)



The breakdown of non-performing loans by business segment highlights a higher concentration of non-performing loans in the Domestic Bank (90%) relative to the Corporate Bank (10%). Within the Domestic Bank, non-performing loans are attributed to local corporate customers, SMEs and consumers who are more vulnerable to economic cycles.

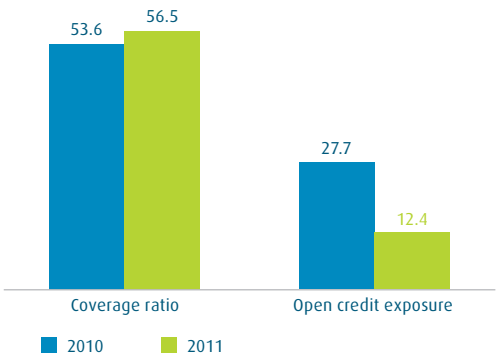
Non-performing loans per business segment (%)



Consistent with additional loan loss provisions established during the year, the NPL provisioning rate (NPL coverage) improved to 57% from 54% in 2010. Furthermore, the unreserved portion of the non-performing loans (i.e. the open credit exposure ratio) also improved significantly to 12.4% of the capital in 2011 (December 2010: 28%).

The cost of credit (i.e. impairment loss) for the year declined to US$86 million compared to US$101 million in 2010. As a ratio of average gross loans and advances to customers, the cost of credit improved significantly to 129 basis points in 2011 from 187 basis points in 2010.

NPL coverage and net open exposure (%)



4.1.4.6.3. Restructured loans

Consistent with the improvement in our asset quality, the amount of restructured loans declined by 47% in 2011 and restructured loans were mainly performing (94% of the total versus 76% in 2010). All restructured loans are maintained in the non-performing category for a minimum period of six months and only those that have performed for six months are transferred to normal status.

Restructured loans (US$ thousands)	2011	2010	Var (%)
Non-performing after restructuring (included in non-performing loans)	24,026	166,810	-86
Performing after restructuring	346,381	538,629	-36
Total	**370,407**	**705,439**	**-47**

4.1.5. Portfolio stress testing

Stress tests are an important means of analyzing our risk profile since they give management a better understanding of how Group portfolios are affected by macroeconomic changes, including the effects of negative events on Group capital. The tests support compliance with regulatory capital requirements and are an important tool in capital planning. When the Group uses stress tests in capital planning, stress is applied to risks, income and costs. Stressing income affects the Group capital, while stressing risk exposures affects the capital need. This means that the stress tests quantify the effect of macroeconomic changes on the capital buffer.

For credit risk, the Group uses statistical models that transform macroeconomic scenarios into loss levels. The models are used to stress the probability of default (PD), causing higher loan impairment charges and a greater need for capital. The exposure is stressed further by subjecting collateral to stress, that is, a reduction in the collateral value.

For other risk types, such as market risk, the Group uses scenario-specific variables on current market positions, and this can result in a decline in market values. The changes in market value are considered as losses that reduce Group earnings and capital.

The outcomes of stress test scenarios are reviewed on a consolidated basis across all risk types and compared with the Group risk appetite. They are reviewed by the management and the Risk Committee to ensure that the Group is prepared for worst case scenarios and that appropriate decisions are taken in the areas of Group risk appetite and capital management.

Several stress test exercises were undertaken during 2011 to assess the potential impact of various crises (including political) on our businesses. The results showed that the Group had adequate capital in all scenarios.

4.1.6. Risk reporting

Group Risk Management submits a monthly dashboard to the Group Chief Executive Officer and Group Executive Committee (GEC). The Risk Committee reviews Risk Management's quarterly reports to ensure that the portfolio performs in accordance with approved policies, limits and risk appetite. The Risk Committee refers decisions to the Board for final approval.

4.2. Market risk

Market risk comprises both price risk and liquidity risk. Price risk measures the impact of changes in interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities on earnings. Group trading and non-trading books are exposed to price risk. Liquidity risk on the other hand refers to the risk that an organisation is unable, or is perceived to be unable, to meet its financial commitments.

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

At the end of 2011, 30% of Group risk-weighted assets were related to market risk and, particularly, to interest rate risk (2010: 17%).

4.2.1. Organization

Group market risk management covers all assets, liabilities and off-balance sheet items. The Risk Committee sets the overall risk policies for Group market risk exposures, including risk limits. Group Internal Audit provides timely and objective assurance regarding the continuing appropriateness of, and the adequacy of compliance with, the policy framework.

The Group Market Risk Manager (GMRM) plays a coordination, aggregation, facilitation and enabling function. GMRM drafts market risk policies, defines market risk management standards, develops and distributes tools and techniques, and is responsible for training and promoting common risk language across the Group. 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. In addition, GMRM constantly monitors market risk exposures and ensures that they are maintained at prudent levels at all times. GMRM also ensures that market risk management processes (including people, systems, operations, limits and controls) satisfy Group policies.

The Group Treasurer is responsible for market risk-taking activities and manages market risks within the limits approved by the Board. The Group Treasurer reports market risk positions to GMRM and the 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 of subsidiary banks. Country treasurers report directly to Group Treasurer.

The Group Asset and Liability Committee (GALCO) is responsible for the supervision and management of market risk at the Group level. GALCO members meet monthly 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 the 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

Consistent with an independent and centralized risk management function, Ecobank measures, monitors, manages and reports its exposure to market risk on a daily basis. It also conducts intraday spot checks of market risks in individual subsidiaries by calculating risk exposures with internally developed systems that cover all of its positions. In addition, conventional risk measures and mathematical and statistical measures, such as Value at Risk, are utilized to calculate market risk exposures as well as economic and regulatory capital.

At the subsidiary level, trading units maintain blotters for recording movements and balance sheet positions of traded instruments, which include daily monitoring of profit and loss balances of trading and non-trading positions. Internal controllers and market risk managers monitor daily trading activities to ensure that risk exposures taken are within the approved price risk limits and the overall risk tolerance levels set by the Board. 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 subsidiaries meet their financial obligations at all times.

4.2.3. Risk measurement

4.2.3.1. Banking book

The bank's traditional loan and deposit products are non-trading positions and are generally reported at amortized cost. However, economic values of these positions may vary as a result of changes in market conditions, primarily interest and foreign exchange rate fluctuations, given that the Ecobank Group has operations in over 30 countries in Africa with exposure to 17 different currencies. The risk of adverse changes in the economic value of our non-trading positions is managed through the bank's Asset Liability Management activities.

The Group currently uses repricing maturity gap analysis to measure exposure to interest rate risk in its non-trading book. 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. 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 re-pricing dates.

An interest rate sensitive gap is positive or a gap profile is said to be asset sensitive when the amount of interest rate sensitive assets exceeds that of interest rate sensitive liabilities maturing or re-pricing within a specified time period. It is negative (liability sensitive) when the amount of interest rate sensitive liabilities exceeds that of interest rate sensitive assets maturing or re-pricing within a specified period.

In general, an asset sensitive institution may 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.

4.2.3.2. Trading book

At Ecobank, trading market risk generally emanates from the Group's market making activities where the Group acts as principal with the market. It therefore arises from open positions in interest rate and foreign currency positions and is generally affected by changes in the level and volatilities of yields and foreign exchange rates.

Tools used to manage trading risk exposures include the following:

- Risk limits, driven by the notional size of net open positions (NOPs) by currency and subsidiary.
- Management Action Triggers (MAT).
- Stop Loss Limits.
- Value at risk.

4.2.3.3. Liquidity risk

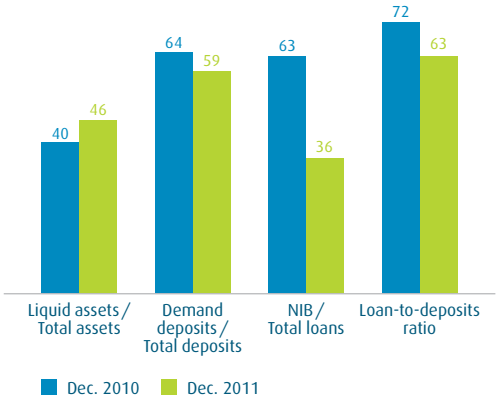
Liquidity risk is currently managed using a balance sheet approach that estimates all sources and uses of liquidity including loans, investments, deposits and borrowings, as well as contingent off-balance sheet exposures. Respective subsidiary treasurers are generally responsible for formulating the Group liquidity and contingency planning strategies and identifying, monitoring and reporting on all liquidity risks. The main tools used for liquidity risk measurement are the contractual maturity gap and ratio analysis.

As shown in the following graph, the Group is exposed to liquidity risk as of 31 December 2011 for maturities of up to one month; this is due mainly to the overnight contractual maturity of current and savings deposits which accounted for over 70% of total deposits and are included in this maturity bucket. However, the risk is mitigated by the stable nature of these deposits from a behavioural perspective and the Group's ability to pledge its robust investment portfolio for cash at central banks.

Contractual liquidity maturity gap (US$m)

The Group liquidity position improved, characterized by an increase in the liquidity ratio (LR) of 5 percentage points year-on-year to 45% and a reduction in the loan to deposit ratio (LDR) from 72% in 2010 to 63% as at the end of 2011. The increase in the liquidity ratio was the result of liquid assets growing at a faster rate than total assets whilst the improvement in the loans to deposit ratio was largely due to growth in deposits.

Key liquidity indicators (%)



In line with policy, the Group conducts stress tests to measure its immediate liquidity risk and to ensure that it has enough time to respond to potential crises. The stress test, which is conducted monthly, covers a time horizon of up to six months. The test estimates liquidity risk in various scenarios, including three standard scenarios: a scenario specific to the Group, a general market crisis and a combination of the two.

The analyses are based on the assumption that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. Most of the Group's holding of unencumbered treasury bills and bonds can be used as collateral for loan facilities with central banks, and thus, are considered liquid. Scenario-specific haircuts are used on the treasury bills and bonds portfolio. Potential liquidity outflows from unutilized, but irrevocable loan commitments are also factored in.

The degree of possible refinancing of funding sources varies depending on the scenario in question as well as on the specific funding source. To analyze the stability of funding, the Group breaks down deposits into personal / corporate, core / non-core and term / non-maturing, as well as geographically according to the Group's position in each market.

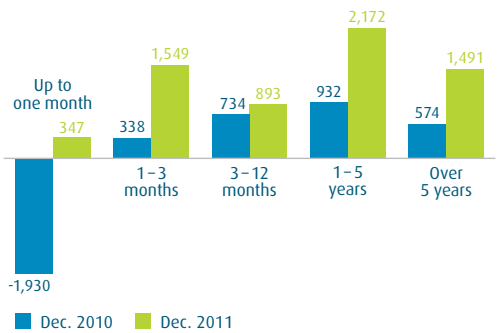
The Group monitors the diversification of funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection if the markets come under pressure.

The Group was able to remain within its internal stress test targets throughout 2011.

4.2.3.4 Interest rate risk

Below is the maturity profile of interest rate sensitive assets and liabilities as of 31 December 2011. As reflected below, the balance sheet was asset sensitive across all re-pricing buckets. As a result of the re-pricing profile, a 200 basis points decrease (increase) in rates across the re-pricing buckets is expected to lead to a decline (increase) in one-year net interest income by approximately US$56 million (2010: US$21 million) as the value of re-pricing assets more than out-weigh the value of re-pricing liabilities along all tenors.

Interest rate repricing profile (US$m)



In order to estimate the impact of varying interest rates on the economic value of Ecobank's equity, duration based weighting factors (based on an assumption of 200-basis points across the time frame) recommended by the Bank for International Settlements (BIS) were applied to exposures in different maturity buckets, and the results were expressed as a percentage of the Group capital. The results for 2011 are shown in the table below.

Interest rate re-pricing risk analysis (US$ millions except ratios)	Up to on month	1 – 3 months	3 – 12 months	1 – 5 years	Over five years	Total
Gap	352	1,549	893	2,172	1,491	
Weighting factor (%)	0.08	0.32	1.08	5.28	17.94	
Adjusted gap	0	5	10	115	268	397
Interest rate risk ratio (%)	**0.01**	**0.26**	**0.50**	**6.01**	**14.02**	**20.81**

The aggregate interest rate risk ratio is approximately 20.81% or a potential change of US$397 million in economic value. Thus, a 200 basis points increase in interest rates, is expected to reduce economic value by 20.81% (2010: 12.30%). Conversely, a 200 basis points reduction in rates is anticipated to positively impact the economic value of Group equity by the same magnitude. The deterioration was due to the increase in exposure across all repricing tenors primarily resulting from the acquisition of Oceanic Bank during the year which more than offset the impact of the increase in capital.

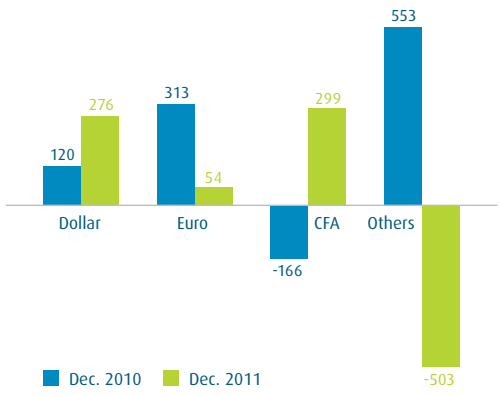
4.2.3.5. Foreign exchange risk

Foreign exchange risk is the risk of losses on foreign currency positions caused by changes in exchange rates.

The Group is exposed to foreign exchange rate fluctuations in 17 currencies. The CFA Franc continued to be the largest currency of exposure as 33% of risk assets are denominated in the currency. In addition, the CFA Franc is a common currency for 13 out of 30 countries in which the Group operates, and it is pegged to the Euro under financial agreements between the French Treasury and countries in the Francophone West Africa and Central Africa regions.

As of 31 December 2011 the Group had a net on-balance sheet long open position in EUR of US$54 million (2010: long net position of US$313 million), a net long open position in USD of US$276 million (2010: long net position of US$120 million) and a net long open position in the CFA of US$299 million (2010: US$166 million net short position).

Net foreign exchange position (US$m)



4.2.3.6. Value at risk

The Group measures and manages price risks in its foreign exchange and fixed income trading portfolios on the basis of value at risk (VaR) calculations and stress testing. VaR represents the potential loss in the market value of a position or portfolio at a given confidence interval level and over a pre-defined time horizon, and it is used for risk monitoring and economic capital assessment. The table below shows basic statistics of the 10-day VaR for the foreign exchange and fixed income trading positions for 2011. The average VaR for 2011 was US$7 million, of which US$6.7 million is attributable to foreign exchange risk and US$0.3 million to interest rate risk:

2011 value at risk (US$ thousands)	Average VaR	Minimum VaR	Maximum VaR	Year end
Interest rate risk	294	238	577	389
Foreign exchange risk	6,705	3,833	9,602	4,725
Total VaR	**6,999**	**4,071**	**10,179**	**5,114**

4.3. Operational risk

The Ecobank Group defines operational risk as the risk of loss arising from failed or inadequate internal control processes, systems or people or from events external to the Group. Operational risks include fraud, legal, regulatory, compliance, execution and business practices but exclude strategic and reputational risk. Other risks like reputational, credit and market risk are seen as potential consequences of operational risk events. Legal risk is the risk of loss resulting from the failure to comply with laws, prudent ethical standards and contractual obligations. Legal risk also arises when contracts executed with counterparties are not legally enforceable or documented correctly. The Group has established a common risk language to provide a consistent framework for the definition and categorization of risk.

General and specific training through workshops, newsletters and mandatory operational risk awareness continued throughout the year. Operational risk awareness programs have now been entrenched to ensure that business units own the risks inherent in their operations. Group Operational Risk Management (GORM) acted as the coordinating point where all significant operational risks identified were measured, assessed, prioritized, managed, monitored and treated in a consistent and effective manner across the Group. GORM also ensured that existing policies and procedures adequately addressed risks emerging from changing operating environments. All subsidiaries have adopted the new operational risk policies and procedures manual (ORPPM) approved by the Board in August 2011.

4.3.1. Organisation

The Group operates an operational risk governance structure that ensures that the Board of Directors and the Group Chief Executive Officer have direct responsibility for operational risk throughout the Group. The Board acts through the Risk Committee, whose decisions are implemented by a centralized and independent Group Risk Management function.

The Group Operational Risk Management (GORM) is a central function at the Group Office, supported by operational risk officers in all subsidiaries. GORM drafts operational risk policies, defines operational risk management standards and develops tools and techniques for analysis, reporting, communication and training. It coordinates and participates in preparing, testing and reviewing the business continuity and disaster recovery plan of every business unit. The Group Operational Risk Manager plays a coordination, aggregation, facilitation and enabling function.

During 2011, GORM continued to disseminate the operational risk governance structure introduced in 2010. GORM worked closely with business units and functions, notably Internal Control, Compliance, Human Resources and Internal Audit, to identify and resolve key issues. Operational risk assurance was provided through the Group Internal Audit function.

4.3.2. Operational risk policy

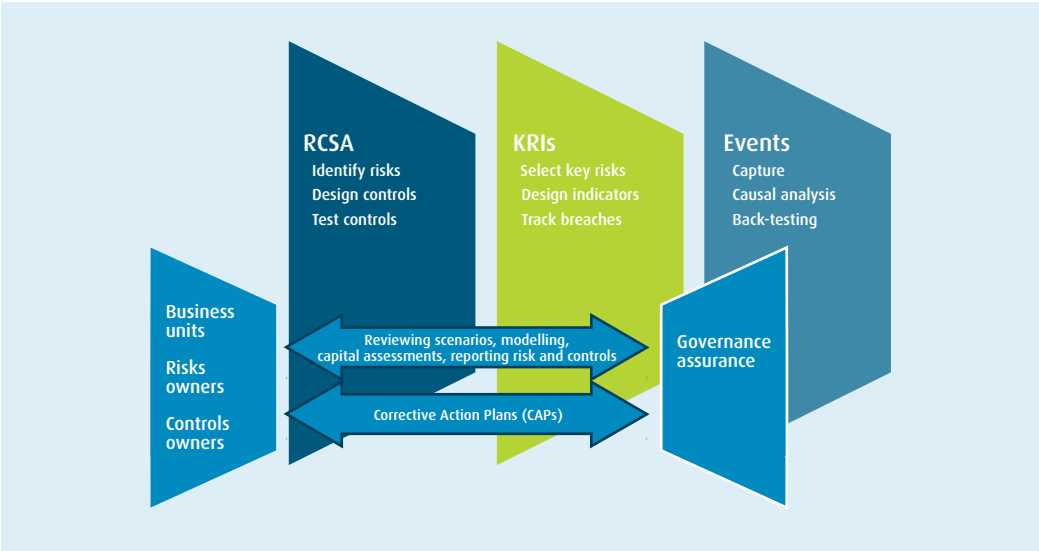
The Group operational risk policy covers the following activities:

- Identifying, monitoring and managing current and potential operational risk exposure.
- Managing "critical risks", i.e. risks that, in the view of the business unit management or the Risk Committee, require follow-up and further reporting.
- Following up on reports from Internal Audit and regulatory authorities and informing the Risk Committee of issues that involve Group operational risks.
- Preparing management information on issues such as IT security, physical security, business continuity and compliance with legislation in these areas.

The Group has strengthened other policies, including policies on security, control and compliance, that also support operational risk management.

4.3.3. Operational risk management (ORM) framework

Implementation of the three pillars under the ORM framework continued into its second year. Group Risk Management introduced a centralized platform to support these pillars and deepen risk assessment processes across the network. The figure below depicts the ORM framework. It anchors the Group's operational risk responsibilities and escalation processes.



4.3.3.1. Risk and control self-assessment (RCSA)

RCSA is the first pillar in the ORM framework. The principal objective of the RCSA is to identify, measure and monitor operational risks. It is owned by the business. RCSA is an additional control process and does not replace existing controls.

The RCSA process directly involves business management and staff assessment of the bank's system of internal controls. After the assessment, owners continue to evaluate key risks and controls on a quarterly basis. During the evaluation or testing of controls, if the business detects that some controls are not effective, the assessor documents the nature of the defect and escalates its resolution to a higher level in the organization. The RSCA process leads to senior management committing to corrective action plans (CAPs) for defective controls, which are tracked by GORM.

4.3.3.2. Key risk indicators (KRIs)

Key risk indicators constitute the second pillar for managing operational risk. They are quantifiable measures linked to the documented key risks in the risk evaluation processes. They enable changes in a risk level to be monitored and are effective management tools for validating the RCSA process.

Business units collect KRI data to signal issues where remedial action is required. The process thus leads to senior management committing to corrective action plans (CAPs) for KRI breaches, which are tracked by GORM.

4.3.3.3. Events

Events management is the third pillar of the ORM framework. Identifying, analyzing and recording events are important in assessing the effectiveness of the framework. Analyzing root causes that crystallize into loss events assists management in taking the necessary steps to restore or tighten controls. Early detection and escalation process facilitates effective remediation and improves the chances of recovery of operational risk losses.

The process also leads to senior management committing to corrective action plans (CAPs) when root cause analyses are complete.

4.3.3.4. Risks and controls ownership, governance, and assurance

Within the framework, business units own the risks and controls. Their efforts are guided by control and risk functions (Internal Control and Operational Risk) because these are independent of the business. Both Internal Control and Operational Risk track corrective actions plans (CAPs) and report on these to senior management. The Group Operational Risk unit has the primary responsibility for profiling business risks using scenarios, modelling, and capital assessment methodologies. It deploys the necessary tools across the Group. The Group Internal Audit function provides independent assurance through audits and risk reviews.

4.3.4. Risk identification, measurement, monitoring and control

Losses are categorized according to the Basel II event categories for operational risk losses. The loss categories are: 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.

The Group utilizes an operational risk management application to collect, analyze and report operational loss event data across the network. Business units are thus able to monitor the key operational risk exposures and underlying drivers against policy thresholds set in the ORM framework.

Operational risk managers throughout the Group ensure that all operational risk events are recorded and reported to the appropriate management levels. Internal loss events are categorized 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.

4.3.5. Compliance and regulatory risk

The Group operates a governance structure that reduces compliance and regulatory risks. The Group Chief Operating Officer has direct oversight for these functions. Group Operational Risk Management (GORM) assists by highlighting breaches throughout the network for immediate management action. Group Internal Audit carries out its assurance roles through routine on-site visits to subsidiaries.

4.3.6. Know Your Customer (KYC) and due diligence

Frontline staff, relationship managers and other officers who serve clients and potential clients undergo anti-money laundering (AML) and counter-terrorism financing training. In addition, mandatory AML training has been implemented for these staff to refresh their knowledge from time to time. The Group has implemented systems that track suspected transactions for money laundering and screen the financial activities of politically exposed persons (PEPs) and those individuals, companies or States under sanctions imposed by the United Nations Organisation, the United States, and the European Union.

During 2011 all employees participated in mandatory AML training through the Group Virtual Banking Institute (VBI) e-learning platform. VBI was used during 2011 for mandatory training in several key disciplines including anti-money laundering, information security and operational risk fundamentals.

4.3.7. Technology risks and information security

The Group strategy to centralize IT and key applications across the network continued. The reliance on technology increases related risks. Prevention of threats to our networks and payment platforms continue to receive attention from senior management. Group Technology worked closely with the business units to prevent attacks on electronic payment systems, including ATMs, card operations, automated clearing systems, corporate and individual Internet Banking services and other critical systems. Similarly, sensitive materials that were exposed to risks were protected through rigorous implementation of the internal data security program (Payment Cards Industry Data Security Standards – PCI-DSS) which is nearing completion.

During 2011, technology risks were managed continually through:

Change Review and Approvals: Any system that impacts on the infrastructure and on more than two users have to undergo rigorous tests and are then escalated to an IT Change Review Board for approval and tracking for impact on others systems. Operational Risk Officers at the subsidiary and Group level directly work with the review board to ensure the cut-over process is backed by appropriate tests and user concurrence. The diverse composition of the team, drawn from Group Technology (infrastructure and applications), Group Operations and Services, Group Information Security, Group Internal Control, and Group Operational Risk (cut-over) ensures that thorough assessments are made before any systems changes. IT changes within "freeze periods" (sensitive periods imposed by policy, which are days or weeks leading to month end and accounting year-end) are avoided.

Project Management Platform: An enterprise-wide project management platform was introduced during the year to track and control all projects. These project management tools have reduced project failures and increased management surveillance across the Group. During the year, 18 subsidiaries migrated their core banking applications to the Group platform to complete the Group objective of standardizing all core banking applications across the network. The implementation of a common core banking application standardized processes and reduced compatibility risks across the Group.

Infrastructure Protection and Capacity Management: Managing capacity through the Central Design Authority (CDA) continued. The CDA process was introduced in 2010 and has proved to be effective in protecting the existing infrastructure and applications when new solutions and processes are implemented. CDA involves technical and functional assessments to ensure any risks are contained. CDA reviews ensured functionally duplicated applications were identified and removed. The reviews also clarified resource usage (hardware, operating systems, manpower etc).

Information Security: All staff completed mandatory information security awareness during 2011. The function received an additional boost when an experienced information security expert joined the Group to lead the effort in containing threats. Threats escalation processes introduced in 2010 continued throughout 2011, with no significant attack on our system reported.

4.3.8. Business continuity management

Business Continuity Management (BCM) and Business Continuity Processes (BCP) include individual affiliates' operational resumption plans, human resources planning and disaster recovery of business units in case of any disruption. The Group continued efforts to standardize processes to ensure activities can resume within countries as the first option, or rely on a the Group recovery site as the final option. The implementation of the common core banking application across the Group moved affiliates closer to this BCM objective.

In early 2011, political crisis resulted in a major disruption in Côte d'Ivoire, forcing the Group to shut down countrywide operations and resume offering limited service in neighbouring affiliates. This was possible because Group Technology had successfully replicated the necessary infrastructure at the centre to support the limited service. Group Technology is using this as a model for recovering from any future countrywide disruptions that may occur.

4.3.9. People risk

There are two categories of people risk: intentional or dishonest acts (frauds, unauthorized policy and procedure breaches, collusion, or sabotage) and unintentional causes (mistakes or errors due to lack of awareness of policies and procedures), both of which can lead to losses. The Group maintains zero tolerance for all dishonest acts and enforces Codes of Ethics for all staff. Management has implemented a number of measures, including increasing on-site reviews, screening workers and disciplining staff involved in dishonest behavior. People risk is further managed through the hiring process. Management continued to maintain an efficient balance between sales and processing staff ratios.

Where external organizations provided services, subsidiaries were guided to assign less sensitive roles to such support staff; employee screening was also extended to cover non-permanent staffing arrangements. Other control mechanisms, such as vacation management, job rotation and a centrally-driven short-term foreign assignment policy, were enforced throughout 2011.

4.3.10. Operational risk reporting

Operational risk reporting is an integral part of the governance structure described earlier. Clear mandates were established in the Group during 2011, as part of the implementation of the new policies and procedures. In addition to the day-to-day monitoring of events and follow-ups, all Business Unit Risk Committees (BURCs) in countries met monthly to review operational risks specific to those units and also identify emerging risks. Country Operational Risk and Country Internal Control or Internal Audit observed the meetings, whose proceedings were documented and escalated to Group Operational Risk.

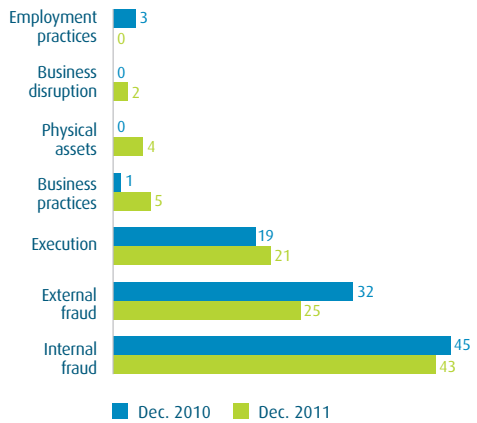
On a quarterly basis, functional heads in countries meet as members of the Country Business Risk and Control Committee (BRCC) to review key operational risks. Responsibilities are assigned as appropriate for outstanding action plans for follow-up. Country Operational Risk reports to GORM for escalation of significant issues to Group BRCC and Group Risk Committee through the Group Head, Risk Management.

Operational risk governance structure

4.3.11. Events and losses

During the year under review, the overall net losses dropped in absolute terms from $6 million to $5 million. Internal fraud continued to be the main source of operational losses constituting 43% (2011: 45%) of the total. External frauds constituted 25% of total operational losses, a decrease from 32% as of the previous year end.

Net operational losses (%)
Percent of total losses



Execution losses as a proportion of net operational losses increased to 21% (2010: 19%). However, there was a reduction in absolute terms. The improvement (reduction) is a direct result of automation and straight-through-processing. The strategy to utilize technology to reduce costs, delays and errors has significantly been realized, as the Group has progressively reduced the number of core banking applications from five in 2009, to two in 2010 and finally to one as at the end of 2011. Using one core banking system in a centralized environment is expected to optimize operations and minimize execution losses.

5. Capital adequacy

5.1. Group level

Our capital management policies support Group strategy and ensure that Ecobank is sufficiently capitalized to withstand severe macroeconomic downturns. In addition, they are designed to ensure that the Group complies with regulatory capital requirements and to support our credit rating objectives.

Ecobank has two approaches to the measurement of its capital requirements: a regulatory approach and an internal approach. The regulatory approach is based on fixed uniform rules for holding adequate capital to support the risk that the Group assumes. Therefore, in all the countries where Ecobank operates, banks are required to hold a minimum capital level, which is determined by the regulators, and is consistent 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%. Since 2007, the Group has been using an internal model based on Basel II standards for assessment of capital adequacy on a consolidated basis. In line with an evolving capital management framework and best practice recommendations, the Board in 2010 approved the adoption of the economic capital concept as an additional internal method for capital assessment. At Ecobank, economic capital is defined as the amount of capital required to absorb unexpected losses arising from credit, operational and market risks over a one-year time horizon at a 95% confidence level.

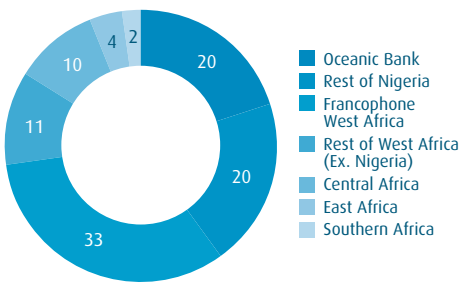
Risk management

Under Basel I standards, risk-weighted assets rose by 47% from US$7.0 billion in 2010 to US$10.3 billion in 2011. The unimpaired capital, on the other hand, increased by 31% to US$1.9 billion in 2011 from US$1.5 billion in December 2010. Loans and advances to customers accounted for the increase in risk-weighted assets, which rose by US$2.1 billion, equating to 64% of the year-on-year increase. The increase in the risk-weighted assets was due mainly to the acquisition of Oceanic Bank.

Risk-weighted assets (US$ million)	2011	2010
Liquid assets	865	348
Loans to customers	7,360	5,264
Other on-balance sheet assets	1,392	945
Off-balance sheet assets	663	457
Total	**10,280**	**7,014**

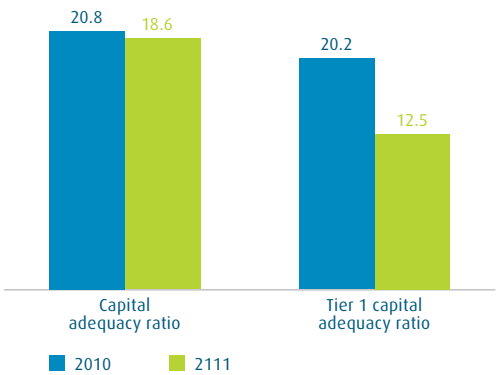
The risk-weighted assets were mainly concentrated in Nigeria (aggregate of 40% for the combined business), Francophone West Africa (33%), Rest of West Africa excluding Nigeria (11%) and Central Africa (10%).

Risk-weighted assets concentration (%)



Accordingly, the capital adequacy ratio under Basel I as of 31 December 2011 was 18.6% (20.8% in December 2010), significantly exceeding regulatory requirements and minimum international standards. The core (Tier 1) capital adequacy ratio was 12.5% (20.2% in December 2010), confirming the financial strength of the Group. The year-on-year decline in capital ratios was driven by the significant growth in risk assets as a result of the acquisition of Oceanic Bank in Nigeria. However, the Group is in discussions to raise Tier 1 capital of up to $250 million, and this will raise the core capital adequacy ratio to the 16% – 18% level.

Capital adequacy ratio (%)



Our internal models (Basel II and economic capital) have also confirmed the adequacy of the capital funds of the Group.

5.2. Capital adequacy in affiliates

In line with our commitment to comply with local regulations and ensure that our affiliates are sufficiently well-capitalized to meet local business needs, the Group continued to monitor capital adequacy in affiliates. All affiliates comply with limits imposed by local regulators, and when a shortage arises, appropriate actions are taken for immediate compliance with regulations.

During the year, various borrowing lines were approved by Development Financial Institutions (DFIs) and partner financial institutions to support capital levels in affiliates:

- The International Finance Corporation (IFC) disbursed $139 million for on-lending to 17 subsidiaries in the form of Tier 2 capital. Part of these borrowings is convertible into ETI shares.
- In addition, during the second half of the year the Group received €50 million ($68 million) from the European Investment Bank (EIB) and $30 million from the OPEC Fund for International Development (OFID) for on-lending to subsidiaries in the form of Tier 2 capital. All these loans are convertible into ETI shares.
- Moreover, following the acquisition of Oceanic Bank, the Group secured a $285 million convertible loan from Nedbank (South Africa's fourth largest banking group measured by assets). This transaction marks a critical step in the consolidation and deepening of the strategic banking alliance into which Ecobank and Nedbank entered in December 2008.

Laurence do Rego
Group Executive Director
Head of Finance and Risk

Financial statements

Statement of Directors' responsibilities

Responsibility for annual consolidated financial statements

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

a. Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company and its subsidiaries.

b. Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

c. Prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgements and estimates that are consistently applied.

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

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

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

Approval of annual consolidated financial statements

The accompanying consolidated financial statements presented on pages 136 – 230 were approved by the Board of Directors on 16 March 2012 and signed on its behalf by:

Kolapo Lawson
Group Chairman
Board of Directors

Arnold Ekpe
Group Chief Executive Officer

Report of the Independent Auditors to the Shareholders 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 2011 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 2011, 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 March 2012

PricewaterhouseCoopers, SA
Chartered Accountants
Abidjan, Côte d'Ivoire
28 March 2012

Consolidated income statement

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

	Note	Year ended 31 December 2011	2010
Interest income	6	878,493	697,084
Interest expense	6	(295,103)	(222,313)
Net interest income		**583,390**	**474,771**
Insurance premium income	7	2,466	–
Insurance premium ceded to reinsurers	7	(418)	–
Net insurance premium		**2,048**	–
Fee and commission income	8	404,475	297,522
Fee and commission expense	8	(21,453)	(10,653)
Net fee and commission income		**383,022**	**286,869**
Lease income	9	8,706	10,223
Dividend income	10	4,209	2,587
Net trading income	11	182,737	117,233
Net gains / (losses) from investment securities	12	(549)	111
Other operating income	13	32,065	7,849
Other income		**227,168**	**138,003**
Operating income before impairment loss		**1,195,628**	**899,643**
Impairment losses for loans and advances	14	(85,748)	(101,473)
Operating income after impairment loss		**1,109,880**	**798,170**
Insurance benefits	15	53	–
Insurance claims and loss adjustment expenses	15	(772)	–
Insurance claims and loss adjustments recovered from insurers	15	26	–
Expenses for acquisition of insurance and investment contracts	15	(87)	–
Staff expenses	15	(346,660)	(265,381)
Depreciation and amortization	15	(81,846)	(68,687)
Other operating expenses	15	(403,418)	(295,112)
Total operating expenses		**(832,704)**	**(629,180)**
Operating profit		**277,176**	**168,990**
Share of profit of associates	27	246	36
Profit before income tax		**277,422**	**169,026**
Income tax expense	16	(70,582)	(37,207)
Profit for the year		**206,840**	**131,819**
Attributable to:			
Equity holders of the parent company		182,207	112,716
Non-controlling interest		24,633	19,103
		206,840	**131,819**

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	17	1.76	1.14
– Diluted	17	1.55	1.13

The notes on pages 141 – 230 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

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

	Note	Year ended 31 December 2011	2010
Profit for the year		**206,840**	**131,819**
Exchange difference on translation of foreign operations		(81,296)	(70,889)
Available-for-sale investments:			
– Net valuation (losses) / gains taken to equity	42	(87,969)	29,150
– Reclassified to income statement	42	(14)	(171)
Property and equipment – net revaluation gain / (loss)	29	21,874	–
Taxation relating to components of other comprehensive income	38	23,236	(8,300)
Other comprehensive income for the year, net of taxation		**(124,169)**	**(50,210)**
Total comprehensive income for the period		**82,671**	**81,609**
Total comprehensive income attributable to:			
– Equity holders of the parent		62,752	68,833
– Non-controlling interest		19,919	12,776
		82,671	**81,609**

The notes on pages 141 – 230 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

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

	Note	2011	As at 31 December 2010
Assets			
Cash and balances with central banks	18	1,707,380	1,126,222
Treasury bills and other eligible bills	19	745,943	588,922
Loans and advances to banks	20	2,558,590	1,613,322
Trading assets	21	1,570	6,803
Derivative financial instruments	22	8,611	10,000
Reinsurance assets	23	3,282	–
Loans and advances to customers	24	7,359,940	5,264,184
Investment securities: available-for-sale	25	2,697,911	893,125
Pledged assets	26	97,446	–
Investment in associate	27	3,436	3,181
Intangible assets	28	460,510	28,168
Property and equipment	29	820,366	464,289
Investment property	30	72,177	12,948
Deferred income tax assets	38	38,752	35,734
Other assets	31	585,998	419,973
Total assets		**17,161,912**	**10,466,871**
Liabilities			
Deposits from other banks	32	936,612	372,384
Due to customers	33	12,076,495	7,924,585
Other deposits	34	170,099	50,918
Derivative financial instruments	22	10,270	9,913
Insurance liabilities	23	3,282	–
Borrowed funds	35	1,403,021	225,975
Other liabilities	36	1,040,294	518,964
Current income tax liabilities		42,992	35,933
Deferred income tax liabilities	38	3,328	27,442
Retirement benefit obligations	39	16,183	8,147
Total liabilities		**15,702,576**	**9,174,261**
Equity			
Capital and reserves attributable to the equity holders of the parent entity			
Share capital	41	1,080,186	866,709
Retained earnings and reserves	42	274,019	288,638
		1,354,205	1,155,347
Non–controlling interests in equity		**105,131**	**137,263**
Total equity		**1,459,336**	**1,292,610**
Total liabilities and equity		**17,161,912**	**10,466,871**

The notes on pages 141 – 230 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

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

	Note	Attributable to equity holders of the company			Non–controlling interest	Total
		Share capital	Retained earnings	Other reserves		
At 1 January 2010		**866,709**	**221,610**	**23,810**	**123,436**	**1,235,565**
Net changes in available-for-sale investments, net of tax	42	–	–	20,679	–	20,679
Currency translation differences	42	–	–	(64,562)	(6,327)	(70,889)
Net income recognized directly in equity		–	–	(43,883)	(6 327)	(50,210)
Profit for the year		–	112,716	–	19,103	131,819
Total comprehensive income for the year		–	112,716	(43,883)	12,776	81,609
Dividend relating to 2009		–	(29,745)	–	(13,469)	(43,214)
Transfer to general banking reserves	42	–	(11,180)	11,180	–	–
Transfer to statutory reserve	42	–	(15,281)	15,281	–	–
Share options granted	42	–	4,130	–	–	4,130
Proceeds from shares issued:						
– Rights issue		–	–	–	14,520	14,520
At 31 December 2010 / 1 January 2011		**866,709**	**282,250**	**6,388**	**137,263**	**1,292,610**
Net changes in available-for-sale investments, net of tax	42	–	–	(59,802)	–	(59,802)
Currency translation differences	42	–	–	(76,582)	(4,714)	(81,296)
Net gains on revaluation of property		–	–	16,929	–	16,929
Net loss recognized directly in equity		–	–	(119,455)	(4,714)	(124,169)
Profit for the year		–	182,207	–	24,633	206,840
Total comprehensive income for the year		–	182,207	(119,455)	19,919	82,671
Dividend relating to 2010	42	–	(39,653)	–	(15,319)	(54,972)
Transfer to general banking reserves	42	–	(10,722)	10,722	–	–
Transfer to statutory reserve	42	–	(22,617)	22,617	–	–
Reclassification of share option reserve	42		(13,037)	13,037	–	–
Share options granted	42	–	(12,538)	–	–	(12,538)
Convertible loans – equity component	42	–	–	25,501	–	25,501
Net proceeds from shares issued:						
– Private placement	41	187,320	–	–	3,493	190,813
– Share issue to purchase minority interest of Ecobank Nigeria	41	26,362	13,863	–	(40,225)	–
– Share option exercised	41	1,964	–	–	–	1,964
– Transfer from retained earnings – Share option exercised	41	369	(369)	–	–	–
Share issue expenses	41	(2,538)	–	–	–	(2,538)
Elimination of investments in Oceanic subsidiaries	42	–	(64,175)	–	–	(64,175)
At 31 December 2011		**1,080,186**	**315,209**	**(41,190)**	**105,131**	**1,459,336**

The notes on pages 141 – 230 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

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

	Note	Year ended 31 December 2011	2010
Cash flows from operating activities			
Interest income received		878,493	697,084
Interest expense paid		(295,103)	(222,313)
Dividends received		4,209	2,587
Net fee and commission receipts		396,013	320,620
Net trading and other incomes		223,754	135,341
Cash payments to employees and suppliers		(762,398)	(557,143)
Income taxes paid		(90,655)	(53,692)
Changes in operating assets and liabilities			
– Net decrease / (increase) in trading assets		5,233	666
– Net decrease / (increase) in derivative financial assets		1,389	17
– Net decrease / (increase) in other treasury bills		(176,847)	(7,584)
– Net decrease / (increase) in loans and advances to banks		(744,641)	(254,411)
– Net increase in loans and advances to customers		(520,111)	(628,616)
– Net increase in pledged assets		(97,446)	–
– Net (increase) / decrease in other assets		22,625	(107,099)
– Net increase in mandatory reserve deposits		(104,858)	(98,429)
– Net increase in other deposits		119,181	50,918
– Net increase in amounts due to customers		965,096	1,452,126
– Net (decrease) / increase in derivative liabilities		357	(109)
– Net (decrease) / increase in other liabilities		(2,732)	40,499
Net cash from / (used in) operating activities		**(178,441)**	**770,462**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		1,076,600	3,122
Purchase of software	28	(56,294)	(5,409)
Purchase of property and equipment	29	(109,298)	(83,235)
Proceeds from sale of property and equipment		30,364	13,574
Purchase of investment securities	25	(3,213,971)	(2,724,432)
Proceeds from sale and redemption of securities		2,185,353	2,338,776
Net cash used in investing activities		**(87,246)**	**(457,604)**
Cash flows from financing activities			
Proceeds from / (payment of) borrowed funds		719,285	(27,927)
Proceeds of subscription of ordinary shares	41	3,493	14,520
Dividends paid to non-controlling shareholders		(15,319)	(13,469)
Dividends paid	42	(39,653)	(29,745)
Net cash from / (used in) financing activities		**667,806**	**(56,621)**
Net (decrease) / increase in cash and cash equivalents		**402,119**	**256,237**
Cash and cash equivalents at start of year	44	1,191,824	1,016,726
Effects of exchange differences on cash and cash equivalents		(263,347)	(81,139)
Cash and cash equivalents at end of year	**44**	**1,330,596**	**1,191,824**

The notes on pages 141 – 230 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-Sahara Africa outside South Africa. The Group had operations in 35 countries and employed 23,355 people (2010: 10,003) as at 31 December 2011.

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

The consolidated financial statements for the year ended 31 December 2011 have been approved for issue by the Board of Directors on 16 March 2012.

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 2011 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 flows and the notes.

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

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

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

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments. Note 44 shows in which item of the consolidated statement of financial position cash and cash equivalents are included.

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 judgment 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. These amendments are applied retrospectively.

II. Amendments to IFRS 7, 'Financial instruments: Disclosures'

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

III. IFRS 8, 'Operating segments'

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

IV. IAS 1 (revised), 'Presentation of financial statements'

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2009, 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 2010, but was not relevant for the Group's operations.

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

I. IFRIC 13, 'Customer loyalty programs'

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 programs.

II. IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation'

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 recognized 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 recognized when the dividend was authorized by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognized 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 recognized in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of IFRIC 17 has no impact on the financial statements of the Group.

VI. IFRIC 18, 'Transfers of assets from customers'

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

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 8 June 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 amortized 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 amortized 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 recognize unrealized and realized 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 2011.

2.2. Consolidation

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

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for an impairment. They are written down if required. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly in the consolidated income statement.

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

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

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

c. Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes the cash paid plus the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the Group. The fair value of the consideration transferred also includes contingent consideration arrangements at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within general and administration expenses. At the date of acquisition the Group recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the Group does not acquire 100% ownership of the acquired business non-controlling interests are recorded as the proportion of the fair value of the acquired net assets attributable to the non-controlling interest.

Goodwill is recorded as the surplus of the consideration transferred over the Group's interest in the fair value of the acquired net assets. Any goodwill and fair value adjustments are recorded as assets and liabilities of the acquired business in the functional currency of that business. When the initial accounting for a business combination is incomplete at the end of a reporting period, provisional amounts are used. During the measurement period, the provisional amounts are retrospectively adjusted and additional assets and liabilities may be recognized, to reflect new information obtained about the facts and circumstances that existed at the acquisition date which would have affected the measurement of the amounts recognized at that date, had they been known. The measurement period does not exceed twelve months from the date of acquisition.

Goodwill is not amortized, but is assessed for possible impairment at each reporting date and is additionally tested annually for impairment. Goodwill may also arise upon investments in associates, being the surplus of the cost of investment over the Group's share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and if they do not result in a loss of control.

d. Business combinations under common control

Business combinations under common control refer to business combinations in which all of the combining entities or businesses are ultimately controlled by the Ecobank Group both before and after the business combination, and that control is not transitory. Such transactions are specifically scoped out by IFRS 3 (revised) with no guidance in any other International Financial Reporting Standard or IASB framework as to the accounting treatment.

As required by IAS 8, 'Accounting policies, changes in accounting estimates and errors', the Group has developed an accounting policy for group re-organization that is relevant, represents faithfully the financial position, financial performance and cash flows of the Group and reflect the economic substance of the transactions. Re-organization within the Group represents a transfer of an existing business without any change in the economic substance or the activities of the business transferred.

Business combinations under common control are accounted for using the Pooling of Interest method of accounting. The assets and liabilities of the entities involved are not re-measured at fair value, rather the book values of the assets and liabilities of the entities are carried over prospectively from the date of initial acquisition by the Ecobank Group. Push down values from the parent company (ETI) reflecting the initial acquisition of the business by the Group are not used as these will be reflected in the consolidated financial statements of the Group.

e. 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 non-controlling 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 non-controlling interests.

f. 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 recognized 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 recognized in the consolidated income statement; its share of post-acquisition movements is recognized 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 recognize 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 recognized 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 US 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 recognized 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 recognized 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 amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount, except impairment, are recognized in equity. Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

c. Group companies

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

I. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.

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

III. All resulting exchange differences are recognized 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 recognized 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 recognized 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.

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 categorized 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 recognized in the consolidated statement of financial position as 'Financial assets held for trading'.

Financial instruments included in this category are recognized 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 derecognized 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 derecognizing.

Financial assets for which the fair value option is applied are recognized 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 recognized in 'Net gains on financial instruments designated at fair value through profit or loss'.

b. Loans and receivables

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

I. 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.

II. Those that the Group upon initial recognition designates as available for sale; or

III. 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 recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortized 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 recognized 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:

I. Those that the Group upon initial recognition designates at fair value through profit or loss.

II. Those that the Group designates as available for sale; and

III. Those that meet the definition of loans and receivables.

These are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortized 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 recognized 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 initially recognized at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognized in the consolidated statement of comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognized in the consolidated statement of comprehensive income is recognized 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 recognized in the consolidated income statement. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement in 'Dividend income' when the Group's right to receive payment is established.

e. Recognition

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

2.5.2. Financial liabilities

The Group's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value), financial liabilities at amortized cost and hedging derivatives. Financial liabilities are derecognized 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 categorized 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 recognized in the consolidated statement of financial position as 'Financial liabilities held for trading'.

Gains and losses arising from changes in fair value of financial liabilities classified as 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 recognized 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 recognized in 'Net gains on financial instruments designated at fair value through profit or loss'.

b. Other liabilities measured at amortized cost

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

c. Determination of fair value

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

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there 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 Group uses widely recognized valuation models for determining fair values of non-standardized financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

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

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

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

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

d. Recognition of deferred day-one profit and loss

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

The Group has entered into transactions, some of which will mature after more than 10 years, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognized 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 recognized immediately in the consolidated income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortized over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realized 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 recognized immediately in the consolidated income statement without immediate reversal of deferred day one profits and losses.

e. Derecognition

Financial assets are derecognized 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 derecognized when they have been redeemed or otherwise extinguished.

f. Insurance and investment contracts

The Group issues contracts that transfer insurance risk, financial risk or both.

Insurance contracts are those contracts that transfer significant insurance risk. The Group defines as significant insurance risk the possibility of having to pay benefits, on the occurrence of an insured event, that are significantly more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk without significant insurance risk. Financial risk refers to the risk of a possible future change in the value of an asset or financial instrument due to a change in interest rate, commodity price, index of prices, foreign exchange rate or other measurable variable.

g. Insurance contracts

In terms of IFRS 4, insurance liabilities are measured under existing local practice at the date of adoption of IFRS 4.

The Group had, prior to the adoption of IFRS 4, valued insurance liabilities using certain actuarial techniques as described below. The Group has continued to value insurance liabilities in accordance with these.

Insurance contracts are classified into three broad categories, depending on the duration of the risk and the type of risk insured, namely Individual Life, Group Life and General insurance.

I. Individual life

These contracts insure mainly against death. For the published accounts, the contracts are valued based on a gross premium valuation taking into account the present value of expected future premium, claim and associated expense cash flows.

Any resultant negative policyholder liabilities, measured on an individual policy level, are set to zero ("zeroed") so as not to recognize profits prematurely.

Where the same policy includes both insurance and investment components and where the policy is classified as insurance, the insurance and investment benefits are valued separately.

II. Group life

These contracts insure against death on a group basis. These contracts are short-term in nature and are typically renewed annually. For these contracts, gross premiums are recognized as revenue when due.

III. General insurance

These contracts provide Fire, Accident, Motor, Marine, Bond, Engineering and Aviation insurance. For these contracts, gross premiums are recognized as revenue when due.

IV. Outstanding claims provision

A full provision is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported (IBNR) until after the balance date.

Similarly, provisions are made for "unallocated claims expenses" being the estimated administrative expenses that will be incurred after the balance sheet date in settling all claims outstanding as at the date, including IBNR. Differences between the provision for outstanding claims at a balance sheet date and the subsequent settlement are included in the Revenue Account of the following year.

h. Insurance contracts with Discretionary Participation Features

The Group issues single premium contracts that provide primarily savings benefits to policyholders but also transfer insurance risk. The investment return credited to the policyholders is at the Group's discretion, subject to fair oversight and a minimum guaranteed. These contracts are valued on a retrospective basis.

I. Embedded Investment Derivatives

Embedded derivatives are analyzed and valued separately where significant to the total liability, taking into account variation in investment performance and interest rates.

II. Guaranteed Annuity Options

Guaranteed Annuity Options, where a guaranteed rate of conversion to a life annuity is provided, is offered on some products. This feature provides an option to the policyholder as is analyzed and valued separately where significant to the total liability, taking into account expected take-up rates, mortality variation and investment variation.

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 amortized 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	Trading assets	21
	Derivative financial assets	22
Loans and receivables	Loans and advances to banks	20
	Loans and advances to customers	24
Held-to-maturity Investments	None	Not applicable
Available-for-sale financial assets	Treasury bills and other eligible bills	19
	Investment securities – debt securities	25
Hedging derivatives	None	Not applicable

Financial liabilities

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Financial liabilities at fair value through profit or loss	Derivative financial liabilities	22
Financial liabilities at amortized cost	Deposits from banks	32
	Other deposits	34
	Deposits from customers	33
	Borrowed funds	35

Off balance sheet financial instruments

Category (as defined by IAS 39)	Class (as determined by the Group)	Note
Loan commitments	Loan commitments	40
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	40

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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.9. Interest income and expense

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

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

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

2.10. Fee and commission income

Fees and commissions are generally recognized 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 recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized 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 recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably 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 recognized when the performance criteria are fulfilled.

2.11. Dividend income

Dividends are recognized 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 amortized 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 reorganization.

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 recognized 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 recognized 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 collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

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

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

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

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 (held 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 recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized 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 recognized in profit or loss – is removed from equity and recognized in the consolidated income statement. Impairment losses recognized 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 recognized 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 amortization 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 recognized 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 2011.

2.14. Share-based payments

The Group engages in equity settled share-based payment transactions in respect of services received from certain categories of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognized 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 recognized 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 recognized 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 recognized 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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized 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 capitalized within the carrying amount of the related investment property, and depreciated over the life of the lease.

2.18. Investment properties

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

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

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

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

2.19. Property and equipment

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

Subsequent expenditures are included in the asset's carrying amount or are recognized 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 derecognized. 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 recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognized 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 less 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 cash generating 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 capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives.

Costs associated with developing or maintaining computer software programs are recognized 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 recognized as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized 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 recognized as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on of available-for-sale investment).

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognizes 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 liabilities and current income tax assets.

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 unrecognized 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 are dealt with in Note 43.

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 decision-maker.

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 risk and other price risk.

3.1. Credit risk

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

3.1.1. Credit risk measurement

a. Probability of default:

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

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

Group's rating	Description of grade	Mapping to external rating (Standards & Poors)
1 – 4	Investment grade	AAA to BBB
5 – 6	Standard grade	BB to B
7 – 10	Non-investment grade	CCC to D

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

b. Exposure at default

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.

c. 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.

d. 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.

e. Reinsurance credit risk

The credit quality of reinsurance assets by reference to the Group's internal ratings are as follows:

	31 December 2011	
	2011	2010
AAA to AA-	–	–
BB+ to BB-	–	–
Unrated	3,282	–
	3,282	

f. Market risk

The Group takes exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spread, foreign exchange rates and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

g. Management of market risk

The Market Risk Management unit is mandated to assess, monitor and manage market risk for the Group. The primary objective of the Market Risk Management unit is to establish a comprehensive and independent market risk control framework.

The Group's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Group and ensure that:

1. The individuals who take or manage risk clearly understand it.
2. The Group's risk exposure is within established limits.
3. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors.
4. The expected payoffs compensate for the risks taken.
5. Sufficient capital, as a buffer, is available to take risk.

h. Insurance risk

Insurance risk is the risk that future risk claims and expenses will exceed the value placed on insurance liabilities. It occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. The timing is specifically influenced by future mortality, longevity, morbidity, persistency and expenses about which assumptions are made in order to place a value on the liabilities. Deviations from assumptions will result in actual cash flows differing from those projected in the policyholder liability calculations. As such, each assumption represents a source of uncertainty.

i. Mortality and morbidity risks

The risk that actual experience in respect of the rates of mortality and morbidity may vary from what is assumed in pricing and valuation, depending on the terms of different products. The material classes of business most affected by these risks are discussed below.

I. Individual life products – Term assurance, mortgage protection, savings plan

Products are sold directly to individuals providing a benefit on death. The main insurance risk relates to the possibility that rates of death may be higher than expected. This may be due to:

- Normal statistical variation due to the random nature of the insured events.
- Natural catastrophes such as floods, and unnatural catastrophes such as acts of terrorism.
- The impact of HIV / AIDS or other health epidemics.
- Anti-selection such as where a policyholder with a pre-existing condition or disease purchases a product where a benefit will be paid on death.
- The effect of selective withdrawal; and
- Concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area.

For contracts with fixed and guaranteed benefits (such as the minimum death benefits available on savings plan policies) and fixed future premiums, there are no mitigating terms that reduce the risk accepted by Group. The Group therefore employs some underwriting controls to ensure that only acceptable risks are accepted.

The following additional controls and measures are in place in order to ensure that the Group manages its exposure to mortality risk:

- Claims assessment processes to ensure only valid claims are paid.
- Reinsurance to limit liability on particularly large claims or substandard risks; and
- Concentration risk is reduced by diversification of business over a large number of independent lives, as well as by taking out catastrophe reinsurance.

II. Group life products

Employee benefit products provide life cover to members of a group, such as employees of companies or members of trade unions.

An aggregate stop-loss reinsurance agreement is in place to ensure that the Group's exposure to the aggregate mortality risk in its group life business is managed and limited to a specified limit.

In addition, there is a catastrophe reinsurance treaty in place for both group business and individual business. Such a treaty is particularly important for the group life business as there are considerably more concentrations of risks compared to individual business.

III. Deposit administration

Deposit administration contracts provide a guaranteed life annuity conversion at the maturity of the contract. The mortality risk in this case is that the policyholders may live longer than assumed in the pricing of the contract. This is known as the risk of longevity.

The Group manages this risk by allowing for improvements in mortality when pricing and valuing the contracts. The Group also performs more detailed actuarial experience investigations and adjust assumptions in pricing for new contracts and valuation of existing contracts when necessary.

j. Claims experience risk

In terms of the short-term insurance contracts held by the Group, the claims experience risk for these policies is that the number of claims and / or the monetary claim amounts are worse than that assumed in the pricing basis.

The Group manages this risk by charging premiums which are appropriate to the risks under the insurance contracts.

Under the short-term insurance products, the Group also holds a concentration risk, which is the risk of a large number of claims from a single event or in a particular geographical area. This risk is reduced by diversification over a large number of uncorrelated risks, as well as taking out catastrophe reinsurance.

k. Persistency risk

Persistency risk relates to the risk that policyholders may withdraw their benefits and terminate their contracts prior to the contractual maturity date of the contract. Expenses such as commission and acquisition expenses are largely incurred at the outset of the contract. These upfront costs are expected to be recouped over the term of a contract from fees and charges from the contract. Therefore, if the contract is terminated before the contractual date, expenses might not have been fully recovered, resulting in losses being incurred.

Where a surrender benefit is payable, the benefit amount on withdrawal normally makes provision for recouping any outstanding expenses. However, losses may still occur if the expenses incurred in respect of the policy exceed the value of the policy, or where the withdrawal benefit does not fully allow for the recovery of all unrecouped expenses. This may either be due to a regulatory minimum surrender benefit applying, or because of product design.

l. Expense risk

There is a risk that the Group may experience a loss due to actual expenses being higher than those assumed when pricing and valuing policies. This may be due to inefficiencies, higher than expected inflation, lower than expected volumes of new business or higher than expected terminations resulting in smaller in-force policies.

To manage this risk, the Group performs expense investigations annually and sets pricing and valuation assumptions to be in-line with the actual expenses experience, with allowance for inflation.

The Group's exposure to unexpected increases in the inflation rate is expected to be minimal due to the short-term nature of their business and their ability to review premium rates at renewals (typically on an annual basis).

m. Business volume risk

There is a risk the Group may not sell sufficient volumes of new business to meet the expenses associated with distribution and administration. A significant portion of the new business acquisition costs are variable and relate directly to sales volumes.

n. Capital adequacy risk

There is a risk that the capital held by the Group to back its insurance liabilities may prove to be inadequate on a regulatory solvency basis. This may then lead to intervention by the Regulator and may further lead to a fall in the reputation of the Group (see Reputational risk below for further details). At an extreme, the Regulator may require the Group to close to new business. This will have a further negative impact on the Group.

This risk is monitored and assessed by performing annual valuations on the life insurance liabilities performed by an independent valuation actuary, calculating the outstanding claims reported (OCR) and Incurred But Not Reported (IBNR) contingency reserves, monitoring any regulatory rules applying to the assets and the adequacy of the assets to back the liabilities and adopting an investment strategy which is aimed at investing in admissible assets and maintaining adequate capital.

In addition, sensitivity and scenario analysis are performed to assess the Group capital adequacy under various scenarios and to ensure that the Group will remain financially sound under some stress economic conditions.

o. Asset liability matching risk

Due to the short-term nature of the Group's insurance business, most of the liability cash flows will be of short-term nature. The asset liability matching risk lies in the risk that the cash inflows from the assets held will not match liability cash outflows in terms of timing and / or amounts. Therefore, the risk arises that the Group will be unable to meet policyholder obligations. In this case, the asset liability mismatch risk is similar to liquidity risk described in liquidity risk.

p. Assumption risk

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality, morbidity, termination rates, expenses and investment performance. The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected, and, in the extreme, that the actual claims and benefits exceed the liabilities. The risk is mitigated to an extent through:

- The addition of margins, specifically where there is evidence of moderate or extreme variation in experience.
- The use of appropriate sources of data; and
- Regular actual versus expected investigations.

Due to the short-term nature of the Group's business, exposure to unexpected changes in trends in experience is minimal since premium rates are reviewable at renewal.

q. Data risk

Data risk is the risk that data used in the policyholders' liabilities valuation calculations are inaccurate or incomplete and, therefore, are not a true and accurate view of the insurance contracts held by the Group. The data could be inaccurate or incomplete due to incorrect data or valuation extracts between the policy administration system and the actuarial valuation model and / or incorrect capturing of data on the policy administration system.

This risk is managed by the Group through regular data integrity testing in order to assess the appropriateness, accuracy and credibility of the various data sets as well as investigations into data exceptions reported.

Where insufficient internal data is available, the Group makes use of external sources to derive its pricing and valuation assumptions. Frequent monitoring of these external sources is performed, including actual versus expected investigations.

r. Model risk

There is a risk that the Group may suffer a loss if the model used to calculate the insurance liabilities does not project expected cash flows under the insurance contracts accurately. The expected cash flow projections may be inaccurate either due to the model itself being incorrect, inappropriate to the policies being valued or inaccurate and / or the underlying assumptions used in the model being inappropriate.

The Group makes use of an independent valuation actuary to value its liabilities. The models being used to value the liabilities are, therefore, not internal but belong to an external third party. The model risk underlying the use of third party models are addressed by:

- Regular actual versus expected cash flow investigations to assess the appropriateness of the external models; and
- Detailed investigations are performed annually to ensure the integrity of the data used in the valuation process.

s. Insurance premium rating

I. Individual life products – Term-assurance, mortgage protection and savings plan

The price for an individual life product is adjusted for the following risk factors:

- Age.
- Gender.
- Smoker status.
- Medical conditions.
- Financial condition; and
- Hazardous pursuits.

The Group employs the following additional controls and measures to ensure that only acceptable risks are accepted and risks are appropriately priced:

- Underwriting controls, with risk classification based on the above risk factors.
- Regular review of premium rates; and
- Appropriate policy conditions, including any exclusion on the cover on the individual's life.

Premium rates are guaranteed for the period up to the renewal of a policy, typically, after 1 year.

II. Deposit administration

Premium rating on deposit administration policies distinguishes between the ages and gender of prospective policyholders. Annual premiums, payable up front, are repriced at renewal of the deposit administration policies.

III. Group life products

Underwriting on group business is much less stringent than for individual business, as there is typically less scope for anti-selection. The main reason for this is that participation in the group schemes is normally compulsory, and members have limited choice in the level of the benefits.

Group policies are priced using standard mortality tables. The price for an individual scheme is adjusted for the following risk factors:

- Region.
- Salary structure.
- Gender structure; and
- Industry.

For large schemes, a scheme's past experience is a crucial input in setting rates for the scheme. The larger the scheme the more weight is given to the scheme's past experience. Rates are guaranteed for one year and reviewable at the renewal of the policy.

IV. Short-term insurance products

Underwriting on short-term insurance products takes the form of the insurance applicant completing a proposal form. The following risk factors are used in the risk classification:

- Age and gender of the insured driver or operator.
- Value of the item(s) to be covered.
- Use of the item(s) to be insured, for example, premium rates distinguish business and personal use for vehicle cover.
- Physical condition of the item(s) to be insured.
- Safety and security features installed; and
- Past claims experience, for example, the premium rate payable on vehicle cover reflects the past claims experience on the vehicle and driver to be insured.

Where the value of the item(s) to be insured exceeds a pre-specified limit, the underwriting becomes more stringent. This is particularly the case for marine and aviation cover. In this case the Group makes use of specialist underwriting agents to assess the risks and set an appropriate premium for cover.

Premium rates are guaranteed for the period up to the renewal of a policy, typically, after 1 year.

3.1.2. Risk limit control and mitigation policies

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

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

The exposure to any one borrower including banks and other non-bank financial institutions is further restricted by sub-limits covering on-and off-statement of financial position exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

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

a. Collateral

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

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

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

b. Credit-related commitments

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

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

3.1.3. Impairment and provisioning policies

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

The impairment provision shown in the statement of financial position at year-end is derived from each of the three rating classes.

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set by the Group:

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

	2011				2010			
	Loans and advances		Impairment provision		Loans and advances		Impairment provision	
1 Current	6,179,401	81%	37,670	1%	4,154,513	73%	46,796	1%
1A. Watchlist	818,429	11%	12,152	1%	517,753	9%	1,482	0%
II. Substandard	181,531	2%	10,810	6%	188,732	3%	2,483	1%
III. Doubtful	380,893	5%	109,525	29%	317,522	6%	121,127	38%
IV. Loss	34,354	0%	64,511	188%	551,066	10%	293,514	53%
	7,594,608	**100%**	**234,668**	**3%**	**5,729,586**	**100%**	**465,402**	**8%**

3.1.4. Credit Concentration

Maximum exposure to credit risk before collateral held.

	Maximum exposure	
	2011	2010
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Treasury bills and other eligible bills	745,943	588,922
Loans and advances to banks	2,558,590	1,613,322
Loans and advances to customers:		
Corporate Bank		
– Overdrafts	796,158	725,185
– Term loans	2,364,648	1,770,447
– Others	141,636	172,291
Domestic Bank		
– Overdrafts	965,833	711,682
– Credit cards	5,839	3,066
– Term loans	2,952,912	1,786,529
– Mortgages	132,914	94,984
Trading assets		
– Debt securities	931	5,396
Derivative financial instruments	8,611	10,000
Investment securities – available-for-sale:		
– Debt securities	2,345,139	773,416
Other assets	390,095	315,784
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	2,984,065	2,060,500
Loan commitments	332,942	223,600
At 31 December	**16,726,256**	**10,855,124**

The above table represents a worse case scenario of credit risk exposure of the Group at 31 December 2011 and 2010, 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, 59% (2010: 63%) of the total maximum exposure is derived from loans and advances to banks and customers; 15% (2010: 7%) represents investments in debt securities.

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

- 91% (2010: 82%) of the loans and advances portfolio are considered to be neither past due nor impaired.
- 65% (2010: 65%) of loans and advances are backed by collateral.
- Investment in debt securities are largely government securities; and
- Other assets are considered to be neither past due nor impaired.

3.1.5. Loans and advances

Loans and advances are summarised as follows:

	As at 31 December 2011		As at 31 December 2010	
	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customer
Neither past due nor impaired	2,558,590	6,923,139	1,613,322	4,670,989
Past due but not impaired	–	256,222	–	190,009
Impaired	–	415,247	–	868,588
Gross	2,558,590	7,594,608	1,613 322	5,729,586
Less: allowance for impairment	–	(234,668)	–	(465,402)
Net	**2,558,590**	**7,359,940**	**1,613,322**	**5,264,184**

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.

	Loans and advances to customers							
As at 31 December 2011	**Corporate Bank**			**Domestic Bank**				**Total**
Grades:	**Overdrafts**	**Term loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	
Current	703,313	1,921,208	135,404	860,666	5,855	2,372,479	105,778	6,104,703
Watchlist	52,753	356,331	6,205	19,177	–	358,716	25,254	818,436
Total	**756,066**	**2,277,539**	**141,609**	**879,843**	**5,855**	**2,731,195**	**131,032**	**6,923,139**

	Loans and advances to customers							
As at 31 December 2010	**Corporate Bank**			**Domestic Bank**				**Total**
Grades:	**Overdrafts**	**Term loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	
Current	541,232	1,404,898	64,294	414,669	13,890	1,607,542	72,806	4,119,331
Watchlist	18,736	354,581	4,274	8,111	–	154,543	11,413	551,658
Total	**559,968**	**1,759,479**	**68,568**	**422,780**	**13,890**	**1,762,085**	**84,219**	**4,670,989**

3.1.5. Loans and advances (continued)

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:

As at 31 December 2011	Corporate Bank			Domestic Bank				Total
Past due	Overdrafts	Term loans	Others	Overdrafts	Credit card	Term loans	Mortgages	
Past due up to 30 days	4,612	59,992	–	5,233	–	26,873	204	96,914
Past due 30 – 60 days	101	109	–	753	–	8,335	21	9,319
Past due 60 – 90 days	30,530	22,764	–	31,481	–	64,897	317	149,989
Total	**35,243**	**82,865**	**–**	**37,467**	**–**	**100,105**	**542**	**256,222**
Fair value of collateral	2,920	49,460	–	184	–	29,556	–	82,120
Amount of undercollateralization	**32,323**	**33,405**	**–**	**37,283**	**–**	**70,549**	**542**	**174,102**

As at 31 December 2010	Corporate Bank			Domestic Bank				Total
Past due	Overdrafts	Term loans	Others	Overdrafts	Credit card	Term loans	Mortgages	
Past due up to 30 days	104	9,886	188	4,795	22	6,570	124	21,689
Past due 30 – 60 days	94	2,281	–	7,990	8	57,334	24	67,731
Past due 60 – 90 days	1,450	30,785	–	3,233	23	64,194	904	100,589
Total	**1,648**	**42,952**	**188**	**16,018**	**53**	**128,098**	**1,052**	**190,009**
Fair value of collateral	2,855	1,347	–	1,065	–	3,306	610	9,183
Amount of undercollateralization	**(1,207)**	**41,605**	**188**	**14,953**	**–**	**124,792**	**442**	**180,826**

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:

As at 31 December 2011	Corporate Bank			Domestic Bank				Total
	Overdrafts	Term loans	Others	Overdrafts	Credit card	Term loans	Mortgages	
Gross	10,390	31,812	67	172,213	8,956	184,833	6,976	415,247
Impairment allowance	3,177	10,483	8	84,342	6,095	69,813	118	174,036
Fair value of collateral	1,510	14,134	–	35,011	87	81,720	52	132,514
As at 31 December 2010								
Gross	169,775	104,636	1,674	346,122	39,941	200,549	5,891	868,588
Impairment allowance	25,264	12,731	209	236,597	31,884	111,604	2,269	420,558
Fair value of collateral	10,132	15,721	352	62,916	1,983	256,550	1 269	348,923

II. Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2011 was nil (2010: 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 $370.4 million at 31 December 2011 (2010: $705.4 million).

	2011	2010
Loans and advances to customers		
– Continuing to be impaired after restructuring (included in non-performing loans)	24,026	166,810
– Non–impaired after restructuring – would otherwise have been impaired	261,299	488,188
– Non–impaired after restructuring – would otherwise not have been impaired	85,082	50,441
Total	**370,407**	**705,439**

3.1.6. Repossessed collateral

During 2011, the bank obtained possession of collateral held as security, as follows:

	2011 Carrying amount		2010 Carrying amount	
Nature of assets	**Collateral**	**Related loan**	**Collateral**	**Related loan**
Residential property	524	394	792	728
Vehicle and equipment	91	94	480	350
Total	**615**	**488**	**1,272**	**1,078**

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 2011. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

	UEMOA	Nigeria	West African Monetary Zone	Central Africa	East Africa	Southern Africa	Others	Total
As at 31 December 2011								
Treasury bills and other eligible bills	162,673	146,805	406,256	3,810	6,629	19,770	–	745,943
Loans and advances to banks	119,816	1,137,557	145,312	97,429	20,730	67,113	970,633	2,558,590
Loans and advances to customers:								
Corporate Bank								
– Overdrafts	247,017	219,595	177,954	101,601	25,927	24,064	–	796,158
– Term loans	898,688	738,332	292,165	332,906	47,718	54,839	–	2,364,648
– Others	17,740	41,512	–	–	(21)	2,998	79,407	141,636
Domestic Bank								
– Overdrafts	305,876	454,887	81,394	54,190	40,111	29,375	–	965,833
– Credit cards	–	4,169	1,670	–	–	–	-	5,839
– Term loans	1,077,632	1,098,237	275,678	277,513	142,262	52,729	28,861	2,952,912
– Mortgages	53,923	25,754	8,384	17,496	27,074	283	–	132,914
Trading assets – debt securities	931	–	–	–	–	–	–	931
Derivative financial instruments	–	–	–	–	–	8,291	320	8,611
Investment securities – debt securities	273,023	1,797,369	94,132	96,122	73 839	2,616	8,038	2,345,139
Pledged assets	-	97,446	–	–	–	–	–	97,446
Other assets	119,672	89,701	64,586	59,451	21,317	18,558	16,810	390,095
Total	**3,276,991**	**5,851,364**	**1,547,531**	**1,040,518**	**405,586**	**280,636**	**1,104,069**	**13,506,695**
As at 31 December 2010								
Treasury bills and other eligible bills	175,290	170,372	223,430	–	11,074	8,756	–	588,922
Loans and advances to banks	171,299	597,651	59,520	84,585	122,287	20,393	557,587	1,613,322
Loans and advances to customers:								
Corporate Bank								
– Overdrafts	339,098	163,240	74,119	128,275	9,002	11,412	39	725,185
– Term loans	958,724	374,595	159,643	217,975	27,496	17,597	14,417	1,770,447
– Others	14,404	–	486	7,975	10,039	–	139,387	172,291
Domestic Bank								
– Overdrafts	101,763	407,082	71,401	68,754	49,524	13,158	–	711,682
– Credit cards	–	1,180	1,886	–	–	–	–	3,066
– Term loans	775,339	586,855	161,453	132,780	106,943	22,837	322	1,786,529
– Mortgages	33,873	24,942	6,875	4,601	24,053	640	–	94,984
Trading assets – debt securities	243	–	–	–	5,153	–	–	5,396
Derivative financial instruments	–	–	–	–	–	10,000	–	10,000
Investment securities – debt securities	197,845	164,441	219,966	72,168	117,320	672	1,004	773,416
Pledged assets	–	–	–	–	–	–	–	–
Other assets	60,876	148,418	52,012	14,350	12,924	3,106	24,098	315,784
Total	**2,828,754**	**2,638,776**	**1,030,791**	**731,463**	**495,815**	**108,571**	**736,854**	**8,571,024**

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 and retail trading	Manufacturing	Government	Mining and construction	Services and others	Total
As at 31 December 2011							
Treasury bills and other eligible bills	–	–	–	745,943	–	–	745,943
Loans and advances to banks	2,547,405	1,998	–	9,147	–	40	2,558,590
Loans and advances to customers:							
– Overdrafts	60,379	547,168	149,735	81,670	296,202	626,837	1,761,991
– Credit cards	–	–	–	–	–	5,839	5,839
– Term loans	200,184	1,426,983	657,852	512,692	571,861	1,947,988	5,317,560
– Mortgages	(10)	15,528	7,661	14	11,170	98,551	132,914
– Others	83,665	2,399	3,309	9,739	1,596	40,928	141,636
Trading assets – debt securities	–	–	–	931	–	–	931
Derivative financial instruments	8,611	–	–	–	–	–	8,611
Investment securities – debt securities	194,723	–	250	1,951,520	164	198,482	2,345,139
Pledged assets	–	–	–	97,446	–	–	97,446
Other assets	87,429	19,253	–	2,152	–	281,261	390,095
Total	**3,182,386**	**2,013,329**	**818,807**	**3,411,254**	**880,993**	**3,199,926**	**13,506,695**
As at 31 December 2010							
Treasury bills and other eligible bills	49,129	–	–	539,793	–	–	588,922
Loans and advances to banks	1,591,131	12,601	1,988	7,602	–	–	1,613,322
Loans and advances to customers:							
– Overdrafts	77,549	539,060	88,902	33,810	91,077	606,469	1,436,867
– Credit cards	–	–	–	–	–	3,066	3,066
– Term loans	389,729	1,050,965	491,638	310,481	116,858	1,197,305	3,556,976
– Mortgages	286	12,591	–	–	–	82,107	94,984
– Others	120	146,903	1,866	–	–	23,402	172,291
Trading assets – debt securities	5,396	–	–	–	–	–	5,396
Derivative financial instruments	10,000	–	–	–	–	–	10,000
Investment securities – debt securities	167,640	–	–	559,533	3,564	42,679	773,416
Other assets	73,761	2,957	549	1,915	–	236,602	315,784
Total	**2,364,741**	**1,765,077**	**584,943**	**1,453,134**	**211,499**	**2,191,630**	**8,571,024**

3.2. Market risk

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

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

The Group applies a 'value at risk' methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected.

		2011	
	Low	Average	High
Foreign exchange risk	3,830	6,710	9,600
Interest risk	240	290	580
Equity risk	–	–	–

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.

As at 31 December 2011	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	152,197	26,967	685,584	549,526	81,509	211,597	1,707,380
Treasury bills and other eligible bills	–	–	166,483	146,805	274,065	158,590	745,943
Loans and advances to banks	1,523,897	274,643	134,001	578,826	25,671	21,552	2,558,590
Loans and advances to customers	1,116,972	89,874	3,437,546	1,991,335	337,979	386,235	7,359,941
Trading assets	–	–	238	–	1,094	238	1,570
Derivative financial instruments	107	212	–	–	–	8,292	8,611
Investment securities – available-for-sale	267,594	–	467,822	1,793,093	90,651	78,751	2,697,911
Pledged assets	–	–	–	97,446	–	–	97,446
Other assets	162,155	18,448	156,067	88,543	117,869	42,915	585,997
Total financial assets	**3,222,922**	**410,144**	**5,047,741**	**5,245,574**	**928,838**	**908,170**	**15,763,389**
Liabilities							
Deposits from banks	434,505	192,901	17,165	203,549	43,661	44,830	936,611
Due to customers	1,243,277	131,644	4,316,353	4,796,138	628,823	960,261	12,076,496
Other deposits	89,918	–	80,181	–	–	–	170,099
Derivative financial instruments	210	103	–	–	–	9,957	10,270
Other borrowed funds	968,323	4,197	79,794	276,532	2,820	71,356	1,403,022
Other liabilities	210,430	27,069	254,933	215,809	298,307	33,745	1,040,293
Total financial liabilities	**2,946,663**	**355,914**	**4,748,426**	**5,492,028**	**973,611**	**1,120,149**	**15,636,791**
Net on-statement of financial position financial	276,259	54,230	299,315	(246,454)	(44,773)	(211,979)	126,598
Credit commitments	**1,569,697**	**340,737**	**829,448**	**212,639**	**37,909**	**326,577**	**3,317,007**

As at 31 December 2010	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	99,480	49,418	555,426	103,909	94,354	223,635	1,126,222
Treasury bills and other eligible bills	–	–	175,175	170,372	128,637	114,738	588,922
Loans and advances to banks	623,651	432,880	19,307	332,930	960	203,594	1,613,322
Loans and advances to customers	677,987	149,876	2,781,824	1,156,651	201,965	295,881	5,264,184
Trading assets	–	–	376	–	1,274	5,153	6,803
Derivative financial instruments	–	–	–	–	–	10,000	10,000
Investment securities – available-for-sale	23,495	–	337,245	202,253	206,027	124,105	893,125
Pledged assets	–	–	–	–	–	–	–
Other assets	53,381	6,479	161,120	115,560	17,502	65,931	419,973
Total financial assets	**1,477,994**	**638,653**	**4,030,473**	**2,081,675**	**650,719**	**1,043,037**	**9,922,551**
Liabilities							
Deposits from banks	119,104	104,618	84,346	8,655	10,038	45,623	372,384
Due to customers	1,003,227	212,828	3,779,468	1,647,367	573,216	708,479	7,924,585
Other deposits	–	–	50 918	–	–	–	50,918
Derivative financial instruments	–	–	–	–	–	9,913	9,913
Other borrowed funds	142,083	1,260	69,780	–	3,431	9,421	225,975
Other liabilities	93,533	6,510	212,173	155,249	8,888	42,611	518,964
Total financial liabilities	**1,357,947**	**325,216**	**4,196,685**	**1,811,271**	**595,573**	**816,047**	**9,102,739**
Net on-statement of financial position financial	120 047	313,437	(166,212)	270,404	55,146	226,990	819,812
Credit commitments	**638,593**	**502,789**	**753,382**	**188,007**	**66,845**	**134,484**	**2,284,100**

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 2011	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 months	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	899,912	60,349	1,186	174	3,251	742,508	1,707,380
Treasury bills and other eligible bills	155,774	92,028	478,182	14,552	5,407	–	745,943
Loans and advances to banks	1,201,409	484,664	118,915	71,545	224,116	457,941	2,558,590
Loans and advances to customers	2,382,770	892,420	1,048,387	2,291,503	737,050	7 810	7,359,940
Trading assets	700	2	587	–	235	46	1,570
Derivative financial instruments	8,611	–	–	–	–	–	8,611
Investment securities – available-for-sale	60,654	878,072	47,547	666,651	1,039,169	5,818	2,697,911
Pledged assets	–	97,446	–	–	–	–	97,446
Other assets	217,034	185,606	77,975	20,544	–	84,839	585,998
Total financial assets	**4,926,864**	**2,690,587**	**1,772,779**	**3,064,969**	**2,009,228**	**1,298,962**	**15,763,389**
Liabilities							
Deposits from banks	346,296	179,070	30,296	4,409	–	376,541	936,612
Due to customers	3,611,516	526,483	637,785	457,489	62,630	6,780,593	12,076 495
Other deposits	169,734	189	–	107	–	69	170,099
Derivative financial instruments	–	–	10,270	–	–	–	10,270
Borrowed funds	259,227	218,789	82,173	424,970	417,862	–	1,403,021
Other liabilities	187,908	216,637	119,326	6,437	37,575	472,411	1,040,294
Total financial liabilities	**4,574,681**	**1,141,168**	**879,850**	**893,412**	**518,067**	**7,629,614**	**15,636,791**
Total interest repricing gap	**347,451**	**1,549,419**	**892,929**	**2,171,557**	**1,491,161**	**(6,330,652)**	

As at 31 December 2010	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 months	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	166,026	4,178	3,856	1,810	–	950,352	1,126,222
Treasury bills and other eligible bills	105 373	116,048	348,418	19,083	–	–	588,922
Loans and advances to banks	784,602	374,174	85,066	23,690	–	345,790	1,613,322
Loans and advances to customers	2,021,954	799,574	741,562	1,277,495	393,036	30,563	5,264,184
Trading assets	–	–	500	–	5,029	1,274	6,803
Derivative financial instruments	–	–	10,000	–	–	–	10,000
Investment securities - available-for-sale	78,263	14,396	121,180	395,016	258,718	25,552	893,125
Pledged assets	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	419,973	419,973
Total financial assets	**3,156,218**	**1,308,370**	**1,310,582**	**1,717,094**	**656,783**	**1,773,504**	**9,922,551**
Liabilities							
Deposits from banks	96,127	46,912	77,618	87,341	12,395	51,991	372,384
Due to customers	4,894,926	906,625	469,541	587,912	36,922	1,028,659	7,924,585
Other deposits	50,918	–	–	–	–	–	50,918
Derivative financial instruments	–	–	9,913	–	–	–	9,913
Borrowed funds	44,568	16,914	19,905	110,068	33,774	746	225,975
Other liabilities	–	–	–	–	–	518,964	518,964
Total financial liabilities	**5,086,539**	**970,451**	**576,977**	**785,321**	**83,091**	**1,600,360**	**9,102,739**
Total interest repricing gap	**(1,930,321)**	**337,919**	**733,605**	**931,773**	**573,692**	**173,144**	

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

As at 31 December 2011	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	1,575,325	117,135	11,495	174	3,251	1,707,380
Treasury bills and other eligible bills	144,657	99,566	538,454	9,669	–	792,346
Loans and advances to banks	2,254,112	264,785	310,850	24,823	7,393	2,861,963
Loans and advances to customers	2,671,915	931,835	1,184,151	3,216,018	843,371	8,847,290
Trading assets	2,709	3,702	12,679	80,849	117	100,056
Investment securities – available-for-sale	402,902	424,939	257,165	1,582,380	969,033	3,636,419
Derivative financial instruments	1,780	–	11,390	–	–	13,170
Pledged assets	–	97,446	–	–	–	97,446
Other assets	321,775	50,948	208,964	5,763	131	587,581
Total assets (expected maturity dates)	**7,375,175**	**1,990,356**	**2,535,148**	**4,919,676**	**1,823,296**	**18,643,651**
Liabilities						
Deposits from banks	1,099,463	111,225	19,133	12,408	3,440	1,245,669
Due to customers	10,334,630	773,395	783,562	390,024	98,924	12,380,535
Other deposits	169,922	1,395	–	2,381	–	173,698
Other borrowed funds	410,198	379,564	222,377	417,565	303,072	1,732,776
Other liabilities	659,241	67,871	404,256	322,460	13,047	1,466,875
Current income tax liabilities	7,127	6,011	24,585	5,270	–	42,993
Deferred income tax liabilities	233	–	578	1,785	112	2,708
Retirement benefit obligations	–	–	11	190	15,981	16,182
Total liabilities (contractual maturity dates)	**12,680,814**	**1,339,461**	**1,454,502**	**1,152,083**	**434,576**	**17,061,436**

As at 31 December 2010	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	927,418	4,178	2,755	1,953	189,918	1,126,222
Treasury bills and other eligible bills	238,958	115,419	387,062	31,022	–	772,461
Loans and advances to banks	1,888,571	261,060	126,606	24,393	108,080	2,408,710
Loans and advances to customers	2,107,656	769,137	787,519	1,550,330	473,437	5,688,079
Trading assets	1,350	–	670	11,426	5,443	18,889
Investment securities – available-for-sale	74,321	15,225	245,572	443,404	161,773	940,295
Derivative financial instruments	–	–	10,350	–	–	10,350
Other assets	205,638	9,440	82,816	1,222	119,010	418,126
Total assets (expected maturity dates)	**5,443,912**	**1,174,459**	**1,643,350**	**2,063,750**	**1,057,661**	**11,383,132**
Liabilities						
Deposits from banks	1,415,456	45,648	86,971	102,424	7,480	1,657,979
Due to customers	5,534,532	1,195,037	485,037	820,410	64,379	8,099,395
Other deposits	51,003	202	–	–	–	51,205
Other borrowed funds	97,071	25,340	76,142	116,443	86,747	401,743
Other liabilities	312,605	75,441	95,423	34,285	14	517,768
Current income tax liabilities	8,216	13,333	14,378	–	6	35,933
Deferred income tax liabilities	2,689	258	12,945	10,131	1,487	27,510
Retirement benefit obligations	–	12	–	178	7,958	8,148
Total liabilities (contractual maturity dates)	**7,421,572**	**1,355,271**	**770,896**	**1,083,871**	**168,071**	**10,799,681**

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.

3.4. Off-balance sheet items

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

As at 31 December 2011	No later than 1 year	Over 1 years	Total
Loan commitments	207,978	124,964	332,942
Guarantees, acceptances and other financial facilities	2,733,284	250,781	2,984,065
Capital commitments	20,322	–	20,322
Total	**2,961,584**	**375,745**	**3,337,329**

As at 31 December 2010	No later than 1 year	Over 1 years	Total
Loan commitments	128,257	95,343	223,600
Guarantees, acceptances and other financial facilities	1,774,837	285,663	2,060,500
Capital commitments	72,732	1,599	74,331
Total	**1,975,826**	**382,605**	**2,358,431**

3.5. Fair value of financial assets and liabilities

a. Financial instruments not measured at fair value

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

	Carrying value		Fair value	
As at 31 December	2011	2010	2011	2010
Financial assets:				
Loans and advances to banks	2,558,590	2,314,228	3,377,325	2,390,107
Loans and advances to customers	7,359,940	5,264,185	7,325,384	5,306,188
Financial liabilities:				
Deposits from banks	936,612	971,779	1,335,508	986,364
Due to customers	12,076,495	7,924,585	11,506,103	8,089,552
Other deposits	170,099	50,918	167,789	50,895
Borrowed funds	1,403,021	327,485	1,736,916	389,411

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 2.5.2 (c) Determination of fair value

c. Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect:

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).

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.

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

	As at 31 December 2011			As at 31 December 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Treasury and other eligible bills	–	745,943	–	–	588,922	–
Trading assets	639	931	–	1,407	5,011	–
Derivative financial instruments	–	8,611	–	–	10,000	–
Investment securities – available-for-sale	1,073,221	1,672,393	–	270,609	622,516	–
Total financial assets	**1,073,860**	**2,427,878**	**–**	**272,016**	**1,226,449**	**–**
Trading liabilities	–	–	–	–	–	–
Derivative financial instruments	–	8,611	–	–	10,000	–
Debt securities in issue	–	–	–	–	–	–
Financial liabilities designated at fair value	–	–	–	–	–	–
Total financial liabilities	**–**	**8,611**	**–**	**–**	**10,000**	**–**

d. Determining the value of liabilities under insurance contracts

I. Mortality

The Group's life assurance business is very small and therefore the Group does not have sufficient credible data to set its own mortality assumptions based on the mortality experience of its policyholders. It relies on an independent actuary to set the mortality assumptions based on standard mortality tables, with appropriate adjustments.

II. Expenses

a. Group life, term-assurance and mortgage protection products

The Group makes an explicit allowance for expenses of 40% of the gross premiums received, consistent with past experience.

b. Deposit administration, savings plan

No explicit assumption has been set to the level of the expenses. It has been assumed that the interest margin will be sufficient to cover future expenses that will be incurred.

c. Non-life insurance

Annual expense investigations are carried out on non-life insurance policies. Further expense analyses are performed to split expenses between different lines of business, e.g. motor vehicle, aviation and marine insurance, as well as different functions, e.g. initial, renewal and management, termination as well as investment expenses. The expense assumptions for non-life insurance products are then set in-line with this expense investigation, with an additional allowance for inflation.

III. Discount rate

The discount rate has been set to be 7% in-line with the yields on appropriate duration, traded and listed Government bonds.

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

The Group's capital is divided into two tiers:

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

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

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2011 and 2010. During those two years, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

As at 31 December	2011	2010
Tier 1 capital		
Share capital	1,080,186	866,709
General bank reserves	68,676	44,917
Statutory reserve	124,350	101,733
Retained earnings	315,209	282,250
Non-controlling interests	105,131	137,263
Less: goodwill	(404,623)	(15,669)
Total qualifying Tier 1 capital	**1,288,929**	**1,417,203**
Tier 2 capital		
Convertible preference shares	111,021	–
Convertible loans (including liability and equity portions)	527,348	–
Revaluation reserve – available-for-sale investments	(15,858)	43,944
Total qualifying Tier 2 capital	**622,511**	**43,944**
Less investments in associates	3,436	3,181
Total regulatory capital	**1,908,004**	**1,457,966**
Risk-weighted assets:		
On-statement of financial position	9,616,935	6,557,151
Off-statement of financial position	663,401	456,820
Total risk-weighted assets	**10,280,337**	**7,013,971**
Basel ratio	**18.6%**	**20.8%**
Tier I	**12.5%**	**20.2%**

The increase of the regulatory capital in the year of 2011 is mainly due to the convertible loans and convertible preference shares, as well as the contribution of the current-year profit.

4. Critical accounting estimates, and judgements in applying accounting policies

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

a. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. 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 recognizes 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 grants shares and share options to 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.

5. Segment analysis

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

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

The Group operating segments are described below:

a. Domestic Bank:

Focuses on serving local companies, small and medium scale enterprises, government and government agencies and the retail market.

b. Corporate Bank:

Focuses on providing one-stop banking services to multinationals and regional companies, financial institutions and international organisations across the Group's network.

c. Ecobank Capital:

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

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

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

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

Year ended 31 December 2011	Corporate Bank	Domestic Bank	Ecobank Capital	Others	Group
Net interest income	233,354	314,277	41,503	(5,744)	583,390
Net fees and commission income	116,473	243,168	29,983	27,632	417,256
Other income	1,265	40,341	195,361	142,084	379,051
Operating income	351,092	597,786	266,847	163,972	1,379,697
Loan impairment charges	(16,260)	(68,062)	(1,593)	167	(85,748)
Operating expenses	(212,746)	(475,789)	(159,048)	(76,437)	(924,020)
Operating profit	**122,086**	**53,935**	**106,206**	**87,702**	**369,929**
Share of profit of associates and joint venture	–	–	246	–	246
Profit before tax	**122,086**	**53,935**	**106,452**	**87,702**	**370,175**
Total assets	**3,302,441**	**4,057,499**	**5,065,946**	**7,308,503**	**19,734,389**
Total liabilities	**3,465,583**	**8,610,912**	**2,520,002**	**2,440,362**	**17,036,859**
Year ended 31 December 2010					
Net interest income	184,294	224,580	69,376	(3,479)	474,771
Net fees and commission income	69,709	200,531	16,009	23,405	309,654
Other income	1,173	22,563	113,275	101,187	238,198
Operating income	255,176	447,674	198,660	121,113	1,022,623
Loan impairment charges (negative)	(38,542)	(63,729)	798	–	(101,473)
Operating expenses	(129,268)	(376,743)	(120,095)	(47,914)	(674,020)
Operating profit	**87,366**	**7,202**	**79,363**	**73,199**	**247,130**
Share of profit of associates and joint venture	–	–	36	–	36
Profit before tax	**87,366**	**7,202**	**79,399**	**73,199**	**247,166**
Total assets	**2,667,922**	**2,596,262**	**2,386,176**	**3,601,290**	**11,251,650**
Total liabilities	**2,763,096**	**5,161,489**	**659,190**	**1,375,265**	**9,959,040**

5. Segment analysis (continued)

Reconciliation of segment results of operations to consolidated results of operations

Year ended 31 December 2011	Total management reporting	Consolidation and adjustments	Total consolidation
Net interest income	583,390	–	583,390
Net fees and commission income	417,256	34,234	383,022
Other income	379,051	149,835	229,216
Operating income	1,379,697	184,069	1,195,628
Loan impairment charges	(85,748)	–	(85,748)
Operating expenses	(924,020)	(91,316)	(832,704)
Operating profit	**369,929**	**92,753**	**277,176**
Share of profit of associates and joint venture	246	–	246
Profit before tax	**370,175**	**92,753**	**277,422**
Total assets	**19,734,389**	**2,572,477**	**17,161,912**
Total liabilities	**17,036,859**	**1,334,283**	**15,702,576**
Year ended 31 December 2010			
Net interest income	474,771	–	474,771
Net fees and commission income	309,654	22,785	286,869
Other income	238,198	100,195	138,003
Operating income	1,022,623	122,980	899,643
Loan impairment charges	(101,473)	–	(101,473)
Operating expenses	(674,020)	(44,840)	(629,180)
Operating profit	**247,130**	**78,140**	**168,990**
Share of profit of associates	36	–	36
Profit before tax	**247,166**	**78,140**	**169,026**
Total assets	**11,251,650**	**784,779**	**10,466,871**
Total liabilities	**9,959,040**	**784,779**	**9,174,261**

5.1. Entity-wide disclosures

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

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

II. Nigeria region includes all subsidiaries in Nigeria.

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

IV. Communauté Économique et Monétaire de l'Afrique Centrale (CEMAC) region comprises all subsidiaries within the CEMAC monetary zone. Countries in this zone share a common currency. Cameroon, Chad, Central Africa, Congo Brazaville, Gabon and Sao Tome are the only countries currently included in this segment.

V. East Africa Community (EAC) comprises Burundi, Kenya, Rwanda, Tanzania, and Uganda.

VI. Southern Africa Development Community (SADC) comprises the Democratic Republic of Congo, Malawi, Zambia and Zimbabwe.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive 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 Board for the reportable segments for the year ended 31 December 2011 is as follows:

Year ended 31 December 2011	UEMOA	Nigeria	WAMZ	Central Africa	East Africa	Southern Africa	Others	Total
Net interest income	189,306	176,648	120,813	58,744	26,536	17,236	(5,893)	583,390
Net fees and commission income	108,640	100,448	68,805	52,392	15,833	11,324	50,157	407,599
Other income	69,608	83,322	39,646	18,127	14,858	8,160	140,708	374,429
Operating income	367,554	360,418	229,264	129,263	57,227	36,720	184,972	1,365,418
Loan impairment charges	(25,628)	(28,830)	(11,833)	(9,989)	(4,082)	(3,793)	(1,593)	(85,748)
Operating expenses	(224,144)	(292,747)	(129,801)	(84,493)	(56,656)	(38,249)	(87,716)	(913,806)
Operating profit	**117,782**	**38,841**	**87,630**	**34,781**	**(3,511)**	**(5,322)**	**95,663**	**365,864**
Share of profit of associates and joint venture	–	–	185	–	–	–	–	185
Profit before tax	**117,782**	**38,841**	**87,815**	**34,781**	**(3,511)**	**(5,322)**	**95,663**	**366,049**
Taxation (negative)	(26,617)	(6,733)	(28,789)	(8,812)	1,177	1,288	(244)	(68,730)
Profit after tax	**91,165**	**32,108**	**59,026**	**25,969**	**(2,334)**	**(4,034)**	**95,419**	**297,319**
Total assets	**4,683,862**	**7,503,192**	**2,243,240**	**1,429,633**	**619,995**	**331,393**	**2,598,773**	**19,410,088**
Total liabilities	**4,354,354**	**6,979,567**	**2,014,665**	**1,317,598**	**558,131**	**296,078**	**1,252,989**	**16,773,382**

5.1. Entity-wide disclosures (continued)

Year ended 31 December 2010	UEMOA	Nigeria	WAMZ	Central Africa	East Africa	Southern Africa	Others	Total
Net interest income	151,154	144,142	103,403	43,854	25,486	9,352	(2,620)	474,771
Net fees and commission income	85,706	79,184	51,454	39,282	12,546	4,647	36,837	309,656
Other income	44,191	31,247	28,840	13,457	12,329	4,055	104,019	238,138
Operating income	281,051	254,573	183,697	96,593	50,361	18,054	138,236	1,022,565
Loan impairment charges (negative)	(8,589)	(71,089)	(11,576)	(6,688)	(3,833)	(497)	799	(101,473)
Operating expenses (negative)	(181,956)	(199,803)	(98,646)	(63,161)	(49,559)	(20,105)	(60,804)	(674,034)
Operating profit	**90,506**	**(16,319)**	**73,475**	**26,744**	**(3,031)**	**(2,548)**	**78,231**	**247,058**
Share of profit of associates and joint venture	–	–	36	–	–	–	–	36
Profit before tax	**90,506**	**(16,319)**	**73,511**	**26,744**	**(3,031)**	**(2,548)**	**78,231**	**247,094**
Taxation (negative)	(21,515)	14,629	(23,687)	(12,027)	1,445	4,103	(155)	(37,207)
Profit after tax	**68,991**	**(1,690)**	**49,824**	**14,717**	**(1,586)**	**1,555**	**78,076**	**209,887**
Total assets	**3,952,146**	**2,996,881**	**1,705,876**	**1,213,717**	**605,587**	**160,071**	**1,664,246**	**12,298,524**
Total liabilities	**3,634,624**	**2,490,340**	**1,503,555**	**1,129,462**	**504,440**	**132,066**	**568,862**	**9,963,349**

Reconciliation of segment results of operations to consolidated results of operations

Year ended 31 December 2011	Total management reporting	Consolidation and adjustments	Total consolidation
Net interest income	583,390	–	583,390
Net fees and commission income	407,599	22,529	385,070
Other income	374,429	147,261	227,168
Operating income	1,365,418	169,790	1,195,628
Loan impairment charges	(85,748)	–	(85,748)
Operating expenses	(913,806)	(81,102)	(832,704)
Operating profit	**365,864**	**88,688**	**277,176**
Share of profit of associates and joint venture	185	(61)	246
Profit before tax	**366,049**	**88,627**	**277,422**
Taxation (negative)	(68,730)	1,852	(70,582)
Profit after tax	**297,319**	**90,479**	**206,840**
Total assets	**19,410,088**	**2,248,176**	**17,161,912**
Total liabilities	**16,773,382**	**1,070,806**	**15,702,576**
Year ended 31 December 2010			
Net interest income	474,771	–	474,771
Net fees and commission income	309,656	22,787	286,869
Other income	238,138	100,135	138,003
Operating income	1,022,565	122,922	899,643
Loan impairment charges	(101,473)	–	(101,473)
Operating expenses	(674,034)	(44,854)	(629,180)
Operating profit	**247,058**	**78,068**	**168,990**
Share of profit of associates and joint venture	36	–	36
Profit before tax	**247,094**	**78,068**	**169,026**
Taxation (negative)	(37,207)	–	(37,207)
Profit after tax	**209,887**	**78,068**	**131,819**
Total assets	**12,298,524**	**1,831,653**	**10,466,871**
Total liabilities	**9,963,349**	**789,088**	**9,174,261**

6. Net interest income

	Year ended 31 December	
	2011	2010
Interest income		
Loans and advances to banks	63,021	43,350
Loans and advances to customers:		
– Corporate Bank	288,270	262,170
– Domestic Bank	331,242	287,233
Treasury bills and other eligible bills	74,592	50,355
Investment securities – available for sale	57,972	52,922
Trading securities	61,585	850
Others	1,811	204
	878,493	**697,084**
Interest expense		
Deposits from banks	20,352	2,935
Due to customers:		
– Corporate Bank	82,357	85,592
– Domestic Bank	148,029	115,769
Other borrowed funds	42,405	17,761
Others	1,960	256
	295,103	**222,313**

7. Net insurance premium

	Year ended 31 December	
	2011	2010
Insurance premium income		
Long-term insurance contracts with fixed and guaranteed terms	359	–
Short-term insurance contracts:	65	–
– Change in unearned premium provisions	991	–
Premium revenue arising from insurance contracts issued	1,051	–
	2,466	**–**
Insurance premium ceded to reinsurers		
– Change in unearned premium provisions	229	–
Premium revenue arising from insurance contracts issued	189	–
	418	**–**

8. Net fee and commission income

	Year ended 31 December	
	2011	2010
Fee and commission income		
Credit related fees and commissions	148,943	112,596
Corporate finance fees	22,928	15,955
Portfolio and other management fees	5,667	1,047
Brokerage fees and commissions	1,377	1,234
Cash management and related fees	183,152	152,142
Card management fees	22,704	12,740
Insurance commission	33	–
Other fees	19,671	1,808
	404,475	**297,522**
Fee and commission expense		
Brokerage fees paid	392	1,401
Insurance commission expenses	302	–
Other fees paid	20,759	9,252
	21,453	**10,653**

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.

9. Lease income

	Year ended 31 December	
	2011	2010
Equipment	7,199	6,692
Motor vehicles	766	3,531
Other leased assets	741	–
	8,706	**10,223**

10. Dividend income

	Year ended 31 December	
	2011	2010
Trading securities	369	203
Available-for-sale securities	3,840	2,384
	4,209	**2,587**

11. Net trading income

	Year ended 31 December	
	2011	2010
Foreign exchange:		
– Translation gains less losses of trading assets	22,699	3,121
– Transaction gains less losses	148,914	105,018
Interest rate instruments	3,278	6,184
Equities	7,846	2,910
	182,737	**117,233**

12. Net gain from investment securities

	Year ended 31 December	
	2011	2010
Derecognition of available-for-sale financial assets (Note 42)	14	230
Net loss transferred to net profit on impairment (Note 42)	–	(59)
Impairment of available-for-sale equity securities	(563)	(60)
	(549)	**111**

13. Other operating income

	Year ended 31 December	
	2011	2010
Writeback on payables	24,729	–
Others	7,336	7,849
	32,065	**7,849**

14. Impairment losses on loans and advances

	Year ended 31 December	
	2011	2010
Loans and advances to customers (Note 24)	85,748	101,473
	85,748	**101,473**

15. Operating expenses

	Year ended 31 December 2011	2010
a. Insurance benefits		
Long-term insurance contracts with fixed and guaranteed terms:		
– Deaths, maturity and surrender benefits	(53)	–

There are no benefits arising from these policies that are recoverable from the Group's reinsurance at the end of 2011 (2010: Nill)

b. Claims and loss adjustment expenses

Year ended 31 December 2011	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	409	(14)	395
Additional cost for prior-year claims and loss adjustments expenses	363	(12)	351
Increase in the expected cost of claims for unexpired risks	–	–	–
Total claims and loss adjustment expenses	**772**	**(26)**	**746**

	Year ended 31 December 2011	2010
c. Expenses for the acquisition of insurance and investment contracts		
Costs incurred for the acquisition of insurance contracts expensed in the year	85	–
Costs incurred for the acquisition investment contracts expensed in the year	2	–
	87	**–**
d. Staff expenses		
Salaries, allowances and other compensation	320,913	251,142
Social security costs	24,260	12,081
Pension costs:		
– Defined contribution plans	1,320	212
Other post retirement benefits (Note 39)	167	1,946
	346,660	**265,381**
e. Depreciation and amortisation		
Depreciation of property and equipment (Note 29)	71,944	59,705
Amortization of software and other intangibles (Note 28)	9,902	8,982
	81,846	**68,687**

15. Operating expenses (continued)

	Year ended 31 December	
	2011	2010
f. Other operating expenses		
Directors' emoluments	4,704	2,721
Profit on sale of property and equipment	343	(456)
Impairment charges:		
– Property and equipment (Note 29)	514	–
– Doubtful receivables	9,034	5,811
Restructuring costs	892	–
Social responsibility	1,600	1,664
Rent and utilities	50,047	42,041
Insurance	27,669	20,597
Advertising and promotion	22,006	18,187
Professional fees	5,109	1,323
Operational losses and fines	14,134	11,387
Communications and technology	74,266	52,592
Business travel	24,611	13,475
AGM and board activities	4,258	3,911
Training	11,659	4,611
Employee activities	8,360	5,680
Repairs and maintenance	34,393	32,844
Supplies and services	24,257	20,356
Allocated cost	15,469	9,960
Cash transportation	21,446	15,093
Fuel	11,188	9,639
Other taxes	11,860	10,520
Non-capitalized items	992	1,143
Pre-opening expenses	519	2,199
Listing fees	1,511	1,244
Other administrative expenses	22,577	8,570
Total	**403,418**	**295,112**
Total operating expenses	**832,704**	**629,180**

16. Income tax expense

	Year ended 31 December	
	2011	2010
Current income tax	67,212	61,088
Deferred income tax (Note 38)	3,370	(23,881)
	70,582	**37,207**

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

Further information about deferred income tax is presented in Note 38. 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:

Profit before tax	277,422	169,026
Tax calculated at local tax rates applicable to profits in the respective countries	66,110	57,988
Tax impact on income not subject to tax	1,267	(12,788)
Tax impact on expenses not deductible for tax purposes:	(3,180)	11,722
Utilization of previously unrecognized tax losses	6,183	(19,730)
Others	202	15
Income tax expense	**70,582**	**37,207**

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.

17. 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.

	Year ended 31 December	
	2011	**2010**
Profit attributable to equity holders of the Company	182,207	112,716
Weighted average number of ordinary shares in issue (in thousands)	10,330,947	9,913,368
Basic earnings per share (expressed in US cents per share)	1.76	1.14

Diluted

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

The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Profit attributable to equity holders of the company	182,207	112,716
Interest expense on dilutive convertible loans	11,459	–
Adjusted profit	193,666	112,716
Weighted average number of ordinary shares in issue (in thousands)	10,330,947	9,913,368
Adjustment for dilutive convertible loans	2,132,321	–
Adjustment for share option	29,911	64,224
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	12,493,179	9,977,592
Dilutive earnings per share (expressed in US cents per share)	**1.55**	**1.13**

18. Cash and balances with central banks

	Year ended 31 December	
	2011	**2010**
Cash in hand	450,795	348,412
Balances with central banks other than mandatory reserve deposits	715,021	341,104
Included in cash and cash equivalents (Note 44)	1,165,816	689,516
Mandatory reserve deposits with central banks	541,564	436,706
	1,707,380	**1,126,222**

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.

19. Treasury bills and other eligible bills

	As at 31 December	
	2011	2010
Maturing within three months (Note 44)	247,494	221,421
Maturing after three months	498,449	367,501
	745,943	**588,922**

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

At 1 January	588,922	531,567
Additions	2,787,054	1,419,556
Acquisition of subsidiaries	45,899	–
Disposals (sale and redemption)	(2,619,564)	(1,338,164)
Gains / (loss) from changes in fair value	(8,648)	1,060
Exchange differences	(47,720)	(25,097)
At 31 December	**745,943**	**588,922**
Current	725,984	569,839
Non-current	19,959	19,083
	745,943	**588,922**

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

20. Loans and advances to banks

	As at 31 December	
	2011	2010
Items in course of collection from other banks	96,217	75,906
Deposits with other banks (Note 44)	853,898	653,271
Placements with other banks	1,608,475	884,145
	2,558,590	**1,613,322**

All loans and advances to banks are current.

21. Trading assets

	As at 31 December	
	2011	2010
Debt securities:		
– Government bonds	931	5,011
– Other debt securities	–	385
Total debt securities	**931**	**5,396**
Equity securities		
– Listed	639	1,407
– Unlisted	–	–
Total equity securities	**639**	**1,407**
Total trading assets	**1,570**	**6,803**
Current	1,289	589
Non-current	281	6,214
	1,570	**6,803**

22. 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 collateralized by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

	Fair value	
As at 31 December 2011	**Assets**	**Liabilities**
Currency forwards	320	312
Currency swaps	8,291	9,958
Total derivatives	**8,611**	**10,270**
As at 31 December 2010		
Currency forwards	–	–
Currency swaps	10,000	9,913
Total derivatives	**10,000**	**9,913**

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.

23. Insurance assets and liabilities

	As at 31 December	
	2011	2010
Reinsurance assets		
Reinsurers' share of insurance liabilities	3,282	–
Impairment provision (negative)	–	–
Total assets arising from reinsurance contracts	**3,282**	–
Insurance liabilities and reinsurance assets		
Gross:		
Long-term insurance contracts	413	–
Short-term insurance contracts:		
– Claims reported and loss adjustment expenses	490	–
– Claims incurred but not reported	90	–
– Unearned premiums	2,289	–
Total insurance liabilities, gross	**3,282**	–
Recoverable from reinsurers		
Short-term insurance contracts:		
– Claims reported and loss adjustment expenses	490	–
– Claims incurred but not reported	55	–
– Unearned premiums	1,025	–
– Unexpired risk provision	–	–
Total reinsurers' share of insurance liabilities	**1,570**	–
Long-term insurance contracts:		
– Claims reported and loss adjustment expenses	413	–
– Claims incurred but not reported	35	–
– Unearned premiums	1,264	–
– Unexpired risk provision	–	–
Total insurance liabilities, net	**1,712**	–
Recoverable from insurers	**3,282**	–

24. Loans and advances to customers

As at 31 December	Domestic Bank 2011	Domestic Bank 2010	Corporate Bank 2011	Corporate Bank 2010	Total 2011	Total 2010
a. Analysis by type:						
– Overdrafts	804,765	766,185	1,071,935	965,919	1,876,700	1,732,104
– Credit cards	–	–	14,812	35,502	14,812	35,502
– Term loans	2,383,334	1,815,238	3,039,535	1,872,758	5,422,869	3,687,996
– Mortgage loans	–	–	138,551	99,982	138,551	99,982
– Others	141,676	174,002	–	–	141,676	174,002
Gross loans and advances	3,329,775	2,755,425	4,264,833	2,974,161	7,594,608	5,729,586
Less: allowance for impairment	(27,334)	(87,503)	(207,334)	(377,899)	(234,668)	(465,402)
	3,302,441	**2,667,922**	**4,057,499**	**2,596,262**	**7,359,940**	**5,264,184**
b. Analysis by security:						
Secured against real estate	241,136	210,563	937,735	467,041	1,178,871	677,604
Otherwise secured	1,805,391	1,430,166	1,939,552	1,592,875	3,744,943	3,023,041
Unsecured	1,283,248	1,114,696	1,387,546	914,245	2,670,794	2,028,941
	3,329,775	**2,755,425**	**4,264,833**	**2,974,161**	**7,594,608**	**5,729,586**
Current					4,415,578	3,384,716
Non-current					3,179,030	2,344,870
					7,594,608	**5,729,586**
c. Analysis by performance:						
Performing loan	3,286,615	2,498,598	3,892,746	2,362,400	7,179,361	4,860,998
Non-performing loan	43,160	256,827	372,087	611,761	415,247	868,588
	3,329,775	**2,755,425**	**4,264,833**	**2,974,161**	**7,594,608**	**5,729,586**

d. Movements in loans and advances

Reconciliation of loans and advances by class is as follows:

	Corporate Bank			Domestic Bank				
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	Total
At 1 January 2011	766,185	1,815,238	174,002	965,919	35,502	1,872,758	99,982	5,729,586
Acquisition of subsidiaries	6,823	284,826	–	265,571	–	597,953	–	1,155,173
Disbursed during the year	634,467	1,337,665	823,200	415,906	11,385	1,441,620	198,569	4,862,812
Paid off during the year	(525,227)	(1,008,280)	(716,323)	(316,811)	(316)	(731,365)	(48,196)	(3,346,518)
Amounts written off as uncollectibles	(41,815)	(22,497)	–	(182,382)	(28,697)	(56,918)	(1,995)	(334,304)
Reclassification	(5,704)	49,897	(4,823)	25,332	–	37,927	(102,629)	–
Exchange differences	(29,965)	(73,515)	(134,380)	(101,600)	(3,062)	(122,440)	(7,180)	(472,141)
At 31 December 2011	**804,764**	**2,383,334**	**141,676**	**1,071,935**	**14,812**	**3,039,535**	**138,551**	**7,594,608**
At 1 January 2010	1,172,691	2,172,462	155,209	561,219	52,368	867,760	74,465	5,056,174
Disbursed during the year	170,636	457,632	173,294	507,010	23,260	1,171,254	39,308	2,542,394
Paid off during the year	(497,214)	(735,246)	(130,250)	(88,080)	(25,184)	(120,120)	(36,250)	(1,632,344)
Amounts written off as uncollectibles	2,899	(419)	(39)	37,641	–	317	–	40,399
Reclassification	–	–	–	–	–	–	–	–
Exchange differences	(82,827)	(79,191)	(24,212)	(51,871)	(14,942)	(46,453)	22,459	(277,037)
At 31 December 2010	**766,185**	**1,815,238**	**174,002**	**965,919**	**35,502**	**1,872,758**	**99,982**	**5,729,586**

24. Loans and advances to customers (continued)

e. Allowance for impairment

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

	Corporate Bank			Domestic Bank				
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	Total
At 1 January 2011	41,000	44,791	1,711	254,237	32,436	86,229	4,998	465,402
Acquisition of subsidiaries	13	3,496	–	22,219	–	12,364	–	38,092
Provision for loan impairment	16,427	14,575	1,325	56,657	6,715	72,375	752	168,826
Provisions no longer required	–	(2,904)	(1,362)	(7,479)	(126)	(4,221)	–	(16,092)
Amounts recovered during the year	(5,875)	(6,780)	(736)	(30,328)	(18)	(20,622)	(2,627)	(66,986)
Loans written off during the year	(41,815)	(22,497)	–	(182,382)	(28,697)	(56,918)	(1,995)	(334,304)
Exchange differences	(1,143)	(11,995)	(898)	(6,822)	(1,337)	(2,584)	4,509	(20,268)
At 31 December 2011	**8,607**	**18,686**	**40**	**106,102**	**8,973**	**86,623**	**5,637**	**234,668**
At 1 January 2010	27,777	21,392	2,139	183,167	21,546	72,653	6,099	334,773
Provision for loan impairment	30,265	31,590	880	51,951	11,293	19,683	490	146,152
Amounts recovered during the year	(16,239)	(6,734)	(1,220)	(12,914)	(17)	(6,176)	(1,379)	(44,679)
Loans written off during the year	2,899	(419)	(39)	37,641	–	317	–	40,399
Exchange differences	(3,702)	(1,038)	(49)	(5,608)	(386)	(248)	(212)	(11,243)
At 31 December 2010	**41,000**	**44,791**	**1,711**	**254,237**	**32,436**	**86,229**	**4,998**	**465,402**

Loans and advances to customers include finance lease receivables analyzed below.

	As at 31 December	
	2011	2010
Gross investment in finance leases, receivable:		
No later than 1 year	7,171	10,680
Later than 1 year and no later than 5 years	48,666	43,708
Later than 5 years	–	21
	55,837	54,409
Unearned future finance income on finance leases	(10,245)	(6,408)
Net investment in finance leases	**45,592**	**48,001**
The net investment in finance lease may be analysed as follows:		
No later than 1 year	6,434	9,646
Later than 1 year and no later than 5 years	39,157	37,878
Later than 5 years	–	477
	45,591	**48,001**

25. Investment securities

Securities available for sale	2011	As at 31 December 2010
Debt securities – at fair value:		
– Listed	928,258	253,324
– Unlisted	1,416,881	520,092
Total	**2,345,139**	**773,416**
Equity securities – at fair value:		
– Listed	144,963	17,285
– Unlisted	255,512	102,424
Total	**400,475**	**119,709**
Total securities available-for-sale before impairment	**2,745,614**	**893,125**
Allowance for impairment	(47,703)	–
Total securities available-for-sale	**2,697,911**	**893,125**
Current	986,273	213,839
Non-current	1,711,638	679,286
	2,697,911	**893,125**

The Group has not reclassified any financial asset measured at amortized cost rather than fair value during the year. (2010: Nil)

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

	2011	2010
At 1 January	893,125	506,376
Additions	3,978,987	2,724,432
Acquisition of subsidiary	981,231	–
Disposals (sale and redemption)	(2,950,369)	(2,338,665)
Losses from impairment of available-for-sale equity securities	(36,805)	(1,815)
Gains / (loss) from changes in fair value	(79,321)	28,090
Exchange differences	(88,937)	(25,293)
At 31 December	**2,697,911**	**893,125**

26. Pledged assets

	2011	As at 31 December 2010
Open buy back for interbank takings	18,758	–
Bank of Industry of Nigeria intervention fund	78,688	–
	97,446	–

27. Investment in associate

	Year ended 31 December	
	2011	2010
At 1 January	3,181	–
Acquisition of associate	–	3,172
Share of results	246	36
Share of tax	(61)	(9)
Dividends paid	–	–
Exchange differences	70	(18)
At 31 December	**3,436**	**3,181**

As at 31 December 2011

Associate	Country of incorporation	Assets	Liabilities	Revenues	Profit	% interest
EB-Accion	Ghana	12,761	9,568	4,897	502	49%

As at 31 December 2010

Associate	Country of incorporation	Assets	Liabilities	Revenues	Profit	% interest
EB-Accion	Ghana	9,933	6,955	3,289	73	49%

28. Intangible assets

	Year ended 31 December	
	2011	2010
Goodwill		
At 1 January	15,669	14,613
Acquisition of subsidiary (Note 46)	388,954	1,056
At 31 December	**404,623**	**15,669**

Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2011 (2010: Nil)

	Year ended 31 December	
	2011	2010
Software costs		
At 1 January	12,499	16,966
Purchase	56,294	5,409
Amortization (Note 15)	(9,902)	(8,982)
Exchange differences	(3,004)	(894)
At 31 December	**55,887**	**12,499**
Total intangibles	**460,510**	**28,168**

29. Property and equipment

	Motor Vehicles	Land and Buildings	Furniture and Equipment	Installations	Construction	Total
At 1 January 2010						
Cost	48,315	294,851	210,971	81,860	37,836	673,833
Accumulated depreciation	25,257	31,973	113,412	28,977	–	199,619
Net book amount	**23,058**	**262,878**	**97,559**	**52,883**	**37,836**	**474,214**
Year ended 31 December 2010						
Opening net book amount	23,058	262,878	97,559	52,883	37,836	474,214
Acquisition of subsidiaries	342	55	267	1,035	–	1,699
Additions	7,102	3,896	34,121	13,098	25,018	83,235
Disposals – cost	(3,292)	(1,633)	(9,941)	(4,978)	(239)	(20,083)
Disposals – accumulated depreciation	2,391	263	3,333	1,577	(599)	6,965
Reclassifications – cost	–	1,840	10,092	5,929	(17,861)	–
Reclassifications – accumulated depreciation	–	2,473	–	(2,473)	–	–
Depreciation charge	(9,511)	(8,030)	(33,893)	(8,271)	–	(59,705)
Exchange rate adjustments	(1,136)	(11,183)	(5,005)	(2,532)	(2,180)	(22,036)
Closing net book amount	**18,954**	**250,559**	**96,533**	**56,268**	**41,975**	**464,289**
At 31 December 2010 / 1 January 2011						
Cost	49,469	283,504	240,609	93,985	41,975	709,542
Accumulated depreciation	30,515	32,945	144,076	37,717	–	245,253
Net book amount	**18,954**	**250,559**	**96,533**	**56,268**	**41,975**	**464,289**
Year ended 31 December 2011						
Opening net book amount	18,954	250,559	96,533	56,268	41,975	464,289
Acquisition of subsidiaries	6,743	203,838	50,579	2	88,387	349,549
Additions	6,214	18,271	48,093	12,404	33,866	118,848
Re-evaluation	–	21,874	–	–	–	21,874
Disposals – cost	(1,997)	(3,708)	(23,910)	(2,124)	(6,146)	(37,885)
Disposals – accumulated depreciation	1,684	753	2,656	2,085	–	7,178
Reclassifications – cost	47	15,125	14,583	(4,263)	(25,492)	–
Reclassifications – accumulated depreciation	(3)	–	(1,565)	1,568	–	–
Impairment charge	–	–	(514)	–	–	(514)
Depreciation charge	(10,019)	(10,086)	(41,506)	(10,332)	–	(71,943)
Exchange rate adjustments	(1,045)	(18,544)	(5,921)	(2,046)	(3,474)	(31,030)
Closing net book amount	**20,578**	**478,082**	**139,028**	**53,562**	**129,116**	**820,366**
At 31 December 2011						
Cost	86,207	567,780	422,562	97,019	129,116	1,302,684
Accumulated depreciation	65,629	89,698	283,534	43,457	–	482,318
Net book amount	**20,578**	**478,082**	**139,028**	**53,562**	**129,116**	**820,366**

The Group revalued its buildings at 31 December 2011. The valuations were carried out by professionally qualified independent valuers, using market values as the reference.

30. Investment property

	Year ended 31 December	
	2011	2010
1 January	12,948	13,280
Additions	57,592	17
Fair value gains	2,969	513
Disposal	–	(44)
Exchange rate adjustments	(1,332)	(818)
At 31 December	**72,177**	**12,948**

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 recognized in the income statement:

Rental income	784	843
Direct operating expenses arising from investment properties that generate rental income	(570)	(572)
	214	**271**

31. Other assets

	As at 31 December	
	2011	2010
Fees receivable	13,684	26,675
Accounts receivable	415,680	291,657
Prepayments	193,939	104,189
Sundry receivables	13,018	8,976
Insurance receivables (others)	1,964	–
	638,285	**431,497**
Impairment charges on receivable balances	(52,287)	(11,524)
	585,998	**419,973**

All other assets are current.

32. Deposits from other banks

	As at 31 December	
	2011	2010
Items in course of collection	720,181	103
Deposits from other banks	216,431	372,281
	936,612	**372,384**

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

33. Due to customers

	As at 31 December 2011	2010
Corporate Bank		
– Current accounts	2,325,410	1,796,527
– Term deposits	1,140,173	966,569
	3,465,583	2,763,096
Domestic Bank		
– Current accounts	4,810,067	2,929,942
– Term deposits	1,774,811	1,002,606
– Savings deposits	2,026,034	1,228,941
	8,610,912	5,161,489
Total	**12,076,495**	**7,924,585**
Current	8,849,466	6,271,092
Non current	3,227,029	1,653,493
Total	**12,076,495**	**7,924,585**

Customer deposits carry variable interest rates.

	Corporate Bank		Domestic Bank			
	Current accounts	Term deposits	Current accounts	Term deposits	Savings	Total
At 1 January 2011	1,796,527	966,569	2,929,942	1,002,606	1,228,941	7,924,585
Additions	606,467	523,234	1,169,944	155,684	167,858	2,623,187
Acquisition of subsidiaries	129,615	247,763	1,420,220	739,806	748,557	3,285,961
Withdrawals	(205,081)	(552,814)	(379,487)	(49,075)	(35,524)	(1,221,981)
Reclassification	121,282	13,669	(128,882)	(1,755)	(4,854)	(540)
Exchange differences	(123,400)	(58,248)	(201,670)	(72,455)	(78,944)	(534,717)
At 31 December 2011	**2,325,410**	**1,140,173**	**4,810,067**	**1,774,811**	**2,026,034**	**12,076,495**

	Corporate Bank		Domestic Bank			
	Current accounts	Term deposits	Current accounts	Term deposits	Savings	Total
At 1 January 2010	1,733,036	799,970	1,958,341	812,453	947,740	6,251,540
Additions	406,879	312,448	1,029,971	150,921	344,452	2,244,671
Withdrawals	(133,435)	(30,682)	(60,346)	(6,902)	–	(231,365)
Reclassification	(111,479)	(78,219)	111,479	78,219	–	–
Exchange differences	(98,474)	(36,948)	(109,503)	(32,085)	(63,251)	(340,261)
At 31 December 2010	**1,796,527**	**966,569**	**2,929,942**	**1,002,606**	**1,228,941**	**7,924,585**

34. Other deposits

	As at 31 December	
	2011	2010
Other money-market deposits	169,765	50,918
Certificates of deposits	334	–
	170,099	**50,918**

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

35. Borrowed funds

	As at 31 December	
	2011	2010
Nedbank	271,050	–
4% Convertible preference shares	104,300	–
Opec Fund for International Development	30,184	–
Merrill Lynch	176,381	–
Bank of Industry of Nigeria	201,516	–
Central Bank of Nigeria	12,506	–
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO)	37,888	47,993
European Investment Bank	125,547	73,010
International Finance Corporation	178,067	40,562
Deutsche Bank	2,940	4,500
Social Security and National Insurance Trust	2,751	3,000
Banque Centrale des Etats de l'Afrique de L'Ouest (BCEAO)	86,811	–
Export Development Investment Fund	–	431
Banque Ouest-Africaine de Dévelopment (BOAD)	16,881	7,841
Credit Foncier du Cameroon	–	4,277
Societe Mamadou Dalaba	2,446	2,357
Ecobank Senegal bonds issued	5,837	3,395
Le Mans and Union Des Assurances Vie	1,381	2,240
Agence Française de Developpement	–	1,287
International Cooperation Development Fund, China	6,400	2,333
Caisse Nationale de Securite Sociale	–	4,073
Legba Hounsou	1,188	1,629
Akanni A. Ibouraima	–	815
Balogoun EP Akanni Naimatou	–	815
Atlantic Coast Regional Fund (ACRF)	11,479	13,311
National Social Security and Insurance Trust of Sierra Leone	1,166	1,072
Societe de Promotion et Participation pour la Coopération Economique (PROPARCO)	10,276	–
Diamond Trust Bank	12,040	–
First Community Bank	17,204	–
Gulf Bank	14,089	–
Other loans	72,693	11,034
	1,403,021	**225,975**
Current	560,189	81,387
Non-current	842,832	144,588
	1,403,021	**225,975**

a. Nedbank loan is a convertible loan to ETI. It is repayable at once, at the end of 2014 if the share subscription option is not exercised.

b. During the year, ETI issued 1.07 billion convertible, redeemable and cumulative preference shares to the shareholders of Oceanic Bank International Limited at US$0.1032 per share. Dividend is payable on the preference shares at the higher of 4% per annum and proposed ordinary dividend per share.

c. Opec Fund for International Development (OFID) Loan is a convertible and subordinated loan repayable in seven (7) equal semi-annual instilments starting from 2016. The subsidiaries that benefitted from this loan are: Ecobank Senegal, Cameroon, Kenya and Côte d'Ivoire.

d. Merrill Lynch loan is a 5-year facility to Oceanic Bank expiring in 2012. This loan which is guaranteed by the Central Bank of Nigeria up to December 2011, attracts an interest rate of 13.4% per annum.

e. The Bank of Industry (BOI) loan to Oceanic Bank is for on-lending to customers in the manufacturing sector with a maximum tenure of 15 years. The facility is 15 years.

f. Central Bank of Nigeria loan represents 7-year intervention funds for on-lending to a customer of the Bank in the agricultural sector. The funds are administered at a maximum interest rate of 9% per annum.

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

h. European Investment Bank (I) Loan is repayable in ten equal semi-annual instalments starting from 2010. Interest is payable semi-annually at an annual rate of 2.4% plus 6 month LIBOR. European Investment Bank (II) Loan is a convertible and subordinated loan repayable in ten equal semi-annual instalments starting from 2010. The subsidiaries that benefitted from this loan are: Ecobank Burkina, Côte d'Ivoire, DRC, Ghana, Guinea Bissau, Mali, Rwanda, Chad, Senegal, Togo, Uganda, and Zambia.

i. International Finance Corporation (IFC) Loan is a convertible and subordinated loan repayable in thirteen (13) equal semi-annual instilments starting from 2015. The subsidiaries that benefitted from this loan are: Ecobank Benin, Burkina, Guinea Bissau, Mali, Niger, Senegal, Togo, Gambia, Ghana, Sierra Leone, Cameroon, Central African Republic, Chad, Rwanda, and Nigeria. There were other IFC loans to Ecobank Nigeria and Ecobank Ghana expiring on 2013 and 2015 respectively and attracting interest rates of LIBOR+2.75% and LIBOR+3% respectively.

j. Banque Centrale des Etats de l'Afrique de L'Ouest (BCEAO) loans were to Ecobank Burkina and Ecobank Senegal attracting 7% interest rates.

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

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

m. PROPARCO loan to Ecobank Kenya was a 5-year term loan maturing in 2015 with a rate of LIBOR + 7%.

n. Diamond Trust Bank, First Community Bank and Gulf Bank loans to Ecobank Kenya were short term loans all maturing in 2013.

o. The Group also received other loans in several of our subsidiaries with interests ranging between 3% and 5% with maximum maturity of 10 years.

35. Borrowed funds (continued)

Analysis of the convertible loans

The convertible loans are presented in the consolidated statement of financial position as follows:

As at 31 December 2011, ETI had convertible bonds from the followings institutions:

Name of institution	Contract interest rate	Effective interest rate	Tenor (Years)	Face value	Amount
European Investment Bank (II)	4.267% + 6 months LIBOR	5.43%	8	68,205	66,956
Opec Fund for International Development	5.75% + 6 months LIBOR	6.53%	8	30,000	30,184
International Finance Corporation	8% + 6 months LIBOR	8.78%	8	138,940	140,379
Nedbank	2.95% + 3 months LIBOR	5.43%	3	285,000	271,050
Preference share	4%	5.43%	5	110,071	104,300
				632,216	**612,869**

Initial recognition:		
– Face value of convertible bond issued	632,216	–
– Equity conversion component net of deferred tax liability (Note 42)	(25,501)	–
Liability component	**606,715**	–

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

Liability component	606,715	–
Interest expense	11,573	–
Interest paid	(5,419)	–
Liability component at 31 December 2011	**612,869**	–

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 for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2011 amounted to US$11.5 million (2010: Nil). The actual interest paid in 2011 was US$5.4 million (2010: Nil).

Summary of subordinated loans

European Investment Bank (II)	66,956	–
Opec Fund for International Development	30,184	–
International Finance Corporation	140,379	–
	237,519	–

36. Other liabilities

	As at 31 December	
	2011	2010
Accrued income	193,629	42,315
Unclaimed dividend	2,228	8,596
Accruals	341,952	379,646
Other provisions (Note 37)	11,210	6,183
Obligations under customers' letters of credit	98,338	25,446
Bankers draft	337,177	34,512
Others	55,760	22,266
	1,040,294	**518,964**

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

37. Other provisions

	Year ended 31 December	
	2011	2010
At 1 January	6,183	10,870
Additional provisions charged to income statement	10,544	3,938
Provision no longer required	(6,505)	(56)
Utilized during year	2,585	(4,844)
Exchange differences	(1,597)	(3,725)
At 31 December	**11,210**	**6,183**

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.

38. 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	
	2011	**2010**
At 1 January	(8,292)	7,465
Income statement charge	3,369	(23,881)
Available-for-sale securities:		
– Fair value remeasurement	(25,719)	8,340
– Transfer to net profit	(2,462)	(40)
Revaluation of property and equipment	4,945	–
Others	–	–
Exchange differences	(7,265)	(176)
At 31 December	**(35,424)**	**(8,292)**
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred income tax liabilities		
Accelerated tax depreciation	11,568	13,142
Available-for-sale securities	(31,357)	12,807
Revaluation of property and equipment	28,725	13,823
Other temporary differences	(5,608)	(12,330)
	3,328	**27,442**
Deferred income tax assets		
Pensions and other post retirement benefits	64	37
Provisions for loan impairment	2,848	3,949
Other provisions	10,660	10,545
Tax loss carried forward	25,180	21,203
	38,752	**35,734**
Deferred tax liabilities		
– To be recovered within 12 months	6,739	19,556
– To be recovered after more than 12 months	(3,412)	7,886
	3,327	**27,442**
Deferred tax assets		
– To be recovered within 12 months	16,673	11,675
– To be recovered after more than 12 months	22,079	24,059
	38,752	**35,734**

	Year ended 31 December	
	2011	2010
The deferred tax charge in the income statement comprises the following temporary differences:		
Accelerated tax depreciation	(1,574)	2,846
Pensions and other post-retirement benefits	(27)	25
Allowances for loan losses	1,101	(2,166)
Other provisions	(115)	(3,169)
Tax losses carry forward	(3,977)	(5,145)
Other temporary differences	6,722	(14,644)
Exchange differences	1,240	(1,628)
	3,370	**(23,881)**

Deferred income tax assets are recognized for tax losses carried forward only to the extent that realization 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.

	2011			2010		
	Gross	Tax	Net	Gross	Tax	Net
Fair value gains / loss on available for sale	(87,983)	28,181	(59,802)	28,979	(8,300)	20,679
Revaluation gains / loss on property and equipment	21,874	(4,945)	16,929	–	–	–
	(66,109)	**23,236**	**(42,873)**	**28,979**	**(8,300)**	**20,679**

39. Retirement benefit obligations

	Year ended 31 December	
	2011	2010
Amounts recognized in the statement of financial position:		
Other post retirement benefits	**16,183**	**8,147**

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

The Group operates a post employment gratuity payment scheme. The amounts recognised in the statement of financial position are as follows:		
Present value of funded obligations	9,288	9,484
Fair value of plan assets	(5,783)	(6,139)
	3,505	3,345
Present value of unfunded obligations	12,678	4,802
Liability in the statement of financial position	**16,183**	**8,147**
Income tax effects relating to components of other comprehensive income		
The amounts recognized in the income statement are as follows:		
Current service cost	816	3,116
Interest cost	–	1,059
Expected return on plan assets	–	(664)
Net actuarial losses recognized in year	(649)	(1,565)
Total included in staff costs	**167**	**1,946**
The movement in the liability recognized in the statement of financial position is reconciled as follows:		
At 1 January	8,147	8,973
Acquisition of subsidiaries	8,082	–
Total expense as above (Note 15)	167	1,946
Benefits paid	(26)	(2,482)
Exchange differences	(187)	(290)
At 31 December	**16,183**	**8,147**

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	6,139	6,139
Expected return on plan assets	–	664
Contributions	–	1,225
Exchange differences	(356)	(1,889)
At 31 December	**5,783**	**6,139**

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

	Year ended 31 December	
	2011	2010
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%

40. Contingent liabilities and commitments

a. Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2011 with contingent liabilities of $169.7m (2010: $147.8m). 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 2011, the Group had capital commitments of $20.3m (2010: $74.3m) 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 2011 the Group had contractual amounts of the off-statement of financial position financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

As at 31 December	2011	2010
Acceptances	32,389	82,099
Guaranteed commercial papers	426,554	488,003
Documentary and commercial letters of credit	1,654,045	699,043
Performance bond, guarantees and indemnities	871,077	791,355
Loan commitments	332,942	223,600
	3,317,007	**2,284,100**

41. Share capital

	Nº of shares ('000)	Ordinary shares	Share premium	Total
At 1 January 2010	9,913,368	247,762	618,947	866,709
At 31 December 2010 / 1 January 2011	**9,913,368**	**247,762**	**618,947**	**866,709**
Proceeds from share subscription:				
– Private placement	2,488,688	62,217	125,103	187,320
– Share option exercised	33,573	839	1,125	1,964
– Transfer from retained earnings – share option exercised	–	–	369	369
– Share issue to purchase minority interest in Ecobank Nigeria	401,524	10,038	16,324	26,362
Reclassification	–	72	(72)	–
Share issue expenses	–	–	(2,538)	(2,538)
At 31 December 2011	**12,837,153**	**320,928**	**759,258**	**1,080,186**

Private placement represents shares issued to pay for the acquisition of Oceanic Group of Nigeria.

The total authorised number of ordinary shares at year end was 50 billion (2010: 50 billion) with a par value of US$0.025 per share (2010: US$0.025 per share).

Total issued shares as of 31 December 2011 were 12.8 billion. The movements in the issued shares are as follows:

a. In October 2011, a total of 2.5 billion shares were issued for part payment of the acquisition of Oceanic Group of Nigeria at a prevailing market (The Nigerian Stock Exchange) price of 0.75 cents a share.

b. In November 2011, a total of 33.6 million from the staff share option scheme were exercised at a price of 0.59 cents in accordance with terms and conditions of the option scheme.

c. In December 2011, a total of 401.5 million shares were issued to fully pay for the minority interest in Ecobank Nigeria at the prevailing market (The Nigerian Stock Exchange) price of 0.66 cents per share. As a result, Ecobank Nigeria became a wholly owned subsidiary of ETI at 31 December 2011.

Share options

The Group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three year of service (the vesting period). The options are exercisable starting three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

	Year ended 31 December	
	2011	**2010**
Movement in the number of share options outstanding are as follows:		
At 1 January	346,120	346,120
Exercised	(33,573)	–
Lapsed	(66,550)	–
At 31 December	**245,997**	**346,120**

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

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

Expiry date; 1 January	**2011**	**2010**
2010	122,999	148,060
2011	73,799	139,166
2012	49,199	58,894
	245,997	**346,120**

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

42. Retained earnings and other reserves

	Year ended 31 December	
	2011	**2010**
a. Retained earnings		
Movements in retained earnings were as follows:		
At 1 January	282,250	221,610
Net profit for year	182,207	112,716
Dividend	(39,653)	(29,745)
Employee share option scheme	(12,538)	4,130
Reclassification of share option reserve	(13,037)	–
Transfer to share capital – share option exercised	(369)	–
Transfer to general banking reserve	(10,722)	(11,180)
Transfer to statutory reserve	(22,617)	(15,281)
Purchase of minority interest in Ecobank Nigeria	13,863	–
Elimination of investments in Oceanic subsidiaries	(64,175)	–
At 31 December	**315,209**	**282,250**

42. Retained earnings and other reserves (continued)

	Year ended 31 December	
	2011	2010
b. Other reserves		
General banking reserve	68,676	44,917
Statutory reserve	124,350	101,733
Revaluation reserve – available-for-sale investments	(15,858)	43,944
Convertible bond – equity component	25,501	–
Revaluation reserve – property and equipment	64,801	47,872
Translation reserve	(308,660)	(232,078)
	(41,190)	**6,388**

Movements in the other reserves were as follows:

I. General banking reserve

At 1 January	44,917	33,737
Reclassification of share option reserve	13,037	–
Transfer from retained earnings	10,722	11,180
At 31 December	**68,676**	**44,917**

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

II. Statutory reserve

At 1 January	101,733	86,452
Transfer from retained earnings	22,617	15,281
At 31 December	**124,350**	**101,733**

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

III. Revaluation reserves – Available-for-sales

At 1 January	43,944	23,265
Net (loss) / gains transferred to income statement (Note 12)	(14)	(171)
Less deferred tax (Note 38)	2,462	40
Net gain / (loss) from changes in fair value (19 and 25)	(87,969)	29,150
Deferred income taxes (Note 38)	25,719	(8,340)
At 31 December	**(15,858)**	**43,944**

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

	Year ended 31 December	
	2011	**2010**
Movement in equity component of convertibles were as follows:		
At 1 January	–	–
Conversion of convertible loan	25,501	–
At 31 December	**25,501**	**–**

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

IV. Revaluation reserve – property and equipment

At 1 January	47,872	47,872
Net gains / (losses) from changes in fair value	21,874	–
Deferred income taxes	(4,945)	–
Net losses transferred to net profit on disposal and impairment	–	–
Deferred income taxes	–	–
At 31 December	**64,801**	**47,872**

V. Translation reserve

At 1 January	(232,078)	(167,516)
Currency translation difference arising during the year	(76,582)	(64,562)
At 31 December	**(308,660)**	**(232,078)**

43. 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 2011 of 0.4 cents per share (2010: 0.4 cents per share) is to be proposed. This amounts to a total of US$55.6 million (2010: US$39.7 million). The financial statements for the year ended 31 December 2011 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 2012.

44. 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.

	As at 31 December	
	2011	**2010**
Cash and balances with central banks (Note 18)	1,165,816	689,516
Treasury bills and other eligible bills (Note 19)	247,494	221,421
Deposits with other banks (Note 20)	853,898	653,271
Deposits from other banks (Note 32)	(936,612)	(372,384)
	1,330,596	**1,191,824**

45. Related party transactions

A number of banking transactions 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	**2011**	**2010**	**2011**	**2010**
Loans outstanding at 1 January	7,827	6,367	85,586	33,989
Loans issued during the year	1,067	2,088	79,371	53,100
Loan repayments during the year	(440)	(480)	(133,438)	(790)
Exchange difference	(194)	(148)	(3,621)	(713)
Loans outstanding at 31 December	**8,260**	**7,827**	**27,898**	**85,586**
Interest income earned	**11**	**69**	**3,320**	**3,655**

No provisions have been recognized in respect of loans given to related parties (2010: 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	
Deposits from related parties	**2011**	**2010**	**2011**	**2010**
Deposits at 1 January	14,626	492	264	625
Deposits received during the year	10,615	7,412	255	4,480
Deposits repaid during the year	13,649	7,043	98,947	(4,743)
Exchange difference	(973)	(321)	(909)	(98)
Deposits at 31 December	**37,917**	**14,626**	**98,557**	**264**
Interest expense on deposits	**4**	**105**	**–**	**–**

	Year ended 31 December	
	2011	**2010**
Directors' remuneration		
Total remuneration of the Directors	**4,704**	**2,721**
Key management compensation		
Salaries and other short term benefits	**1,154**	**1,079**

46. Major business acquisitions

In January 2011, ETI completed the acquisition of 70% interest in Premier Finance Group of Zimbabwe and subsequently changed the name to Ecobank Zimbabwe. The acquired entity contributed operating income of $4.4 million and operating loss of $9 million to the Group for the period ending 31 December 2011.

In October 2011, ETI completed the acquisition of 100% interest in Oceanic Bank international Plc (including its subsidiaries), an institution which was taken over by the Central Bank of Nigeria in 2009 due to solvency issues. Oceanic Bank and its subsidiaries contributed $92.8 million and $10.8 million to the revenues and net income of the Group. The amounts disclosed below for the acquisition are provisional, as the Group is yet to conclude the fair value exercise necessary to properly allocate the purchase price.

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

	Premier Finance Group		Oceanic Group	
	Fair value on date of acquisition	Acquiree's previous carrying value	Provisional values on date of acquisition	Acquiree's previous carrying value
	1 January 2011	31 December 2010	31 October 2011	31 December 2010
Cash and cash equivalent	10,534	10,534	1,073,866	2,324,388
Loans and advances to customers	19,741	19,741	1,344,911	1,867,552
Investment securities	7,334	7,334	765,016	828,339
Property, plant and equipment	3,790	3,790	359,099	396,755
Investment property	–	–	55,267	62,143
Other assets	1,901	1,901	242,404	149,716
Deposit from banks	(4,914)	(4,914)	(12,552)	(1,535,990)
Deposit from customers	(28,713)	(28,713)	(3,186,814)	(4,368,574)
Other borrowed funds	(6,136)	(6,136)	(353,461)	(223,036)
Other liabilities	(1,751)	(1,751)	(372,748)	(963,642
Net assets value	**1,786**	**1,786**	**(85,012)**	**(1,462,349)**
Less minority interest	(536)		–	
Net assets acquired	**1,250**		**(85,012)**	
Cost of acquisition (discharged by cash)	7,800		297,392	
Net assets acquired	1,786		(85,012)	
Goodwill	6,550		382,404	
Cost of acquisition (discharged by cash)	7,800		–	
Cash and cash equivalents in subsidiaries acquired	10,534		1,073,866	
Net cash flow	**2,734**		**1,073,866**	

47. Events after reporting date

On 20 January 2012, ETI concluded the acquisition of 100% interest in The Trust Bank of Ghana (TTB). ETI will subsequently merge the operations of TTB and those of Ecobank Ghana to create a single entity in Ghana.

Five-year summary financials

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

	2011	2010	2009	2008	2007
At the year end					
Total assets	17,161,912	10,466,871	9,006,523	8,306,186	6,550,224
Loans and advances to customers	7,359,940	5,264,184	4,766,197	3,754,206	3,117,036
Deposits from customers	12,076,495	7,924,585	6,472,459	5,798,895	4,714,327
Total equity	1,459,336	1,292,610	1,235,565	1,157,622	651,760
Book value per share (cents)	12.1	11.4	12.1	11.4	6.5
For the year					
Revenues	1,195,628	899,643	873,318	826,124	543,988
Profit before tax	277,422	169,026	101,066	162,385	190,570
Profit after tax	206,840	131,819	64,600	111,140	138,936
Profit attributable	182,207	112,716	51,075	94,195	107,373
Earnings per share – basic (cents)	1.76	1.14	0.58	1.39	1.56
Earnings per share – diluted (cents)	1.55	1.13	0.57	1.35	1.51
Dividend per share (cents)	0.4	0.4	0.3	0.2	0.4
Return on average equity	15.9%	10.4%	5.6%	17.1%	24.5%
Return on average assets	1.5%	1.4%	0.7%	1.5%	2.8%
Efficiency ratio	69.6%	69.9%	72.4%	66.7%	61.4%

Parent Company's financial statements

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

Income statement

	Year ended 31 December	
	2011	2010
Interest income	9,532	1,328
Interest expense	(16,268)	(4,570)
Net interest expense	**(6,736)**	**(3,242)**
Fees and commission income	27,951	24,917
Fees and commission expense	(134)	(186)
Net fees and commission income	**27,817**	**24,731**
Dividend income	86,897	74,278
Other operating income	1,179	–
Staff cost	(13,591)	(10,534)
Depreciation and amortization expenses	(1,743)	(435)
Other operating expenses	(21,447)	(8,300)
Profit for the year	**72,376**	**76,498**
Earnings per share:		
– Basic (US cents per share)	0.70	0.77
– Diluted (US cents per share)	0.67	0.77

Statement of comprehensive income

	Year ended 31 December	
	2011	2010
Profit for the year	**72,376**	**76,498**
Other comprehensive income:		
Available-for-sale investments:		
– Net valuation losses taken to equity	(4,937)	–
Other comprehensive expense for the year	**(4,937)**	**–**
Total comprehensive income for the year	**67,439**	**76,498**

Statement of financial position

	As at 31 December	
	2011	2010
Assets		
Loans and advances to banks	380,910	30,480
Investment securities – available-for-sale	186,931	6,078
Investment in subsidiaries	1,607,612	1,043,874
Investments in associates	731	427
Investment properties	24,154	–
Property plant and equipment	46,820	27,046
Intangible assets	927	–
Other assets	96,419	64,580
Total assets	**2,344,504**	**1,172,485**
Liabilities		
Borrowed funds	714,840	106,784
Other liabilities	342,141	32,149
Retirement benefit obligations	3,699	3,844
Total liabilities	**1,060,680**	**142,777**
Equity		
Share capital	320,928	247,762
Share premium	759,258	618,947
Retained earnings	113,800	117,618
Other reserves	89,838	45,381
Total equity	**1,283,824**	**1,029,708**
Total liabilities and equity	**2,344,504**	**1,172,485**

Parent Company's financial statements

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

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Other reserves	Total
At 1 January 2010	**247,762**	**618,947**	**78,209**	**33,906**	**978,824**
Profit for the year 2010	–	–	76,498	–	76,498
Total comprehensive income	**-**	**-**	**76,498**	**–**	**76,498**
Dividend relating to 2009	–	–	(29,744)	–	(29,744)
Share option granted	–	–	4,130	–	4,130
Transfer to general banking reserve	–	–	(11,475)	11,475	–
At 31 December 2010 / 1 January 2011	**247,762**	**618,947**	**117,618**	**45,381**	**1,029,708**
Profit for the year	–	–	72,376	–	72,376
Valuation loss on available-for-sale investments	–	–	–	(4,937)	(4,937)
Total comprehensive income	**–**	**–**	**72,376**	**(4,937)**	**67,439**
Dividend relating to 2010	–	–	(39,653)	–	(39,653)
Share option written-back	-	–	(12,538)	–	(12,538)
Share option exercised	839	1,494	(369)	–	1,964
Convertible bond-equity component	–	–	–	25,501	25,501
Gain on partial disposal of investment in subsidiaries	–	–	259	-	259
Transfer to general banking reserve	–	–	(10,856)	10,856	–
Proceeds from issue of shares	72,255	141,427	–	–	213,682
Share issue expenses	–	(2,538)	–	–	(2,538)
Reclassification	72	(72)	(13,037)	13,037	–
At 31 December 2011	**320,928**	**759,258**	**113,800**	**89,838**	**1,283,824**

Statement of cash flows

	Year ended 31 December	
	2011	2010*
Cash flows from operating activities		
Profit for the year	72,376	76,498
Depreciation and amortization	1,743	435
Provision for gratuity	(145)	1,037
Dividend received	(86,897)	(74,278)
Share option (written-back) / granted	(770)	342
Share option exercise	1,964	–
Accrued interest receivable	(3,626)	–
Accrued interest payable	7,567	–
Exchange gain	(217)	–
Amortization of government grant	(64)	–
Gain on disposal of investment in subsidiary	(898)	–
Loss on disposal of property plant and equipments	11	(38)
Cash (used in) / from operating activities before changes in working capital	**(8,956)**	**3,996**
Changes in working capital		
– Net (increase) / decrease in other assets	(40,564)	1,109
– Net increase / (decrease) in other liabilities	34,668	(1,481)
Net cash (used in) / from operating activities	**(14,852)**	**3,624**
Cash flows from investing activities		
Dividend received	86,897	74,278
Purchase of property, plant and equipment and intangible assets	(21,385)	(9,507)
Proceeds from the sale of property, plant and equipment	90	118
Addition to loans and advances	(219,805)	(18,358)
Repayment of loans and advances	14,889	–
Investment in subsidiaries	(182,921)	(88,253)
Proceeds from sale of investment in subsidiaries	5,610	–
Investment in associates	–	(427)
Investment securities available for sale	–	115
Net cash used in investing activities	**(316,625)**	**(42,034)**
Cash flows from financing activities		
Proceeds from borrowings	552,145	–
Repayment of borrowed funds	(35,234)	(17,163)
Share issue expenses	(2,538)	–
Dividends paid	(39,653)	(29,744)
Net cash (used in) / from financing activities	**474,720**	**(46,907)**
Net increase / (decrease) in cash and cash equivalents	**143,243**	**(85,317)**
Cash and cash equivalent at the beginning of the year	12,122	97,439
Cash and cash equivalents at end of the year	**155,365**	**12,122**

* Restated

Corporate information

Executive Management

Group Executive Management

Arnold Ekpe
Group Chief Executive Officer

Patrick Akinwuntan
Group Executive
Head of Domestic Bank

Laurence do Rego
Group Executive Director
Head of Finance and Risk

Albert Essien
Deputy Chief Executive Officer
Group Executive Director
Head of Corporate and Investment Bank

Eddy Ogbogu
Group Executive
Head of Operations and Information Technology
Managing Director, eProcess International

Evelyne Tall
Deputy Chief Executive Officer
Group Executive Director
Group Chief Operating Officer

Country Heads (Africa affiliates)

Roger Dah Achinanon
Benin

Cheikh Travaly
Burkina-Faso

Stéphane Doukouré
Burundi

Moustapha Fall
Cameroon

Jose Mendes
Cape Verde

Christian Assossou
Central African Republic

Mahamat Ali Kerim
Chad

Lazare Noulekou
Congo (Brazzaville)

Serge Ackré
Congo (Democratic Republic)

Charles Daboiko
Côte d'Ivoire

Jean-Baptiste Siate
Gabon

Marème Mbaye Ndiaye
The Gambia

Samuel Ashitey Adjei
Ghana

Chanou Moukaramou
Guinea

Adama Sene Cissé
Guinea-Bissau

Anthony Okpanachi
Kenya

Kola Adeleke
Liberia

Olufemi Salu
Malawi

Binta Ndoye Toure
Mali

Ibrahim Aboubacar Bagarama
Niger

Jibril Aku
Nigeria

Gilles Guérard
Rwanda

Guy Martial Awona
Sao Tome & Principe

Yves Coffi Quam-Dessou
Senegal

Clement Dodoo
Sierra Leone

James Cantamantu-Koomson
Tanzania

Didier Correa
Togo

Michael Monari
Uganda

Charity Lumpa
Zambia

Daniel Sackey
Zimbabwe

Heads of representative offices and Paris subsidiary

Albert Essien
Johannesburg

Baba Jahate
Luanda

Christophe Bourland
Paris and London

Jaimal Shergill
Dubai

Shareholder information

Ordinary shareholding structure

At 31 December 2011, ETI had an authorized share capital of 50,000,000,000 ordinary shares with a par value of $0.025 per share.

Shareholdings were distributed as follows:

Share range	Number of shareholders	% of shareholders	Number of holdings	% of shareholding
1 – 1,000	511,972	76.515	159,692,056	1.244
1,001 – 10,000	135,271	20.216	431,388,191	3.360
10,001 – 100,000	18,672	2.791	533,426,993	4.155
100,001 – 1,000,000	2,640	0.395	807,525,909	6.291
1,000,001 – 10,000,000	468	0.070	1,260,811,268	9.822
10,000,001 – 100,000,000	79	0.012	2,253,279,454	17.553
100,000,001 – 1,000,000,000	11	0.002	3,218,738,421	25.074
1,000,000,001 and above	3	0.000	4,172,289,916	32.502
Total	**669,116**	**100**	**12,837,152,208**	**100**

Top 10 shareholders

Shareholder	Number of shares held	% of total
Stanbic Nominees Nigeria Ltd – Trading A / C	1,613,614,730	12.570
Asset Management Corporation of Nigeria	1,377,619,323	10.732
The International Finance Corporation	1,181,055,863	9.200
Social Security and National Insurance Trust	895,958,412	6.979
Interlink Securities Limited	327,618,815	2.552
SCBN / Pictet & Cie, Geneva Latitude Zero Financial Invest Fund	319,148,936	2.486
FCUST / AMCON / C-Ibru & Others	309,381,732	2.410
Africa Investment Sub Ltd	297,000,000	2.314
ICMG Securities / Ecobank	244,737,966	1.906
BIDC-EBID	225,196,010	1.754
Total	**6,791,331,787**	**52.904**

Substantial interests

The following shareholders held interests greater than 5% in ETI.

Shareholder	Number of shares held	% of total
Asset Management Corporation of Nigeria	1,377,619,323	10.732
The International Finance Corporation	1,181,055,863	9.200
Renaissance Securities Cyprus	911,015,790	7.097
Social Security and National Insurance Trust	895,958,412	6.979
Total	**4,365,649,388**	**34.008**

ETI shares are listed on three stock exchanges under the ISIN TG000A1JS796 and are fungible between the three exchanges.

ETI shares listing venue at 31 December 2011	Shares
Nigeria Stock Exchange (NSE)	8,388,960,887
Ghana Stock Exchange (GSE)	2,870,491,844
Bourse Régionale des Valeurs Mobilières (BRVM)	1,577,699,477
Total	**12,837,152,208**

Ordinary shares dividend history

Financial year	Dividend per ordinary share (US¢)	Total dividend ($k)	Payout ratio (%)
2000	–	–	–
2001	15.0	2,507	
2002	–	–	–
2003	10.0	5,748	26
2004	7.5	6,234	20
2005	3.0	10,712	26
2006	3.0	18,355	26
2007	2.0	26,940	25
2008	0.2	17,500	19
2009	0.3	29,744	58
2010	0.4	39,653	35
2011	0.4	51,349	28

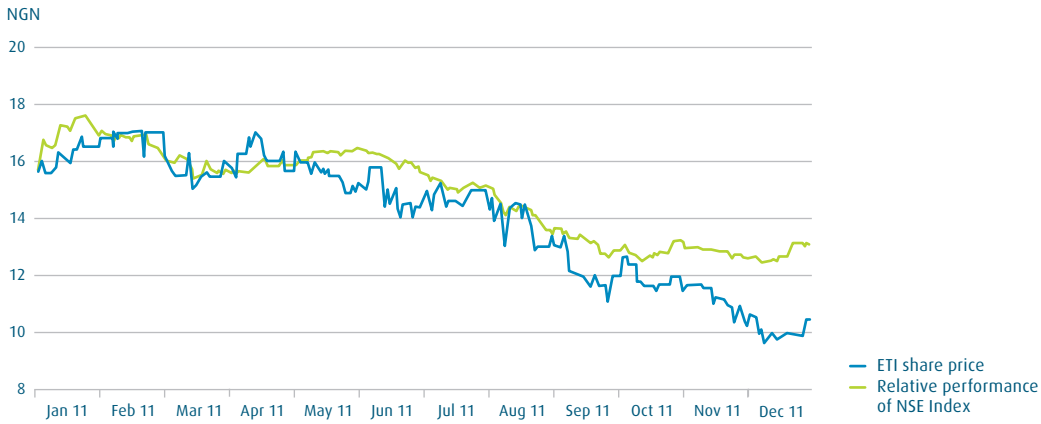
Shareholder information

Market statistics

ETI was listed on the exchanges in Nigeria, Ghana and BRVM in 2006.

Nigeria

ETI commenced trading on the NSE on 22 September 2006. The chart below illustrates the performance of ETI's shares on the NSE during 2011, relative to the NSE Index.



Source: Bloomberg

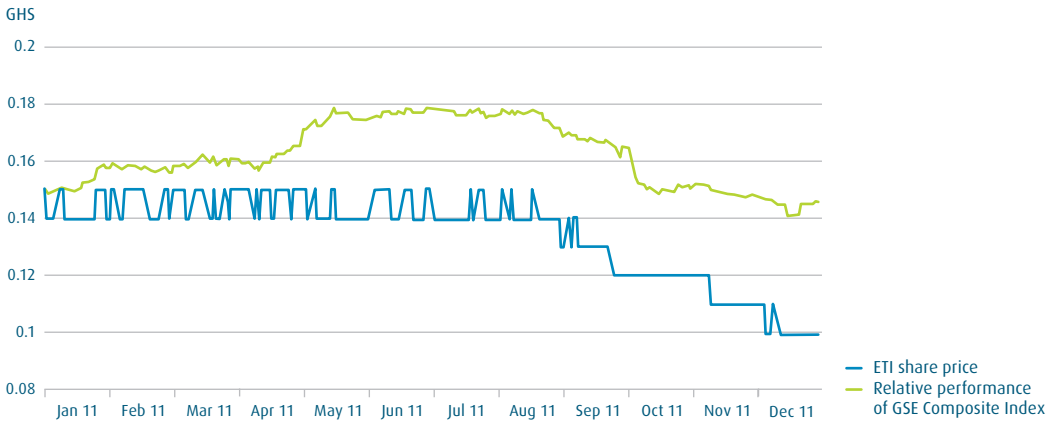
Summary of trading

Quarter	Volume	Value (NGN)	Average monthly volume	Average monthly value (NGN)
March 2011	125,405,212	2,026,878,116	41,801,737	675,626,039
June 2011	163,474,124	2,518,547,725	54,491,375	839,515,908
September 2011	79,891,197	1,072,099,410	26,630,399	357,366,470
December 2011	89,632,129	952,089,184	29,877,376	317,363,061
Total	**458,402,662**	6,569,614,435	**38,200,222**	**547,467,870**

Source: Bloomberg

Ghana

ETI commenced trading on the GSE on 15 September 2006. The chart below illustrates the performance of ETI's shares on the GSE during 2011, relative to the GSE Composite Index.



Source: Bloomberg

Summary of trading

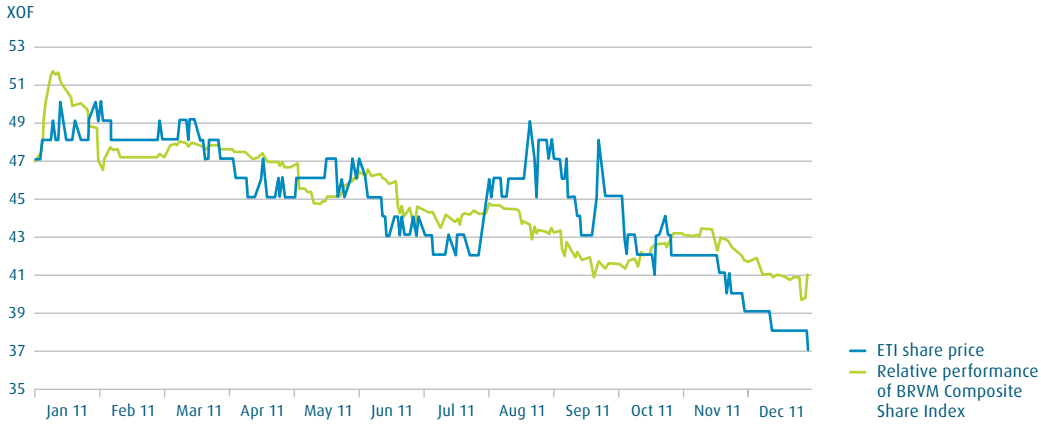
Quarter	Volume	Value (GHS)	Average monthly volume	Average monthly value (GHS)
March 2011	5,707,617	467,938	1,902,539	155,979
June 2011	2,726,883	272,698	908,961	90,899
September 2011	4,862,137	636,235	1,620,712	212,078
December 2011	1,777,353	192,830	592,451	64,277
Total	**15,073,990**	**1,569,701**	**1,256,166**	**130,808**

Source: Bloomberg

Shareholder information

Côte d'Ivoire

ETI commenced trading on the BRVM on 4 October 2006. The chart below illustrates the performance of ETI's shares during 2011, relative to the BRVM Composite Share Index.



Source: Bloomberg

Summary of trading

Quarter	Volume	Value (XOF)	Average monthly volume	Average monthly value (XOF)
March 2011	2,683,391	129,317,373	894,464	43,105,791
June 2011	2,147,416	96,448,786	715,805	32,149,595
September 2011	6,325,584	283,129,760	2,108,528	94,376,587
December 2011	5,770,064	234,911,733	1,923,355	78,303,911
Total	**16,926,455**	**743,807,652**	**1,410,538**	**61,983,971**

Source: BRVM Daily Bulletin

Preference shareholding structure

As part of the consideration for Oceanic Bank, ETI issued participating cumulative convertible redeemable preference shares ("preference shares") during 2011. At 31 December 2011, ETI had an authorized share capital of 1,600,000,000 preference shares. Preference shares are entitled to the dividend declared in respect of 2011 financial year.

Issue date	31 October 2011
Nº outstanding	1,066,580,478
Issue price	$0.1032
Dividends	Higher of 4% of issue price or dividend paid on ordinary shares. Paid in priority to dividends on ordinary and cumulative shares. Dividends will be paid in US$.
Voting	No voting rights attached.
Liquidation	In the event of liquidation, dissolution or winding up of the Company, the holders of preference shares shall enjoy priority of repayment before the holders of ordinary shares and shall receive, an amount payable in cash equal to the issue price plus any dividend that has not been declared or that has been declared but which remains unpaid.
Conversion	Holders have the right, exercisable between 3rd and 5th anniversaries of issue date to convert into ordinary shares at the rate of 0.76923 ordinary shares to each preference share, all or part of such preference shares into ordinary shares of the Company, such ordinary shares to rank pari passu with, and have the same rights as, all other ordinary shares of the Company.
Redemption	At any time after the 5th anniversary of issue, ETI has a right to redeem the preference shares into ordinary shares if not already converted. This right extends into perpetuity. The redemption price shall be a 6% premium to the issue price, i.e. $0.1094.

The preference shares are not listed on an exchange.

Share range	Number of shareholders	% of shareholders	Number of holdings	% of shareholding
1 – 1,000	386,519	93.649	43,129,048	4.046
1,001 – 10,000	23,895	5.789	57,458,179	5.391
10,001 – 100,000	2,094	0.507	49,333,327	4.628
100,001 – 1,000,000	198	0.048	51,839,077	4.863
1,000,001 – 10,000,000	18	0.004	66,408,549	6.230
10,000,001 – 100,000,000	5	0.001	74,953,740	7.032
100,000,001 – 1,000,000,000	2	0.000	722,767,676	67.809
Total	**412,731**	**100**	**1,065,889,596**	**100**

Shareholder information

Top 10 preference shareholders

Shareholder	Number of shares held	% of total
Asset Management Corporation of Nigeria	590,352,295	53.386
FCUST / AMCON / C-Ibru & Others	132,415,381	12.423
Mas Mackoy Limited	21,667,810	2.033
Arata Nigeria Limited	17,657,318	1.657
Bayelsa State Min. of Finance Incorp.	13,377,632	1.255
Ministry of Finance Incorporated	11,492,074	1.078
F / AM / OCBK / Falcon Securities Ltd	10,758,906	1.009
Ethos Capital VGP (Jersey) Ltd	9,637,150	0.904
FCUST / AMCON / BFCL Assets & Sec. Trad. Stock	8,774,000	0.823
Old Mutual Life Assurance	8,300,605	0.779
Total	**824,433,171**	**77.347**

Shareholder contacts

Company Secretary

Morgan Fianko Asiedu

Group Office

2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03 / 22 21 31 68
Fax: (228) 22 21 51 19

Questions about your shares?

Please contact the Registrars for queries about:

- Missing dividends.
- Lost share certificates.
- Estate questions.
- Address change to the share register.
- Having dividends paid directly into bank accounts.
- Eliminating duplicate mailings of shareholder materials.

Registrars

Abidjan

EDC Investment Corporation
Immeuble Alliance, 4ème étage
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01 BP 4107 – Abidjan 01
Côte d'Ivoire
Tel: (225) 20 21 10 44
Fax: (225) 20 21 10 46
Contact: Brice Parfait Allet
ballet@ecobank.com

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Ghana Commercial Bank
Registry Department
Thorpe Road, High Street
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Kojo Essel, kessel@gcb.com.gh

Lagos

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James Napoleon
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To buy or sell shares in ETI

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Côte d'Ivoire

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Other investor queries

For other queries about investing in ETI

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2365, Boulevard du Mono
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22 21 31 68
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Stock Exchanges

Bourse Régionale des Valeurs Mobilières
18, Rue Joseph Anoma –
(Rue des Banques)
01 BP 3802 – Abidjan 01
Côte d'Ivoire
Tel: (225) 20 32 66 85 – 86
Fax: (225) 20 32 66 84
Contact: Le Directeur Général
brvm@brvm.org

Ghana Stock Exchange
5th Floor, Cedi House
P.O. Box 1849, Accra – Ghana
Tel: (233) 0 21 669 908 /
0 21 669 914 / 0 21 669 935
Fax: (233) 0 21 669 913
Contact: The Managing Director
info@gse.com.gh

Nigerian Stock Exchange
Stock Exchange House –
(8th, 9th, and 11th Floors)
2 / 4 Customs Street
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1 266 03 05 / 1 266 03 35
Fax: (234) 1 266 87 24 /
1 266 82 81
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Holding company and subsidiaries

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01 B.P. 1280, Cotonou – Bénin
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Fax: (229) 21 31 33 85

2. 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

3. Burundi
6, Rue de la Science
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Tel: (257) 22 22 63 51
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4. Cape Verde
Praça Infante D. Henrique, Nº 18
C.P. 374 C Palmarejo, Praia
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5. Cameroon
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(237) 33 43 84 88 – 89
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6. Central Africa Republic
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7. Chad
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8. Congo
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15. Guinea-Bissau
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28. Uganda
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(260) 211 250 202 – 4
Fax: (260) 211 250 171

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Fax: (263 – 4) 851630
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33. Ecobank South Africa Representative Office
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Johannesburg – South Africa
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Fax: (27) 11 783 6852

34. Ecobank Dubai Representative Office
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Bairro dos Coqueiros
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Customer contact centers

Balance enquiry

- Account balance
- Transaction confirmations
- Transfer confirmations

Card services

- Card activation for online transaction
- PIN resets
- Card blocking

Complaints

- ATM complaints
- Card complaints
- Transaction complaints
- Service / product delivery delays
- Staff attitude

General enquiries

- Information on Ecobank services / products
- Interest / exchange rates
- Directions to ATMs / branches
- Account opening requirements
- Branch contacts
- Fees and charges

Ghana
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800 30000 (Tollfree from Ghana)

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