

Ecobank Group



Annual Report
2007

ECOBANK
The Pan African Bank

Ecobank is the leading pan African banking group in Africa with a presence in more African countries than any other bank

We currently operate in 22 African countries, many of them with good long term growth prospects. In all the markets in which we operate, we are recognised as one of the leading banks, providing a full range of wholesale, retail, commercial, investment and transaction banking services and products.

Our customers include governments and government agencies, multinational, regional, multilateral and financial institutions local companies and medium, small and micro enterprises and consumers.

As a group, our strategy is to build scale through organic growth and acquisitions; grow our businesses in existing markets and expand into new markets, product and customer segments and; deliver improved efficiency through operational and product excellence and superior customer service.

Our objective is to create superior shareholder value. In 2007, we grew revenues by 56% to US\$544 million; customer deposits rose by 89% to US\$4.7 billion; profit before tax increased by 47% to US\$191 million; and value added totalled US\$210 million.

We are well positioned to grow revenues and expand market share by combining our broad product offering with a growing pan African presence. In this annual report, we discuss our results and our business in more detail and what we are doing to generate more value for our stakeholders.

Ecobank Network



Countries in which Ecobank is currently present.

* Opening soon

Corporate statement

Building a world class African bank

Listed on the three stock exchanges in West Africa, Ecobank is the leading pan African bank, with operations in 22 countries across the continent. Ecobank has a dual mission, namely to build a world-class African bank and to contribute to the economic and financial development of the African continent. To this end, Ecobank has been a pioneer in various respects including, institutionalising corporate governance principles as part of the group's corporate culture, adoption of International Financial Reporting Standards (IFRS) and reporting in an international currency.

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

Leading Geographical Network in Africa

Ecobank currently operates in 22 countries in West, Central, Eastern and Southern Africa, namely: Benin, Burkina Faso, Cape Verde, Cameroon, Central Africa Republic, Chad, Congo Brazzaville, Côte d'Ivoire, Gambia, Ghana, Guinea Bissau, Guinea Conakry, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone and Togo.

One Bank Everywhere

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

Balanced Business Mix

Ecobank is developing a balanced business mix with the launch of an aggressive retail strategy and an equally dynamic offering in wholesale and investment banking.

A leading underwriter of debt and equity securities in Nigeria, Ghana and the Union Economique et Monétaire Ouest Africaine (UEMOA), Ecobank is also a pioneer in credit cards in Ghana, in Nigeria and a leader in debit cards with the Ecobank Regional Card.

Sustainability

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

Technology

Ecobank has data centres based in Accra, Lagos and Lome which provide a common technology platform including a regional switch connecting all affiliates and, which supports our "one bank" brand. The group also has its own fully integrated telecoms network which provides 24/7 connectivity, thus ensuring reliability of its products and services.

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Financial Highlights

In thousands of US dollars, except per share, ratio and headcount data.

At year end	2007	2006	%Change
Assets	6,550,224	3,503,739	87%
Loans and advances to customers	3,117,036	1,919,366	62%
Deposits from customers	4,714,327	2,500,178	89%
Shareholders' equity	513,548	382,088	34%
Total equity***	651,760	482,315	35%
Book value per share (cents)*	38.12	30.45	25%
Non - performing loans to total loans (%)	6.0	7.9	24%
Headcount (number)	8,057	5,860	37%
Network (number)**	450	305	47%

For the year

Revenues	543,988	348,464	56%
Loan loss provision	19,148	13,091	46%
Profit before tax	190,570	129,299	47%
Profit after tax	138,936	86,365	61%
Profit attributable	107,373	69,350	55%
Basic earnings per share (cents)*	7.97	5.53	44%
Diluted earning per share (cents)	7.71	5.53	39%
Dividend per share (cents)	2.0	1.5	33%
Return on average equity (%)	24.0	23.0	
Return on average assets (%)	2.8	3.0	

Other Data

Risk - based capital ratios (%):

Total	15.7	19.0
Tier 1	15.5	19.0

Number of ordinary shares outstanding (Number in thousands)*

Average	1,347,034	1,253,709
As at 31 December	1,347,034	1,344,464

* Restated for 1 for 1 split issue and 1 for 5 bonus share issue in 2007

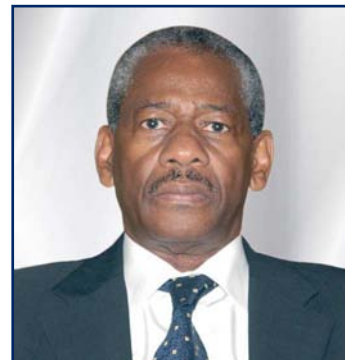
** Excluding ATMs, POSs and alliance locations

*** Including minority interest

Chairman's Address

I am very pleased to present this address on the occasion of the 20th anniversary of our group.

2007 was a year of transformation for Ecobank in several ways. Our performance as a group reached new levels and we successfully positioned the group as the leading pan African banking group with an unparalleled reach and a unique operating platform.



Financial Results

Our performance in 2007 continued the positive trend of the previous year. Total assets grew by 87% to US\$6.6 billion. Revenues increased by 56% to US\$544 million and profit before tax rose by 47% to US\$191 million. Profit after tax increased by 61% to US\$139 million. In spite of the significant investments in growth, we were able to maintain our return on equity at 24%.

As a result of the improved performance, we are proposing a dividend per share of 2.0 cents, an increase of 33% over the previous year and also a stock split to make the price of the shares more accessible to the generality of our African shareholders and improve liquidity in the stock.

Strategy

We continue to be guided by our strategic objective of building shareholder value through improvements in efficiency, building scale and growth.

During year 2007, we added five more countries to bring the total number of countries in which we are present to 20. As a result, we are now present in more African countries than any other banking group in Africa.

In Nigeria, we continued our strategy to build scale by acquiring one additional failed bank during the year. We have significantly improved our market position and our performance in this important market. We remain open to

opportunities for combining with other banks not only in Nigeria but across all the countries in which we operate.

We significantly grew our businesses across the board. In addition to significant improvement in our asset base, our customer base topped the 1 million mark for the first time and our branch and offices network increased to 450.

Our shared services centre in Accra is now operational and several services such as account opening, expense processing and payments are now being handled centrally. When fully operational, we expect the centre to revolutionize efficiency across the group and to enable strategic cost reduction.

Corporate Governance

Kofi Bucknor left the board following the disposal of Kingdom Holding's interest in the company. We thank him for his insight and contribution to the development of the group.

At the management level, Christophe Jocktane Lawson stepped down from the board to assume responsibilities for our international expansion. We thank him for his services and we look forward to his contribution to the internationalization of the group.

Corporate Social Responsibility

Our corporate social responsibility programmes are guided by our dual mission of building a world class African bank and contributing to the economic and financial development of Africa.

Ecobank Foundation contributed to several projects during the year as outlined in the Corporate Social Responsibility section of this report.

Our alliance with ACCION to build a pan-African microfinance business continues and several initiatives were commenced in Ghana, Benin, Senegal and Chad. Our microfinance initiatives are contributing to poverty alleviation in those countries in which we operate.

Corporate Transparency

Our policies require us to strive to operate to international standards. Ecobank is fully compliant with International Financial Reporting Standards both at the group and parent company level.

Our annual reports have been designed to ensure that they provide information to international standards and provide relevant information to shareholders, investors and the general public.

People and Processes

We continue to invest in developing our people and modernising our processes, capacity building, skill acquisition and process improvements. The impact of these initiatives will be increasingly felt in 2008 and beyond as we seek to modernise the group and bring it to international standards.

The Future

Africa as a whole is going through a positive period of sustained growth resulting not only from the high commodity prices but also from improved governance, lower interest and inflation rates and the inflow of foreign investments both from the West and increasingly from China, India and the Middle East. Despite the turmoil in the international financial markets and the uncertainty of a recession in the developed economies, we expect growth in our region to continue, albeit at a lower rate.

In 2008, we will build and consolidate on the initiatives we have started. We will maintain our strategy to build scale, grow the group and improve operating efficiency in order to deliver superior shareholder value. We will raise additional capital to support the growth of the group. We will maintain our strategy of diversification whilst also concentrating on the core businesses; and we will seek to improve our ability to better service and add value to our customers.

In achieving our results, we have benefited from the confidence that our shareholders, regulators, customers and employees have shown in Ecobank not only as a model of regional integration in Africa but also in those issues that we hold dear namely our regional identity, our strive for excellence and our independence.

As we celebrate our 20th anniversary, we would like to thank the founding shareholders for their vision and commitment in setting up Ecobank.

We look forward to working together with all our stakeholders to deliver the promise that Ecobank holds as an African group seeking to build a world class institution.



Mandé Sidibé
Chairman

Directors' Report

Principal Activity

There was no change in the principal activity of the company in 2007. Ecobank Transnational Incorporated (ETI), the parent company of the Ecobank Group, is a bank holding company. Its principal activity is the provision of banking and financial services through its subsidiaries and affiliates. It enjoys special fiscal, exchange control and legal rights under an agreement with the government of Togo.

The group continued its regional expansion programme in 2007. A review of the business of the group during the 2007 financial year and of likely future developments is contained in the Business and Financial Review section.

Results

2007 was another record breaking year for the group. It achieved significant growth in all business segments. The group's net profit after tax was US\$139 million. Net profit attributable to the company was US\$107 million. The details of the results for the year are set out in the consolidated profit and loss statement.

The board of directors approved the financial statements of the company and the group for the year ended 31st December 2007 at the meeting of the board held on 14th March 2008. Messrs Mandé Sidibé and Arnold Ekpe were authorized to sign the accounts on behalf of the board.

International Financial Reporting Standards (IFRS)

The accounts of both the parent company (ETI) and the group are prepared in accordance with International Financial Reporting Standards (IFRS), the revised version of International Accounting Standard (IAS) which came into

effect on 1st January 2005. The Ecobank group is one of the few banks in full compliance with the IFRS in West and Central Africa.

Dividend

The directors recommend the payment of a total of US\$26.94 million as dividends, that is, 2 cents per ordinary share as final dividend based on the total number of shares outstanding as at 31st December 2007. This represents approximately a 50% increase over the total dividend paid for 2006 financial year.

Capital

The share capital of the company (including share premium) as at the end of the 2007 financial year stood at US\$265 million. In accordance with the resolution adopted at the Extraordinary General Meeting of shareholders held on 26th January 2007, the nominal value of the company's ordinary shares was sub-divided by two thus reducing it to 12.5 cents per share. The sub-division brought the total number of ordinary shares representing the US\$1.25 billion authorised capital of the company to 10 billion; and the total number of issued shares to 1,224,575,994. At the Annual General Meeting held on 27th April 2007, the shareholders approved a capitalization issue of one new share for every ten shares held thus increasing the issued number of shares to 1,347,033,593.

All the issued shares of the company are listed and tradable on the three stock exchanges of the West African sub-region, namely, the BRVM (Bourse Régionale des Valeurs Mobilières) of Abidjan, Cote d'Ivoire; the Ghana Stock Exchange of Accra; and the Nigerian Stock Exchange of Lagos. In line with prevailing stock market conditions, the board of directors will

make proposals for a further sub-division of the company's shares at the 2008 General Meeting to improve the liquidity of the shares and make it more accessible to the generality of the African population.

Due to circumstances beyond the control of the board of directors, the US\$300 million capital increase approved by the shareholders at the Extraordinary General Meeting of 26th January 2007 could not be implemented. The board will table a new resolution at the 2008 General Meeting to raise additional capital in line with the strategy and growth of the group.

Directors and Company Secretary

The names of the directors of the company and the name of the Company Secretary appear on pages 10 to 13 of this report.

As at 31st December 2007, the board was composed of twelve (12) directors: seven (7) non executive and five (5) executive directors. Mr. Kofi Bucknor resigned from the board on 18th April 2007. Mr. Christophe Jocktane-Lawson was assigned a new responsibility as Group Head of International business that was not a directorship position under the organisational structure of the group. He therefore stepped down from the board on 2nd August 2007.

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

An ad hoc committee was appointed to make proposals for the 20th anniversary celebrations. The Committee is continuing with its work.

Corporate Governance and Compliance

The company maintains corporate policies and standards designed to encourage good and transparent corporate governance, avoid potential conflicts of interest and promote ethical business practices. See pages 15 to 20 for details.

The Group Corporate Governance Charter was revised and updated in line with developments within the group as well as recommendations by the International Finance Corporation (IFC) Corporate Governance Unit.

Subsidiaries

During 2007, operations started in five more countries, namely, Central Africa Republic, the Gambia, Guinea Bissau, Rwanda and Sao Tome and Principe; bringing the total number of countries in which Ecobank operates to 20 as at the end of 2007. At the beginning of 2008, operations started in Congo Brazzaville and Malawi thus bringing the total number of countries in which the group has operations to 22 as at the date of this annual report. As at the end of the year, work was continuing to secure operational licences in Burundi, Democratic Republic of Congo, Equatorial Guinea, Gabon, Kenya, Tanzania, Uganda and Zambia.

Directors' Report (continued)

Our investment banking subsidiary, Ecobank Development Corporation (EDC), continued to expand its activities and presence during the year and its management was strengthened. In addition to Cote d'Ivoire, Ghana and Nigeria, EDC registered a stockbrokerage unit in Cameroon to cover the CEMAC (Communauté Economique et Monetaire de l'Afrique Centrale) region. eProcess International SA, our shared services and technology subsidiary continued to develop its activities and the technology infrastructure and platform for the group.

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

Post Balance Sheet Events

There were no post balance sheet events that could materially affect either the reported state of affairs of the company and the group as at 31st December 2007 or the profit for the year ended on the same date which have not been adequately provided for or disclosed.

Responsibilities of Directors

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

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

Independent External Auditors

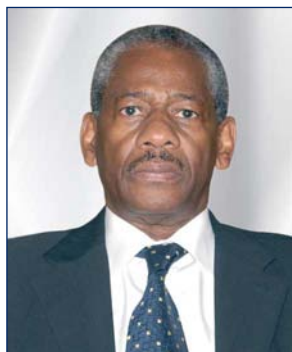
The joint auditors, PricewaterhouseCoopers, Lagos, Nigeria and PricewaterhouseCoopers, Abidjan, Côte d'Ivoire have indicated their willingness to continue in office. A resolution will be presented at the 2008 AGM to authorize the directors to determine their remuneration.

17th March 2008



By order of the Board,
Company Secretary
Samuel K Ayim

Board of Directors



Mandé Sidibé (68)

Chairman since 2006

Non-Executive Director from 1998 to 2000 and since 2002

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



Arnold Ekpe (54)

Group Chief Executive Officer from 1996 to 2001 and since 2005

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



Christian N. Adovelande (57)

Non Executive director since 2002

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



Oba Otudeko (64)

Non Executive director since 2002

Ayoola Oba Otudeko is Chairman of several local and international companies in Nigeria and abroad including Delmar Overseas Ltd. He is also a Director of the First Bank of Nigeria Plc, Guinness Nigeria Plc, British American Tobacco (Nigeria) Plc and several Chambers of Commerce. He is Chairman of the Nigerian Stock Exchange and Chairman of the Nigerian-South African Chamber of Commerce. He is a member, Regional Advisory Board of the London Business School and Chancellor of the Olabisi Onabanjo University, the State University of Ogun State, Nigeria. Oba Otudeko is a Chartered Accountant and Chartered Banker.

Board of Directors (continued)



Paulo Gomes (44)

Non Executive director since 2006

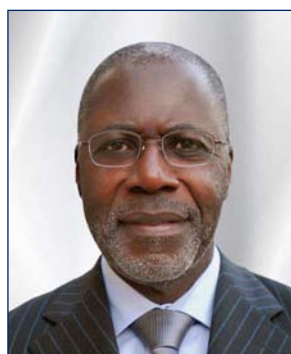
Paulo Gomes was an Executive Director of the World Bank Group (Washington D.C.) from 1998 to 2006. From 1995 to 1998, he worked for the Ministry of Finance, Planning and Trade of Guinea Bissau where he was a Principal Advisor, Director of Strategic Planning, Public Investment and Debt. Paulo Gomes holds 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 Economics Policy and Management (Kennedy School of Government, Cambridge).



Kolapo Lawson (58)

Non Executive director since 1993

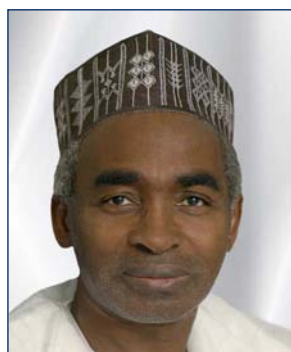
Kolapo Lawson is the Chief Executive Officer of a diversified industrial and trading Group with operations in the United Kingdom and across West Africa. He is the Chairman of Polfa Nigeria and Director of two publicly quoted companies: Beta Glass Plc. and Pharma-Deko Plc. He was a Director of Ecobank Nigeria from 1989 to 1997 and of Ecobank Togo from 1990 to 1993. Kolapo Lawson has a degree in Economics and is a fellow of the Institute of Chartered Accountants in England and Wales and of the Institute of Chartered Accountants of Nigeria.



André Siaka (59)

Non Executive director since 2006

André Siaka is the Chief Executive Officer of S.A. Brasseries du Cameroun (SABC) since 1988. He has been working with SABC since 1977, rising from Production Engineer, to Plant Manager, Deputy Regional Manager, Regional Manager and Deputy Managing Director. Before SABC, André Siaka worked with Société Générale in Paris. André Siaka is President of the GICAM (Groupement Interpatronal Camerounais – Cameroon Employers Association) and a Director of Orange Cameroun and Chanas Assurances SA. André Siaka holds an Engineering degree from Ecole Polytechnique, Paris.



Isyaku Umar (60)

Non Executive director since 2006

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



Evelyne Tall (49)

Executive director since 2005

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



Patrick Akinwuntan (46)

Executive director since 2005

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



Offiong Ambah (48)

Executive director since 2006

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



Albert Essien (53)

Executive director since 2005

Albert Essien is Regional Head for the WAMZ (Ghana, Guinea, Liberia, Sierra Leone and Gambia). He has also responsibility for Ecobank's expansion into East and Southern Africa. He started his banking career in 1986 with the National Investment Bank in Accra, Ghana. He joined the Corporate Banking Department of Ecobank Ghana in 1990. In 1997, he became Country Risk Manager. He was appointed Deputy Managing Director in 2001 and became Managing Director in December 2002. Albert Essien has a degree in Economics 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.

Executive Management (as at December 31, 2007)

Group Executive Management

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

Country Heads

Cheikh Travaly	Benin
Aboubacar Youssoufou	Burkina
Abou Kabassi	Cameroon
Daniel Miongo	Cape Verde
Serge Ackre	Central African Republic
Mahamat Ali Kerim	Chad
Charles Daboiko	Côte d'Ivoire
Fitzgerald Odonkor	Gambia
Samuel Ashitey Adjei	Ghana
Anasthasie Darboux	Guinea Bissau
Assiongbon Ekué	Guinea
Morenike Adepoju	Liberia
Binta N'Doye	Mali
Chanou Moukaram	Niger
Offong Ambah	Nigeria
Daniel Sackey	Rwanda
Hervé Borna	Sao Tome e Principe
Ehouman Kassi	Senegal
Karen Tanoh	Sierra Leone
Roger Dah-Achinanon	Togo

Corporate Governance

Commitment to Corporate Governance

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

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

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

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

"Independent Director" means a director who:

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

Corporate Governance (continued)

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

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

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

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

- **Time commitment** – Sufficient time to effectively carry out duties of a non-executive director.

- **Additional considerations** – Importance of bringing more diversity to the board in terms of age, gender, demographics, etc.

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

Governance Structure within the Ecobank Group

The Ecobank Group corporate governance documents outline corporate governance policies and clarify governance structures throughout the group.

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

- The parent company acts as a "strategic architect" with appropriate involvement in operational management and decision making at subsidiaries level. It sets the overall strategy and direction of the group, develops policies and procedures and monitors them through reviews and audits to ensure compliance not only with group strategy, policies and procedures but also with local laws and regulations.
- Operational decision-making is individualized and maintained at an appropriate level, as close as possible to required action and customers.
- Individual accountability and responsibility are institutionalized and embedded through empowerment and the granting of relevant levels of authority.

- Coordination at the corporate centre and group level is achieved through high levels of interaction between parent company and its subsidiaries as well as amongst subsidiaries at board and executive management levels.
- Clear terms of reference and accountability are laid out for committees at board and executive levels. There is effective communication and information sharing outside of meetings. The group operates an "open-door" policy.

The following are the governance units within the group:

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

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

Parent Company

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

- Clear delineation and segregation of responsibilities between executive management and board to ensure non-interference of the board in the operational management of the group ;

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

As at the end of 2007, the membership of the board was twelve, comprising five executive and seven non-executive directors (refer to pages 11 to 13). The board has a policy of ensuring that there are more non-executive directors than executives on the board.

The board has three committees, namely, the Governance Committee, the Audit and Compliance Committee and the Risk Committee. The current composition and terms of reference of the committees are summarized below:

Governance Committee

Composition

In 2007, the Committee comprised of four members (the board Chairman, the Chief Executive Officer and two non executive directors – Messrs Christian Adovelande and Oba Otudeko). The Company Secretary is the secretary to the Committee.

Corporate Governance (continued)

Responsibilities

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

Audit and Compliance Committee

Composition

Membership in 2007 was composed of two non-executive directors (Messrs Kolapo Lawson - as Chairman, and Paulo Gomes) and two shareholders (Social Security and National Insurance Trust of Ghana represented by its General Manager, Finance, Mr. Kwasi Boatın; and Mr. Ayi A. Amavi) with the Chief Executive Officer in attendance, where appropriate.

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

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

Responsibilities

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

Risk Committee

Composition

The Committee was composed of three members in 2007, namely, Messrs Isyaku Umar (as Chairman), Andre Siaka and the Chief Executive Officer. Members have good knowledge of business, finance, banking, general management and credit. The Chief Risk Officer serves as Secretary to the Committee

Responsibilities

- Participates in the determination and definition of policies and guidelines for the approval of credit, operational, market/price and other risks within the group; defining acceptable risks and risk acceptance criteria;
- Sets and reviews credit approval limits for management;
- Reviews and ratifies operational and credit policy changes initiated by management;

- Ensures compliance with the bank's credit policies and statutory requirements prescribed by the regulatory or supervisory authorities;
- Reviews periodic credit portfolio reports and assesses portfolio performance;
- Reviews all other risks i.e. technology, market, insurance, reputation, regulations, etc.

Country Boards of Directors

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

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

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

Group Executive Management Committee

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

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

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

Corporate Governance (continued)

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's Executive Management Committee includes the following:

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

Business Leaders Conference

The Business Leaders Conference is a collegial meeting of all subsidiary CEOs and group functional heads for reviewing and embedding group strategy and policies.

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

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

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

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

Corporate Social Responsibility & Sustainability

Beyond the numbers and performance

Ecobank is the leading pan African bank with a presence in more African countries than any other bank. We employ over 8,000 people from 29 nationalities.

Ecobank has a dual mission: to build a world class African Bank and to contribute to the economic and financial development of Africa. We have consistently delivered superior shareholder returns and invested in building African capacity.

Beyond the numbers, however, we have great commitment to the welfare and development of the communities we operate in. The sections that follow offer a glimpse of how we try to give back to a society that supports and sustains our development.

Our commitment

We have made great strides in the past decades in our societal contributions by consistently factoring social and environmental concerns into our business operations and are especially sensitive to the challenges of our environment in the areas of poverty, disease, corruption and human capacity development.

In the area of poverty alleviation, in particular, we continue to invest in and grow our microfinance capacity in partnership with ACCION, one of the world's leading microfinance institutions.

Our training and development programmes and institutional standards are aimed at developing a human capital base that will productively contribute to the institution and society but also to promote customer service and ethical standards. Every employee is required to operate to a minimum ethical standard as embodied in our Code of Business Ethics.

In line with managing concerns about global warming, Ecobank has taken steps to reduce its carbon footprint. Our investment in technology allows us to hold virtual meetings, thereby reducing the need for physical travel.

Our Performance

We recorded gross revenues (excluding interest expenses) of US\$697 million in 2007. In generating these revenues, we created loans and provided financial assistance of over US\$3 billion to governments and government agencies, companies, small and medium scale enterprises, microfinance institutions and individuals. To support the economic growth and development in Africa we paid taxes in excess of US\$51 million to various governments in countries in which we operate.

Ecobank Foundation

The Ecobank Foundation finances social projects in Africa. Ecobank sets aside up to 1% of the group's profits after tax to support project initiatives of the Foundation.

The Foundation is focused on education, women, children, health, scientific research, and socio-cultural activities. Since inception, it has supported and funded over 18 projects in Africa to the tune of over US\$600,000. These are projects with the potential to impact the lives of the poorer Africans. Projects funded by the Foundation include the provision of meals to the hungry and the deprived children, the provision of treated mosquito nets and drugs for the treatment and prevention of diseases including malaria, tuberculosis and HIV/AIDS.

The Ecobank Foundation also supports socio-cultural awareness including the embryonic African film industry and capacity building in entrepreneurial skills development.

Corporate Social Responsibility & Sustainability *(continued)*

Human Capital

Ecobank seeks to harness the power of its human capital in its mission of building a world class bank and contributing to the development of Africa.

We believe our people are our greatest resource and we invest in attracting, retaining and developing our people. More than 8,000 people from 29 African nationalities work together in local and virtual teams to deliver value to our customers. We seek to offer our people attractive training and development opportunities and to provide an environment for our people to be empowered and motivated. We seek to provide them with the tools and resources including the appropriate technological platform. We appreciate and recognize our people for outstanding performance and we work to expand their career options for growth.

With over 8,000 employees working across 950 branches, offices and kiosks and 764 alliance locations throughout Africa we estimate that we directly support up to 5 times our number of employees or over 40,000 people. Through our contractors, suppliers and distributors, we believe we directly and indirectly provide employment to a much larger number of people across Africa.

Learning and Development

We devote up to 5% of payroll cost to training and development opportunities. A key strategic intent and indicator for training and development is that all staff must have at least an average of 40 hours of training and coaching every year.

Leadership Building

Over 90% of our senior managers and country heads were developed internally through a structured process that identifies, develops, advances, and retains current and future leaders. Our leadership programs offer project and secondment assignments, job shadowing, coaching and seminars. We support human capital development in Africa through graduate and internship opportunities. In 2007 over 850 undergraduates had the opportunity to see first hand what it is like to work in Ecobank. Lasting from 3 to 12 months, our internships offer the interns a chance to prepare for the future of working in Africa.

Diversity and Inclusion

Diversity and inclusion are integral part of our culture and strategy. Ecobank, by virtue of its geographical spread, is one of the most diversified groups in Africa in terms of its people. Ecobank also has a policy of ensuring diversity in its employee talent pool without compromising the quality of its staff. Regular reports are presented and monitored to ensure adherence to policy. Our employees come from different nationalities of which 29 nationalities are from Africa. We communicate in English, French and Portuguese. Our workforce is 44% female and our management team is 31% female.

We believe this multicultural workforce provides Ecobank an edge in responding to the varied needs of our customers and makes Ecobank a more interesting place to work and pursue a career.

Health and Work Life Balance

Our health care program focuses on the total wellness of employees through preventive and treatment opportunities including full provision of medical cover and opportunities to be active in the community.

Environmental Responsibility

Ecobank is committed to a clean and green environment and encourages all its subsidiaries to be environmentally responsible.

Paper Usage

Our technological platform allows over 50% of our communication to be in electronic form. We estimate that the reduction in paper usage within the entire network of the group is helping to reduce waste and save more trees.

Energy

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

Microfinance and Poverty Alleviation

Ecobank is committed to providing the underbanked and the unbanked poor with access to finance.

We, along with other stakeholders launched one of the biggest microfinance banks in Nigeria in 2007. We also obtained a license to operate in Ghana. In 2008 we plan to further expand the network to Senegal, Benin and Cameroon. Ecobank and its partner ACCION, a global leader in microfinance have an aggressive plan to launch microfinance operations in 20 countries in the next 5 years.

To complement the direct approach Ecobank also acts as the bankers to microfinance institutions in the countries in which we operate. We presently support over 200 microfinance institutions with wholesale loans and other products.

We believe the prospects remain very bright for the microfinance sector which is arguably as large as or even larger than the traditional banking sector.

Technology

Technology underpins the strategy of the group. The "One Bank" concept is a major initiative designed to ensure that the group operates to the same consistent standards in terms of processes and service delivery anchored on our technology platform. To this end, a Technology and Shared Services Centre has been built in Accra to centralize and standardize middle and back office operations across the group.

Our core banking system has also been upgraded to meet our higher operating standards.

Sports

Ecobank has a long-standing commitment to supporting sports and provides sponsorship for many sporting events in Africa. In 2007, we sponsored a number of sporting events in Africa. Some of the events we supported include: sponsorship of selected 60 customers of Ecobank to attend the finals of the African Cup of Nations in Accra; sponsorship of the National Football team of Benin for the African Cup of Nations; sponsorship of the UEMOA (West Africa Economic Monetary Union) Football tournament in Ouagadougou and partnership with the African Athletics Confederation to sponsor their various programs including the African Cycling Championship.

Key Sustainability Indicators

Indicator	2007	2006	%Change
Revenues (US\$'000)	543,988	348,464	56%
Corporate Tax (US\$'000)	51,634	42,934	20%
Return on Average Equity (%)	24	23.0	-
Efficiency Ratio (%)	61	59	-
Earnings per share (cents)	7.97	5.53	44%
Return on Average Assets (%)	2.8	3.0	-
Capital Adequacy (%)	15.7	19.0	-
Employees	8,057	5,860	37%
% female staff	44	40	-
% female staff at executive level	31	25	-
Investment in training and development (US\$'000)	3,767	2,921	29%
Corporate social respons. expenditure (US\$'000)	1,325	654	103%

Corporate Ethics & Transparency

Ecobank Group has codified policies on corporate ethics which applies to directors and employees across the group. These policies are regularly reviewed to ensure that they are in line with international practice and standards.

Code of Conduct for Directors

Directors across the group are required to sign a code of conduct that enjoins them to adhere to certain principles of the group. This is in addition to any local rules or codes governing directors' conduct.

The code of conduct covers issues such as;

Fiduciary responsibility

Directors are required to act in the best interest of the company and in protection of shareholder interests; to act to preserve the assets of the company and further its business interests; and to recognize the interest of other stakeholders such as employees, customers and the communities in which we operate.

Conflict of interest

To avoid conflict of interest in dealing with the company, directors may not utilize their position on the board to their advantage. A director must obtain the approval and consent of the board where there is a potential area of conflict of interest and must disclose all material facts related thereto. Directors must also disclose any direct or indirect interest in any loans, contracts or credit facilities granted by any company in the group.

Confidentiality

Directors are required to observe the utmost confidentiality with respect to information relating to the company including information relating to personnel, transactions and other matters relating to the operations of the company.

Attendance at Meetings

Directors are required to endeavour to attend all board meetings and to conduct themselves in a manner that will foster the smooth running of the board of directors.

Non Interference

Directors may not interfere in the day to day running of the company and are required to maintain the utmost dignity in their dealings with management and employees of the company. Directors are enjoined to exercise independent judgment in evaluating management and their actions.

Disclosure

Disclosure of any information that may affect the director's relationship with the group is an obligation on all directors.

Insider Dealings

A director may not utilize information obtained in his capacity as director to enrich himself through advantageous acquisition of shares or other securities issued or to be issued by the company or parties on whose behalf the company is acting.

Rules of Business Ethics

All employees of the group are required to sign and adhere to the group rules on doing business. These rules require all employees to conduct themselves in a manner that is in the overall interest of the group. Violation of the rules of business ethics may result in sanctions, including dismissal.

Compliance

All employees must comply with local laws and regulations in the conduct of their duties as well as the group's and local subsidiary's internal policies and procedures. They must also endeavour to promote a culture of compliance.

Confidentiality

All employees must avoid intentional or unintentional disclosure of sensitive or confidential information to unauthorized persons. Sensitive information include information relating to customers of the group, trade secrets, non-public information, information arising from our dealing with governments, regulators or vendors/suppliers and any information that is potentially prejudicial to the group.

Conflict of Interest

Employees must avoid circumstances in which their personal interest conflicts or may appear to conflict with the interest of Ecobank or its customers.

Reporting of Violations

An employee who suspects a possible violation of a law, regulation or our rules of business ethics is encouraged to report such violations to his/her supervisor. Employees are expected to be responsible in reporting such possible violations.

Ecobank also has in place a whistleblower policy where employees may anonymously report incidents or situations that are damaging or potentially damaging to the institution. This facility is maintained through an independent international third party to ensure its effectiveness and to protect the identity of any whistleblower.

Know-Your Customer

The Ecobank group Anti-Money Laundering and Anti-Terrorism Policy requires all staff to know the customers who do business with bank. Detailed information requirements are provided which should be updated regularly to reflect the changing status of the customer. Reports of suspicious transactions are required to be made and followed up. Ecobank cooperates with regulatory and security authorities to fight against illegal financial transactions.

Transparency

Our policy on transparency relates to increasing the level of disclosure in our annual reports, accounts and other corporate documents. This is designed to ensure that our employees, shareholders, regulators, customers and the market at large are adequately informed on developments in Ecobank.

Accordingly, we have provided supplemental information on our directors and senior management, information relating to the remuneration of our directors, information on director related loans, disclosure on other aspects of the bank's activities relating to corporate governance and corporate social responsibility and sustainability.

Chief Executive Officer's Review

We had another record year in 2007 building on the progress we made in 2006. We grew assets by 87% to US\$6.6 billion, increased revenues by 56% to US\$544 million and pre-tax profits rose by 47% to US\$191 million.

During the year, we extended our market reach beyond Western and Central Africa to Eastern and Southern Africa. Whilst we continued to grow our regional presence, we also increased our focus on those markets, customers and products that account for the bulk of our revenues. We took steps to strengthen the front office sales and service delivery platform whilst working to centralise our middle and back office operations to improve efficiency and better manage our costs.



Considerable progress has been made but a lot remains to be done as we seek to build Ecobank into a world class bank focused on Africa.

Financial Performance

In 2007, revenues grew by 56% to US\$544 million as a result of a growth in business volumes and to a much lesser extent, a positive exchange rate movement.

We achieved significant growth in deposits, branch network, net interest revenues and fees and commissions.

Our business in Nigeria achieved record growth of over 100%. The UEMOA region, comprising our subsidiaries in French speaking West Africa faced a tough year due to margin contraction in its lending activities which were not sufficiently offset by growth in revenues from fees and commissions.

Our other businesses in West and Central Africa showed a positive improvement despite the negative impact of the crisis in Guinea, the uncertainties in the run up to the elections in

Sierra Leone and the situation in eastern Chad. Overall, gross revenues (excluding interest expense) increased to US\$697 including the positive impact of US\$27 million from exchange rate movements. Profit before tax grew by 47% to US\$191 million.

Our efficiency ratio deteriorated to 61% from 59% as we have been investing heavily in expanding our branch network. We also invested in improving our technology and processes and in strengthening the capital base of our subsidiaries. Altogether, US\$57 million was invested in this manner.

Our value added, after these investments, increased by 47% from the previous year to US\$210 million.

Review of 2007

The year under review was a year of transformation for Ecobank. For the first time, with the opening of our 19th and 20th subsidiaries, we overtook all other banks to become the leading bank in Africa in terms of geographical footprint. This is a major achievement and positions Ecobank to take advantage of the new emerging Africa where barriers to the free movement of people, capital and products are crumbling due to the impact of globalisation and modern technology. Our footprint provides a powerful platform for distributing our products, for serving our customer; and for the exchange and integration of ideas, products, people and services across Africa.

With our entry into eastern Africa in 2007 with the opening of Ecobank Rwanda, we are increasingly being recognized as a pan African bank by those shareholders, partners and customers who appreciate the benefits of dealing with one institution that covers a significant part of Africa. Investors and shareholders like to deal with us not only because of our regional spread and our commitment to compliance with international standards but equally important because we are an independent institution not controlled by any shareholder, nationality or interest group. We can rightfully say we are African and international.

During the year Ecobank and several of its subsidiaries won awards from leading international organisations in recognition of their leadership role not only in African banking but also in the respective countries in which we operate. We are particularly proud that our commitment to regional integration and to promoting micro-finance and serving the unbanked sectors are also bearing fruit and also being recognized through partnerships and engagements with leading international organisations.

Strategy

Our performance to date confirms that our strategy of building shareholder value through scale, growth and efficiency remains valid.

Scale: In 2007, the balance sheet of the bank increased by 87% to US\$6.6 billion and customer deposits increased by 89% to US\$4.7 billion. We ended the year with a market capitalisation of US\$2.1 billion, up from US\$1.4 billion the previous year, making us one of the top 10 banking groups in Africa, excluding South Africa. In terms of geographical presence we ended the year with the number one position.

Underlying this growth was a significant growth in branch network to 450. The number of employees increased by 37% to 8,057 although this witnessed a slow down as we worked to improve productivity.

Of particular importance to our strategy of building scale is our commitment to extending our distribution network through new countries, branches, alliances, kiosks and direct sales agents in order to bring banking closer to the people.

Growth: Africa is witnessing a period of sustained growth fuelled by a combination of factors including favourable commodity prices, improved macro-economic stability and institutional reforms and increased foreign investments. Ecobank necessarily has a growth strategy to take advantage of the immense opportunities that abound in our markets. These opportunities are numerous including a large unbanked and under banked population, an emerging middle class and the absence of products such as consumer finance and mortgages.

Chief Executive Officer's Review (continued)

We added 5 countries during the year to increase our footprint to 20 countries. We also opened 145 new branches, installed 180 ATMs and 387 POSs during the year bringing the totals respectively to 450 branches, 280 ATMs and 437 POSs. We added 2,197 new employees, most of them in customer service and sales functions.

Efficiency: Even with our continued expansion, we have remained focused on improving efficiency across the group. Our ratio of non-performing loans improved from 8% to 6% and to less than 1.5% if fully and partially provisioned loans are excluded. Operating losses as a percentage of profit before tax reduced from 3% to 2% during the year. Return on assets remained steady at 3% in spite of the compression in lending rates in many of our markets. Operating margins increased by 56% to US\$544 million.

During the year, we continued our efforts to centralise the middle and back offices of the group in our shared services centre in Accra. As a result, we expect our credit, payments, accounts, human resource administration, procurement, trade and cash management services to be significantly centralised during 2008.

Shareholder Value: Total shareholder returns measured in terms of capital gains and dividends was 33% in 2007. The market capitalisation of the group increased from US\$1.4 billion to US\$2.1 billion during the year after a 1:1 share split and a dividend of US\$18.3 million.

Return on equity improved to 24% from 23.0% the previous year and earnings per share were - 7.97 cents (2006: 5.53 cents).

As a listed company, we have adopted the tenets of market discipline and our performance is driven by the need to achieve above average returns to our shareholders compared with our competitors. Ecobank would like to be considered as a preferred investment by investors, offering superior returns to its shareholders.

In order to fund our continued expansion and take advantage of market opportunities, we shall be seeking shareholder approval to raise additional capital in 2008. In doing so, we shall seek to minimise dilution and reduce our weighted average cost of capital whilst diversifying our shareholder base.

Conclusion

2007 was a year of transformation for Ecobank. In 2008, we will continue to implement our strategy of building scale particularly in market such as Nigeria where we are relatively weak, growing the group and improving operating efficiency. Our efforts would be focused on improving our business mix; growing our distribution; improving our sales and customer service processes; building capacity through training and development and building financial strength by additional capital raising to support the much expanded operation of the group.

As always, we remain focused on delivering superior value to our shareholders, employees and customers.



Arnold Ekpe

Group Chief Executive Officer

Business and Financial Review

Financial Summary

	US\$ Million	Growth
Total Revenue	544	56%
Profit before tax	191	47%
Total Assets	6,550	87%
Deposits from customers	4,714	89%
Customer Loans and advances	3,117	62%

Ecobank Group delivered another outstanding performance in 2007, registering double digit growth on almost all fronts.

Profit before tax was up by 47% to US\$191 million. Profit after tax was also robust, registering a growth of 61% to US\$139 million.

Similarly, profit attributable to shareholders rose by 55% to US\$107 million, resulting in earnings per share (ESP) growth of 44% to 8 cents per share.

Total assets was US\$6.6 billion (2006: US\$3.5 billion) registering a growth of 87%.

Return on average assets was 2.8% compared to 3.0% in 2006. Return on average equity improved to 24.0% against 23.0% in 2006.

Key Factors Impacting the Results

Balance Sheet

The group launched an aggressive retail strategy in the second half of year 2006. This strategy was maintained in 2007.

- Special attention was paid to developing our network including branches, cash points, Western Union sales points and alliance sales points. The number of branches and offices increased to 450 from the previous year's level of 305.
- The effective utilization of the branch network and the direct sales agents (DSAs) across the group resulted in increased customer numbers to 1.2 million, a growth of 96%.
- The larger base of customers, coupled with aggressive deposit mobilization fueled deposit growth. The group ended the year with total deposits of US\$4.7 billion compared to US\$2.5 billion in 2006, a growth of 89%. Customer deposits represented 80% of total liabilities (2006: 83%).
- With the increasing deposit base, the lending capacity of the group was enhanced. But loans and advances increased by a comparatively lower rate of 62% to US\$3.1 billion. Non performing loans to total loans ratio was 6%, an improvement on the previous year's ratio of 8%

Business and Financial Review (continued)

Income Statement

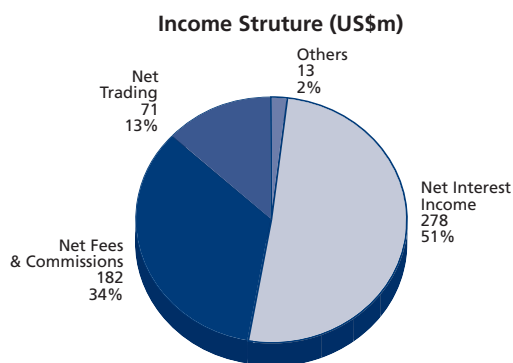
Income

Total revenue was up by 56% to US\$544 million, on account of higher growth in all our businesses.

From increased loans and advances as well as volumes on inter-bank activities, net interest income rose by 53% to US\$278 million. Interest on loans and advances to customers grew by 78% and accounted for 76% (2006: 73%) of the gross interest income.

Non interest income also experienced similar growth rising by 59% to US\$266 million. Fees and commission income increased by 69%, mainly from higher volume of transaction banking activities. Trading income also benefited immensely from the growing cross-border transactions in the region and from international trading activities. Net trading income rose by 70% to US\$71 million.

The ratio of non interest income to total income increased marginally to 49% (2006: 48%).



Operating Expenses

Operating expenses rose by 62% to US\$334 million. Staff cost increased by 77% to US\$166 million due largely to increase in headcount but also to the impact of the employee share option scheme of US\$9.3 million which was introduced in 2007. During the year, we increased our headcount (particularly sales staff) to 8,057 (2006: 5,860). Staff costs constituted 50% (2006: 46%) of the total operating expenses.

Other operating expenses increased by 50% to US\$168 million on an account of increased investment in infrastructure and related operating costs to support the growing business.

We invested heavily in infrastructure to support the branch network expansion. We also opened five new subsidiaries, namely, Ecobank Central Africa, Ecobank Guinea Bissau, Ecobank Gambia, Ecobank Rwanda and Ecobank Sao Tome. These new subsidiaries as well as Ecobank Sierra Leone which was opened in the last quarter of 2006 increased the group's operating costs. We expect them to start contributing meaningfully to revenues and profit in 2008.

Cost-to-income ratio deteriorated to 61% from previous year's level of 59% as a result of the impact of the share option scheme, losses from new branches and affiliates and continued investment in infrastructure. We expect considerable improvement in the cost-to-income ratio in the coming years when these new branches and new affiliates begin to operate profitably.

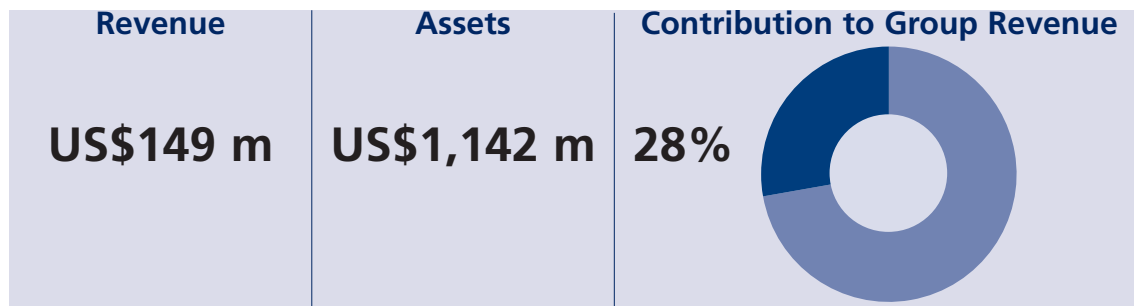
Loan Loss Provision

Impairment losses on loans and advances was US\$19 million, registering an increase of 45%, compared to loans and advances growth of 62%. Out of this amount, Ecobank Nigeria contributed US\$11.6 million due to the deterioration in its telecommunication portfolio. There were however, significant recoveries of previously provisioned advances, from some subsidiaries especially in our UEMOA region to reduce the impact of higher provisions in Nigeria. Recovery efforts are underway to reduce these provisions.

The group's loan loss expense was 0.8% of average loans and advances to customers, compared to 0.9% in 2006. Accumulated loan loss provision rose by 31% to US\$126 million. Non performing loans coverage was also better in 2007, representing 68% (2006: 60%).

Analysis of Business Segments

Retail Banking



The total revenue of the retail segments rose by 78% to US\$149 million. With this strong growth, the contribution of the retail banking segment to the revenue of the group increased from 24% in 2006 to 28%. This mainly came from loans and advances growth of 61%, increasing credit card and consumer finance activities and Western Union commissions.

Network

In June 2006, the group launched a new retail strategy. The group continued to pursue this strategy aggressively in 2007. This resulted in the rapid expansion of our network from 305 at the end of 2006 to 450 in 2007. We also increased our country of presence to 20 (2006: 15) by the end of 2007.

Card Business

The card business continued to receive increasing attention in 2007. The number of cards in circulation increased five fold to 0.7 million from 0.15 million at the end of 2006. We had over 280 ATMs in use by close of the year as against 100 at the end of 2006.

Ecobank Nigeria Naira credit card, which was first of its kind in West Africa, performed well in the first full year of operation. Card receivables amounted to US\$110 million representing about 11% of the total loan portfolio of the subsidiary. This contributed strongly to the retail revenue of the group. Ecobank Ghana also launched the first cedi credit card in Ghana in 2007.

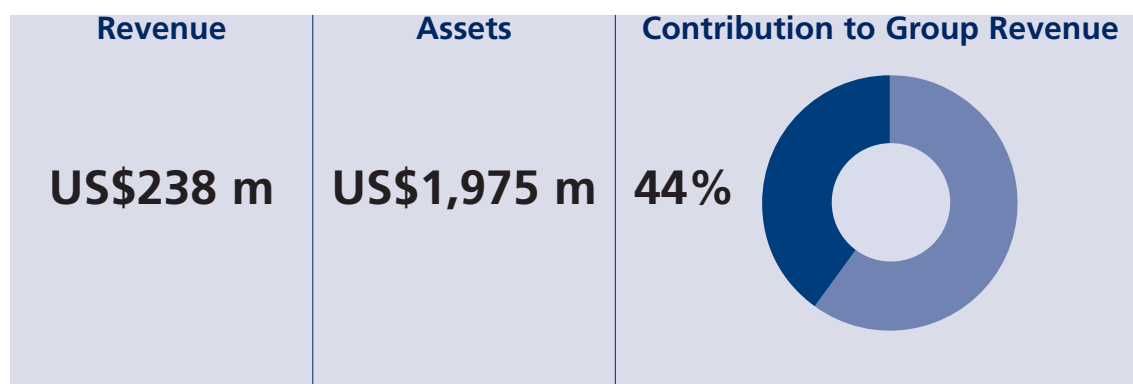
Our point-of-sale (POS) business was robust as well. In partnership with super markets, fuel stations, hotels and restaurants, we had 437 POSs in operation at the end of 2007.

Deposit Mobilization

The group intensified its deposit mobilization efforts during the year. We optimized the use of retail outlets in attracting deposits. During the year, we increased the number of kiosks in operation by 79% to 102. Direct sales agents (DSAs) also rose to 817 representing a 123% growth. With all these outlets impacting on deposit mobilization, retail deposits increased to US\$3.1 billion, representing an increase of 149%. Retail deposits represent 66% of total deposits (2006: 50%)

Business and Financial Review (continued)

Wholesale Banking

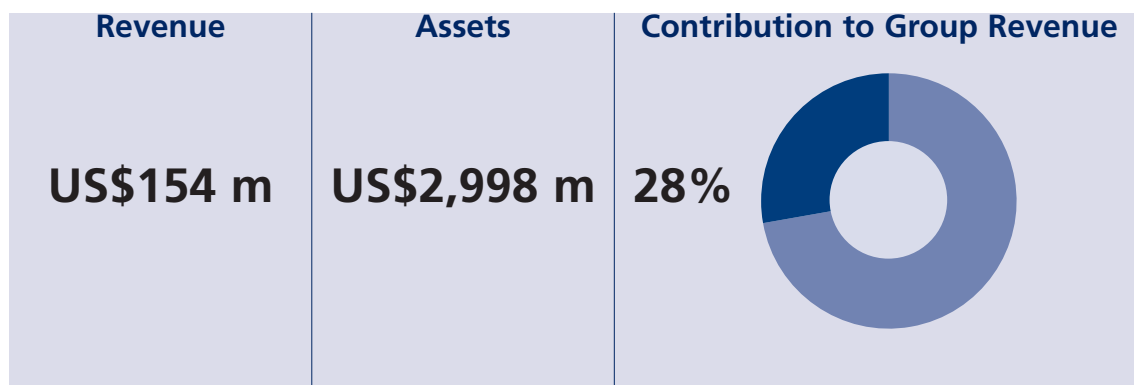


Wholesale banking had a strong year with significantly higher volumes and income momentum.

Total revenue increased by 36% to US\$238 million, mainly from loans and advances to customers which rose by 63% to US\$2 billion. Deposits under the wholesale segment increased by a comparatively lower rate of 29% to US\$1.6 billion.

Our investment banking subsidiary Ecobank Development Corporation (EDC) continued to offer its clients a range of investment banking opportunities in corporate and project finance, advisory services and asset management. EDC increased its presence in UEMOA to two subsidiaries by creating an asset management institution in Cote d'Ivoire. A subsidiary in CEEAC was also incorporated in 2007 and will commence full range investment banking activities in 2008.

Treasury



Ecobank is a major player in the foreign exchange and money markets in the countries in which we operate. During the year, our treasury business recorded an outstanding performance. Total revenue was up by 70% to US\$154 million. Trading income constituted 46% of the revenue (2006: 46%) and the remaining 54% came mainly from inter bank activities. Treasury assets grew by 122% to US\$3.0 billion.

Technology and Operations

The group seeks to achieve efficiency, cost effectiveness and better customer service through a world class information technology platform.

The group continued to build a modern technology platform to support its activities. In 2007, a shared gateway was put in place to support our customers, payments and ATM platforms.

In 2006, the group commenced building of the first shared service centre in the West Africa in Accra (Ghana). By close of 2007 a number of middle and back office activities had been centralized.

In 2007 the group took the decision to change its core banking software to Flexcube. By close of the year Ecobank Nigeria, the biggest subsidiary, had been successfully migrated to the new banking application. Most of the subsidiaries are programmed to migrate in 2008.

Business and Financial Review (continued)

Regional Operations

UEMOA

	2007 US\$'000	2006 US\$'000	Variance
Total Revenue	165,418	143,056	16%
Profit before tax	61,179	54,531	12%
Total assets	2,196,719	1,614,731	36%
Loan and advances	1,372,134	1,101,047	25%
Deposit from customers	1,685,436	1,145,498	47%

The Union Economique et Monetaire Ouest Africaine (UEMOA) Region constitutes eight countries with a common economic legal and monetary market. The Region has a population of 83 million and a GDP of US\$ 60 billion. In 2007 Ecobank achieved full coverage of this zone by commencing banking activities in Guinea Bissau.

Guinea Bissau has a population of 1.7 million and a GDP of under US\$400 million. However it has a huge growth potential as a result of an under-developed mining industry. Oil exploration is also on-going as the country is believed to have oil reserves of commercial quantities.

The region increased its revenue by 16% to US\$165 million, but grew profit before tax by 12% to US\$61 million partly as a result of losses brought on board by the opening of Guinea Bissau. The region grew its assets by 36% to US\$2.2 billion mainly from deposit mobilization. Loans and advances also grew by 25%.

Increasing competition affected negatively the performance of the Region by a compression in lending margins which was to some extent offset by a positive exchange rate effect.

The UEMOA region continues to be one of the strongest contributors to the group's results. The assets of the UEMOA Zone were 34% (2006: 46%) of the group's total assets whilst it contributed 32% (2006: 46%) to the group's profit before tax.

With the stronger asset growth in 2007, the UEMOA region is well positioned to accelerate its performance in the coming years even in the face of increasing competition mainly from new banks in the market.

WAMZ

	2007 US\$'000	2006 US\$'000	Variance
Total Revenue	97,647	69,804	40%
Profit before tax	40,113	32,323	24%
Total assets	921,654	591,911	56%
Loan and advances	390,982	231,365	69%
Deposit from customers	596,090	457,856	30%

The West Africa Monetary Zone (WAMZ) consists of five countries with the total population of over 39 million and a GDP of US\$20 billion. Ecobank completed its coverage of the region by opening Ecobank Gambia in 2007.

The total revenue of the region increased by 40% to US\$98 million but only translated into 24% increase in profit before tax.

The region grew its assets by 56% to almost US\$1 billion on the back of strong deposit mobilization from an increased branch network, direct sales agents and kiosks.

Ecobank Ghana continued to be the main driver in this region, contributing 77% of the region's profit before tax and 74% of assets.

WAMZ Region contributed 21% (2006: 24%) of the group's profit before tax and 14% (2006: 17%) of the total assets of the group. The restoration of democracy in both Liberia and Sierra Leone are positive indicators of economic growth and should reflect in the performance of our subsidiaries in these countries in the future.

Business and Financial Review (continued)

CEEAC

	2007 US\$'000	2006 US\$'000	Variance
Total Revenue	43,876	14,978	191%
Profit before tax	10,759	4,070	164%
Total assets	500,080	273,565	83%
Loan and advances	255,062	161,162	58%
Deposit from customers	408,764	238,683	71%

The Communauté Economique des Etats de l'Afrique Centrale (CEEAC) Region consists of six countries with a population of 100 million and a GDP of US\$ 55 billion. It is the fastest growing region in terms of number of subsidiaries in the group. In 2007 the Region added two countries bringing Ecobank's presence in the Region to four countries.

In January 2007, Ecobank acquired 75% of Banque Internationale pour la Centrafrique (BICA) in Central Africa and subsequently renamed it Ecobank Central Africa. This new subsidiary contributed positively to the profit of the group. Ecobank Sao Tome was incorporated and commenced banking activities in July 2007.

The CEEAC Region achieved revenue growth of 193% to US\$44 million largely from contributions of Ecobank Central Africa Ecobank Chad which was acquired in November 2006. As a result, the profit before tax of the region was up by 164% to US\$11 million. The region's assets increased by 83% to US\$500 million; 43% of the total assets growth was contributed by the addition of Ecobank Central Africa and Sao Tome.

CEEAC contributed 6% (2006: 3%) of the group's profit before tax and 8% (2006: 8%) of the group's assets.

Ecobank intends to continue its network expansion in CEEAC Region. In 2008, a new subsidiary commenced operations in Congo Brazzaville and a license was obtained to set up a subsidiary in the Democratic Republic of Congo

Nigeria

	2007 US\$'000	2006 US\$'000	Variance
Total Revenue	215,472	113,971	89%
Profit before tax	79,982	40,296	98%
Total assets	2,806,318	990,312	183%
Loan and advances	1,047,072	424,375	147%
Deposit from customers	1,888,216	656,931	187%

Nigeria remains Africa's most populous country with a GDP of US\$135 billion in Sub Saharan Africa, outside South Africa growing at a rate of about 6%. In 2007 the continued high oil price levels as well as strong performance from non oil sectors enabled the country to sustain its high growth rate.

Ecobank Nigeria took advantage of the growing economy to reposition itself in the Nigerian banking industry. In 2007, the subsidiary acquired the assets and liabilities of Hallmark Bank. It also intensified expansion of its branch network and other outlets. This translated into triple digit balance sheet growth impacting positively on both revenues and profits.

As a result of Ecobank Nigeria's performance in 2007, the region was the leading contributor to the group's results. It accounted for 42% of the profit before tax (2006: 29%) of the group and total assets represented 43% (2006: 28%) of the group's assets.

Ecobank Nigeria will continue to develop its business and acquire more market share in Nigeria. The subsidiary will combine acquisition and organic growth in its expansion in the coming years.

Business and Financial Review (continued)

East and Southern Africa

	2007 US\$'000	2006 US\$'000	Variance
Total Revenue	3,213	-	-
Profit before tax	1,022	-	-
Total assets	81,267	-	-
Loan and advances	15,779	-	-
Deposit from customers	64,191	-	-

Eastern and Southern Africa Region (excluding South Africa) is made up of 14 countries with a population of 320 million and a GDP of US\$160 billion.

Ecobank entered this market for the first time by acquiring 90% of Bank of Commerce and Development of Industry (BCDI) of Rwanda and renamed it Ecobank Rwanda in June 2007.

The modest contribution of Ecobank Rwanda resulted from turnaround of the performance of the bank after Ecobank took over its management. The bank was hitherto reporting losses. Ecobank Rwanda is now well positioned to gain more market share in the coming years.

In January 2008, Ecobank acquired 73% interest in Loita Bank of Malawi, bringing Ecobank's presence in this region to two. Entry into Kenya, Burundi and Tanzania is expected in 2008.

International Financial Reporting Standards (IFRS)

The group accounts for 2007 have been prepared in accordance with IFRS. This has necessitated changes to our reporting and disclosure requirements which are detailed in the accounts. IFRS does not change the net cash flows or the underlying economics of our business. However, it does have an impact on the reporting requirements at the holding Company level.

Conclusion

The 2007 results show consistency in the performance of the group over the past few years. We recorded solid growth in our size with well managed risks, reflecting in double digit growth in revenues and profits. With our unmatched and growing network, we are well positioned to take advantage of the emerging opportunities in Sub-Saharan Africa. We are not complacent, but we are positive about our future performance.



Laurence do Rego
Group Chief Financial Officer

Risk Management

1. Risk management framework

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

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

1.1 Risk identification:

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

1.2 Risk measurement:

The group uses a variety of methodologies to measure risk. These include calculating probable loss, conducting stress tests and benchmarking. The group will introduce Value-at-Risk (VAR) methodology for measuring risk in 2008.

1.3 Risk monitoring and control:

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

1.4 Risk reporting:

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

2. Major risk types

The group is exposed to the following major risk types:

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

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

- **Interest rate risk:** the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including
 - ♦ differences between the timing of market interest rate changes and the timing of cash flows (repricing risk);

Risk Management (continued)

- ♦ changes in the shape of market interest rate curves producing different effects on yields on similar instruments with different maturities (yield curve risk);
 - ♦ changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk);
 - ♦ interest-related options embedded in contracts with customers, such as the right for borrowers to prepay their loans or for depositors to withdraw funds at any time, often with little or no penalty (option risk).
- **Liquidity risk**, which arises from the general funding needs of the activities of the group and in the management of its assets and liabilities. The group is exposed to the risk that depositors' demands for withdrawals outstrip its ability to realize longer-term assets in cash. The group, therefore, seeks to maximize liquidity access and minimise funding costs by capturing stable, reliable and cost-effective sources of funding in all of its markets. There are two types of liquidity risk: funding liquidity risk, the risk that funds will not be available when needed to meet our financial commitments and trading liquidity risk, the risk that assets cannot be liquidated quickly enough. This can happen when the liquidity of a market disappears making it difficult or costly to close or modify positions. Interest rate risk and liquidity risk are interconnected given that management of either side of the balance sheet has an impact on interest rate risk exposure.
- **Foreign exchange risk**: the risk to earnings and capital arising from sudden changes in the relative prices of different currencies. It can arise directly through trading in foreign currencies, making loans in a currency other than the local currency of the obligor, buying foreign-issued securities, or issuing foreign-currency denominated debt as a source of funds. It can also arise when assets and liabilities are denominated in foreign (as well as domestic) currencies. The group is also exposed to foreign exchange risk arising from adverse changes in currency exchange rates used to translate carrying values and income streams in foreign currencies to the US dollar, Ecobank's reporting currency.
- **Equity price risk**: the risk of loss from adverse changes in the value of equity portfolios due to changes in the level of equity prices.
- Operational risk** is the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is inherent in every product and service that Ecobank provides. It manifests itself in a variety of ways, including internal fraud, external fraud, transaction processing errors, business interruption, and disputes with employees, clients and vendors. Operational risk also includes legal risk, the risk of loss resulting from the failure to comply with laws, prudent ethical standards and contractual obligations. These events can potentially result in reputational harm to the group (reputational risk).
- Sovereign risk** includes political, convertibility and cross-border risks. Such risks can arise from actions of a sovereign state or to unforeseen circumstances such as wars and uprisings. They affect the ability of residents to meet their obligations to a lender who is domiciled in another country. In as much as the West African Economic and Monetary Union (UEMOA) and the Central African Economic and Monetary Union share a "common" currency with the support of the Banque de France, risk exposures taken by the group's subsidiaries registered within either economic union on residents of any country within either economic union are not considered cross-border risk.

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

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

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

3. Governance structure

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

Committee ensures that the financial activities of the business are subject to independent review and external audit.

Group Risk Management, under oversight of the Risk Committee and the supervision of the Group Chief Risk Officer, develops the risk management strategy, principles, framework and policies, and implements appropriate risk management processes, methodologies and tools for managing risk. The Group Chief Risk Officer advises and coaches management and business units on risk management; monitors the application and effectiveness of risk management processes; and co-ordinates appropriate and timely delivery of risk management information to the Group Chief Executive Officer, the Group Executive Management Committee (GEMC), the Risk Committee and the Board. The Group Chief Risk Officer is assisted by a Group Operational Risk Manager and a Group Market Risk Manager. The positions of Group Risk Manager for the Wholesale Bank and Group Risk Manager for the Retail Bank are expected to be filled in 2008.

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

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

Risk Management (continued)

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

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

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

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

4. Risk management approach

4.1 Credit risk

4.1.1 Organization

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

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

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

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

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

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

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

4.1.2 Risk identification

Ecobank is exposed to credit risk through direct lending, issuance of financial and performance guarantees, and capital market activities. Credit risk analysts work in partnership with the sales function in the Wholesale Bank, Retail Bank,

Treasury and Financial Institutions, and Investment Banking in identifying risk exposures within each subsidiary bank.

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

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

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

Risk Management (continued)

With regard to consumer lending and credit extension to small- and medium-scale enterprises with unreliable or no financial statements, the group utilizes a credit program approach, whereby credit is extended on the basis of product-specific risk parameters, using manual scoring systems. The products involved are ordinarily secured and of a self-liquidating nature. The group is in the process of implementing automated credit scoring tools to be used in evaluating the creditworthiness of obligors in the Consumer Bank. The roll-out is scheduled for third quarter 2008.

4.1.3 Risk measurement

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

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

4.1.4 Risk monitoring and control

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

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

4.1.5 Risk reporting

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

4.1.6 Capital assessment

Ecobank has adopted the “standard” approach under the Basel II Accord to measure the amount of capital that should be put aside to absorb expected losses and to protect the institution against unexpected losses that may be encountered in the normal course of business, as a result of its exposure to credit risk.

Under Basel I standards, risk-weighted assets rose 56% from US\$2.6 billion in December 2006 to US\$4.0 billion in December 2007. The “standard” approach weighted-risk assets, however, amounted to US\$4.4 billion, indicating the need for a minimum capital of US\$352 million to set aside for credit risk as of 31 December 2007.

4.2 Operational risk

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

4.2.1 Organization

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

The Group Operational Risk Manager (GORM), within Group Risk Management, plays a coordination, aggregation, facilitation and enabling function. GORM drafts operational risk policies,

defines operational risk management standards, and develops and distributes tools, techniques, methodologies, common risk language, risk framework, analysis, reporting, communication and training. GORM also publicizes knowledge on operational risk to create awareness and understanding at all levels of employees. It reports on aggregate risk profile, control effectiveness, and corrective actions taken. It coordinates and participates in preparing, testing, and reviewing the business continuity and disaster recovery plan of every business unit.

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

4.2.2 Risk identification

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

4.2.3 Risk measurement

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

Risk Management (continued)

4.2.4 Risk monitoring and control

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

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

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

4.2.5 Risk reporting

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

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

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

4.2.6 Capital assessment

Ecobank has adopted the "basic indicator" approach under the Basel II Accord to measure the amount of capital that should be put aside to absorb expected losses and to protect the institution against unexpected losses that may be encountered in the normal course of business, due to its exposure to operational risk.

Accordingly, as of 31 December 2007, the capital requirement for operational risk under Basel II was estimated at US\$56 million, up 44% from US\$39 million one year earlier. The equivalent risk-weighted assets amounted to US\$700 million compared to US\$487 million in December 2006.

4.3 Market risk

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

4.3.1 Organization

The Board articulates statements of market risk appetite. The Risk Committee of the Board, Group CEO and Group Risk Management coordinate, facilitate, and oversee the effectiveness and integrity of Ecobank's market risk management framework while Group Internal Audit and Ecobank's external auditors provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of this framework.

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

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

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

4.3.2 Risk identification

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

4.3.3 Risk measurement

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

Risk Management (continued)

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

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

We intend to adopt Value at Risk (VAR) as the standard methodology for the measurement of interest rate risk exposure toward the end of the third quarter 2008 in conjunction with the implementation of Flexcube banking solution and the accompanying market risk management module of the Reveleus application. VAR is a statistical estimate of the potential amount that a trading position or portfolio could decrease in value due to adverse movements in market factors during the time needed to liquidate a position.

4.3.4 Risk monitoring and control

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

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

4.3.5 Risk reporting

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

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

4.3.6 Capital Assessment

Ecobank has adopted the standard approach to market risk under the Basel II Accord to measure the amount of capital that should be put aside to absorb expected losses and to protect the institution against unexpected losses that may be encountered in the normal course of business as a result of its exposure to market risk.

As of 31 December 2007, the group had a net long open foreign exchange position of US\$155 million, arising from the cumulated sum of net long positions in 10 different currencies (US\$184 million) and the sum of net short positions in 9 other currencies (US\$29 million). On the other hand, the group exposure to interest rate risk was related to its portfolio of Government obligations, treasury bills and public and private bonds, aggregating US\$1.05 billion. Its exposure to equity risk concerned a stock of equities of US\$46 million, of which only US\$15 million were listed.

Accordingly, the capital requirement for market risk under the standard approach was estimated at US\$111 million, of which US\$92 million for interest rate risk, US\$15 million for foreign exchange risk and US\$4 million for equity risk. The equivalent risk-weighted assets amounted to US\$1.4 billion.

4.4 Capital Adequacy

In all the countries where Ecobank operates, banks are required to hold a minimum capital level determined by the regulators in line with the recommendations of the Basel Committee on Banking Supervision. Under the original Basel accord, banks were to maintain a ratio of regulatory capital to risk-weighted assets of 8%. This ratio has been increased in some countries to 10%. With risk-weighted assets of US\$4.0 billion and regulatory capital of US\$628 million, the group reported a capital adequacy ratio of 15.7% as of 31 December 2007, largely exceeding the international standard set under Basel I.

However, under the new Basel capital ("Basel II") accord, banks are required to estimate to hold sufficient capital to cover not only credit risk, but also operational risk and market risk. While Ecobank is not required by regulators to adopt Basel II standards, the Board of Directors has mandated their early adoption by the group as they represent the best international practice. Ecobank has therefore adopted the standard approach for credit risk, the basic indicator approach for operational risk, and the standard approach for market risk, with a view to adopting the more advanced approaches within a two to three-year horizon.

Using the above Basel II methodologies, the minimum capital that the group needs to set aside for credit risk, operational risk, and market risk amounted to US\$520 million, broken down as follows:

Type of Risk	Minimum Capital US\$m	Risk Weighted Assets US\$m
Credit	353	4,408
Operational	56	700
Market	111	1,385
Total	520	6,493

The capital adequacy ratio was 9.7% under Basel II, which indicates the need for further capital mobilization to support the planned growth of the group.


Antoine Kayembe Nzongola
 Head, Audit Compliance
 and Risk Management

Directors' Responsibilities Statement

Responsibility for Annual Financial Statements

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

This responsibility include ensuring that the company:

- (a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company;
- (b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- (c) prepares it's 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 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 financial statements give a true and fair view of the state of the financial affairs of the company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of 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 Financial Statements

The annual financial statements, presented on pages 52 to 115 were approved by the board of directors on 14 March 2008 and signed on its behalf by:



Mandé Sidibé
Chairman



Arnold Ekpe
Group Chief Executive Officer

Independent Auditors Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (together, the 'Group') which comprise the consolidated balance sheet as of 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these 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 independent opinion on the 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 our audit to obtain reasonable assurance that 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group at 31 December 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards.



PricewaterhouseCoopers
Chartered Accountants
Abidjan, Côte d'Ivoire



PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

Consolidated Income Statement

	Note	Year ended 31 December	
		2007 US\$'000	2006 US\$'000
Interest income	2	428,423	249,586
Interest expense	2	(150,346)	(68,183)
Net interest income		278,077	181,403
Fee and commission income	3	185,406	110,302
Fee and commission expense	3	(2,980)	(2,381)
Net fee and commission income		182,426	107,921
Operating lease rentals		174	5,022
Dividend income	4	2,590	2,935
Net trading income	5	70,584	41,619
Gains less losses from investment securities		14	8
Other operating income		10,122	9,556
Impairment charge for credit losses	8	(19,148)	(13,091)
Administrative expenses	6	(332,096)	(205,234)
Other operating expenses	7	(2,173)	(840)
Profit before income tax		190,570	129,299
Income tax expense	9	(51,634)	(42,934)
Profit for the year		138,936	86,365
Attributable to:			
Equity holders of the parent		107,373	69,350
Minority interest		31,563	17,015
		138,936	86,365

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	10	7.97	5.53
▪ diluted	10	7.71	5.53

The notes on pages 88 to 111 are an integral part of these consolidated financial statements

Consolidated Balance Sheet

	Note	As at 31 December	
		2007 US\$'000	2006 US\$'000
ASSETS			
Cash and balances with central banks	11	978,233	308,959
Treasury bills and other eligible bills	12	547,401	137,345
Loans and advances to banks	13	834,404	554,311
Loans and advances to customers	16	3,117,036	1,919,366
Trading assets	14	10,375	747
Derivative financial instruments	15	75,003	20
Investment securities available-for-sale	17	553,013	349,728
Pledged assets	30	-	2,021
Intangible assets	18	20,445	4,607
Property, plant and equipment	19	242,984	116,420
Deferred income tax assets	27	8,762	7,832
Other assets	20	162,568	102 383
Total assets		6,550,224	3,503,739
LIABILITIES			
Deposits from banks	21	462,666	118,617
Due to customers	23	4,714,327	2,500,178
Other deposits	22	-	5,027
Derivative financial instruments	15	75,000	-
Borrowed funds	24	216,298	50,660
Other liabilities	25	349,058	294,970
Current income tax liabilities		43,754	32,225
Deferred income tax liabilities	27	23,853	10,845
Retirement benefit obligations	28	13,508	8,902
Total liabilities		5,898,464	3,021,424
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	31	265,155	264,115
Retained earnings	32	145,314	65,209
Other reserves	32	103,079	52,764
		513,548	382,088
Minority interest		138,212	100,227
Total equity		651,760	482,315
Total liabilities and equity		6,550,224	3,503,739

The notes on pages 88 to 111 are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

Note	Attributable to equity holders of the company				
	Share capital	Other reserves	Retained earnings	Minority Interest	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2006	179,256	18,733	23,558	82,332	303,879
Net changes in available for sale investments, net of tax	32	-	1,902	-	1,902
Currency translation differences	32	-	15,142	-	15,142
Net income recognised directly in equity			17,044	3,263	20,307
Net profit		-	69,350	17,015	86,365
Total recognised income for 2006		-	17,044	20,278	106,672
Dividend relating to 2005	33	-	(10,712)	(2,314)	(13,026)
Reserves of previously unconsolidated subsidiaries		-	-	(69)	(69)
Transfer to general banking reserves	32	-	350	(350)	-
Transfer to statutory reserve	32	-	16,637	(16,637)	-
Proceeds from shares issued					
▪ private placement		83,354	-	-	83,354
▪ public offer		3,927	-	-	3,927
Share issue transaction costs		(2,422)	-	-	(2,422)
At 31 December 2006 / 1 January 2007		264,115	52,764	65,209	100,227
Net changes in available for sale investments, net of tax	32	-	6,409	-	6,409
Currency translation differences	32	-	25,563	-	25,563
Net income recognised directly in equity		-	31,972	10,388	42,360
Net profit		-	107,373	31,563	138,936
Total recognised income for 2007		-	31,972	41,951	181,296
Dividend relating to 2006	33	-	(18,355)	(3,966)	(22,321)
Transfer to general banking reserves	32	-	6,405	(6,405)	-
Transfer to statutory reserve	32	-	11,938	(11,938)	-
Share options granted		-	9,430	-	9,430
Employee share ownership scheme:					
▪ Proceeds from shares issued	31	1,040	-	-	1,040
At 31 December 2007		265,155	103,079	145,314	138,212

The notes on pages 88 to 111 are an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

		Year ended 31 December	
	Note	2007 US\$'000	2006 US\$'000
Cash flows from operating activities			
Interest and similar income received		439,096	238,644
Interest paid		(136,585)	(60,532)
Dividends received		2,590	2,935
Fee and commission receipts		185,406	110,302
Fee and commission paid		(2,980)	(2,381)
Net trading and other incomes		15,603	53,762
Cash payments to employees and suppliers		(322,625)	(197,893)
Cash payments to retired employees		(354)	(629)
Income taxes paid		(30,985)	(24,021)
Changes in operating assets and liabilities			
▪ net (increase)/ decrease in trading assets		(9,628)	(235)
▪ net decrease in other financial assets at fair value		-	5,123
▪ net increase in derivative financial assets		(74,983)	(20)
▪ net increase in other treasury bills		(251,101)	-
▪ net (increase)/ decrease in loans and advances to banks		(261,961)	(126,438)
▪ net increase in loans and advances to customers		(1,197,670)	(897,226)
▪ net (increase)/ decrease in other assets		(5,745)	(45,882)
▪ net (increase)/ decrease in mandatory reserve deposits with central banks		(54,616)	(51,502)
▪ net (decrease)/ increase in other deposits		(5,027)	(13,537)
▪ net increase in trading liabilities			
▪ net increase in amounts due to customers		2,214,149	967,700
▪ net (decrease)/ increase in derivative liabilities		75,000	(22)
▪ net increase in other liabilities		41,732	124,136
Net cash from operating activities		619,315	82,284
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	36	40,773	17,929
Purchase of software	18	(12,838)	(927)
Purchase of property and equipment	19	(139,283)	(72,767)
Proceeds from sale of property and equipment		6,619	7,216
Purchase of investment securities	17	(376,964)	(278,306)
Proceeds from sale and redemption of securities	17	223,122	59,141
Net cash used in investing activities		(258,571)	(267,714)
Cash flows from financing activities			
Proceeds from borrowed funds		165,638	24,683
Issue of ordinary shares	31	-	84,859
Deposit for shares		(1,404)	(4,347)
Dividends paid to minority shareholders		(3,966)	(2,314)
Dividends paid	32	(18,355)	(10,712)
Net cash used in financing activities		141,913	92,169
Net increase/(decrease) in cash and cash equivalents		502,657	(93,261)
Cash and cash equivalents at start of year	34	413,496	509,980
Effects of exchange differences on cash and cash equivalents		(59,999)	(3,223)
Cash and cash equivalents at end of year	34	856,154	413,496

The notes on pages 88 to 111 are an integral part of these consolidated financial statements

Accounting Policies

1. General Information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, the group) provide retail, corporate banking and investment banking services throughout Sub Saharan Africa, outside South Africa. The group has operations in over 22 countries and employs over 8,000 people.

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

2. Summary of Significant Accounting Policies

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

2.1 Basis of Presentation

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

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

(a) Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group's financial instruments.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', was adopted in 2007. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements. Share based payments under the management share option plan was recognised in equity.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group's operations:

- i) Revised guidance on implementing IFRS 4, 'Insurance contracts';
- ii) IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- iii) IFRIC 9, 'Re-assessment of embedded derivatives'.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group has not early adopted them:

- i) IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009 is currently not applicable to the group as there are no qualifying assets.
- ii) IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and requires 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009 where it is applicable to the group.
- iii) IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group's accounts.

Accounting Policies (continued)

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

The following interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

- i) IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group's operations because none of the group's companies participate in public sector service concession agreements.
- ii) IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). 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 and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group's operations because none of the group's companies operate any loyalty programmes.

2.2 Consolidation

(a) Subsidiaries

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

transferred to the group. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.13). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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

(b) Transactions and minority interests

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

(c) Associates

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

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

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

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

2.3 Segment Reporting

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

2.4 Foreign Currency Translation

a) Functional and presentation currency

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

b) Transactions and balances

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

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

Accounting Policies (continued)

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

c) Group companies

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

- i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii) income and expenses for each income statement are translated at average exchange rates; and
- iii) all resulting exchange differences are recognised as a separate component of equity

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

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

2.5 Interest Income and Expense

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

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

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

2.6 Fee and Commission Income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale

of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis.

2.7 Dividend Income

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

2.8 Financial Assets

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

a) Financial assets at fair value through profit or loss

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

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

Financial assets and financial liabilities are designated at fair value through profit or loss when:

Doing so significantly reduces measurement inconsistencies that would arise if the related derivative were treated as held for trading and the underlying financial instruments were carried at amortised cost for such loans and advances to customers or banks and debt securities in issue;

Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss; and

Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value'.

b) Loans and receivables

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

Accounting Policies (continued)

c) Held-to maturity

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

d) Available-for-sale

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

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

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

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

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset which is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.9 Off Setting Financial Instruments

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

2.10 Sale and Repurchase Agreement

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

2.11 Derivative Financial Instruments

Derivatives, which comprise forward foreign exchange contracts and interest rate swaps are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using recent transactions, forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the profit and loss account.

2.12 Impairment of Financial Assets

a) Assets carried at amortised cost

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the

asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

Accounting Policies (continued)

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

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

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

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

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 provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

b) Assets classified as available for sale

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

c) Assets carried at fair value

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

2.13 Intangible Assets

a) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment (see Note 2.3).

b) Computer software

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

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

Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives.

Accounting Policies (continued)

2.14 Property, Plant and Equipment

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

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

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

- Leasehold improvements 25 years, or over the period of the lease if less than 25 years
- Equipment and motor vehicles 3 - 8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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

2.15 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three month's maturity from date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.16 Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is 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.

2.17 Employee Benefits

a) Pension obligations

Group companies operate defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-retirement obligations

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

The liability recognised in the balance sheet in respect of the gratuity payments is the present value of the gratuity payment obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. The gratuity payment obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the gratuity payment obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related gratuity payment liability.

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

c) Share-based compensation

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

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

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

Accounting Policies (continued)

2.18 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.19 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) 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.

2.20 Leases

(a) A group company is the lessee

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

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

(b) A group company is the lessor

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

2.21 Deferred 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 balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. 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 where it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising 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 income tax losses available for carry-forward 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 and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and subsequently recognised in the income statement together with the deferred gain or loss.

2.22 Fiduciary Activities

The group acts 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.

2.23 Share Capital

a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options 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 balance sheet date are dealt with in the subsequent events note.

c) Treasury shares

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

2.24 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Accounting Policies (continued)

3. Financial Risk Management

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

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

3.1 Credit Risk

The group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the group by failing to discharge an obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills.

There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralised in a risk management team in Group Risk Management and reported to the board of directors.

3.1.1 Credit Risk Measurement

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the group reflects three components

- (i) the 'probability of default' by the client or counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the group derive the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee), are embedded in the group's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses (Section 3.1.3).

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

Group's rating	Description of grade	Mapping to external rating (Standards and Poors)
1 - 4	Investment Grade	AAA to BBB
5 - 6	Standard Monitoring	BBB- to B-
7 - 10	Non Investment Grade	CCC to D

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

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

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

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.

Accounting Policies (continued)

3.1.2 Risk Limit Control and Mitigation Policies

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

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

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, 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. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivatives

The group maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the group's market transactions on any single day.

(c) Credit-related commitments

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

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

Accounting Policies (continued)

3.1.3 Impairment and Provisioning Policies

The internal rating systems described in Section 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment (see accounting policies 2.12). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment provision shown in the balance sheet at year-end is derived from each of the following loan impairment classifications. However, the majority of the impairment provision comes from the bottom three classifications. The table below shows the percentage of the group's on- and off-balance sheet items relating to loans and advances and the associated impairment provision for each

Group's rating	2007		2006	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
	(%)	(%)	(%)	(%)
1 Current	81%	7%	73%	4%
1A. Other loans especially mentioned	11%	1%	17%	4%
II. Substandard	3%	3%	3%	2%
III. Doubtful	3%	26%	4%	22%
IV. Loss	2%	63%	3%	68%
	100%	100%	100%	100%

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

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

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

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

3.1.4 Credit Concentration

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

	Maximum exposure	
	2007 US\$'000	2006 US\$'000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Treasury bills and other eligible bills	547,401	137,345
Loans and advances to banks	834,404	554,311
Loans and advances to customers:		
Retail		
Overdrafts	412,481	264,021
▪ Credit cards	114,866	-
▪ Term loans	546,580	438,942
▪ Mortgages	67,720	5,786
Wholesale		
▪ Overdrafts	607,498	412,414
▪ Term loans	1,080,915	757,696
▪ Others	286,976	40,507
Trading assets		
▪ Debt securities	225	157
Derivative financial instruments	75,003	20
Investment securities		
▪ Debt securities	506,722	337,680
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	1,118,554	905,180
Loan commitments and other credit related liabilities	247,307	67,466
At 31 December	6,446,652	3,921,525

The above table represents the worst case scenario of credit risk exposure to the group at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 61% of the total maximum exposure is derived from loans and advances to banks and customers (2006: 63%); 7% represents investments in debt securities (2009: 9%).

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

- 92% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2006: 89%);
- Term loans, which represents the biggest group in the portfolio, are backed by collateral;
- 94% of the loans and advances portfolio are considered to be neither past due nor impaired (2006: 92%);

Accounting Policies (continued)

3.1.5 Loans and Advances

Loans and advances are summarised as follows:

	31 December 2007		31 December 2006	
	Loans and advance to Banks	Loans and advance to Customers	Loans and advance to Banks	Loans and advance to Customers
Neither past due nor impaired	831,229	2,987,939	554,311	1,800,237
Past due but not impaired	3,175	69,509	-	55,281
Impaired	-	186,088	-	160,170
Gross	834,404	3,243,536	554,311	2 015 688
Less: allowance for impairment	-	126,500	-	96,322
Net	834,404	3,117,036	554,311	1,919,366

The total impairment provision for loans and advances is \$126.5million (2006: \$96million) of which \$116million (2006: \$89million) represents the individually impaired loans and the remaining amount of \$10.5million represents the portfolio provision. Further information of the impairment allowance for loans and advances to banks and to customers is provided in Notes 13 and 16.

(a) Loans and advances neither past due nor impaired

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

31 December 2007

	Loans and advances to customers						Total Loans and advances to Others customers
	Retail			Wholesale			
	Over drafts	Credit cards	Term Loans	Mort-gages	Over-drafts	Term loans	
Grades:							
1 Current	346,177	110,380	548,440	13,395	451,925	869,881	2,606,062
1A. Other loans especially mentioned	13,184	-	5,759	893	88,487	267,878	5,676
Total	359,361	110,380	554,199	14,288	540,412	1,137,759	271,540

31 December 2006

	Loans and advances to customers						Total Loans and advances to Others customers
	Retail			Wholesale			
	Over drafts	Credit cards	Term Loans	Mort-gages	Over-drafts	Term loans	
Grades:							
1 Current	206,392	-	223,470	4,021	291,566	674,220	40,439
1A. Other loans especially mentioned	18,137	-	4,216	-	107,193	216,410	14,173
Total	224,529	-	227,686	4,021	398,759	890,630	54,612

Mortgage loans in the sub-standard class were considered not to be impaired after taking into consideration the recoverability from collateral.

(b) Loans and advances past due but not impaired

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

31 December 2007

	Retail			Total
	Over drafts	Term Loans	Mortgages	
Past due up to 30 days	5,078	1,367	130	6,575
Past due 30-60 days	7,229	102	-	7,331
Past due 60-90 days	5,895	11,240	-	17,135
Total	18,202	12,709	130	31,041
Fair value of collateral	1,060	2,605	-	3,665

	Wholesale			Total
	Overdrafts	Term loans	Others	
Past due up to 30 days	1,113	11,245	-	12,358
Past due 30-60 days	2,163	3,985	144	6,292
Past due 60-90 days	2,155	17,663	-	19,818
Total	5,431	32,893	144	38,468
Fair value of collateral	904	15,201	-	16,105

31 December 2006

	Retail			Total
	Over drafts	Term Loans	Mortgages	
Past due up to 30 days	1,085	2,453	-	3,538
Past due 30-60 days	2,646	27	-	2,673
Past due 60-90 days	14,082	3,815	-	17,897
Total	17,813	6,295	-	24,108
Fair value of collateral	683	4,108	-	4,791

	Wholesale			Total
	Credit cards	Term loans	Other	
Past due up to 30 days	4,815	7,639	492	12,946
Past due 30-60 days	-	-	-	-
Past due 60-90 days	3,950	14,277	-	18,227
Total	8,765	21,916	492	31,173
Fair value of collateral	761	566	43	1,370

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.

Accounting Policies (continued)

c) Loans and advances individually impaired

i) Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US\$186 million (2006: US\$160 million).

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

31 December 2007	Retail			Wholesale			Total	
	Over drafts	Credit cards	Term Loans	Mortgages	Over-drafts	Term loans		Others
Individual impaired loans	53,330	7,520	49,446	1,874	33,789	36,733	3,396	186,088
Fair value of collateral	4,937	-	6,648	818	11,202	18,000	3,872	45,477
31 December 2006								
Individual impaired loans	36,470	5,767	41,566	-	25,500	25,907	24,960	160,170
Fair value of collateral	1,186	1,330	139	-	10,727	6,321	1,909	21,612

(ii) Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2007 was nil (2006: \$4,000). No collateral is held by the group, and a full impairment provision has been provided against the gross amount.

(d) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset from 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 \$86million at 31 December 2007 (2006: \$36.4million).

	2007 US\$'000	2006 US\$'000
Loans and advances to customers		
▪ Overdraft	683	584
▪ Term loans	85,341	35,856
Total	86,024	36,440

3.1.6 Debt Securities, Treasury Bills and Other Eligible Bills

Debt securities, treasury bills and other eligible bills are financial instruments issued by sovereign governments.

3.1.7 Repossessed Collateral

During 2007, the bank took possession of collateral held as security, as follows:

Nature of assets	Carrying amount US\$'000
Residential property	24,911
Commercial property	27,859
Vehicle and equipment	20,759
Others	31,221
	104,750

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

3.1.8 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 2007. For this table, the group has allocated exposures to regions based on the country of domicile of our counterparties.

	West African Monetary zone		East and Southern Africa		Others	Total	
	UEMOA region	Nigeria	CEEAC	Africa			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Treasury bills and other eligible bills	80,593	377,036	85,486	-	4,286	-	547,401
Loans and advances to banks	317,317	144,374	30,093	33,547	22,459	286,614	834,404
Loans and advances to customers:							
Retail							
▪ Overdrafts	97,813	253,517	46,909	9,483	1,744	3,015	412,481
▪ Credit cards	-	114,258	608	-	-	-	114,866
▪ Term loans	323,625	94,194	89,699	24,324	-	14,738	546,580
▪ Mortgages	23,264	41,491	151	322	2,492	-	67,720
Wholesale							
▪ Overdrafts	249,617	168,429	78,076	74,931	6,977	29,468	607,498
▪ Term loans	704,475	93,301	155,535	121,951	-	5,653	1,080,915
▪ Others	9,174	254,425	515	14,011	4,566	4,285	286,976
Trading assets – debt securities	-	-	225	-	-	-	225
Derivative financial instruments	-	75,000	-	-	-	3	75,003
Investment securities – debt securities	281,771	195,990	10,015	12,864	-	6,082	506,722
Other assets	59,460	48,940	38,465	14,519	1,184	-	162,568
As at 31 December 2007	2,147,109	1,860,955	535,777	305,952	43,708	349,858	5,243,359
As at 31 December 2006	1,418,268	919,257	220,806	204,569	20,965	277,163	3,061,029

Accounting Policies (continued)

3.1.8 Concentration of Risks of Financial Assets with Credit Risk Exposure (continued)

(b) Industry sectors

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

	Financial Institutions US\$'000	Wholesale & Retail Trading US\$'000	Manufacturing & Construct ^o US\$'000	Government US\$'000	Oil & Gas Production US\$'000	Services & Others US\$'000	Total US\$'000
Eligible bills	547,401	-	-	-	-	-	547,401
Loans and advances to banks	978,233	-	-	-	-	-	978,233
Loans and advances to customers:							
Retail							
▪ Overdrafts	-	477,468	181,789	32,949	66,439	261,335	1,019,980
▪ Credit cards	-	589	302	-	-	113,975	114,866
▪ Term loans	-	469,450	521,688	124,987	203,169	308,200	1,627,495
▪ Mortgages	-	-	-	-	-	67,720	67,720
▪ Others	-	-	-	-	-	286,975	286,975
Trading assets – debt securities	225	-	-	-	-	-	225
Derivative financial instruments	75,003	-	-	-	-	-	75,003
Other assets	-	-	-	-	-	162,568	162,568
31 December 2007	1,600,862	947,507	703,780	157,937	269,608	1,200,774	4,880,466
31 December 2006	1,592,370	476,092	451,338	111,680	240,697	778,645	3,650,822

3.2 Market Risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, 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 spreads, foreign exchange rates and equity prices. The group separates exposures to market risk into either trading or non-trading portfolios.

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

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 aggregate 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

Concentrations of currency risk – on-balance sheet financial

31 December 2007	Dollar US\$'000	Euro US\$'000	CFA US\$'000	Naira US\$'000	Cedis US\$'000	Others US\$'000	Total US\$'000
Assets							
Cash and balances with central banks	159,339	16,712	193,773	526,459	50,289	31,661	978,233
Treasury bills and other eligible bills	-	-	80,594	377,038	86,550	3,219	547,401
Loans and advances to banks	117,284	213,579	331,377	44,375	115,146	12,643	834,404
Loans and advances to customers	316,256	10,899	1,371,441	1,012,185	287,825	118,430	3,117,036
Trading assets	-	-	555	1,021	8,799	-	10,375
Derivative financial instruments	75,003	-	-	-	-	-	75,003
Investment securities:							
▪ Available for sale	15,068	-	299,116	217,559	5,877	15,393	553,013
Pledged assets	-	-	-	-	-	-	-
Other assets	12,011	7,154	74,640	35,690	28,639	4,434	162,568
Total financial assets	694,961	248,344	2,351,496	2,214,327	583,125	185,780	6,278,033
Liabilities							
Deposits from banks	19,522	17,953	151,432	255,417	12,620	5,722	462,666
Due to customers	401,658	55,676	2,029,597	1,921,228	290,359	15,809	4,714,327
Derivative financial instruments	75,000	-	-	-	-	-	75,000
Borrowed funds	116,630	63,820	25,808	-	10,040	-	216,298
Other liabilities	52,214	10,791	41,943	200,853	32,332	10,925	349,058
Total financial liabilities	665,024	148,240	2,248,780	2,377,498	345,351	32,456	5,817,349
Net on-balance sheet financial position	29,937	100,104	102,716	(163,171)	237,774	153,324	460,684
Credit commitments	545,904	91,933	207,545	28,387	-	415,110	1,288,878
31 December 2006							
Total financial assets	372,154	98,647	1,756,128	900,011	303,570	73,229	3,503,739
Total financial liabilities	430,310	58,675	1,594,913	651,129	234,692	51,705	3,021,424
Net on-balance sheet financial position	(58,156)	39,972	161,215	248,882	68,878	21,524	482,315
Credit commitments	221,207	70,149	175,463	372,914	16,885	116,028	972,646

Accounting Policies (continued)

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 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 2007	Up to 1 month US\$'000	1-3 months US\$'000	3-12 months US\$'000	1-5 years US\$'000	Over 5 years US\$'000	Non interest bearing US\$'000	Total US\$'000
Assets							
Treasury bills and other eligible bills	26,041	265,225	211,972	44,163	-	-	547,401
Cash and balances with central banks	-	-	-	-	-	978,233	978,233
Loans and advances to banks	493,639	124,628	107,939	-	-	108,197	834,404
Loans and advances to customers	1,322,248	474,976	504,269	744,362	71,181	-	3,117,036
Trading assets	1,021	-	9,314	-	40	-	10,375
Derivative financial instruments	75,003	-	-	-	-	-	75,003
Investment securities:							
▪ Available for sale	40,019	9,720	152,572	265,636	38,775	46,291	553,013
Other assets	-	-	-	-	-	162,568	162,568
Total financial assets	1,957,972	874,549	986,066	1,054,161	109,996	1,295,290	6,278,033
Liabilities							
Deposits from banks	150,226	13,845	23,078	-	-	275,517	462,666
Due to customers	519,437	695,521	366,290	420,237	-	2,712,841	4,714,327
Derivative financial instruments	75,000	-	-	-	-	-	75,000
Borrowed funds	4,892	8,768	59,175	52,560	90,902	-	216,298
Other liabilities	-	-	-	-	-	349,058	349,058
Total financial liabilities	749,556	718,134	448,544	472,797	90,902	3,337,415	5,817,348
Total interest repricing gap	1,208,416	156,414	537,522	581,364	19,093		
At 31 December 2007							
Total financial assets	1,554,052	287,841	360,180	730,609	116,012	324,065	3,372,759
Total financial liabilities	1,500,757	142,005	175,136	334,649	45,555	771,350	2,969,452
Total interest repricing gap	53,295	145,836	185,044	395,960	70,457		

3.3 Liquidity Risk

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

3.3.1 Liquidity Risk Management Process

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

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

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

3.3.2 Non-Derivative Cash Flows

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

As at 31 December 2007	Up to 1 month US\$'000	1 -3 months US\$'000	3 - 12 months US\$'000	1 - 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Liabilities						
Deposits from banks	150,977	14,053	24,463	-	-	189,493
Due to customers	3,232,278	705,954	377,279	495,880	-	4,811,391
Borrowed funds	4,913	8,881	62,205	66,015	114,173	256,187
Other liabilities	349,058	-	-	-	-	349,058
Current income tax liabilities	131,479	72,399	-	-	-	216,298
Retirement benefit obligations	-	-	2,228	5,358	4,492	13,508
Total liabilities (contractual maturity dates)	3,868,706	801,286	466,175	567,253	118,665	5,835,935
Total assets (expected maturity dates)	2,289,713	894,226	1,030,439	1,338,784	159,494	5,712,656
As at 31 December 2006						
Total liabilities (contractual maturity dates)	2,281,282	146,915	193,390	390,084	55,108	3,066,778
Total assets (expected maturity dates)	1,882,374	289,423	374,870	1,310,330	295,936	4,152,932

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 contractually repayable within one year will be extended. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

Accounting Policies (continued)

3.3.3 Derivative Cash Flows

Derivatives settled on a gross basis

The group's derivatives that will be settled on a gross basis include:

Foreign exchange derivatives: currency forward, currency swaps; and interest rate derivatives

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

As at 31 December 2007

	Up to 1 month US\$'000	1 - 3 months US\$'000	3 - 12 months US\$'000	1 - 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Derivatives held for trading						
▪ Foreign exchange derivatives:						
▪ Outflow	75,000	-	-	-	-	75,000
▪ Inflow	(75,000)	-	-	-	-	(75,000)

As at 31 December 2006

Interest rate derivatives:

▪ Outflow	-	-	-	(2)	-	(2)
▪ Inflow	-	-	-	22	-	22

3.4 Off-Balance Sheet Items

(a) Loan commitments

The dates of the contractual amounts of the group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 29), are summarised in the table below

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29), are also included below based on the earliest contractual maturity date.

3.4 Off-Balance Sheet Items (continued)

(c) Capital commitments

Capital commitments for the acquisition of buildings and equipment are summarised in the table below.

	No later than 1 year	Over 1 years	Total
At 31 December 2007			
Loan commitments	197,846	49,461	247,307
Guarantees, acceptances and other financial facilities	764,232	354,322	1 118,554
Capital commitments	11,390	-	11,390
Total	973,468	403,783	1,377,251
At 31 December 2006			
Loan commitments	65,371	2,095	67,466
Guarantees, acceptances and other financial facilities	543,069	362,111	905,180
Capital commitments	5,600	-	5,600
Total	614 040	364,206	978,246

3.5 Capital Management

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

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

Capital adequacy and the use of regulatory capital by the subsidiaries are monitored daily by the group's management, employing techniques based on the guidelines developed by the Basel Committee. Periodic reports are submitted to the regulatory authorities of the various jurisdictions by the individual subsidiaries.

The regulatory authority requires each bank or banking group 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 as managed by the group finance unit is divided into two tiers:

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

Accounting Policies (continued)

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, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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

	2007 US\$'000	2006 US\$'000
Tier 1 capital		
Share capital (net of the treasury shares)	265,155	264,115
General bank reserves	14,953	8,548
Statutory reserve	67,709	55,771
Retained earnings	145,314	65,209
Minority interests	138,212	100,227
Less: goodwill	(11,752)	(2,962)
Total qualifying Tier 1 capital	619,591	490,908
Tier 2 capital		
Revaluation reserve – available-for-sale investments	8,311	1,902
Total qualifying Tier 2 capital	8,311	1,902
Total regulatory capital	627,902	492,810
Risk-weighted assets:		
On-balance sheet	3,729,964	2,401,973
Off-balance sheet	273,172	194,529
Total risk-weighted assets	4,003,136	2,596,502
Basel ratio	15.7%	19.0%

The increase of the capital in the year of 2007 is mainly due to the contribution of the current-year profit.

3.6 Fair Values of Financial Assets and Liabilities

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

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

a) Impairment losses on loans and advances

The group reviews its loan portfolio 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 derivatives

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

c) Impairment of available for-sale equity investments

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

d) Income taxes

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

Notes to the Consolidated Financial Statements

1. Segmental Analysis

1.1 Business Segment

The group is organised into three main business segments:

- 1) Retail banking-incorporating private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages
- 2) Wholesale banking-specializes in serving the public sector, multinational institutions, financial institutions and other major players in the private sector which constitute the wholesale banking segment of the market
- 3) Treasury- treasury and money market activities represented a significant part of the wholesale bank's activities

Other group operations comprise fund management, institutional finance and providing computer services, none of which constitutes a separately reportable segment.

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 balance sheet, but exclude items such as taxation and borrowings.

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

	Wholesale banking US\$'000	Retail banking US\$'000	Treasury US\$'000	Other US\$'000	Elimi- nation US\$'000	Group US\$'000
At 31 December 2007						
External revenues	237,764	148,669	153,756	23,880	(20,082)	543,987
Segment assets	1,975,389	1,141,647	3,311,165	466,838	(344 815)	6,550,224
Segment liabilities	1,613,529	3,100,797	1,066,699	462,254	(344 815)	5,898,464
Profit before tax						190,570
Income tax expense						51,634
Profit for the year						138,936
Other segment items						
Capital expenditure						140,837
Impairment charge						19,148
Depreciation						26,291
At 31 December 2006						
External revenues	174,232	83,631	90,601	8,097	(8,097)	348,464
Segment assets	1,210,617	708,749	1,523,029	231,242	(169,898)	3,503,739
Segment liabilities	1,252,483	1,247,695	344,202	346,942	(169,898)	3,021,424
Profit before tax						129,299
Income tax expense						42,934
Profit for the year						86,365
Other segment items						
Capital expenditure						73,694
Impairment charge						13,091
Depreciation						14,895

1.2 Geographical Segment

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

	Revenues US\$'000	Total assets US\$'000	Capital expenditure US\$'000
As at 31 December 2007			
UEMOA region	165,418	2,196,713	30,821
Nigeria	215,472	2,806,318	76,227
West African Monetary Zone	97,647	921,654	22,371
CEEAC	43,876	500,080	7,459
East and Southern Africa	3,213	81,267	75
Others	18,361	44,192	3,884
	543,987	6,550,224	140,837
As at 31 December 2006			
UEMOA region	143,054	1,614,731	18,367
Nigeria	113,971	990,312	37,897
West African Monetary Zone	69,804	591,911	7,201
CEEAC	14,978	273,565	4,614
East and Southern Africa	-	-	-
Others	6,657	33,220	5,615
	348,464	3,503,739	73,694

2. Net Interest Income

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Interest income		
Loans and advances		
▪ To customers	326,345	183,406
Cash and short term funds	36,896	24,242
Treasury bills and investment securities	51,228	34,381
Other	13,954	7,557
	428,423	249,586
Interest expense		
Due to customers		
▪ Current accounts	15,924	6,043
▪ Savings deposits	15,464	9,126
	31,388	15,169
Borrowed funds	13,487	7,954
Time deposits	105,471	45,060
	150,346	68,183

Notes to the Consolidated Financial Statements (continued)

3. Net Fee and Commission Income

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Fee and commission income		
Credit related fees and commissions	66,759	44,308
Corporate finance fees	5,376	8,276
Portfolio and other management fees	14,906	33,864
Asset management and related fees	11,167	2,992
Other fees	87,198	20,862
	185,406	110,302
Fee and commission expense		
Brokerage fees paid	606	268
Other fees paid	2,374	2,113
	2,980	2,381

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.

4. Dividend Income

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Fee and commission income		
Trading securities	20	9
Available-for-sale securities	2,570	2,926
	2,590	2,935

5. Net Trading Income

Foreign exchange:		
▪ translation gains less losses of trading assets	(2,189)	(3,410)
▪ transaction gains less losses	70,414	45,029
Equities	2,359	-
	70,584	41,619

6. Administrative Expenses

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Staff cost		
Wages and salaries	156,033	84 129
Social security costs	7,454	6 479
Pension costs:		
▪ defined contribution plans	115	108
Other post retirement benefits (Note 28)	2,497	3,167
	<u>166,099</u>	<u>93,883</u>
Directors' emoluments	2,411	2,237
Administrative expenses:		
▪ Rent, rates and utilitie	20,835	13 444
▪ Insurance	10,627	5,117
▪ Advertising and promotion	11,023	4,871
▪ Professional fees	9,019	6,126
▪ Auditor's remuneration	3,270	1,904
▪ Operational losses and fines	3,977	4,054
▪ Communications	16,168	9,472
▪ Business travels	10,605	6,415
▪ Board activities	2,271	1,544
▪ Training	3,767	2,921
▪ Repairs and maintenance	20,309	9,835
▪ Supplies and other services	16,599	9,954
▪ Donations	1,325	654
▪ Other administrative expenses	7,500	17,908
Depreciation (Note 19)	26,291	14,895
	<u><u>332,096</u></u>	<u><u>205,234</u></u>

7. Other Operating Expenses

Profit on sale of property and equipment	(164)	(85)
Software costs (Note 18)	2 004	906
Restructuring costs	333	19
	<u><u>2,173</u></u>	<u><u>840</u></u>

8. Impairment Losses on Loans and Advances

Loans and advances to customers (Note 16)	19,148	13,091
	<u><u>19,148</u></u>	<u><u>13,091</u></u>

Notes to the Consolidated Financial Statements (continued)

9. Income Tax Expense

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Current tax	42,514	41,567
Deferred tax (Note 27)	9,120	1,367
	51,634	42,934

Further information about deferred income tax is presented in Note 27. 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	190,570	129,299
Tax calculated at local tax rates applicable to profits in the respective countries	68,520	46,490
Income not subject to tax	(18,150)	(10,204)
Expenses not deductible for tax purposes	1,264	7,507
Utilisation of previously unrecognised tax losses		(859)
Income tax expense	51,634	42,934

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.

10. 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, excluding the average number of ordinary shares purchased by the Company and held as treasury shares

Profit attributable to equity holders of the Company	107,373	69,350
Weighted average number of ordinary shares in issue (millions)	1,347,034	1,253,709
Basic earnings per share (expressed in US\$ cents per share)	7.97	5.53

Diluted

Earnings per share are diluted by the potential shares arising from the share option scheme. The dilutive earnings is calculated by adjusting the weighted average number of ordinary shares to assume conversion of all dilutive potential ordinary shares.

Weighted average number of shares under option plan	1,392,624	1,253,709
Dilutive earnings per share (US cents)	7.71	5.53

11. Cash and Balances with Central Banks

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Cash in hand	647,708	101,543
Balances with central banks other than mandatory reserve deposits	143,275	74,782
Included in cash and cash equivalents (Note 34)	790,983	176,325
Mandatory reserve deposits with central banks	187,250	132,634
	978,233	308,959

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.

12. Treasury Bills and Other Eligible Bills

Treasury bills maturing within 1-3 months	291,266	133,338
Treasury bills maturing over 3	251,101	
Other eligible bills	5,034	4,007
Treasury bills and other eligible bills (Note 34)	547,401	137,345

Treasury bills and other eligible bills are debt securities issued by the various countries which the group operates. The treasury bills and other eligible bills are for a term of three months, six months or a year.

13. Loans and Advances to Banks

Items in course of collection from other banks	71,568	69,077
Deposits with other banks	236,571	218,439
Placements with other banks	433,831	233,360
	741,970	520,876
Loans and advances to other banks	92,434	33,435
	834,404	554,311
Current	834,404	554,311
Non-current	-	-

Notes to the Consolidated Financial Statements (continued)

14. Trading Assets

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Government bonds	225	157
Total debt securities	225	157
Equity securities		
▪ Listed	9,089	490
▪ Unlisted	1,061	100
Total equity securities	10,150	590
Total trading assets	10,375	747

15. Derivative Financial Instruments

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, established in an organised financial market. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities.

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

Derivatives	Fair Value	
	Assets	Liabilities
At 31 December 2007		
Interest rate swaps	3	-
Currency swaps	75,000	75,000
Total derivatives assets	75,003	75,000
At 31 December 2006		
Interest rate swaps	20	-
Total derivatives liabilities	20	-
The group has not designated at initial recognition any financial liability as at fair value through profit		
Current	75,003	75,000
Non current	-	-

16. Loans and Advances to Customers

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
a) Analysis by type:		
▪ Overdrafts	1,099,311	687,557
▪ Credit cards	114,866	-
▪ Term loans	1,939,981	1,148,478
▪ Mortgage loans	86,842	9,396
▪ Other	2,536	170,257
Gross loans and advances	3,243,536	2,015,688
Less: allowance for impairment	(126,500)	(96,322)
Net	3,117,036	1,919,366
Current	1,216,713	1,855,518
Non current	2,026,823	160,170
	3,243,536	2,015,688
b) Analysis by performance	3,057,448	1,855,518
Performing loan	186,088	160,170
Non performing loan	3,243,536	2,015,688
c) Loan loss movement		
At 1 January	96,322	93,948
Reclassification	-	4,728
Provision for loan impairment	39,029	28,412
Amounts recovered during the year	(19,881)	(11,082)
Loans written off during the year as uncollectible	(1,564)	(17,850)
Exchange difference	12,594	(1,834)
At 31 December	126,500	96,322

Allowance for impairment

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

	Wholesale		Retail customers	
		Overdrafts	Term loans	Total
At 1 January 2007	8,642	57,526	30,153	96,322
Provision for loan impairment	18,782	8,792	11,454	39,028
Loans written off during the year as uncollectible	(366)	(972)	(227)	(1,565)
Amounts recovered during the year	(846)	(6,414)	(12,621)	(19,881)
Exchange difference	2,209	6,629	3,759	12,596
At 31 December 2007	28,421	65 561	32 518	126,500
At 1 January 2006	13,692	51,437	28,820	93,949
Provision for loan impairment	3,618	16,074	8,719	28,412
Loans written off during the year as uncollectible	(6,228)	(7,863)	(3,759)	(17,850)
Amounts recovered during the year	(1,830)	(5,975)	(3,278)	(11,082)
Reclassification	-	4,728	-	4,728
Exchange difference	(610)	(875)	(349)	(1,834)
At 31 December 2006	8,642	57 526	30,153	96,322

Notes to the Consolidated Financial Statements (continued)

16. Loans and Advances to Customers (continued)

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Loans and advances to customers include finance lease receivables		
Gross investment in finance leases, receivable		
No later than 1 year	4,563	224,222
Later than 1 year and no other than 5 years	88,576	58,328
Later than 5 years	1,783	4,494
	94,922	287,044
Unearned future finance income on finance leases	(16,761)	(1,409)
Net investment in finance leases	78,161	285,635
The net investment in finance lease may be analysed as follows:		
No later than 1 year	4,563	223,793
Later than 1 year and no other than 5 years	69,815	57,352
Later than 5 years	1,783	4,490
	76,161	285,635

17. Investment Securities

Securities available-for-sale		
Debt securities - at fair value:		
▪ listed	236,453	76,227
▪ unlisted	270,269	261,453
Equity securities - at fair value:		
▪ Listed	14,925	987
▪ Unlisted	31,366	11,061
Total securities available-for-sale	553,013	349,728
Securities held-to-maturity		
Debt securities - at amortised cost:		
▪ Unlisted	-	82
Allowance for impairment	-	(82)
Total securities held-to-maturity	-	-
Total investment securities	553,013	349,728
All debt securities have fixed coupons.		
Equity securities do not bear interest.		
Current	-	-
Non-current	553,013	349,728

The group has not reclassified any financial asset measured at amortised cost rather than fair value during the year (2005: nil)

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

	Available-for-sale US\$'000
At 1 January 2007	349,728
Exchange differences on monetary assets	40,062
Additions	376,964
Disposals (sale and redemption)	(223,108)
Gains from changes in fair value	9,367
At 31 December 2007	553,013

17. Investment Securities (continued)

	Available-for-sale US\$'000	Held-to-maturity US\$'000	Total US\$'000
At 1 January 2006	10,902	113,644	124,546
Exchange differences on monetary assets	2,262	1,703	3,965
Additions	278,205	-	278,205
Reclassification	91,729	(91,729)	-
Disposals (sale and redemption)	(35,515)	(23,618)	(59,133)
Gains from changes in fair value	2,145	-	2,145
At 31 December 2006	349,728	-	349,728

18. Intangible assets

	Year ended 31 December 2007 US\$'000	2006 US\$'000
Goodwill		
Opening net book amount	2,962	-
Acquisition of subsidiaries (Note 36)	8,790	2,962
Closing net book amount	11,752	2,962
Goodwill is revised annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2007 (2006:nil)		
Software costs		
Opening net book amount	1,645	1,596
Purchase	12,838	927
Amortisation (Note 7)	(2,004)	(906)
Exchange differences	(3,786)	28
Closing net book amount	8,693	1,645
Total	20,445	4,607

19. Property, Plant and Equipment

	Motor Vehicles US\$'000	Land & Buildings US\$'000	Furniture & Equipment US\$'000	Instal- lations US\$'000	Construction in progress US\$'000	Total US\$'000
At 1 January 2006						
Cost	12,386	17,241	52,399	31,786	15,816	129,628
Accumulated depreciation	7,615	4,560	32,212	11,369	-	55,756
Net book amount	4,771	12,681	20,187	20,417	15,816	73,872
Year ended December 2006						
Opening net book amount	4,771	12,681	20,187	20,417	15,816	73,872
Additions	7,476	26,178	20,378	2,824	15,911	72,767
Disposals – cost	(1,075)	(13)	(860)	(9,711)	-	(11,659)
Disposals - accumulated depreciation	652	12	365	3,499	-	4,528
Reclassifications – cost	-	12,077	490	(127)	(12,440)	-
Reclassifications - accumulated depreciation	-	262	-	(262)	-	-
Depreciation charge	(2,361)	(1,726)	(9,010)	(1,798)	-	(14,895)
Exchange rate adjustment	(1,694)	457	(2,416)	(2,707)	(1,833)	(8,193)
Closing net book amount	7,769	49,928	29,134	12,135	17,454	116,420

Notes to the Consolidated Financial Statements (continued)

19. Property, plant and equipment (continued)

	Motor Vehicles US\$'000	Land & Buildings US\$'000	Furniture & Equipment US\$'000	Instal- lations US\$'000	Construction in progress US\$'000	Total US\$'000
At 31 December 2006						
Cost	17,345	57,967	73,882	22,635	17,454	189,283
Accumulated depreciation	9,576	8,039	44,748	10,500	-	72,863
Net book amount	7,769	49,928	29,134	12,135	17,454	116,420
Year ended 31 December 2007						
Opening net book amount	7,769	49,928	29,134	12,135	17,454	116,420
Acquisition of subsidiary	176	9,652	1,456	-	-	11,284
Additions	12,384	34,488	42,130	5,077	33,920	127,999
Disposals – cost	(1 708)	(131)	(2 577)	(147)	(4,464)	(9,027)
Disposals - accumulated depreciation	475	28	2 054	15	-	2,572
Reclassifications – cost	-	365	(269)	527	(623)	-
Reclassifications - accumulated depreciation						
Depreciation charge	(4 400)	(3,158)	(16 366)	(2 367)	-	(26,291)
Exchange rate adjustments	866	8,628	6 105	558	3,870	20,027
Closing net book amount	15,562	99,800	61,667	15,798	50,157	242,984
At 31 December 2007						
Cost	29,535	116,919	126,742	29,073	50,157	352,426
Accumulated depreciation	13,973	17,119	65,075	13,275	-	109,442
Net book amount	15,562	99,800	61,667	15,798	50,157	242,984

20. Other Assets

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Interest and fees receivable	10,005	20,678
Accounts receivable	77,360	12,247
Prepayments	67,825	22,731
Sundry receivables	7,378	46,727
	162,568	102,383
Current	162,568	102,383
Non current	-	-

21. Deposits From Banks

Items in course of collection	273,953	10,380
Deposits from other banks	188,713	108,237
	462,666	118,617
All deposits from banks have variable interest rates.		
Current	138,949	118,617
Non current	91,438	-

22. Other Deposits

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Other money-market deposits	-	5,027
Current	-	5,027
Non current	-	-

23. Due to customers

Wholesale		
▪ Current accounts	1,283,477	794,170
▪ Term deposits	330,052	458,313
Retail		
▪ Current accounts	1,602,303	768,460
▪ Term deposits	935,229	146,837
▪ Savings deposits	563,266	332,398
	4,714,327	2,500,178
Current	4,308,881	1,977,706
Non current	405,446	522,472

24. Borrowed Funds

European Investment Bank	94,404	1,006
Ashanti Goldfields Company Employees Pension Fund	3,125	3,257
International Finance Corporation	20,065	-
African Development Bank	5,715	7,143
Social Security and National Insurance Trust	4,540	4,732
BHK Bank	3,998	3,575
OIKOCREDIT Ecumenical Development	2,599	3,001
Export Development Investment Fund	2,908	1,683
Ecowas Bank for Investment and Development	11,221	10,046
Ecobank Senegal bonds	11,221	10,046
FBN Bank UK	50,000	-
Africaine des Assurances du Benin	898	-
Le Mans and Union Des Assurances Vie	2,468	-
Other loans	3,136	6,171
	216,298	50,660
Current	88,508	13,719
Non current	127,790	36,941

Notes to the Consolidated Financial Statements (continued)

24. Other Borrowed Funds (continued)

The European Investment Bank loan to Ecobank Benin and Ecobank Ghana are repayable in 2006 and 2009 respectively. The interest rates are 2% in Ecobank Benin and average of Ghanaian 6-month Treasury bill rate and 6-month corporate rate in Ghana.

The loan from the European Investment Bank to Ecobank Transnational Incorporated attracts interest at 6 month EURIBOR rate plus margin of 2.4%. The loan is repayable in ten (10) equal semi-annual instalments starting from 2009.

The Ashanti Goldfields Company (now AngloGold Ashanti) Employees Pension Fund loan is a 6-year subordinated non-redeemable deposit. The facility would mature in March 2008. It attracts interest at the Ghanaian one-year treasury bond rate plus 4%.

The loan from International Finance Corporation to Ecobank Ghana was secured in August 2007 and is repayable in the June 2015. It attracts interest rate at LIBOR rate plus a margin of 3.01% per annum.

The African Development Bank loan being repaid over 8 years. Interest rate is based on the 6 month EURIBOR rate plus a margin of 2%. Interest and principal is payable twice a year.

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

The BHF Bank loan is one-year renewable loan with interest at EURIBOR rate plus 0.5% per annum.

OIKO Credit Ecumenical Development loan to Ecobank Ghana is a 5-year term loan with interest rate of 6 months LIBOR plus 2.5% per annum. The Export Development Finance loan is a facility to Ecobank Ghana. The facility repayable in 2009 attracts interest of 2.5% per annum.

The Ecowas Bank for Investment and Development is a facility to Ecobank Senegal and attracts interest at 7% per annum. The facility is repayable over five years expiring in 2011.

The Ecobank Senegal bonds were issued by Ecobank Senegal and bears interest at 7% and is fully payable on maturity in 2011.

The loan from First Bank UK was secured in August 2007 and repayable in May 2008. Interest rate is determined at 6 month LIBOR rate plus margin of 2%.

The loan from African Assurance to Ecobank Cote d' Ivoire is repayable in 2012 and bears interest rate at 8% per annum.

The loan from Le Mans to Ecobank Cote d' Ivoire is repayable in two equal instalments in 2009 and 2012. The first instalment attracts interest at 7.5% per annum and the interest on the second instalment is at 8% per annum.

The loan from Union Des Assurances Vie to Ecobank Cote d' Ivoire is repayable in two equal instalments 2009 and 2012. The first instalment attracts interest at 7.5% per annum and the interest on the second instalment is 8% per annum.

Other loans is a facility to Ecobank Guinea from a private investor which is repayable in 2012. The loan attracts an interest at 5.25% and is payable quarterly.

The group has not had any defaults of principal, interest or redemption amounts during the period on its borrowed funds (2006: nil) Year ended

25. Other Liabilities

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Accrued interest and commission	31,366	17,605
Deposit for shares	-	1,404
Unclaimed dividend	5,557	3,705
Accruals	62,770	37,235
Other provisions (Note 26)	6,661	6,464
Obligations under customers' letters of credit	43,222	101,286
Other liabilities	199,482	127,271
	349,058	294,970

26. Other Provisions

At 1 January	6,464	5,778
Exchange differences	535	617
Additional provisions charged to income statement	3,075	2,042
Utilised during year	(3,413)	(1,973)
At 31 December	6,661	6,464

Other provisions include US\$200,000 in respect of amount set aside for the Ecobank Foundation and 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.

27. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of each subsidiary.

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

At 1 January	3,013	1,244
Income statement charge	9,120	1,367
Revaluation reserves - Available-for-sale securities (Note 32)	2,958	243
Exchange differences	-	159
At 31 December	15,091	3,013

Notes to the Consolidated Financial Statements (continued)

27. Deferred Income Taxes (continued)

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Deferred income tax assets and liabilities are attributable to the following items		
Deferred income tax liabilities		
Accelerated tax depreciation	15,847	8,847
Other temporary differences	3,708	658
Available-for-sale securities	4,298	1,340
	23,853	10,845
Deferred income tax assets		
Pensions and other post retirement benefits	2,134	1,951
Provisions for loan impairment	2,922	3,395
Other provisions	2,791	2,316
Tax loss carried forward	915	170
	8,762	7,832
The deferred tax charge in the income statement comprises the following temporary differences:		
Accelerated tax depreciation	7,000	(1,225)
Pensions and other post retirement benefits	(183)	(961)
Allowances for loan losses	473	1,676
Other provisions	(475)	1,207
Tax losses carry forward	(745)	-
Other temporary differences	3,050	670
	9,120	1,367

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

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

28. Retirement Benefit Obligations

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Amounts recognised in the balance sheet:		
Other post retirement benefits	13,508	8,902
Other post-retirement benefits		
Apart from the pension schemes, the group operates a post employment gratuity payment scheme. The method of accounting and the frequency of valuations are as described in Accounting policies 2.17.		
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations	7,925	7,191
	7,925	7,191
Present value of unfunded obligations	5,583	1,711
Liability in the balance sheet	13,508	8,902
The amounts recognised in the income statement are as follows:		
Current service cost	1,653	1,549
Net actuarial losses recognised in year	844	1,618
Total included in staff costs	2,497	3,167
The movement in the liability recognised in the balance sheet is reconciled as follows:		
At 1 January	8,902	7,167
Exchange differences	2,463	(803)
Total expense - as above (Note 6)	2,497	3,167
Contributions paid	(354)	(629)
At 31 December	13,508	8,902
The principal assumptions used were as follows:		
	2007	2006
Discount rate	3%	3%
Future salary increases	2%	2%

Notes to the Consolidated Financial Statements (continued)

29. Contingent Liabilities and Commitments

a) Legal proceedings

There were a number of legal proceedings outstanding against the group at 31 December 2007 with contingent liabilities of \$20.3 million (2006: \$14.2 million). No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

b) Capital commitments

At 31 December 2007, the group had capital commitments of \$11.39 million (2006: \$5.6 million) in respect of buildings and equipment purchases. The group's management is confident that future net revenues and funding will be sufficient to cover this commitment.

c) Loan commitments, guarantee and other financial facilities

At 31 December 2007 the group had contractual amounts of the off-balance sheet financial instruments that commit it to extend credit to customers guarantees and other facilities are as follows:

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Acceptances	277,639	75,027
Guaranteed commercial papers	95,981	202,720
Documentary and commercial letters of credit	302,031	174,794
Performance bond, guarantees and indemnities	442,903	452,639
Loan commitments	247,307	67,466
	1,365,861	972,646

30 Assets Pledged

Assets are pledged as collateral under repurchase agreements with other banks and for security deposits. These deposits are not available to finance the group's day to day operations.

	Asset		Related liabilities	
	2007	2006	2007	2006
	US\$'000	US\$'000	US\$'000	US\$'000
Treasury Bills	-	2,021	-	2,021

31. Share Capital

	No of shares ('000)	Ordinary shares USD'000	Share premium USD'000	Total USD'000
At 1 January 2006	401,272	100,318	78,938	179,256
Bonus Issue	101,533	25,383	(25,383)	-
Proceeds from share issue - rights issue	9,501	2,374	4,275	6,649
▪ private placement	96,896	24,224	52,481	76,705
▪ public offer	1,801	368	3,559	3,927
Share issue transaction costs	-	-	(2,422)	(2,422)
At 31 December 2006 / 1 January 2007	611,003	152,667	111,448	264,115
Employee share ownership scheme	1,285	294	746	1,040
Share split	612,288	-	-	-
Bonus Issue	122,458	15,307	(15,307)	-
At 31 December 2007	1,347,034	168,268	96,887	265,155

The total authorised number of ordinary shares at year end was 2,500 million (2006: 1,250 million) with a par value of \$0.125 per share (2006: \$0.25 per share).

The company allotted 1,284,449 shares to the employees who subscribed for ordinary shares under the Employee Share Offer Scheme in January 2007.

By the members resolution at the Extra-Ordinary General Meeting held on 26 January 2007, the nominal value of ordinary shares of the company was reduced from US\$0.25 per share to US\$0.125 per share by splitting each ordinary share into two equal parts.

At the Annual General Meeting held on April 27 2007, the members passed a resolution to appropriate US\$15.3 million from share premium by way of bonus issue of one ordinary share for every ordinary share held.

Share options

The group offers share options to directors and employees with more than three years' service. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Consolidated Financial Statements (continued)

31. Share Capital (continued)

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

	2007 ('000)	2006 ('000)
At 1 January		
Granted	68,684	-
Exercised	-	-
Lapsed	(2,420)	-
At 31 December	66,264	-

Share options were granted on 1 January 2007 at a price of \$0.4 per share and expire on 31 December 2011. No option was exercisable at 31 December 2007.

Share options outstanding at the end of the year were as follows:

Expiry date; 1 January	2007 ('000)	2006 ('000)
2009	33,133	-
2010	19,879	-
2011	13,252	-
	66,264	-

The fair value of options granted during the period determined using the market price at the balance sheet date was US\$9.43 million. The significant inputs into the model were the share prices of US\$1.23 (actual amount) at the grant date, exercise price shown above.

32. Reserves and Retained Earnings

	2007 US\$'000	2006 US\$'000
a) Other reserves		
General banking risks	14,953	8,548
Statutory reserve	67,709	55,771
Revaluation reserve - Available-for-sale investments	8,311	1,902
Translation reserve	12,106	(13,457)
	103,079	52,764

Movements in the reserves were as follows:

General banking reserve		
At 1 January	8,548	8,198
Transfer from retained profits	6,405	350
At 31 December	14,953	8,548

32. Reserves and Retained Earnings (continued)

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.

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Statutory reserve		
At 1 January	55,771	39,134
Transfer from retained profits	11,938	16,637
At 31 December	67,709	55,771
Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable		
Revaluation reserves - Available -for-sales		
At 1 January	1,902	-
Net gains from changes in fair value (Note 17)	9,367	2,145
Deferred income taxes (Note 27)	(2,958)	(243)
At 31 December	8,311	1,902
Translation reserve		
At 1 January	(13,457)	(28,599)
Currency translation difference arising during the year	25,563	15,142
At 31 December	12,106	(13,457)
b) Retained earnings		
At 1 January	65,209	23,558
Net profit for year	107,373	69,350
Dividend	(18,355)	(10,712)
Employee share ownership scheme	9,430	-
Transfer to general banking reserve	(6,405)	(350)
Transfer to statutory reserve	(11,938)	(16,637)
At 31 December	145,314	65,209

Notes to the Consolidated Financial Statements (continued)

33. 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 of in respect of 2007 of 2 cents per share (2006: 1.5 cents per share) is to be proposed. This amounts to a total of US\$26.9 million (2006: US\$18.3 million). The financial statements for the year ended 31 December 2007 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 2008.

34. Cash and Cash equivalents

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

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Cash and balances with central banks (Note 11)	790,983	176,325
Treasury Bills and other eligible bills (Note 12)	291,266	137,345
Deposits with other banks (Note 13)	236,571	218,443
Deposits from other banks (Note 21)	(462,666)	(118,617)
	856,154	413,496

35. Related-Party Transactions

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

Loans and advances to related parties

	Directors and key management personnel (and close family members)		Associated companies	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Loans outstanding at 1 January	1,077	495	6,773	10,362
Loans issued during the year	877	640	25 561	390
Loan repayments during the year	(222)	(58)	(7,288)	(3,979)
Exchange difference	92			
Loans outstanding at 31 December	1,824	1,077	25,046	6,773
Interest income earned	71	44	-	107

No provisions have been recognized in respect of loans given to related parties (2006:nil).

Notes to the Consolidated Financial Statements (continued)

35. Related-Party Transactions (continued)

The loans issued to executive directors during the year of US\$0.9 million (2006: US\$0.6 million) and associated companies of US\$25.6 million (2006: US\$0.4 millions) are repayable within an average of 10 year period and have interest rates of 3% (2006: 3%) for executive directors and 9% for associated companies.

Deposits from related parties

	Directors and key management personnel (and close family members)		Associated companies	
	2007 US\$'000	2006 US\$'000	2007 US\$'000	2006 US\$'000
Deposits at 1 January	160	1,193	409	1,766
Deposits received during the year	2,926	3,968	184 801	4,884
Deposits repaid during the year	(2,678)	(5,001)	(184,685)	(6,241)
Deposits at 31 December	408	160	525	409
Interest expense on deposits	-	1	41	-

	Year ended 31 December	
	2007 US\$'000	2006 US\$'000
Key management compensation		
Salaries and other short term benefits	2,411	2,237
Directors' remuneration		
Total remuneration of the directors	2,400	2,200

36. Major Business Acquisitions

On 31 January 2007, the group acquired 75% of the share capital of Banque Internationale pour Centrafrique (BICA) in Central African Republic. The acquired bank contributed operating income and profit of US\$10.9 million and US\$2.8 million respectively to the group for the period from 1 February 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the contribution to the group operating income and profit before allocations would have been US\$11.9 million and US\$3.0 million respectively.

On 30 June 2007, the group acquired 90% of the share capital of Bank of Commerce, Development and Industry (BCDI) in Rwanda. The acquired bank contributed operating income and profit of US\$3.2 million and US\$1.0 million respectively to the group for the period from 1 July 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the contribution to the group operating income and profit before allocations would have been US\$4.6 million and US\$1.0 million respectively.

36. Major Business Acquisitions (continued)

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

Date of acquisition	BICA Central Africa		BCDI Rwanda	
	Fair value 31 January 2007 US\$'000	Acquiree's previous carrying value US\$'000	Fair value 30 June 2007 US\$'000	Acquiree's previous carrying value US\$'000
The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows :				
Cash and cash equivalent	18,461	11,818	39,732	27,968
Loans and advances to customers	32,988	32,988	11,090	11,090
Investment securities	468	468	4,154	4,154
Property, plant and equipment	2,658	11,571	8,626	8,930
Other assets	11,233	2,658	6,211	6,625
Deposit from banks	(942)	(942)	(2,400)	(2,400)
Deposit from customers	(46,179)	(46,179)	(53,109)	(53,109)
Other borrowed funds	-	-	(7,496)	(7,496)
Other liabilities	(13,598)	(13,598)	(1,460)	(1,460)
Net assets value	5,089	(1,216)	5,348	(5,698)
Less minority interest	(1 272)		(535)	
Net assets acquired	3,817		4,813	
Cost of acquisition (discharged by cash)	5,677		11,743	
Net assets acquired	3,817		4,813	
Goodwill (Note 18)	1,860		6,930	
Cost of acquisition (discharged by cash)	5,677		11,743	
Cash and cash equivalents in subsidiaries acquired	18,461		39,732	
Net cash received	12,784		27,989	

The goodwill is attributable to the significant synergies expected to arise. Fair value of assets and liabilities acquired are based on discounted cash flow models.

37. Events After the Balance Sheet Date

In February 2008, Ecobank Transnational Incorporated acquired 73% interest in Loita Bank Ltd and renamed it Ecobank Malawi.

Ecobank Congo Brazaville, a wholly owned subsidiary of Ecobank Transnational Incorporated commenced operations in February 2008.

Parent Company's Financial Statement

Income Statement

	Year ended 31 December	
	2007	2006
	US\$'000	(as restated) US\$'000
Interest and similar income	308	496
Interest expense and similar charges	(2,702)	(839)
Net interest expense	(2,394)	(343)
Fee and commission income	7,004	5,979
Fee and commission expense	(46)	(70)
Net fee and commission income	6 958	5,909
Dividend income	49,440	24,128
Operating expenses	(11,305)	(10,364)
Profit for the year	42,699	19,330

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

▪ basic	3.17	1.54
▪ diluted	3.07	1.54

Parent Company's Financial Statement

Balance Sheet

	As at 31 December	
	2007	2006
	US\$'000	(as restated) US\$'000
ASSETS		
Balances with banks	86,238	8,949
Investment securities - available for sale	-	707
Investment in subsidiaries	293,888	243,779
Other assets	38,421	7,295
Property, plant and equipment	455	475
Total assets	419,002	261,205
LIABILITIES		
Borrowed funds	129,129	7,143
Other liabilities	7,075	6,999
Retirement benefit obligations	1,760	839
Total liabilities	137,964	14,981
EQUITY		
Share capital	264,547	263,507
Retained earnings	1,538	(25,831)
Other reserves	14,953	8,548
Total equity	281,038	246,224
Total liabilities and equity	419,002	261,205

Parent Company's Financial Statement

Statement of Changes in Equity

	Share capital US\$'000	Other reserves US\$'000	Year ended 31 December	
			Retained earnings US\$'000	Total equity US\$'000
At 31 December 2005 / 1 January 2006				
▪ As previously reported	179,256	18,733	23,558	221,547
▪ reversal of share of profit	-	-	(68,226)	(68,226)
▪ reversal of other reserves	-	(10,535)	10,535	-
As restated	179,256	8,198	(34,133)	153,321
Net gains not recognised in the income statement	-	-	34	34
Net profit	-	-	19,330	19,330
Total recognised income for 2006	-	-	19,364	19,364
Dividend for 2005	-	-	(10,712)	(10,712)
Transfer to general banking reserve	-	350	(350)	-
Proceeds from issue of shares	84,251	-	-	84,251
At 31 December 2006/ 1 January 2007	263,507	8,548	(25,831)	246,224
Net gains not recognised in the income statement	-	-	-	-
Net profit	-	-	42,699	42,699
Total recognised income for 2007	-	-	42,699	42,699
Dividend for 2006	-	-	(18,355)	(18,355)
Share option granted	-	-	9,430	9,430
Transfer to general banking reserve	-	6,405	(6,405)	-
Proceeds from issue of shares	1,040	-	-	1,040
At 31 December 2007	264,547	14,953	1,538	281,038

Parent Company's Financial Statement

Cash Flow Statement

	Year ended 31 December	
	2007	2006
	US\$'000	US\$'000
Cash flows from operating activities		
Profit for the year	42,699	19,330
Depreciation	233	206
Provision for gratuity	921	308
Dividend received	(49,440)	(24,128)
Share option granted	9,430	-
Profit on disposal of property, plant & equipment	(5)	(2)
Changes in operating assets and liabilities		
▪ (increase)/decrease in loans and advances to other banks	1,428	552
▪ net increase in other assets	(31,126)	(2,656)
▪ net decrease in deposits from other banks	-	(41,500)
▪ net decrease in other deposits	-	(16,826)
▪ net decrease in other liabilities	76	(5,297)
Net cash used in operating activities	(25,784)	(70,013)
Cash flows from investing activities		
Dividend received	49,440	24,128
Purchase of property and equipment	(213)	(312)
Proceeds from sale of property and equipment	5	26
Investments in subsidiaries	(50,109)	(39,723)
Redemption/(purchase) of available for sale securities	707	(18)
Net cash from investing activities	(170)	(15,899)
Cash flows from financing activities		
Repayment of borrowed funds	(1,429)	(1,429)
Drawdown on borrowed funds	123,415	-
Issue of ordinary shares	1,040	87,285
Dividends paid	(18,355)	(10,712)
Net cash from financing activities	104,671	75,144
Net decrease in cash and cash equivalents	78,717	(10,768)
Cash and cash equivalents at beginning of year	1,807	12,575
Cash and cash equivalents at end of year	80,524	1,807

Five Year Summary of Financials

	2007 US\$'000	2006 US\$'000	2005 US\$'000	2004 US\$'000	2003 US\$'000
At the year end					
Total Assets	6,550,224	3,503,739	2,199,230	1,910,433	1,523,091
Loans and Advances to customers	3,117,036	1,919,366	1,022,140	923,661	785,983
Deposits from Customers	4,714,327	2,500,178	1,532,478	1,465,117	1,153,235
Shareholders' Equity	513,548	382,088	221,547	127,219	105,502
Total Equity	651,760	482,315	303,879	165,258	135,853
Book Value per Share (cents)	38.12	30.48	26.96	17.86	15.02
For the year					
Revenues	543,988	348,464	236,351	203,852	156,690
Loan Loss Provision	19,148	13,091	14,898	18,136	5,672
Profit Before Tax	190,570	129,299	73,729	60,315	48,462
Profit After Tax	138,936	86,365	50,939	40,427	30,214
Profit Attributable	107,373	69,350	41,502	31,431	22,197
Earnings Per Share (cents)	7.97	5.53	5.05	4.41	3.16
Earnings Per Share (cents) -Diluted	7.71	5.53	5.05	4.41	3.16
Dividend Per Share (cents US)	2.0	1.5	1.4	0.9	0.5
Return on Average Equity (%)	24.0	23.0	23.8	26.9	24.3
Return on Average Assets (%)	2.8	3.0	2.5	2.4	2.3
Efficiency ratio (%)	61%	59%	63%	61%	63%

Per share items restated for 1 for 1 split issue and 1 for 5 bonus issue

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3. Stock Exchanges

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The Managing Director

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The Managing Director

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For unclaimed dividends and all other information, please contact your respective local registrar or your broker.

20 Year Milestones

- 1985** Ecobank Transnational Incorporated, the parent company of the Ecobank group is incorporated and granted the status and privileges of a non-resident regional financial institution by the government of Togo.
- 1986** Technical assistance agreement signed between Citibank and ETI and later discontinued.
- 1988** Opening of first Ecobank subsidiary in Lome, Togo.
- 1989** Acquisition of Chase Manhattan Bank, Côte d'Ivoire; Ecobank Nigeria opens for business as a commercial bank.
- 1990** Banking subsidiaries started in Benin and Ghana.
- 1997** Ecobank Burkina Faso commenced operations.
- 1998** Ecobank commenced operations in Mali.
Investment in ETI open to non - West Africans.
Kingdom Holding and the IFC invest in ETI.
Ecobank Development Corporation (EDC), the investment banking and capital market subsidiary was launched.
- 1999** Banking subsidiaries established in Guinea, Liberia, Niger and Senegal.
- 2001** Ecobank opens in Cameroon.
- 2002** eProcess, the technology and enabled services subsidiary established.
- 2004** Ecobank opens a money transfer / foreign exchange subsidiary in Cape Verde.
- 2006** ETI listed on the three exchanges in West Africa (Accra, Lagos, Abidjan).
Visa, Mastercard and the Ecobank Regional Card launched.
Simultaneously, Ecobank Chad and Sierra Leone commence operations.
- 2007** Ecobank opens new subsidiaries in Guinea-Bissau, Central African Republic, Rwanda, Sao Tome and Principe and Gambia.
Ecobank and ACCION launch partnership to promote microfinance in Africa.
Ecobank ranked among the top 1000 banks in the world.
Ecobank wins African Bank of the Year Award (IC Publications).

Principal Subsidiaries and Offices

Group Office:

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Benin

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Fax: (229) 21 31 33 85

Guinea Bissau

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Fax: (245) 20 73 63

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8, Avenue Léopold Sédar Senghor
B.P. 9095 - Centre Douanes (CD)
Dakar - SÉNÉGAL
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BURKINA-FASO
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Sierra Leone

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eProcess International SA

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Mali

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Quartier du Fleuve - B.P.E. 1272
Bamako - MALI
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ECV Serviços Financeiros Agência de Câmbios

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