



## Press Release

Ecobank Transnational Inc. (NSE: ETI, GSE: ETI; BRVM: ETIT)

30 July, 2010

### **ECOBANK GROUP REPORTS UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**PRE-TAX EARNINGS OF US\$103.3 MILLION AND NET INCOME OF US\$70.2 MILLION, US\$0.60 BASIC EARNINGS PER SHARE**

**REVENUES OF US\$406.8 MILLION AND EXPENSES OF US\$289.1 MILLION**

**OPERATING COSTS GROWTH DECLINE TO SINGLE-DIGITS**

**NET PROVISIONS FOR CREDIT LOSSES OF US\$14.5 MILLION; HAS STEADILY DECLINED**

**TIER 1 CAPITAL OF US\$1.2 BILLION AND TIER 1 CAPITAL RATIO OF 20.1%, WELL ABOVE THE REGULATORY MINIMUM**

**ECOBANK IS UNIQUE IN THE REGION; REPORTS IN US\$ AND IN ACCORDANCE WITH IFRS**

**ADDITIONAL US\$500 MILLION FUNDRAISING PLANNED IN 2010 ON COURSE**

**RESILIENT PERFORMANCE VALIDATES OUR STRATEGY OF DIVERSIFICATION**

LOME, 30 July, 2010 – Ecobank Transnational Inc. (ETI) the parent company of the pan-African banking group with operations in 31 African countries and strategic alliances with Nedbank of South Africa and Bank of China today reported six months ended 30 June 2010 net income of US\$70.2 million or US\$0.60 per basic share and revenues of US\$406.8 million.

**Arnold Ekpe**, Group Chief Executive Officer, commenting on the results noted that *“We continue to make good progress in improving our performance, improving risk management and reducing costs.”*

#### **KEY ITEMS**

- **Ecobank revenue** was US\$406.8 million, compared with US\$405.4 million in the prior year. Revenues were constrained by lower loan demand and lower activities in the foreign exchange markets in our major countries. Revenues remained encouragingly well diversified across our businesses.
- **Ecobank operating expenses** increased US\$21 million, or 8%, year-on-year, to US\$289.1 million. The focus on expense discipline ensured that the expense growth has declined to single digits.
- **Ecobank provision for credit losses** declined US\$6.3 million, or 30%, from 2009 to US\$14.5 million, which reflects improving credit conditions.
- **Ecobank net income** was US\$70.2 million, slightly lower than same period last year. However, we would note that the first half year net income is already higher than the full year 2009 net income of US\$64.6 million. These results benefited from substantially lower credit provisions and operating costs.

- **Tier 1 Capital and Tier 1 Capital ratio** of US\$1.2 billion and 20.1%, respectively, remain strong. Ecobank's plans to raise additional capital of up to US\$500 million in Tier 1 and Tier 2 capital in 2010 are on course with approximately US\$190 million raised thus far.
- **Despite the challenging market environment**, customer deposits increased US\$1.4 billion, or 25%, year-on-year, to US\$6.9 billion.

## **REVENUES**

**Ecobank revenues** were slightly higher at US\$406.8 million, which reflects the benefits of our diversification strategy.

## **LOANS & DEPOSITS**

Customer loans increased by US\$128 million, or 3%, year-on-year, to US\$4.3 billion, reflecting restrained loan demand and our strategy to be more selective in lending. Despite a general improvement in credit markets, risk levels remain elevated.

Despite deposit pricing contractions in most of our markets, customer deposits increased US\$1.4 billion, or 25%, to US\$6.9 billion. The loans-to-deposit ratio improved significantly from 77% a year ago to 63%.

## **REGIONAL PERFORMANCE**

**Ecobank** regions are grouped according to size and shared attributes such as common currency.

- **Central Africa** revenues were US\$41.8 million, up 13%, from a year ago. Gabon, which commenced operations last year, and Sao Tome & Principe, contributed significantly to the revenue growth.

**Central Africa** comprises the 6 countries of the Commission de la Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC) and Sao Tome & Principe. Ecobank is present in all the countries except Equatorial Guinea. The 6 CEMAC countries have a common currency, the CFA franc, and the same regional central bank – the Banque des Etats de L'Afrique Centrale (BEAC). These countries have a common business law (OHADA) and two stock exchanges the Doula Stock Exchange (DSX) and the Gabon Stock Exchange.

- Revenues in the **Francophone West Africa** region were US\$131.3 million, up 8% from a year ago. Revenue growth benefited from strong performances across constituent countries.

**Francophone West Africa** comprises the 8 countries of the Union Economique et Monétaire Ouest Africaine, namely Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo. Cape Verde is included for management purposes only, as it is outside UEMOA. The 8 UEMOA countries have a common currency, the CFA franc, and the same regional central bank – the Central Bank of West African States or BCEAO. These countries have a common business law (OHADA) and one stock exchange (BRVM).

- Revenues in **Nigeria** were US\$109.5 million, down 26% compared with the prior year, driven by lower loan growth and reduced foreign exchange, cash management, and trade income.

**Nigeria** is considered a region on its own due to its size.

- Revenues in the **Rest of West Africa (excluding Nigeria)** were US\$86.8 million, up 16%, year-on-year, driven by strong growth in Ghana and Guinea.

The **Rest of West Africa** comprises 5 countries in the West African Monetary Zone namely, Ghana, Guinea, Liberia, Sierra Leone and The Gambia. Ecobank is present in all these countries.

- Revenues in **East Africa** were US\$22.1 million, up 84% from prior year. Kenya's revenues grew 104%, reflecting the success of our business model and brand in that market. A growth of 119% in Burundi's revenues added support. Overall, the region's performance showed significant progress and this is likely to continue in the second half of the year. Longer-term, we expect the positive progress in the EAC's Common Market Protocol to offer Ecobank growth opportunities.

The **East African** region comprises the member countries of the East African Community (EAC), namely Burundi, Kenya, Rwanda, Uganda, and Tanzania. Ecobank is present in all the countries of the EAC.

- Revenues in the **Southern African** region were US\$8.9 million, up 85%, from prior year. DR Congo's revenues, up 185%, was the main driver in the region, with its treasury business benefiting from higher treasury yields.

The **Southern African** region comprises Angola, Democratic Republic of the Congo, Malawi, Zambia and Zimbabwe. Ecobank is present in all these countries except Zimbabwe.

## **BUSINESS SEGMENT PERFORMANCE**

**Ecobank** business segments are grouped along three business lines: Domestic Banking, Corporate Banking, and Ecobank Capital.

- **Domestic Banking** revenues were US\$221 million. Revenues benefited from growth in cards, current account servicing and the newly re-launched Rapid Transfer, a product that allows fast, convenient, and reliable way to transfer money across Africa. Total assets were US\$2.4 billion, while funding was US\$4.6 billion, driven by growing customer accounts and the branch network.

Domestic Banking provides banking services to governments, small and medium scale enterprises, and local companies and retail solutions to consumers.

- **Corporate Banking** revenues were US\$108 million. Revenues benefited from the improving business environment including improved commodity prices.

Corporate Banking provides a broad range of financial solutions to multinationals, regional companies, state-owned companies, non-governmental organizations, international and multilateral organizations and financial institutions.

- **Ecobank Capital** revenues were US\$78 million, slightly impacted by a decline in trading income. Nonetheless, all business units contributed favourably to the results. Capital's assets were US\$2 billion.

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Ecobank Capital comprises our treasury, investment banking, and asset management businesses which focus on financial markets and investors.

## **OPERATING EXPENSES**

**Ecobank operating expenses** were US\$289.1 million, up US\$21 million, or 8%. This compared favourably with the 15% growth recorded same period last year, reflecting continued cost control measures. Staff costs were 6% higher and other operating expenses increased 9%. Consistent with our focus on performance, our commitment to expense discipline remains a priority.

## **CREDIT**

**Ecobank net provisions for credit losses** were US\$14.5 million, down US\$7 million, or 30%, from a year ago, reflecting improved credit trends. Stricter risk management has meant that we have proactively raised provisioning levels in selected markets.

- We see improving credit trends in **Nigeria**, which accounted for nearly 70% of our provision for credit losses in 2009. Net provisions fell nearly 80% to US\$2.6 million compared with the prior year.
- **Francophone West Africa** had a net provision for credit losses of US\$3.8 million, down 27% compared with the prior year, reflecting improved credit quality across most of the constituent countries.
- Net provision for credit losses in the **Rest of West Africa (excluding Nigeria)** grew 13% to US\$4.9 million, reflecting the non-recurrence of a significant loan recovery in 2009.
- Net provision for credit losses for **Central Africa** were US\$2.2 million compared to a provision for net credit loss benefit of US\$0.8 million a year ago. The increase in net provisions was primarily due to non-recurrent provision.

- Net provision for credit losses in the **East Africa** region were US\$0.7 million compared to a net provision for credit loss benefit of US\$1.7 million a year ago.
- Net provision for credit losses in **Southern African** region were US\$0.3 million, down 56%, from the prior year.

## **TAXES**

The effective tax rate was 32% compared with 33% a year ago. Tax expense for the period was US\$33 million.

## **NET INCOME**

**Ecobank net income** was US\$70.2 million in the first six months of 2010, compared with US\$77.6 million a year ago. Revenue pressures, especially in Nigeria, impacted earnings growth. Despite these developments, the net income of \$70.2 million was higher than full year 2009 net income of \$64.6 million, substantially driven by lower costs and lower credit provisions. Furthermore, earnings benefited from our diversification strategy and continuing cost management.

- **Central Africa** region's net income of US\$6.2 million was down 11%, driven largely by the impact of higher provisions.
- **Francophone West Africa** region's net income was US\$29.3 million, up 6%, driven by a 27% slide in provision for net credit losses and strong revenue growth across most of the region's constituent countries.
- **Rest of West Africa (excluding Nigeria)** region's net income was US\$23.6 million, essentially flat from the year ago period, due to the impact of higher provision levels.
- **Nigeria's** net income was US\$10.3 million, compared with US\$28.8 million in the prior year. Net income was impacted by a 26% decrease in revenues, which was partially compensated by significantly lower provisions. We expect with the signing into law of the Asset Management Company bill, market conditions will improve.

## **BALANCE SHEET**

**Ecobank assets** were US\$9 billion, up 12% from a year ago. Due to the depreciation of the CFA Franc, the balance sheet was negatively impacted by a 7% negative exchange rate movement. Nevertheless, our balance sheet remains strong with strong levels of liquidity.

Cash balances increased 23% from the end of 2009, reflecting strong growth in deposits and in line with our strategy to maintain healthy levels of liquidity.

Customer loans were US\$4.3 billion, up 3% from a year ago. The marginal growth reflects our strategy to be cautious lenders, while pursuing selective credit opportunities.

Customer deposits were US\$6.9 billion, up 25% from a year ago. Deposit growth benefited from continued customer confidence in Ecobank and from a maturing in branch returns.

Shareholder's equity was US\$1.2 billion. Ecobank's ongoing capital raising programme, has raised nearly US\$190 million thus far, in a combination of Tier 1 and Tier II capital.

## **OUTLOOK**

The reorganization of the group along business lines is showing good progress. With market conditions largely expected to be better in the second half of the year, compared to the first, prospects for the group are strong.

In the near term our commitment to drive revenues while keeping a tight lid on costs remains a priority.

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**About Ecobank:** Incorporated in Lome, Togo, Ecobank Transnational Incorporated (ETI) is the parent company of the leading independent pan-African banking group. It currently has a presence in 31 African countries, namely: Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, Zambia. The group is also represented in France through its affiliate EBI S.A. in Paris. ETI also has a presence in Dubai, United Arab Emirates, where it holds a license for a representative office but is not yet operational. ETI is listed on the stock exchanges in Lagos, Accra and the West African Economic and Monetary Union (UEMOA) – the BRVM. The Group is owned by more than 180,000 local and international institutional and individual shareholders. It has over 11,000 employees from 31 different countries in over 750 branches and offices. Ecobank is a full-service bank providing wholesale, retail, investment and transaction banking services and products to governments, financial institutions, multinationals, international organizations, medium, small and micro businesses and individuals. Additional information may be found at [www.ecobank.com](http://www.ecobank.com).

Cautionary Note Regarding Forward- Looking Statements

Certain statements in this document are “forward-looking statements”. These statements are based on management’s current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements.

**Conference Call:**

Ecobank Transnational Incorporated Plc. (Bloomberg: ETI NL) will be hosting a teleconference call for analysts and investors on Thursday, 5th of August 2010 at 3pm UK time/3pm Lagos/10am New York Time with its senior management staff to present Ecobank Transnational Incorporated Plc unaudited financial results for the period ended 30th June 2010. There will also be an opportunity at the end of the call for management to take questions from investors and analysts.

The teleconference call facility can be accessed by dialing:

**UK Standard International +44 (0) 145 255 5052**

Participants would be asked for their Full Name, Company name and Conference ID

**Conference ID 919 306 64**

Participants should register for the call at least ten minutes before the start of the presentation

**Participants can also pre-register for the conference call using the URL below**

<http://www.emea.directeventreg.com/registration/event/91930664>

For those who are unable to listen to the live call, an Encore replay facility will be available with details made available after the call.

The presentation will be posted to website of Ecobank Transnational Inc. by midday of 5th August 2010 at [www.ecobank.com](http://www.ecobank.com)

Please note that there would be a replay facility available for one week after the call on the 5th of August. It would be available till the 11th of August 2010

Encore Replay Access Number: **91930664#**

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