

ECOBANK GHANA LIMITED

AND

ITS SUBSIDIARIES

CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2006

ECOBANK GHANA LIMITED

PROXY FORM

I/WE..... Being a Member of the above-named Company hereby appoint.....or failing him the Chairman of the Meeting as my/our Proxy to vote on my/our behalf at the Annual General Meeting (AGM) of the Company to be held on Thursday, the 22nd day of March, 2007 at 10.30 o'clock in the forenoon at the National Theatre, Ministries, Accra.

DATED THE.....DAY OF MARCH, 2007.

.....
 MEMBER

NOTE:

This Form is to be used in favour of/against the Resolutions set out in the Agenda.

Please indicate with an "X" in the spaces above how you wish your vote to be cast. Unless otherwise instructed, the Proxy will vote as he/she thinks fit.

- | | For | Against |
|---|--------------------------|--------------------------|
| 1. TO CONSIDER AND APPROVE the Accounts and Balance Sheet together with the Report of the Directors and the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. TO DECLARE a Dividend. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. TO RATIFY the appointment of the following as Director of the Company:

ADEGBOYEGA OLADAPO ADEKUNLE OJORA | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. TO REAPPOINT the following Directors whose Mandates have ended for another three (3) year term. | | |
| (a) MRS. MARIAM GABALA DAO | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) MR. IGNACIO PROSPER KOKOU SEDDOH. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. TO REAPPOINT Messrs. PricewaterhouseCoopers as Auditors of the Company. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. TO AUTHORISE the Directors to fix the remuneration of the Auditors. | <input type="checkbox"/> | <input type="checkbox"/> |

In case of a Body Corporate, this Proxy Form should be completed by the signature of a duly authorised Officer and should be accompanied by a Resolution in accordance with Section 165 of the Companies Code, 1963 (Act 179).

To be valid, this Proxy Form must be filled up, signed and lodged (together with any authority under which it is signed) at the Registered Office of the Company, No.19 Seventh Avenue, Ridge West, Accra not later than 5.00 p.m. on Wednesday, the 21st day of March, 2007.

SHAREHOLDERS' INFORMATION

Shareholders	No. of shares	% of shares
1. Ecobank Transnational Inc	141,028,035	87.47
2. Ghana Reinsurance Company Limited	5,453,044	3.38
3. Social Security and National Insurance Trust	1,457,377	0.90
4. AngloGold Ashanti Limited Provident Fund	1,196,845	0.68
5. Teachers Fund	1,045,055	0.65
6. Mr. Jude Kofi Bucknor	965,490	0.60
7. Ecobank Ghana Limited Staff Savings Plan	564,639	0.35
8. Dr. Nii Narku Quaynor	393,888	0.24
9. Galtere International Fund	210,024	0.17
10. Siclife Business	278,122	0.13
11. Okubanjo Oloye Oladotun Okunowo	168,077	0.10
12. Unilever Ghana Limited	153,801	0.10
13. State Insurance Company General Business	149,318	0.09
14. Dr. Jean Nelson Aka	142,865	0.09
15. VRA Staff Provident Fund	118,522	0.07
16. Ecobank stockbrokers Limited Trading Account	117,167	0.07
17. Vanguard Assurance Company Limited	100,000	0.06
18. Mr. Edward Kwame Otu Gyandoh	89,641	0.06
19. Mr. Edward Patrick Larbi Gyampoh	84,550	0.05
20. Donewell Insurance Company Limited	78,122	0.05
21. Others	7,430,418	4.67
	161,225,000	100.00

SHAREHOLDERS' INFORMATION

Number of Shareholders

The Bank had 11,713 ordinary shareholders at 31 December 2006 with equal voting rights distributed as follows:

Holding	No. of Holders	Holders %	No. of Shares	% of holding
1 - 1,000	10,814	92.2	3,538,872	2.2
1001 - 5,000	733	6.3	1,635,114	1
5,001 - 10,000	72	0.7	576,407	0.4
10,001 - and over	94	0.8	155,474,607	96.4
	11,713	100	161,225,000	100

Directors' Shareholding

The Directors named below held the following number of shares in the bank as at 31 December 2006:

Directors	No. of shares	% holding
Mrs. Frances Adu-Mante	46,041	0.029%
Mr. Albert Kobira Essien	29,234	0.018%
Mr. Samuel Ashitey Adjici	28,883	0.018%
Mariam Gabala Dao (Mrs)	27,284	0.017%
Tei Mensa Mante	15,922	0.010%
Kofi Ansah	7,922	0.005%
Ignacio Prosper Kokou Seddoh	902	0.001%

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BOARD OF DIRECTORS



Tei Mensa Mante
 (Chairman -
 Appointed 24
 March 2006)



Samuel Ashitey Adjei
 Managing Director



*Albert Kobina
 Essien*



Mariam Gabala Dao (Mrs)



*Ignacio Prosper Kokou
 Seddoh*



Frances Adu-Mante (Mrs)



Kofi Ansah



*Adegboyega
 Oladapo A. Ojora*
 (Appointed 7 December
 2006)



Morgan Fianko Asiedu
 Company Secretary

FIVE YEAR FINANCIAL SUMMARY

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005	2004	2003	2002	2001
Profit and loss statement						
Revenue	631,836	497,186	366,949	306,224	219,720	207,016
Profit before tax and NRL	239,989	186,790	148,034	120,217	89,093	83,488
Profit after tax	165,302	119,645	87,702	68,113	53,647	54,435
Dividend	108,594	75,772	24,580	24,149	19,084	31,710
Retained earnings for the year	10,933	15,253	52,824	36,223	28,626	16,587
Balance sheet (end of period)						
Cash and short term funds	1,289,462	1,024,379	991,558	665,729	779,832	622,537
Investment securities	1,122,975	860,845	606,901	408,062	197,781	96,162
Loans and advances	1,622,454	1,175,251	701,318	626,999	267,927	280,987
Other assets	283,721	135,199	107,735	91,455	86,976	55,334
Total assets	4,318,612	3,195,674	2,407,512	1,792,245	1,332,516	1,055,020
Due to other banks and financial institutions	24,415	51,999	21,014	83,078	16,771	25,943
Deposit and other accounts	3,356,372	2,510,693	1,938,675	1,347,282	1,109,088	868,548
Other liabilities	357,370	244,497	151,306	137,705	102,830	77,114
Long term debt	155,646	111,409	57,559	43,164	1,338	1,334
Total liabilities	3,893,803	2,918,598	2,168,554	1,611,229	1,230,027	972,939
Shareholders' equity						
Share capital	164,006	72,981	70,000	18,200	18,200	18,200
Reserves	260,803	204,095	168,958	162,816	84,289	63,881
	424,809	277,076	238,958	181,016	102,489	82,081
Liabilities and shareholders' equity	4,318,612	3,195,674	2,407,512	1,792,245	1,332,516	1,055,020
Statistics						
Earnings per share in Cedis	1,025	782	1,253	3,742	2,948	2,991
Dividend per share in Cedis	673.56	495.40	351.15	1,327	1,049	1,742
Net assets per share in Cedis	2,749	1,849	3,412	9,946	5,631	4,510

VALUE ADDED STATEMENT

(All amounts are expressed in millions of cedis unless otherwise stated)

Value added is the wealth created by the efforts of the Group and its employees. This statement shows the allocation of that wealth between the employees, shareholders, government and that re-invested for the future creation of more wealth.

	2006		2005	
Gross earnings				
Interest and discount expenses	631,836		497,186	
	<u>(139,628)</u>		<u>(100,734)</u>	
	492,208		396,452	
Administration overheads and payments:				
For other services	(119,392)		(89,113)	
Loan loss expenses	<u>(3,234)</u>		<u>(16,377)</u>	
	<u>(122,626)</u>		<u>(105,440)</u>	
Applied as follows:				
In payment to employees:	369,583		291,012	
Salaries and other benefits	(108,993) 29%		(62,433) 32%	
In payment to providers of capital:				
Dividend	(108,594) 29%		(24,580) 12%	
In payment to government:				
Tax	(61,793) 17%		(46,148) 23%	
National reconstruction levy	(12,894) 4%		(14,184) 7%	
Retained for future replacement of fixed assets and expansion of business:				
Depreciation	(20,599) 6%		(11,403) 6%	
Profit re-invested in the business	<u>(56,709) 15%</u>		<u>(39,075) 20%</u>	
	<u>(369,582) 100%</u>		<u>(197,824) 100%</u>	

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the **Annual General Meeting (AGM)** of Ecobank Ghana Limited will be held at the **National Theatre, Ministries, Accra, Ghana** on **Thursday, March 22, 2007** at **10.30 o'clock** in the forenoon to transact the following business:

AGENDA

- TO CONSIDER AND APPROVE** the **Statement of Accounts** and **Balance Sheet** of the Company for the year ended the **31st day of December, 2006** together with the **Reports of the Directors and Auditors** thereon.
- TO DECLARE** a Dividend.
- TO RATIFY** the appointment of the following as a Director:

ADEGBOYEGA OLADAPO ADEKUNLE OJORA

- TO REAPPOINT** the following Directors whose mandate have ended for another three (3) year term:

**MRS. MARIAM GABALA DAO.
MR. IGNACIO PROSPER KOKOU SEDDOH**

- TO REAPPOINT** Messrs. PricewaterhouseCoopers as Auditors of the Company.
- TO AUTHORISE** the Directors to fix the remuneration of the Auditors.

A **MEMBER** entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his/her/its stead. A Proxy need not be a Member of the Company. The appointment of a Proxy will not prevent a Member from subsequently attending and voting at the Meeting in person. A Proxy Form is on the last page.

DATED AT ACCRA, THIS 19th DAY OF FEBRUARY, 2007.

BY ORDER OF THE BOARD.



**MORGAN FIANKO ASIEDU
COMPANY SECRETARY**

CORPORATE INFORMATION

Board of Directors	Edward Patrick Larbi Gyampoh (Chairman - Resigned 23 March 2006)
	Tei Mensa Mante (Chairman - Appointed 24 March 2006)
	Samuel Ashitey Adjei (Managing Director)
	Albert Kobina Essien
	Mariam Gabala Dao (Mrs)
	Ignacio Prosper Kokou Seddoh
	Frances Adu-Mante (Mrs)
	Kofi Ansah
	Adegboyega Oladapo A. Ojora (Appointed 7 December 2006)
Secretary/Solicitor	Morgan Fianko Asiedu
	Ecobank Ghana Limited
	19 Seventh Avenue
	Ridge West
	PMB GPO Accra
Auditors	PricewaterhouseCoopers
	Chartered Accountants
	No. 12 Aviation Road
	Una Home, 3 rd Floor
	Airport City
	PMB CT42
	Cantonments Accra
Registered Office	Ecobank Ghana Limited
	19 Seventh Avenue
	Ridge West
	PMB GPO
	Accra

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

32. Related party transactions (continued)

Type of related party	2006	2005
(i) Loans to directors		
Loans outstanding at 1 January	1,165	1,790
Loans issued during the year	1,658	402
Loan repayments during the year	(600)	(1,027)
Loans outstanding at 31 December	<u>2,223</u>	<u>1,165</u>
Interest income earned	<u>102</u>	<u>61</u>
No provisions have been recognised in respect of loans given to related parties (2005: nil).		
(ii) Deposits from ETI Affiliates		
Deposit at 1 January	1,270	16,521
Deposit received during the year	7,688	-
Deposit repaid during the year	-	(15,251)
Deposit at 31 December	<u>8,958</u>	<u>1,270</u>
(iii) Placements with ETI Affiliates		
Placements at 1 January	54,529	(32,484)
Placements during the year	3,419	54,529
Maturities during the year	(54,529)	(32,484)
Placements at 31 December	<u>3,419</u>	<u>54,529</u>
(iv) Consultancy services		
Management fee	11,155	(4,561)
(v) Loan to E-Process Int. (Affiliate)		
Loan issued during the year	16,177	-
Loan outstanding as at 31st December	16,177	-

On 8th September 2006 Ecobank Ghana Limited agreed to lend to E-Process Int. (A subsidiary of Ecobank Transnational incorporated) a loan of US \$ 1.7 million for a period of five years at a commercial rate of LIBOR plus two per cent per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

30. Maturities of assets and liabilities

The above analyses of assets and liabilities of the Group is based on the remaining period at balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank and its subsidiaries. It is unusual for Banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

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

31. Cash and cash equivalents

	2006	2005
Cash on hand	101,913	75,723
Balances with Bank of Ghana	361,663	132,052
Due from other banks	<u>825,886</u>	<u>816,604</u>
	1,289,462	1,024,379
Treasury bills	1,033,918	811,544
Due to other banks	<u>(24,415)</u>	<u>(51,999)</u>
	<u>2,298,965</u>	<u>1,783,924</u>

32. Related party transactions

The Bank is controlled by Ecobank Transnational Incorporated (incorporated in the Republic of Togo), which owns 87.47% of the issued shares.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The parent company also provides consultancy services. These transactions were carried out on commercial terms and at market rates. The volumes of related party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

FINANCIAL HIGHLIGHTS

(All amounts are expressed in millions of cedis except per share and ratio data)

	2006	2005
At year end		
Total assets	4,318,612	3,195,674
Total loans and advances (Net)	1,622,454	1,175,251
Total deposits	3,356,372	2,510,693
Shareholders' equity	424,809	277,076
For the year		
Gross earnings	631,836	497,186
Profit before tax and national reconstruction levy	239,989	186,790
Profit after tax	165,302	119,645
Dividend per share	673.56	495.40
Earnings per share	1,025	782
Return on average equity	47%	46%
Return on average assets	4.4%	4.3%
Capital adequacy	21.18%	23.39%
Number of permanent staff	371	318
Number of branches	21	9

BUSINESS REVIEW

Ecobank Ghana Limited (EBG) was incorporated on January 9, 1989 as a private limited liability company under the Companies Code to engage in the business of banking. EBG was initially licensed to operate as a merchant bank by the Bank of Ghana on November 10, 1989. It commenced business on February 19, 1990.

The bank is a subsidiary of Ecobank Transnational Incorporated (ETI), a bank holding company which currently has sixteen (16) subsidiaries across West and Central Africa.

The Bank's Mission & Vision

EBG's mission is to become a strategic part of a world-class African banking group. The bank's vision is to provide its customers convenient, accessible and reliable banking products and services.

In line with this, EBG seeks to create a unique African institution characterised by a determined focus on customers, employees and shareholders and an absolute commitment to excellence in the financial services industry. The bank seeks to pursue this mission and uphold its values by applying the following principles to its business decisions and conduct:

- ❖ Treat each customer as a preferred customer
- ❖ Invest in training and development of its staff
- ❖ Deliver quality products and services which exceed customer expectations
- ❖ Develop markets and products in which it can reach and maintain competitive advantage
- ❖ Deliver appropriate returns to its shareholders
- ❖ Maintain high standards of ethics and compliance at all times

The Year under Review - 2006

2006 was a unique year for the bank as it was converted from a private bank to a public bank. At an Extraordinary General Meeting held on February 8, 2006 the bank's shareholders adopted a special resolution to convert EBG into a public company limited by shares in furtherance of the company's wish to undertake a public floatation. This was followed by a public floatation of 8,275,000 Ordinary Shares of No Par Value at ₵11,000. This was launched on May 15, 2006, and the Bank opened its Initial Public Offer (IPO) on that day. The Share Offer was for a period of three (3) weeks and was successful, as it was oversubscribed by 115%.

2006 also marked the first year of implementation of the Bank's medium term strategy of transforming Ecobank Ghana from a predominantly wholesale bank into a retail bank, while it continues to pursue growth, efficiency and resilience. In line with this strategy, and coupled with the Group's policy of transforming the Ecobank Group into a First Class International Banking Group, some changes were made to the organizational set up of the Bank, which were implemented in 2006.

Retail Banking

The Retail Banking Segment focuses on developing the Micro, Small, and Medium Scale Enterprises, High Network Individuals, Salaried Workers, Religious Organizations, Educational Institutions, Health Institutions, and Clubs and Associations across all the Bank's branches and agencies. The Retail Banking Segment accordingly has six (6) distinct units which provide market driven financial solutions to their respective target markets. These are:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

30. Maturities of assets and liabilities

As at 31 December 2006	0-3 month	3-6 months	6-12 months	Over 1 year	Total
Assets					
Cash and short-term funds	463,576	-	-	-	463,576
Government securities	135,876	73,532	566,706	257,804	1,033,918
Due from other banks and financial institutions	-	825,886	-	-	825,886
Investment in other securities	-	-	83,583	5,474	89,057
Loans and advances to customers	820,120	113,315	94,845	594,174	1,622,624
Other assets (other than property and equipment)	106,659	69,963	-	-	176,622
Property and equipment	-	-	-	107,099	107,099
Total assets	1,526,231	1,082,696	745,134	964,551	4,318,612
Liabilities					
Due to banks	-	-	24,415	-	24,415
Deposits	1,826,153	818,725	711,494	-	3,356,372
Other liabilities	121,830	139,165	96,375	-	357,370
Long term debt	35,766	160	3,464	116,256	155,646
Total liabilities	1,983,749	958,050	835,748	116,256	3,893,803
Net liquidity gap	(457,518)	124,646	(174,196)	931,877	424,809
As at 31 December 2005					
Total assets	935,582	1,334,496	340,659	584,937	3,195,674
Total liabilities	1,884,328	530,704	428,375	75,191	2,918,598
Net liquidity gap	(948,746)	803,792	(87,716)	509,746	277,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

29. Concentration of assets, liabilities and off balance sheet items

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Group's exposure to foreign currency exchange rate risks at the end of the year. Included in the table are the Bank's assets and liabilities at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalent of the foreign currencies.

	USD	Euro	GBP	Cedi	Others	Total
	¢million	¢million	¢million	¢million	¢million	¢million
Assets						
Cash and short-term funds	813,660	5,696	25,655	364,685	79,766	1,289,462
Government securities	-	-	-	1,033,918	-	1,033,918
Investment in other securities						
- Available-for-sale	-	-	-	89,057	-	89,057
- Held-to-maturity	-	-	-	-	-	-
Loans and advances to customers	619,975	-	-	1,002,479	-	1,622,454
Other assets	-	-	-	176,622	-	176,622
Property and equipment	-	-	-	107,099	-	107,099
Total assets	1,433,635	5,696	25,655	2,773,860	79,766	4,318,612
Liabilities						
Due to other banks and financial institutions	7,220	-	-	13,431	3,764	24,415
Customer deposits	1,190,843	13,393	49,347	1,789,365	313,424	3,356,372
Other liabilities, including tax	-	-	-	357,370	-	357,370
Long term debt	27,642	35,454	-	92,550	-	155,646
Total liabilities	1,225,705	48,847	49,347	2,252,716	317,188	3,893,803
Net on balance sheet position	207,930	(43,151)	(23,692)	521,144	(237,423)	424,809
Credit commitments	298,227	32,686	48,733	155,518	11,978	547,142
31st December 2005						
Total assets	1,071,241	140,395	147,977	1,774,189	61,872	3,195,674
Total liabilities	1,017,622	129,957	147,503	1,608,509	15,007	2,918,598
Net on balance sheet position	53,619	10,438	474	165,680	46,865	277,076
Credit commitments	229,278	19,187	91,462	106,079	39,079	485,085

- Private Banking
- Consumer Banking
- SME Banking
- Microfinance
- Branches & Channels
- Marketing & Customer Service

The Private Banking Unit focuses on High Networth Individuals, and seeks to provide tailored products and services to this segment of the market. The Bank's Private Banking Service was launched during the last quarter of the year 2006.

The Consumer Banking Unit handles the banking and financial needs of salaried workers, religious organizations, educational institutions, health institutions, and Clubs and Associations.

The SME Banking Unit focuses on growing Small and Medium-sized Enterprises (SMEs), through the provision of well researched and customer driven tailor-made financial products and services. The nature of such businesses requires a thorough understanding of their financial and banking needs, hence the special dedication of that sector to a particular Unit to handle. In addition, business advisory services, leasing facilities and asset management services are also provided to clientele in this section.

The Microfinance Unit which is a new unit will handle the micro and small business segment especially in the informal sector. Ecobank is venturing into this micro & small business banking via a strategic partnership with a reputable international world leader in microfinance. Whiles most of the small and micro businesses operating in the informal sector have been largely ignored, Ecobank believes that this segment holds the key to increasing employment and incomes and reducing poverty.

The Branches and Channels Unit coordinates the activities of the Bank's distribution network, i.e. branches, agencies, Automated Teller Machines, Western Union Locations, etc. The Unit plays a key role in identifying strategic locations with potential banking business in the Bank's branch expansion strategy.

The Marketing and Customer Service Unit drives the marketing of the Retail Banking unit's products and services. The Unit also pursues aggressive and continuous customer service campaigns for the entire bank on the need for exceptional service delivery. This is ultimately to ensure customer satisfaction at all levels.

Wholesale Banking

Having established itself as a leading provider of first-class financial services in corporate banking in the past, the bank's Wholesale Banking Segment's focus will continue to be the provision of value-added solutions to its clients leveraging on technology and unique understanding of their business needs. Accordingly, the Wholesale Banking Segment has now been classified under the following four distinct units to enhance the focused approach to corporate banking:

- Local Corporates
- Public Sector
- Regional Corporates and/or Multinationals
- Transaction Services

Thus, despite developing the retail banking segment of the Bank, Ecobank Ghana still focuses on the corporate banking segment as well. The Wholesale Banking Segment will seek to further deepen clients' relationships, and grow its clientele base through effective marketing, product innovation, competitive pricing and other value-added solutions to its clientele.

Operations and Technology

Technology-driven operational efficiency remains key to the success of Ecobank's operations. Ecobank continues to upgrade its IT systems to support its process re-engineering activities, in order to improve on operational efficiency and enhance service delivery. Its IT infrastructure is up-to-date, its systems integrated, branches and agencies fully networked, creating the convenience and flexibility in transacting banking businesses at any outlet of the Bank.

Treasury and Financial Institutions

The renaming of the Treasury Department as Treasury and Financial Institutions in 2006 reflects the expansion in the focus of the department to include relationship management for Financial Institutions, Non-Governmental Organisations, International Organizations, Embassies and Insurance companies. The Department continues to support the customers of the Bank to ensure that their need for foreign currency and funding are taken care of.

With the support of the marketing units, the Bank signed an agreement with Oikocredit and European Investment Bank (EIB) to obtain funding up to the tune of US\$3million and EUR15million respectively to support Small and Medium Enterprises. The Unit also provides Global Treasury Services and advisory services.

Human Resource

A well motivated, disciplined and committed workforce has driven the sterling performance of the Bank. Effective training and development programs both in-house and external - are in place, to develop the performance-enhancing capacities of the staff. This coupled with the continuous review of staff functions, rotation programs, and the use of productivity based incentive packages has significantly impacted positively on staff performance.

Financial Control

The Financial Control Department in addition to its finance function has also embraced the Strategy and Research Units of the Bank. This has enhanced the value creation capacity of the finance function of the Bank.

Financial Year 2006 under Review

The Bank continued its geographical reach expansion by opening branches at McCarthy Hill, Darkuman, Abeka Lapaz, Nima, KNUST, Tema Community 6 and New Abirem. The Kenyasi Agency was also upgraded to a full branch, other western union locations were also upgraded.

In addition, the Bank expanded its ATMs by adding a total of 16 ATMs during the year. These included 7 Onsite ATMs and 9 Offsite ATMs, 5 of which were set up in collaboration with Transol.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

26. Contingent liabilities and commitments (continued)

Nature of contingent liabilities

Letters of credit commit the group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a Bank to support performance by a customer to third parties. The group will only be required to meet these obligations in the event of the customer's default.

Legal proceedings: There were a number of legal proceedings outstanding against the Group as at 31 December 2006. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise. The probable liability to the group is c¢11,660 million (2005 : nil)

27. Ultimate holding company

The ultimate holding company of the Group is Ecobank Transnational Inc., a company incorporated in the Republic of Togo.

28. Country analysis

	In Ghana 2006	Outside Ghana 2006	In Ghana 2005	Outside Ghana 2005
Assets				
Cash and short term funds	369,921	919,541	183,433	840,946
Investments	1,122,975	-	860,845	-
Loans and advances to customers	1,622,454	-	1,175,251	-
Other assets	176,622	-	48,284	-
Property and equipment	107,099	-	86,915	-
Total assets	3,399,071	919,541	2,354,728	840,946
Liabilities				
Due to other banks and financial institutions	12,297	12,117	22,939	29,060
Deposits and current accounts	3,356,372	-	2,510,693	-
Other liabilities	236,624	98,532	152,074	69,864
Tax payable	22,214	-	22,559	-
Long term debt	89,085	66,561	98,719	12,690
Total liabilities	3,716,593	177,210	2,806,984	111,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

The average number of permanent staff employed by the Bank during the year was **371** (2005: 318).

24. Dividend proposed

	2006	2005
Proposed dividend of ¢673.56 (2005: ¢495.40) per share	<u>108,594</u>	<u>75,772</u>

Payment of dividend is subject to the deduction of relevant withholding taxes. The amount of withholding tax payable is as follows:

Balance at 1 January	7,279	2,376
Charge for the year	10,422	7,279
Payment in the year	<u>(7,279)</u>	<u>(2,376)</u>
Balance at 31 December	<u>10,422</u>	<u>7,279</u>

25. Earnings and dividend per share data

Earnings and dividend per share are computed respectively from the result of the group after deducting tax and profit attributable to minority interest.

26. Contingent liabilities and commitments

The group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The group also holds certain securities in its own name on behalf of customers. The value of these securities is not recognised in the consolidated balance sheet.

	2006	2005
Guarantees and indemnities	380,717	236,714
Documentary and commercial letters of credit	<u>166,425</u>	<u>248,371</u>
	<u>547,142</u>	<u>485,085</u>

Financial Results in 2006

Ecobank remains a profitable and financially sound bank. During the year, the Bank posted a 38% growth in Profit after Tax (PAT) of ¢165.3 billion compared to the previous year's figure of ¢119.6 billion.

The Bank's asset size also grew by 35% from ¢3.2 trillion in 2005 to ¢4.3 trillion in 2006.

Corporate Governance

Ecobank believes in corporate fairness, transparency and accountability. The bank has in place structures and systems which enhances good corporate governance and ensures accountability to its stakeholders.

Regulation and Supervision

Ecobank Ghana's operations are examined and supervised by the Banking Supervision Department of Bank of Ghana. The subsidiaries are also regulated and guided by the Non-Bank Financial Institutions department of Bank of Ghana and the Securities and Exchange Commission.

The holding company, Ecobank Transnational Incorporated, (ETI), is regulated by Commission Bancaire, the supervisory arm of Banque Centrale des Etats de l'Afrique de L'Ouest (BCEAO). This supervisory body has oversight responsibility for institutions in the Union Economique et Monetaire Ouest Africaine (UEMOA) which includes the Republic of Togo where ETI is incorporated and located.

Inflation and Currency Movements

Currency movements and inflation significantly affect our performance. Ecobank's assets are predominantly financial in nature therefore any adverse movement in inflation and exchange rates affect the value of our assets.

Monetary gains and losses are addressed in the accounts on the basis of prevailing International Financial Reporting Standards.

CHAIRMAN'S ADDRESS

“2006 was monumental for Ecobank Ghana as the Bank was converted from a private company to a public listed company on the Ghana Stock Exchange. It also marked the first year of implementation of our medium term strategic plan. The implementation has so far been good and the results, excellent!”

Dear Shareholders,

It is my greatest pleasure to welcome you to the first Annual General Meeting of Ecobank Ghana Limited since we became a public listed company, and to present to you the Annual Report and Accounts for the year ended December 31, 2006. I wish to especially welcome all our new Shareholders to the Ecobank fraternity.

2006 was monumental for Ecobank Ghana as the Bank was converted from a private company to a public listed company on the Ghana Stock Exchange after a successful Initial Public Offer.

It also marked the first year of implementation of our medium term strategic plan of transforming the Bank from a predominantly Wholesale Bank to a fully fledged Retail Bank.

And let me state at the onset that the implementation has so far been good and the results, excellent!

Let me first give you a brief overview of the economic environment in which your Bank operated during the year.

Overview of the Economic Environment in 2006

The economy maintained its relative stability in 2006 despite the external oil price shocks and fiscal slippages experienced during the year.

Inflation

The end of period inflation rate declined from 14.8% at December 2005 to 9.5% in April 2006 but climbed up to 11.4% in July due to the cumulative effects of the fuel price adjustments in May and July. However, after absorbing the impact of the fuel price increases, inflationary pressures diminished with a gradual but consistent decline in the subsequent months to 10.3% in November, before inching up to 10.5% in December as a result of increased demand associated with the festive season.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
20. Other operating income		
Gain on disposal, property and equipment	53	145
Other income	<u>1,871</u>	<u>2,374</u>
	<u>1,924</u>	<u>2,519</u>
21. Operating expenses		
Depreciation	20,599	15,341
Staff costs	108,993	88,882
Training	4,416	3,992
Administrative expenses	57,531	41,457
Advertising and business promotion	6,715	7,870
Auditors' remuneration	723	368
Directors' emoluments	911	677
Others	<u>48,480</u>	<u>32,312</u>
	<u>248,368</u>	<u>190,899</u>
22. National reconstruction levy		
Balance at 1 January	3,002	2,159
Charge during the year	12,894	13,484
Payment	<u>(15,330)</u>	<u>(12,641)</u>
Balance at 31 December	<u>566</u>	<u>3,002</u>
The national reconstruction levy is assessed under the National Reconstruction Levy 2001 (Act 597) as amended, at 7.5% and 1.5% on profit before tax of the Bank and its subsidiaries respectively. The balance payable at the end of the year is included in other liabilities in the balance sheet.		
23. Staff costs		
	2006	2005
Wages and salaries	89,755	75,441
Social security cost	12,454	8,732
Others (medical etc.)	<u>6,784</u>	<u>4,709</u>
	<u>108,993</u>	<u>88,882</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 29 (1) of the Banking Act, 2005 (Act 673) for the bank and Non-Bank Financial Institutions Business (BOG) Rule 5, for Ecobank Leasing Company Limited. The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid up capital.

17 Interest income

	2006	2005
Placements and short term funds	84,496	49,545
Treasury bills and government securities	138,496	136,555
Loans and advances	<u>233,882</u>	<u>162,531</u>
	456,874	348,631

18. Interest expense

Overnight and call accounts	19,233	14,959
Time deposits	103,408	73,358
Borrowed funds	<u>16,987</u>	<u>12,416</u>
	139,628	100,733

19. Fee and commission income

	2006	2005
Foreign exchange income	40,858	32,877
Current account servicing	7,547	6,323
Import and document credits	38,038	32,396
Funds transfer charges	20,600	19,571
Other fees and commissions	<u>65,995</u>	<u>54,869</u>
	173,038	146,036

Interest Rates

Interest rates likewise declined during the year under review. The yield on the 91-day Treasury bill declined from 11.45% p.a. at the end of 2005 to 9.64% p.a. at the end of 2006.

The 1 Year Treasury bill Note shed off 350 basis points during the year from 16.50% p.a. to 13.0% p.a. over the same period. Similarly, the 2 Year Fixed Note and the 3 Year Fixed Bond also shed off 350 basis points to end the year at 13.5% p.a. and 14.0% p.a. respectively.

In line with the decline in inflationary expectations during the first and the last quarters of the year, the Monetary Policy Committee reduced the Bank of Ghana Prime Rate from 16.5% p.a. to 14.5% p.a. in January and further to 12.5% p.a. in December 2006.

These developments resulted in a decline in the Base Rates and lending rates of Banks, and consequently narrowed the interest margins of Banks.

Exchange Rates

The foreign exchange market remained stable as the Cedi depreciated by a marginal 1.4% against the US Dollar in nominal terms on the inter-bank market during the year. The Cedi, however, depreciated sharply against the Euro and the Pound Sterling over the same period, due to the strengthening of these currencies against the US Dollar on the international markets.

Gross International Reserves

The country's Gross international reserves stood at US\$2.1 billion at the end of October 2006, equivalent to 3.5 months import cover.

Overall, the macro economic environment improved and business confidence remained positive. The financial sector was also stable and is becoming increasingly very competitive.

Summary of Financial Results

I will provide highlights of the financial results, while the full details will be provided by the Managing Director. Despite the challenging economic environment in 2006 and the increasingly competitive banking industry, your Bank once again, recorded an impressive financial performance.

With strong revenue growth and efficient cost control, your Bank posted a 38% growth in Profit After Tax (PAT) of ₵165.3 billion compared to the prior year's figure of ₵119.6 billion.

The Bank's asset size also grew by 35% from ₵3.2 trillion in 2005 to ₵4.3 trillion in 2006.

This was driven by total Deposits of ₵3.4 trillion, which grew by 34%. Our strategic loan growth plan was also on course as the Loan Portfolio grew by 38% from ₵1.18 trillion to ₵1.62 trillion.

Shareholders funds also increased by 53% to ₵425 billion, driven by equity injection and retained earnings.

Dividend

In line with balancing our commitment to higher returns for shareholders and sufficient earnings retention for business growth, the Board of Directors is proposing a dividend payment of ¢673.56 per share totaling ¢108.6 billion.

Awards

Ecobank has once again been acclaimed as the best bank in Ghana. During the year, the Bank became the first Bank in Ghana to be awarded the Bank of the Year for 2005 by two independent rating bodies Corporate Initiative Ghana (CIG) and Chartered Institute of Marketing Ghana (CIMG). It is the second back to back award that your Bank has won in the CIG Awards, and makes it a prestigious 4th time out of the 5 awards organized by CIG. It also represents the second CIMG award to Ecobank within the last three years.

Directorship

During the year, Mr. Edward P L Gyampoh ended his tenure as Chairman of the Board of Directors of the Bank at the end of the last Annual General Meeting on March 23, 2006. We greatly appreciate his sterling leadership which has propelled Ecobank Ghana to its enviable position in the industry. We congratulate him for a good work done and wish him the very best in all his endeavours.

I was subsequently appointed by the Board of Directors as Chairman, effective March 24, 2006, and I believe with the commitment and co-operation I have enjoyed so far from my colleagues, we will continue to provide the requisite leadership and direction to further grow your esteemed Bank.

The Board also appointed Mr. Adegboyega Oladapo Adekunle Ojora to serve on the Board in December 2006. Mr. Ojora is a qualified lawyer and has held many executive positions in several companies.

Corporate Social Responsibility

Ecobank Ghana is not only a successful financial institution, and the CIG Best Bank yet again, but also a socially responsible corporate citizen. The Bank supports and provides relief for many diverse causes. A number of these causes are not planned for, but are accepted on their own merit.

Some of these included the GETFUND, Ghana Export Promotion Council, Weija Educational Fund, and the Ministry of Education Best Teacher Award.

The bank was a major sponsor of the Technoserve Business Plan competition, as well as the UN Global Compact. The Rotary Club in Ghana was as usual assisted in its projects.

We continued to support our adopted Children's Ward of the Ridge Hospital, and the Ghana Heart Foundation. The Tema General Hospital became a new beneficiary of the bank's social support, as did the Korle-Bu Neuroscience Foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

At an extraordinary general meeting of the shareholder on 8 February 2006, the shareholders resolved to ratify the increase in the authorised shares of the company from 50 million to 200 million. On that same date, the shareholders also resolved to ratify the transfer of ¢51.8 billion from income surplus account to stated capital in accordance with Section 66(1) (c) of the Ghana Companies Code, 1963 (Act 179) and to issue and credit as fully paid 51,800,000 ordinary shares in the proportion of their holdings as at 1 October 2004, in accordance with Section 74(1) of Act 179. The above resolutions were deemed to be effective from 1 October 2004.

At an extraordinary general meeting held on 8 February 2006, the shareholders adopted a special resolution to convert the company into a public company limited by shares in furtherance of its plan to undertake a public floatation.

The offer raised an amount of ¢91,025 million through the sale of 8,275,000 ordinary shares at a price of ¢11,000 per share. On 14 July 2006, the bank had its shares listed on the Ghana Stock Exchange.

On 16 February 2006, the directors transferred an amount of ¢2,981 million from capital surplus account to stated capital in accordance with Section 66(1) (c) of the Ghana Companies Code, 1963 (Act 179) and issued 82,950,000 ordinary shares and credited as fully paid to shareholders on the company's share register as at 31 December 2005, in accordance with Section 74(1) of Act 179.

15. Capital surplus account

	2006	2005
Balance at 1 January	13,533	16,514
Transfer to stated capital in accordance with Section 66(1) (c) of the Ghana Companies Code 1963 (Act 179)	<u>—</u>	<u>(2,981)</u>
Balance at 31 December	<u>13,533</u>	<u>13,533</u>

Capital surplus represents surplus arising from the revaluation of certain of the Group's property and equipment of ¢13,533 million. In 2005, capital surplus included other reserves of ¢2,981 million.

16. Statutory reserve fund

	2006	2005
Balance at 1 January	96,182	67,562
Transfer from income surplus account	<u>41,721</u>	<u>28,620</u>
Balance at 31 December	<u>137,903</u>	<u>96,182</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

Social Security and National Insurance Trust (SSNIT)

SSNIT agreed to make available to the Bank a loan of US\$4.15 million for on-lending to a customer of the bank, over a 10 - year period from 9 June 2005 to 9 June 2015. Interest on the loan is based on the Bank of Ghana prime rate applicable on the date of the drawdown, provided that the rate will be adjusted from time to time in accordance with any changes in the Bank of Ghana prime rate. Interest on the loan may be capitalised semi-annually counting from date of the drawdown in the event that the Bank fails to honor interest repayments.

Anglogold Ashanti Limited

By an agreement dated 20 March 2002, between Ecobank Ghana Limited and the Trustees of the Employees Provident fund of Ashanti Goldfields Limited now Anglo Gold Ashanti, Ecobank Ghana Limited obtained from the Anglogold Ashanti Employees Provident Fund, by way of an investment in Tier II capital of the bank, a five year subordinated non redeemable deposit in the sum of ₵ 30 billion.

Interest on the facility, is payable yearly from the value date at a rate which shall be equal to the one year treasury bill rate plus a margin of 4% per annum.

EDIF, EIB and BHF Bank

The facilities provided by Export Development Investment Fund (EDIF), European Investment Bank (EIB) and BHF- Bank are considered as managed funds. The purpose of these funds is to provide financial resources for the development and promotion of export trade and small medium enterprises by improving access to credit, export insurance re-financing and credit guarantee for on-lending to specified customers. The bank bears the credit risk on the facilities.

Oikocredit

Oikocredit Ecumenical Development Co-operative Society agreed to make available to the Bank, a loan of US\$3 million for on-lending to Small-Medium Enterprises (SME's), over a period of 5 years, including a moratorium of 1 year from the date of disbursement on Principal. Interest on the loan is 3.71% plus a margin of 2.5%.

14. Stated capital

	2006	2005
Authorised		
Ordinary shares of no par value (Number)	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid		
Ordinary shares of no par value (Number)	<u>161,225,000</u>	<u>152,950,000</u>
Issued shares		
Issued for cash	<u>91,925</u>	900
Transfer from surplus in accordance with Section 66(1)(c) of the Ghana Companies Code 1963 (Act 179)	-	-
Capitalisation issue	<u>72,081</u>	<u>72,081</u>
	<u>164,006</u>	<u>72,981</u>

We again took on the medical bills of some needy persons and assisted some medical students of the University of Ghana Medical School and the KNUST School of Medical Sciences in undertaking their elective courses outside the country.

The Prisons Ministry and World Vision were two of the more noteworthy organisations which gained from the Bank. The Bank renewed its relationship with World Vision for another 3 years, while the Prisons Ministry commissioned a brick making factory built with funds donated by the Bank.

We continued to look at sports also, helping out the Achimota Golf Club. The Ghana Black Stars were another major beneficiary when they qualified for the World Cup.

Acknowledgements

We are very grateful to our cherished customers, without whom indeed we will not be in business. We very much appreciate the opportunity offered us to do business with them, and the loyalty and confidence they have demonstrated over the years.

I also wish to thank management and staff of the Bank for their hard work and selfless dedication. Let me also acknowledge the immense contribution and direction provided by our capable Board of Directors.

Thank you and God bless us all.

MANAGING DIRECTOR'S STATEMENT

“Our retail banking strategy is being implemented with a combination of geographical expansion, innovative products and services, offered via a robust technology platform and delivered by an experienced and motivated staff.”

Valued Shareholders,

Ladies and Gentlemen,

Let me also take this opportunity to welcome our new Shareholders to the Ecobank family.

Banking Industry Developments

The ongoing developments in the banking industry point to an increasingly dynamic and competitive industry. Macroeconomic gains have stimulated the deepening of financial intermediation. Savings mobilisation is improving due to inflation control and exchange rate stability. On the other hand, credit expansion has been boosted due to the declining interest rates and reduction in reserve requirements.

During the year the Central Bank abolished the 15% secondary reserve requirement for banks in August. This positive development frees more resources to banks for other investment purposes.

We also witnessed the entry of three new banks, an expansion in bank branches and the introduction of various products and services. We believe these developments engender greater competition among banks and improve the efficiency of service delivery to customers.

The industry presented challenges and opportunities for the Bank, and let me state that we were able to scale the challenges and explored the opportunities to our benefit.

Business Developments

Ladies and Gentlemen, we began the year with preparations for the listing of Ecobank Ghana shares on the Ghana Stock Exchange. This was successfully accomplished as the Share Offer was oversubscribed by 115%.

The success of the Initial Public Offer is an indication of the public's positive conviction that Ecobank Ghana is a reputable company worth investing in. Following our listing on the GSE in mid-July 2006, our Share Price witnessed a 23% growth from ¢11,000 to ¢13,519 at the end of the year, a clear testament of the strength of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

c) Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 22% (2005: 28%).

	2006	2005
Accelerated tax allowance	11,611	7,449
Other timing difference	<u>-</u>	<u>-</u>
	<u>11,611</u>	<u>7,449</u>

	2006	2005
12. Interest payable and other liabilities		
Accrued interest and commission	30,205	20,311
Proposed dividend	108,594	75,772
Provisions and accruals	24,151	22,933
Other liabilities	<u>172,206</u>	<u>102,922</u>
	<u>335,156</u>	<u>221,938</u>

13. Long term debt

Social Security and National Insurance Trust	43,586	37,575
Anglogold Ashanti Limited	30,000	30,000
Export Development Investment Fund	15,499	8,839
European Investment Bank	5,995	5,745
BHF Bank	32,923	29,250
Oikocredit	<u>27,643</u>	<u>-</u>
	<u>155,646</u>	<u>111,409</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
10. Due to other banks and financial institutions		
Due to local banks	12,297	22,939
Due to foreign banks	<u>12,118</u>	<u>29,060</u>
	<u>24,415</u>	<u>51,999</u>

11. Tax

a. Income tax expense

	2006	2005
Current tax	57,631	52,301
Deferred tax	<u>4,162</u>	<u>1,360</u>
	<u>61,793</u>	<u>53,661</u>

The tax on the group's profit after tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2006	2005
Profit after National reconstruction levy and tax	<u>227,095</u>	<u>173,306</u>
Tax @ 22% (2005 : 28%)	49,961	48,526
Expenses not deductible for tax purposes	3,092	6,714
Income subject to tax at different rates	(505)	(3,197)
Reduction in tax rate	<u>9,245</u>	<u>1,618</u>
Tax charge	<u>61,793</u>	<u>53,661</u>

b. Corporate tax

	Balance at 1 January 2006	Adjustment/ charge for Year	Payments	Balance at 31 December 2006
2005	15,110	-	-	15,110
2006	-	<u>57,631</u>	<u>(62,138)</u>	<u>(4,507)</u>
Total	<u>15,110</u>	<u>57,631</u>	<u>(62,138)</u>	<u>10,603</u>

The purpose of the listing was to raise funds to support our branch expansion and product development initiatives, in line with our retail banking strategy, and also to give the public the opportunity to be part of this unique institution.

Ladies and Gentlemen, some significant progress has been achieved in this direction, which I wish to share with you.

- We successfully expanded our branch network to cover the following locations: McCarthy Hill, Darkuman, Abeka Lapaz and Nima all in Accra. The rest are KNUST in Kumasi, Tema Community 6 and New Abirem. We also upgraded Kenyasi Agency and a number of western union locations.
- With their strategic locations, these branches are expected to contribute to the growth of the Bank's business and further enhance our competitiveness in the industry.
- We also expanded our outreach through ATMs by adding a total of 16 ATMs; made up of 7 Onsite ATMs and 9 Offsite ATMs, 5 of which were set up in collaboration with Transol.
- We also launched our Kiosk and Direct Sales Agents (DSA) program. This program is to enable Ecobank enlarge its sales force and aggressively sell the Bank's products and services in a professional manner to a much wider clientele base. This has been very successful as we have witnessed a phenomenal increase in the Bank's customer base.
- We also launched the Ecobank Private Banking Service during the last quarter of the year. The Private Banking Service offers a world class banking service to Individuals who are looking for fast, convenient and personalized banking services.
- We consolidated our leasing business by organizing two promotions during the year with major automobile companies. These yielded positive results for our leasing business.

Most of these initiatives were undertaken during the last quarter of the year, and this is clearly unparalleled in the banking history of the country. Our retail banking strategy is being implemented with a combination of geographical expansion, innovative products and services, offered via a robust technology platform and delivered by an experienced and motivated staff. The ultimate goal is to provide quality financial solutions to clients.

Details of Financial Results

Ladies and Gentlemen, although these positive initiatives have medium to long term benefits, we effectively ensured that your Bank also achieved its short term results. Let me turn to the details of the financial performance of your Bank during the year.

Financial Performance

We grew all our revenue lines, contained operating costs consistent with our expansion program and minimized credit losses to record an impressive profit performance.

Net Interest Income grew by 28% from ₵248 billion in 2005 to ₵317 billion in 2006. With the decline in interest margins resulting from lower interest rates during the year, we achieved this by growing our loan portfolio and other earning assets. Fees and Commissions also increased by 18.5% over the period resulting from increased business as tariffs remained unchanged and in some cases reduced due to competitive pressures.

Operating costs grew by 30%, and this is consistent with our expansion program during the year. Our cost control measures ensured that we kept operating costs under control in spite of our rapid expansion and product initiatives undertaken. Credit losses declined by 80% through prudent risk management and efficient loan recovery efforts.

These translated into a 38% growth in Profit After Tax (PAT) to ₵165.3 billion. We thus surpassed our prior year growth in profits despite the increasing competition and challenging economic environment.

Financial Position

Our financial position further improved during the year, as Total Assets shot up by 35% to ₵4.3 trillion. Our asset-mix continues to be healthy, balancing profitability and liquidity. Our strategic loan growth plan also resulted in a 38% growth in the loan book from ₵1.2 trillion to ₵1.6 trillion. Despite the growth in our loan book, our loan quality was in no way impaired as loan loss provisions declined by 80% during the period.

Deposit growth remains robust, as total deposits grew by 34% from ₵2.51 trillion to ₵3.36 trillion over the same period. This resulted from the intensive deposit mobilisation efforts employed during the year.

The growth in earnings coupled with a decent earnings retention and equity injection resulted in Shareholders' Funds increasing by 53% from ₵277 billion to ₵425 billion.

Staff and Employee Related Issues

Our business growth has also resulted in our continued creation of job opportunities in the areas that we operate. As part of the Bank's commitment to complement government efforts in providing employment opportunities for fresh graduates, Ecobank Ghana, as an annual practice sources for National Service Personnel to train them. In September 2006, we employed 28 National Service Personnel to serve in various divisions of the Bank. In addition, 29 National Service Personnel who were recruited in 2005 and had completed their service were employed as permanent staff of the Bank.

Our permanent staff strength increased from 318 in 2005 to 371 in 2006. In addition, we have contract staff and outsourced staff from other organizations, the total number of which also increased from 195 to 286 over the same period. We intensified staff training of all staff categories to ensure efficient staff performance.

Outlook for 2007

On the economy, we expect the trend in currency stability and lower inflation to continue in 2007. Consequently we anticipate further reductions in interest rates and a further decline in interest margins.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

8. Property and equipment (continued)

In 2001, the Group revalued its buildings. The revaluation was made on the basis of open market value. Surplus arising from the revaluation of ₵13,533 million was credited to capital surplus account. On 19 January 2005, Messers Valuation Investments Associates carried out a further revaluation of the Group's buildings. The open market value of the buildings was ₵74.8 billion. This revaluation has not been included in the financial statements. If buildings were stated on the historical cost basis, the amounts would be as follows:

	2006	2005
Cost	17,483	19,854
Accumulated depreciation	(2,808)	(2,371)
Net book value	14,675	17,483

Gain on disposal of fixed assets

	2006	2005
Gross book value	1,024	700
Accumulated depreciation	(925)	(684)
Net book value	99	16
Sales proceeds	(152)	(161)
Gains on disposal of property and equipment	(53)	(145)

9. Customers deposits

Current accounts	2,381,961	1,620,434
Cash collateral	117,297	181,540
Time deposits	857,114	708,719
	3,356,372	2,510,693

Analysis by type of depositor

Financial institutions	167,101	288,231
Individuals and other private enterprises	2,569,509	2,163,845
Public enterprises	619,762	58,617
	3,356,372	2,510,693

Analysis by maturity

Due within 1 month	1,182,440	767,487
Due after 1 month but within 3 months	643,713	900,964
Due after 3 months but within 6 months	818,725	420,212
Due after 6 months but within 12 months	711,494	422,030
Due after 12 months but within 5 years	-	-
	3,356,372	2,510,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

8. Property and equipment

Cost/value	Leasehold buildings	Furniture and equipment	Computers	Motor vehicles	Capital work in progress	Total
At 1 January 2006	40,576	45,474	28,116	12,778	7,149	134,093
Additions	380	11,571	14,386	548	(13,997)	40,882
Transfers	2,824	4,112	213	-	(7,149)	-
Disposals	-	(181)	-	(843)	-	(1,024)
At 31 December 2006	43,780	60,976	42,715	12,483	13,997	173,951

Accumulated depreciation

At 1 January 2006	4,422	19,778	15,687	7,291	-	47,178
Charge for the year	944	8,914	8,418	2,323	-	20,599
Disposals	-	(82)	-	(843)	-	(925)
At 31 December 2006	5,366	28,610	24,105	8,771	-	66,852

Net book value At 31 December 2006

At 31st December 2005 36,154 25,696 12,429 5,487 7,149 86,915

We also believe that the planned redenomination of the Cedi by the Bank of Ghana will have efficiency gains for the Banks, Customers and indeed the country as a whole. Ecobank Ghana has already started an educational program for Staff and Customers, and is working to reconfigure its systems to ensure a smooth implementation on the due date.

For the banking industry, the outlook remains one of increasing competition through market diversification, product innovations, service enhancements and declining margins.

Business Outlook

In the second year of the implementation of our medium term program, we will continue to open more outlets at strategic locations.

We will also continue to expand our product offerings to meet the unique needs of different market segments.

Two important initiatives that we will be introducing to our line of business are micro-finance and venture capital. We have initiated work on these two projects and we hope to launch them during the first half of the year. These are bold initiatives to support micro, small and medium sized businesses and clearly demonstrate our commitment to retail banking.

We have maintained that our entry into retail banking lies in our strong belief that extending quality banking services to the micro, small and medium scale businesses is the way to positively impact the ordinary man in the street and to eventually kick out poverty from our shores.

While the challenges ahead remain enormous, Ecobank is well positioned to meet these challenges. We believe that our strong business fundamentals and innovative approach to banking will continue to ensure that we maintain our competitive strengths in the industry.

Acknowledgements

Let me take the opportunity to express our gratitude to our treasured customers. I also wish to extend my appreciation to the management and staff of the Bank for the positive attitude and team spirit which have underpinned our successes. We also want to thank all other stakeholders for their immense contribution and the visionary direction provided by our Board of Directors, our Regional Office and the Group Office.

Thank you for your attention.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2006.

Statement of Directors' Responsibilities

The directors are responsible for the preparation of consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and its subsidiaries and of the profit and loss and cash flows for that period. In preparing these consolidated financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

The directors are responsible for ensuring that the Bank and its subsidiaries keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank and its subsidiaries. The directors are also responsible for safeguarding the assets of the Bank and its subsidiaries and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Activities

The Bank's principal activities comprise merchant banking, investment banking and retail banking. It also operates the following wholly owned subsidiaries:

Ecobank Investment Managers Limited - management of investments

Ecobank Stockbrokers Limited - stock brokerage

Ecobank Leasing Company Limited - providing finance lease facilities

Financial Results

The financial results for the year are set out below:

	€million
Profit for the year before tax and national reconstruction levy is	239,989
from which is deducted tax and national reconstruction levy of	<u>74,687</u>
Giving a profit for the year after tax of	165,302
to which is added balance on income surplus account brought forward of	<u>94,380</u>
Giving a balance before distributions of	259,682
out of which is transferred to statutory reserve fund of	41,721
And a proposed dividend of	<u>108,594</u>
Leaving a balance to be carried forward on income surplus account of	<u>109,367</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

Provision for credit losses

	Specific	General	Total
At 1 January	50,672	13,343	64,015
Provisions during the year	(395)	3,629	3,234
Write off	—	—	—
At 31 December	50,277	16,972	67,249
(Recoveries)/interest in suspense	(4,084)	—	(4,084)
	<u>46,193</u>	<u>16,972</u>	<u>63,165</u>

6. Investment in subsidiaries

Name of subsidiary	Nature of business	Bank's interest in ordinary shares	Country of Incorporation
Ecobank Investment Managers Limited	Fund Managers	100%	Ghana
Ecobank Stockbrokers Limited	Brokerage	100%	Ghana
Ecobank Leasing Company Limited	Leasing	100%	Ghana

7. Other assets

	2006	2005
Interest and fees receivable	25,850	17,939
Prepayments	15,283	12,884
Sundry receivables	<u>135,489</u>	<u>17,461</u>
	<u>176,622</u>	<u>48,284</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
5. Loans and advances to customers (continued)		
Analysis by business segment		
Construction	125,081	67,251
Agriculture, forestry and fishing	14,225	33
Mining and quarrying	226,388	106,524
Manufacturing	314,034	312,566
Commerce and finance	403,480	344,112
Electricity, gas and water	55,807	77,916
Transport, storage and communication	74,162	76,180
Services	<u>472,442</u>	<u>254,684</u>
	1,685,619	1,239,266
Provision for credit losses	<u>(63,165)</u>	<u>(64,015)</u>
	1,622,454	1,175,251
Classified by type		
Loans	1,160,123	797,081
Finance leases	62,856	46,728
Overdrafts	<u>462,640</u>	<u>395,457</u>
	1,685,619	1,239,266
Provision for credit losses	<u>(63,165)</u>	<u>(64,015)</u>
	1,622,454	1,175,251
Loan loss provision ratio	4.0%	5.0%
Gross non-performing loans ratio	3.8%	2.2%
50 largest exposure to total exposures	53%	56%

Dividend

The directors recommend the payment of a dividend of **¢ 673.56 per share** (2005: ¢495.40 per share).



Parent Company

The Bank is a subsidiary of Ecobank Transnational Inc., a company incorporated in the Republic of Togo.

Auditors

In accordance with Section 134(5) of the Ghana Companies Code, 1963 (Act 179), PricewaterhouseCoopers will continue in office as auditors of the Bank and its subsidiaries.

BY ORDER OF THE BOARD

Director:  - Tei Mensa Mante (Board Chairman)
 Director:  - Samuel Ashitey Adjei (Managing Director)

Date: 15th February 2007

CORPORATE GOVERNANCE

Introduction

Ecobank Ghana Limited and its subsidiaries (the Group) is committed to the principles and implementation of good corporate governance. The Group recognises the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The Group is managed in a way that maximizes long-term shareholder value and takes into account the interests of all of its stakeholders.

The Group believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the consolidated financial statements, the Group adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the consolidated financial statements.

The Board of Directors

The Board is responsible for setting the Group's strategic direction, for leading and controlling the Group and for monitoring activities of the executive management.

The Board consists of a Non-Executive Chairman, five (5) Non-Executive Directors and two (2) Executive Directors. The Non-Executive Directors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the Group's progress. The Managing Director is a separate individual from the Chairman and he implements strategies and policies adopted by the Board. The Board meets at least four times a year.

The Audit Committee

The Audit Committee is made up of four (4) Non-Executive Directors, with the Managing Director always in attendance. The committee meets on a quarterly basis. The meetings are chaired by the Non-Executive Chairman of the main board. The main Board determines its terms of reference.

The duties of the Audit Committee include; keeping under review the scope and results of the audit, as well as the independence and objectivity of the auditors. The Audit Committee also keeps under review internal financial controls, risk management, compliance with laws and regulations and the safeguarding of assets. The Audit Committee also reviews the adequacy of the plan of the internal audit and reviews its audit reports.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
5. Loans and advances to customers (continued)		
Analysis by type		
Commercial	950,084	752,891
Others	<u>735,535</u>	<u>486,375</u>
	1,685,619	1,239,266
Analysis by security		
Secured	1,621,003	960,873
Unsecured	<u>64,616</u>	<u>278,393</u>
	1,685,619	1,239,266
Analysis by performance		
Performing	1,622,020	1,212,555
Non-performing	<u>63,599</u>	<u>26,711</u>
	1,685,619	1,239,266
Analysis of non-performing		
Substandard	42,327	7,523
Doubtful	2,178	1,914
Loss	<u>19,094</u>	<u>17,274</u>
	63,599	26,711
Analysis by type of customers		
Private enterprise	1,516,092	1,093,790
Public enterprises	137,296	121,590
Staff	<u>32,231</u>	<u>23,886</u>
	1,685,619	1,239,266
Provision for credit losses	<u>(63,165)</u>	<u>(64,015)</u>
	1,622,454	1,175,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
4. Investment in other securities		
Debt	84,348	-
Unquoted equity	<u>5,474</u>	<u>3,510</u>
	89,822	3,510
Less: Provisions	<u>(765)</u>	<u>(765)</u>
	89,057	2,745
Analysis by maturity		
Due within 1 year	84,348	-
Due after 1 year but within 5 years	-	-
Due after 5 years	<u>5,474</u>	<u>3,510</u>
	89,822	3,510
5. Loans and advances to customers		
Analysis by maturity		
Due within 1 month	462,640	395,457
Due after 1 month but within 3 months	420,645	254,893
Due after 3 months but within 6 months	113,315	104,160
Due after 6 months but within 12 months	94,845	54,479
Due after 12 months but within 5 years	594,174	430,277
Due after 5 years	<u>1,685,619</u>	<u>1,239,266</u>
Less: Provisions for credit losses	<u>(63,165)</u>	<u>(64,015)</u>
	1,622,454	1,175,251
Movement in provision for credit losses		
Balance at 1 January	64,015	49,517
Bad debt expenses	3,234	16,327
(Recoveries)/interest in suspense	(4,084)	2,559
Write offs	<u>-</u>	<u>(4,388)</u>
Balance at 31 December	63,165	64,015

Systems of Internal Control

The Group has a well-established internal control system for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the Group are being controlled.

The corporate internal audit function of the Group plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The systems of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of Business Ethics

Management has communicated the principles in the Group's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity required for the Group's operations which covers compliance with applicable laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to laid down principles so as to eliminate the potential for illegal practices.

**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF ECOBANK GHANA LIMITED AND ITS SUBSIDIARIES**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ecobank Ghana Limited and its subsidiaries set out on pages 22 to 47. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006 and the consolidated profit and loss account, 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 Consolidated Financial Statements

As stated on page 16, the directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Ghana Accounting Standards and with the requirements of the Ghana Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ecobank Ghana Limited and its subsidiaries as at 31 December 2006 and of its financial performance and its consolidated cash flows for the year then ended in accordance with Ghana Accounting Standards and comply with the Ghana Companies Code, 1963 (Act 179), the Banking Act, 2004 (Act 673), Financial Institutions (Non-Banking) Law 1993 (PNDCL 328), Securities and Exchange Commissions Regulations 2003, LI 1728, Ghana Stock Exchange Membership Regulations, 1991 and Securities Industry Law (Amended) 2000 (Act 590).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts are expressed in millions of cedis unless otherwise stated)

	2006	2005
1. Cash and balances with Bank of Ghana		
Cash on hand	101,913	75,723
Balances with Bank of Ghana	<u>361,663</u>	<u>132,052</u>
	<u>463,576</u>	<u>207,775</u>

Balances with Bank of Ghana include mandatory reserve deposits of **¢183,747 million** (2005: ¢42,688 million). These funds are not available to finance the Bank's day-to-day operations.

2. Government securities

	2006	2005
Treasury bills	1,033,918	811,544
Ghana Government Index Linked Bonds	-	46,556
	<u>1,033,918</u>	<u>858,100</u>
Analysis by maturity		
Due within 1 month	135,876	331,315
Due within 1 year	640,238	461,785
Due after 1 but within 5 years	<u>257,804</u>	<u>65,000</u>
	<u>1,033,918</u>	<u>858,100</u>

Treasury bills are debt securities issued by Bank of Ghana for a term of 3 months, 6 months or a year. Bills are carried at their face value less unearned interest.

Government of Ghana Index Linked Bond (GGILB) are index-linked bonds with a maturity of three years and are issued at coupon rate ranging from 4.5% to 6%. The principal and coupon rate are adjusted to take account of inflation as specified in the Bank of Ghana information memorandum.

3. Due from other banks and financial institutions

	2006	2005
Nostro account balances	254,763	190,536
Items in course of collection	108,112	95,459
Placements with other banks	<u>463,011</u>	<u>530,609</u>
	<u>825,886</u>	<u>816,604</u>

ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises short term investment securities with less than 90 days maturity from the date of acquisition; cash, balances with Bank of Ghana, treasury bills and other eligible bills, amounts due from and to other banks and dealing securities.

(l) Leases

Finance lease agreements are accounted for on the basis of gross receivables less related unearned income and are included in loans and advances. Profit on finance lease agreement is recognised over the period in which receivables are due using the actuarial method after allowing for a portion of initial cost.

(m) Investment securities

The Group classifies its investment securities and purchased loans and receivables into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Available-for-sale financial assets after the initial recognition at cost are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

(n) Fee and commission income

Fees and commissions are generally recognised on an accrual basis. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

Report on other legal requirements

The Ghana Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit,
- ii) in our opinion proper books of accounts have been kept by the bank and its subsidiaries, so far as appears from our examination of those books, and
- iii) the consolidated balance sheet and consolidated profit and loss account of the bank and its subsidiaries are in agreement with the books of accounts.

The Banking Act 2004 (Act 673), Section 78(2) and the Financial Institution (Non-Banking) Law, 1993 (PNDCL 328), require that we state certain matters in our report. We hereby state that:

- i) the consolidated financial statements give a true and fair view of the state of affairs of the bank and its results for the period under review,
- ii) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors,
- iii) the bank's transactions are within its powers, and
- iv) the bank has complied with the provisions of Act 673 and PNDCL 328.


Chartered Accountants

Accra

21 February 2007


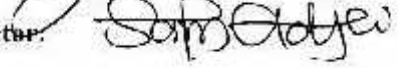
PRICEWATERHOUSECOOPERS

CONSOLIDATED BALANCE SHEET

(All amounts are expressed in millions of cedis)

	Notes	2006	2005
Assets			
Cash and balances with Bank of Ghana	1	463,576	207,775
Government securities	2	1,033,918	858,100
Due from other banks and financial institutions	3	825,886	816,604
Investment in other securities	4	89,057	2,745
Loans and advances to customers	5	1,622,454	1,175,251
Investments in subsidiaries	6	-	-
Other assets	7	176,622	48,284
Property and equipment	8	107,099	86,915
Total assets		<u>4,318,612</u>	<u>3,195,674</u>
Liabilities			
Customer deposits	9	3,356,372	2,510,693
Due to other banks and financial institutions	10	24,415	51,999
Tax	11	10,603	15,110
Interest payable and other liabilities	12	335,156	221,938
Long term debt	13	155,646	111,409
Deferred tax	11	11,611	7,449
Total liabilities		<u>3,893,803</u>	<u>2,918,598</u>
Shareholders' fund			
Stated capital	14	164,006	72,981
Capital surplus account	15	13,533	13,533
Income surplus account		109,367	94,380
Statutory reserve fund	16	137,903	96,182
		<u>424,809</u>	<u>277,076</u>
Total liabilities and shareholders' fund		<u>4,318,612</u>	<u>3,195,674</u>
Acceptances and guarantees	26	<u>547,142</u>	<u>485,085</u>

The consolidated financial statements on pages 22 to 47 were approved by the Board of Directors on 15th February 2007 and signed on its behalf by:

Director:  - Tei Mensa Mante (Board Chairman)
 Director:  - Samuel Ashitey Adjei (Managing Director)

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

ACCOUNTING POLICIES (continued)

(g) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

(h) Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component. When a loan is uncollectable, it is written off against the related provision for impairments; subsequent recoveries are credited to the bad and doubtful debt expense in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the bad and doubtful debt expense.

(i) Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable.

(j) Foreign currencies

Transactions in foreign currencies during the year are converted into cedis at prevailing rates at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the consolidated profit and loss account.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment, and in accordance with Ghana Accounting Standards.

(b) Consolidation

Subsidiary undertakings, which are those companies in which the Group directly or indirectly has power to exercise control over financial and operating policies have been consolidated. Subsidiary undertakings are consolidated from the date on which effective control is transferred to the Group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank.

(c) Income recognition

Income is recognised in the period in which it is earned except for dividends from trade investments which are recognised when declared. Interest income on loans that are considered doubtful are suspended and excluded from income until it is received.

(d) Government securities

Government securities comprise Treasury Bills and Bonds, which are debt securities issued by the Government of Ghana. These bills are stated at cost.

(e) Investments

In the financial statements of the Bank, Investments in subsidiary companies are stated at directors' valuation based on the net asset value of each subsidiary company at the balance sheet date. The corresponding revaluation surplus is credited to the capital surplus account.

Unquoted trade investments are stated at cost less provision for any permanent diminution in value.

(f) Property and equipment

All property and equipment are initially recorded at cost. Leasehold buildings are subsequently shown at market value based on valuation by external independent valuers less subsequent depreciation. An increase in the carrying amount arising on revaluation is credited to a capital surplus account. Decreases that offset previous increases of the same asset are charged against the capital surplus account; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight-line method to write off the cost of property and equipment to their residual values over their estimated useful lives as follows:

Leasehold properties are depreciated on the straight-line basis over the remaining period of the lease.

Furniture and equipment	20%
Computers	33.33%
Motor vehicle	25%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(All amounts are expressed in millions of cedis)

	Notes	Year ended 31 December	
		2006	2005
Interest income	17	456,874	348,631
Interest expense	18	(139,628)	(100,733)
Net interest income		317,246	247,898
Fee and commission income	19	173,038	146,036
Other operating income	20	1,924	2,519
Operating income		492,208	396,453
Operating expenses	21	(248,368)	(190,899)
Charge for credit losses	5	(3,234)	(16,327)
Operating profit		240,606	189,227
Other expenses		(617)	(2,437)
Profit before tax		239,989	186,790
National reconstruction levy	22	(12,894)	(13,484)
		227,095	173,306
Tax	11	(61,793)	(53,661)
Profit after tax transferred to income surplus account		165,302	119,645
INCOME SURPLUS ACCOUNT			
Balance at 1 January		94,380	84,882
Net profit for the year		165,302	119,645
		259,682	204,527
Transfer to stated capital and related expenses		-	(5,755)
Transfer to statutory reserve fund		(41,721)	(28,620)
Dividend proposed	24	(108,594)	(75,772)
Balance at 31 December		109,367	94,380

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(All amounts are expressed in millions of cedis)

	Notes	Year ended 31 December	
		2006	2005
Cash flows from operating activities			
Interest receipts		448,963	340,618
Interest payments		(129,734)	(88,464)
Fee and commission receipts		173,038	146,036
Cash payment to employees and suppliers		(239,409)	(189,105)
Income tax paid	11	(62,138)	(47,822)
Cash flows from operating activities before changes in operating assets and liabilities		190,720	161,263
Changes in operating assets and liabilities			
- loans and advances		(450,436)	(490,259)
- other assets		(120,427)	(2,264)
- customer deposits		845,679	572,018
- other liabilities		70,501	18,135
Net cash generated from operating activities		345,317	97,630
Cash flow from investing activities			
(Purchase of)/proceeds from sale of investment securities		(39,756)	42,056
Purchase of property and equipment	8	(40,882)	(32,543)
Proceeds from sale of property and equipment	8	152	161
Net cash generated from investing activities		(80,486)	9,674
Cash flows from financing activities			
Dividend paid	24	(75,772)	(24,580)
Long term debt	13	44,237	53,850
Proceeds from issuance of share capital		91,025	
Net cash generated from financing activities		59,490	29,270
Net change in cash and cash equivalents		515,041	297,837
Cash and cash equivalents at 1 January		1,783,924	1,486,087
Cash and cash equivalents at 31 December	31	2,298,965	1,783,924

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in millions of cedis)

	2006				
	Stated capital	Capital surplus	Income surplus reserve fund	Statutory	Total
Balance at 1 January 2006	72,981	13,533	94,380	96,182	277,076
Net profit for the year	-	-	165,302	-	165,302
Transfer to statutory reserve	-	-	(41,721)	41,721	-
Capitalisation issuance	91,025	-	-	-	91,025
Dividend proposed	-	-	(108,594)	-	(108,594)
	164,006	13,533	109,367	137,663	424,809
2005					
Balance at 1 January 2005	70,000	16,514	84,882	67,562	238,958
Net profit for the year	-	-	119,645	-	119,645
Transfer to statutory reserve	-	-	(28,620)	28,620	-
Transfer to stated capital and related expenses	2,981	(2,981)	(5,755)	-	(5,755)
Dividend proposed	-	-	(75,772)	-	(75,772)
	72,981	13,533	94,380	96,182	277,076

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.