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. This transcript should be viewed alongside the 1H 2013 investor presentation.

Host

Ato Arku, Group Officer, Investor Relations

Speakers

Thierry Tanoh, Group Chief Executive Officer
Rotimi Nihinlola, Group Chief Financial Officer
Dayo Orimoloye, Group Chief Risk Officer

Presentation

Operator

Thank you for standing by and welcome to the Ecobank Transnational Incorporated First Half 2013 Earnings Conference Call. At this time all participants are in a listen-only mode; there will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone keypads. I must advise you that this conference is being recorded today, Wednesday 31st July 2013. I would now like to hand the conference over to your speaker today who is the Group Officer Investor Relations, Ato Arku. Please go ahead.

Ato Arku

Thank you James, good afternoon and welcome to Ecobank’s First Half 2013 earnings call. Joining us today to discuss our results are Thierry Tanoh, Group CEO, Rotimi Nihinlola, CFO, and Dayo Orimoloye, CRO. Before we get started I would like to take this opportunity to draw your attention to the disclaimer at the start of the presentation and to remind you that during the course of this call we may make forward looking statements regarding future events and the future financial performance of the company. These statements are based on current expectations and assumptions that are subject to risk and uncertainty. The earnings press release and an accompanying investor presentation are available on our website. After management’s remarks we will host a Q&A. And now I would like to turn the call over to Mr Tanoh.

Thierry Tanoh

Thank you and good afternoon everybody. It is a great pleasure for me to be on this call today to present our First Half year 2013 numbers. So let me first start by reflecting on feedback that we have received on related party loan disclosure and you will see that on page 40 of our presentation we have now provided you with, under IFRS, disclosure as of June 30 2013 and by putting the top 10 exposures I think we are reaching about 86% of our related-party exposures. I hope that would answer some of the queries that came recently to our investor relations team. With this I would also
like to highlight the fact that the Agbara Estates loan which has been in the press recently has been fully repaid as of last week.

Now coming back to the presentation, I think we are quite keen to be presenting some very good results for the first six months, so you can see in terms of our page 5 on the growth we are reporting a strong organic growth year-on-year of 24%. But also this growth is quite well balanced between net interest income and non-interest revenue, and this I think is very good for the balanced growth that we were expecting.

On the cost efficiency you can see also that we are continuing our improvements for this quarter. Our cost efficiency ratio went down to 70.2% as opposed to 72.6% in the first quarter and overall for the first six months our cost-to-income ratio is at 71.3% compared to 77.8% year-on-year. We therefore feel that we are in line, I think, to achieve our goal at the end of the calendar year.

Loans and deposits are returning to growth. Our net customer loans have increased in the second quarter of this year by 10% and our deposits in the second quarter have grown by 4%. We continue to be very vigilant in the quality of our assets; we have taken more provisions in the first quarter; 65% more provisions than last year. We are at a NPL level which is back to 5.7% from the 6.4% in the first quarter. We really think we have the benefit of diversification: Nigeria you will see is making strong progress; Ghana also continues to perform well and there have also good performance from the Central and Southern clusters, which are also growing.

When it comes to return to shareholders, the situation also is improving; attributable net income more than doubled to almost $150 million for the First Half of 2013 and the basic earnings per share is up 61% year-on-year with a return on equity of 15.3%.

What you can see on the next slide [slide no. 6] is the diversified growth; you can see on this slide a very strong performance from Nigeria; you see that the rest of West Africa, including Ghana, is doing also well. Francophone West Africa in terms of revenue has been growing. We have seen a little bit more recovery from Mali and Côte d’Ivoire, and I think Mali with the elections that have gone through we are expecting that the second half also could see more generation of revenue in this country. I think Senegal also is starting to pick up a little bit, post elections, down to the Government which is a new Government, but we are expecting in the next half and also in the next year that it will pick up.

Central Africa also is growing with a cluster PBT [ex-Central African Republic] up by 39% and Southern Africa is also returning to profit. I think it was about $1 million last year to $7 million profit in the First Half.
On the revenue side, the next slide [slide no. 7] shows a very strong diversification. I really want to emphasise this because I think the fact that we have a strong growth of non-interest revenue but also very good diversification on non-interest revenue is something that we like. So we like the split between net interest income and non-interest revenue. I would like ideally to see even more non-interest revenue showing very strong cross selling vis-à-vis our customers and also better utilisation of the capital and other resources.

The next is a presentation of the results and I will leave it to Rotimi and Dayo to make this presentation and then I will come back to talk about the summary and outlook, so Rotimi.

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**Rotimi Nihinlola**

Thank you very much; so going straight to the details of our performance for First Half of 2013 and following on from the high level summaries from the CEO. Going straight to slide 9, which is the performance summary. I think basically you can see that for First Half 2013 we see strong and positive trends across the various areas of our performance. Looking at revenue, $947 million, that is 24% year-on-year growth. I would also like to just highlight that this is organic growth, and this growth we can see that it's well ahead of growth in operating expense and there we can also see that the effort of management to improve cost efficiency and then to contain operating expense growth is paying off. The operating expense growth 13% relative to the revenue of 24% giving us 11% positive jaws and giving us a strong conversion into profit that even after taking out provision for impairment losses which grew 65% year-on-year, we still ended up with a record pre-tax profits of $200 million. Compared to last year its a 58% growth, and net income attributable to equity shareholders of $149 million is more than double compared to what we did last year, that is 116% growth, and the basic earnings per share of 0.87 $ cents compared to 0.54 $ cents last year is 61% growth.

Now the positive picture that we see on this page, we can see playing out in the key ratios at the bottom part of the slide. Cost-to-income ratio you will see a significant reduction of that ratio from 77.8% to 71.3% and looking at the five quarters is like straight five quarters back-to-back consecutive improvement in our operating efficiency. And as the CEO mentioned this is the key imperative for management to ensure that we keep improving our cost efficiency.

Looking at the return on average equity, the same improvement we see quarter-on-quarter across the five quarters, from 11.5% last year to 15.3% this year. I would also like to highlight that this is also a key imperative that the management has which is to maximise return to shareholders. And looking at the NLP ratio, we see an improvement quarter-on-quarter to 5.7% and we ended up about the same level where we were last year and when you look at growth in loans, which I'm going to talk about later on, we see containment of that ratio.
Going to slide 10, looking at a bit more detail in terms of revenue; the revenue growth of 24% year-on-year and 8% quarter-on-quarter. You see that growth is coming balanced from both net interest income which grew 21% and non-interest revenue of 24% year-on-year. The net interest income growth is driven by both volumes and margins; volume growth in earning assets, like the loans, and then net interest margin - I will talk a bit more about that in subsequent slides. And the non-interest revenue is coming from strong growth from fees and commissions and net trading income, I will also talk a bit about that in subsequent slides. You can see the split in the business is fairly balanced, between Domestic Bank and Corporate and Investment Bank, and you can see the cluster split with Nigeria leading the pack, Francophone West Africa, WAMZ and the other younger clusters making up the balance.

Now, looking at the two major components of the revenue pool, starting with net interest income on slide 11, you can see a strong growth again: 21% year-on-year, 12% quarter-on-quarter and the key drivers are volume growth in earning assets, strong loan growth in Corporate Bank, especially, and a very strong improvement in our net interest margin as you can see, last year 6.5%, this year 7%, that is 500 basis points, that is a very strong improvement and that's coming also from the reduction in cost of funds, especially also coming from Nigeria and higher asset yields. We'd like to mention here that we've got $8 million from AMCON in the second quarter, which is interest that accrued on the $70 million that we got in the fourth quarter of last year.

Now, the second part of the segment of the revenue pool which is the non-interest revenue, we see strong growth there and like the CEO mentioned earlier on, this is the kind of growth and trend I want to see in terms of the non-interest revenue contribution coming into the revenue pot. And this growth is coming both from fees and commissions and FX and securities trading, both trading and sales in particular. Now for net fees and commissions; Coming from fees and commissions on loans, as you see the loan book has grown so the fees and commissions coming from that have grown. And then we see - this is also a good trend - we see fees coming from increased trade and that is playing to our strength in terms of our network being able to support a lot of our regional corporates in terms of the trade across the border - many of our countries originate trade transactions, etc. In terms of treasury income, you see a very strong growth, both in FX and securities trading, sales into our customer base, you see the post-acquisition we have gotten a lot of customers and client base and we're able to sell into the client base, so that's helpful for us.

We'd like to mention that despite the income loss that we suffered in Nigeria, because of the policy to reduce COT, commission on turnover from 0.5% to 0.3% – that is more than taking care of, we have been able to subsume it with limited impact, because of very strong growth that we had in the other lines.
Going to operating expenses [slide no. 13], we mentioned that earlier on the efforts of management to contain cost growth is paying off and we ended up 13% year-on-year growth in costs, and if you remember, relating that to 24% growth in revenue, you can see that we were able to contain the growth and that is coming from limited growth in staff costs, declining depreciation and amortisation expenses. Now, where we are actually seeing growth in operating costs is more on the regulatory side. You know in Nigeria, the banks pay a fee to AMCON which has now grown from 0.3% to 0.5% and if you have a growing balance sheet then you’re going to be paying more. But overall, you can see that operating costs have been contained and that is why you can see the improvement in the cost efficiency towards the right hand side of the slide, where we are showing 77.8%, with the ratio coming down to 71.3%. That is the trend that we want to see, because if you look at the quarter two, we moved from 72.6% in quarter one to 70.2% in quarter two; so this is the trend that we want to see. We expect also to close with better efficiency ratio by the end of this year.

Now going to provision for impairment losses, I will ask our CRO to talk to this slide.

Dayo Orimoloye
Thank you Rotimi. Slide number 14, provision for impairment losses. As reflected on the slide there was an increase of $28 million of provisions on a year-over-year basis and an increase of $20 million on a quarter-over-quarter basis. The general increment was driven by higher provisions in Nigeria, essentially due to the local corporate portfolio of $1.2 billion. The SME portfolio in Ecobank Ghana of $79 million, which pretty much came with the acquisition of TTB and also the portfolio in Mali. We have a loan book of $329 million in Mali and asset quality is stable. We don’t expect any material deterioration sooner than December, but we have seen some delays in receiving payments from Government contractors; those will be resolved shortly. On a quarter-over-quarter basis, the increase was pretty much driven by the loan growth. If you look at the balance sheet, there is a loan growth of $900 million and also in line with the continuous review of portfolios; we took some provisions in Nigeria and Ghana.

Regarding the cost of credit, we expect the cost of credit to be flat at 1.5% through Q4 of 2013.

Rotimi Nihinlola
Thank you, Dayo. So continuing, which is slide 15 on earnings, basically that’s pre-tax profits, as we mentioned earlier is a record, the pre-tax profits for us are $200 million, which year-on-year is 58% growth and quarter-on-quarter is 2% growth. In terms of our clusters: strong PBT performance in Nigeria. We are now seeing Nigeria contributing more to the profit pool for the group; that’s good coming from Nigeria; we expect more of this coming from Nigeria.
Now, WAMZ remains a very strong contributor to the PBT, growth driven by Ghana. Southern Africa, like Thierry mentioned earlier on, this is good development for us also. That cluster has turned into a profit situation. Now EAC, East African Community, cluster is where we have a loss, but if you also look, it’s impacted by performance in Kenya, but if you look at year-on-year, that cluster had $8 million loss last year, this year, $2 million loss, so you can see the trend, so we’re working to put that cluster into profit.

The chart that you have beneath that slide [slide 15] we see the ROE we mentioned that earlier on, we see progressive improvement in terms of that from 11.5% to 15.3%. When we go to the next slide [slide 16], we look at the assets. Basically, the chart that is on the slide below is our balance sheet, from last year $17.8 billion to $20.6 billion, so about 15% growth year-on-year. Now, this is also an organic growth on the base of the acquisition coming from last year, so we see this as a positive trend. The components of the balance sheet, the key one are the loans, you can see that growing by about $2 billion there and then the treasury bills. Then in terms of the return on assets, the stability and efficiency of the balance sheet, you can see the return going from 1% last year to 1.67% this year and progressively quarter-on-quarter you can see that progress there.

Looking at the loan activity, slide 17, you can see the loan book has grown as mentioned earlier on and fairly balanced between the Corporate Bank and the Domestic Bank. Now I just want to emphasise that whereas we are seeing growth in the loan book, we are doing that cautiously and selectively, i.e. our eyes are on maintaining asset quality, and discipline in the credit process is being maintained.

You can see in slide 18 on asset quality; in asset quality you see the improvement quarter-on-quarter from 6.4% on NPL to 5.7%, so we see that improvement there; and at 5.7% is also stable compared to what we had last year. So in terms of the drivers of improvement quarter-on-quarter: strong loan growth, successful recovery efforts, write-offs of fully provisioned loans, for example in Nigeria, in line with prudential guidelines, provisions [and the write-offs] were taken mostly from Nigeria. Because of that write-off, we have the coverage coming down to 66.6% in the second quarter, and we expect that in the second half you will see some improvements in terms of that coverage ratio.

Now customer deposits [slide 19]; year-on-year 18%, we were able to grow our deposits by $2.3 billion; $1.3 billion from the Corporate Bank, $1 billion from Domestic. From Corporate Bank, stronger client engagement, collections etc and Domestic Bank we are beginning to see the value-chain playing out positively, and also leveraging on our bigger branch network, to be able to get low-cost deposits and you can see that in our mix, because our mix is helping us; you see the right hand side of that slide we see that and the next slide you see it even better. But before I leave this slide, I just
want to mention that the deposit generation for the Domestic Bank in Nigeria has been a bit challenging, especially from the public sector. But, when we also look at the recent policy in Nigeria which is asking banks to sterilise half of their deposits from the public sector, you see that for most of the banks that are heavily exposed to that sector deposits, there is an expectation that this will impact a lot negatively on their position for earnings. So for us, the flip side is that there is a limited impact for us. For Nigeria, our exposure to the public sector is 12% and as a group is 5%, so you can see a moderated impact that we have for the bank.

The next slide [slide 20] is the one I just talked about: if you see our funding structure, almost three-quarters of our funding comes from customer deposits, so you see that is positive and the second side of that is to show that even within the bucket of customer deposits, clearly three-quarters, 75%, is current and savings which helps our cost of funds. You can see in the cost of funds there has been an improvement actually also in our cost of funds to 3.2%.

The final slide [slide 21] in terms of the details of our review of the performance is the capital. The first part of that slide show whereas there is growth in our total assets and the liquid assets, loan book, etc, our capital adequacy situation is not impaired. The Tier 1 capital ratio improved 15.2% to 15.5% and the combination of Tier 1 and Tier 2 – the capital adequacy ratio - improved from 19.2% to 19.5%. You can see two things driving this: the Tier 1 equity injection from last year – the impact is still there - and of course strong retained earnings from revenue generation and the efficiency coming from cost containment which gives us strong conversion into profits and into retained earnings.

Thank you.

Thierry Tanoh
Thank you Rotimi. Now, looking at the summary and outlook. At this point, I would like to acknowledge the fact that now I think in Nigeria we’ve fully completed our transition to Flexcube, and now we have one IT platform in Nigeria.

Now, what I am presenting on slide 23 is some of the key aspects of our implementation of our strategy. You remember on the last call I showed you the three key pillars of our strategy; customer service, shareholder value and becoming the employer of choice and as I mentioned, we are working very aggressively in improving the current element of these key pillars and part of this is being done also with the support of McKinsey. With customer service, we have introduced the Customer First training programme. We have implemented an end-to-end complaint resolution. We are also implementing best practice sharing, tracking and improvement and also performance management. When it comes to shareholder value, we wanted to make sure that we focus on training, sales force effectiveness and product excellence in the CIB. On the Domestic Bank, also sales force
effectiveness, core process improvements and credit also – we have found it key for Domestic Bank. We are also working hard on cards and alternative channels to provide the best product to our customers and we are running more and more training to our branch managers on branch productivity and efficiency.

On risk and cost reductions, we are working on the non-performing loan crash programme, working very hard to recover money from loans in difficulty. We have implemented new travel and telecom guidelines that will translate into savings. We are looking back at all our contract performance to make sure that we are improving terms of contracts and getting the best possible financial contract in relation to the current platform that we have today. We are looking to cost process and we are looking at everything from making savings from maintenance to the management of our real estate.

In order to become the employer of choice, we are focusing on work opportunity and performance management, driving the performance-driven culture which is important to us. On the learning and development, also putting training, development and capability building at the centre of the development of our staff and in talent management to make sure we are building a strong bench-strength of talent in the pipeline for succession planning.

Guidance on our progress so far: deposit growth, we wanted to finish the year with a growth in deposit of 20%. We feel that this is something that we can achieve and we continue to work on this and with a loan growth of about 50% of this. We are in line to achieve our 15% growth in revenue, then we also I think on the right track to bring our cost-to-income ratio to the lower 70s. The net interest margin, you know, stable compared to FY12 and we continue on that course and NPLs we want to keep it stable. The coverage is something that I would say we want to try to bring back to the 70s level and the tax rate being what it is. We are still also continuing to aim for 2015 with the cost-to-income ratio below 60% and we are working aggressively in order to achieve this.

This concludes this presentation and I would like to thank everybody for attending this presentation and now I will leave the floor for Q&A.

Questions and Answers

Operator
As a reminder, if you wish to ask a question please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request please press the # key. Your first question comes from Muyiwa Oni. Please ask your question.
Muyiwa Oni - SBG Securities
Good afternoon and thank you for the presentation and congratulations on your results. I have three questions for you. The first is on the CRR policy in Nigeria that has just changed. I know you highlighted that you expect the impact to be negative and I think there was a release from you at some point that highlighted that the exposure to public sector is around 12% of your deposits. I just wanted to have an idea of how much negative impact you expect that to have on your earnings, if any, and then also impact on cost of funds as well. And the reason why I am looking at that is because there has been a positive trend in cost of fund rates decline and I think the sense in Nigeria especially that because of this policy we could see cost of funds rise for the sector. So I just want to understand how much of an impact you expect that to have on your earnings. The second is on Ghana and it's really more a macro question really, and it's around the Cedi and your outlook on the Cedi, and also on yields on fixed income assets at the moment, because that has supported performance of banks in that environment and I just want to understand what your view was on that and the level of sustainability of these high yields, if you expect it to go on over the medium term or how soon you expect a reversal in that. Then the third is on provisions. I know you highlighted that you don't expect to see a continued level of provisioning that we saw in Q2. I just wanted to understand if it's a case of this Q2 trend being the trend we will see over for H2, or if we should expect the Q1 trend to be to what we would see in H2. I am just trying to understand the level of provisioning you expect over the rest of the year. Thank you.

Thierry Tanoh
Thank you. I will give you a general sense on the public sector and then I'll ask Rotimi and others I think perhaps to get back to you with more detailed information, but I think of all what we can take probably from all the major banks, we are probably going to be less impacted by this because compared to the others, I think our public sector deposit was probably junior to the majority of the Tier 1 banks that we are competing with. I don't think I can say I would not expect some impact on this; I think the question here is we'll probably compare it to our competitors in Nigeria, we will be much less impacted. And also overall, you need to see that at the ETI level, we are well diversified and therefore this would not majorly or substantially impact our overall performance as a Group.

On the provision trend, and then I'll talk to the macro in Ghana, but on the provision trend, we have decided to really scrutinise our different portfolio and to be conservative in the approach that we are taking and looking for and we don't want to be in a situation where we're just pushing provision at the last quarter and then all of a sudden. What we have decided is really go through step-by-step and really look at the portfolio and do what it takes I think on a regular basis to go through provisions and loans we feel could add up – so that's the exercise we are going through. Is the strength going to
continue? I think to me what is important is to make sure that, as I said, that we are doing this, as we are reviewing the portfolio, as long as you don’t find big surprises I think the trends will stabilise; I would expect I think a similar level of provisioning in the next few quarters.

As far as Ghana is concerned, my sense of the country, when you look at its level of resources overall, although we’ve seen a currency weakness, we also start to see that the Government is taking the right measures, I think, working on this. So I think we need to see what is coming up in the next few months as far as I am concerned. I think government rates remain attractive and I think it will continue to be strong source of net interest income in Ghana.

Muyiwa Oni
Thank you

Operator
Your next question comes from Soji Solanke, please ask your question.

Soji Solanke – Renaissance Capital
Good afternoon everyone this Soji Solanke from Renaissance Capital. I just have a few questions. The first one is on non-interest revenue; so given the improving trend we have seen especially year-to-date, how much growth are you looking for by year end, or if at all if you could give a target number looking at year end. Next question is on your net interest margins; so according to your numbers you have improved to 7% at the half year; however your guidance is to 6.5% by year end. Does this essentially mean you are expecting a contraction over the second half and if so what exactly is driving this outlook for the end of the year in terms of NIMs? The third question is on the tax rate. I think it has improved Q2 relative to Q1, but your guidance is low 20s; so there is quite a wide gap on the tax rate line, so if you can talk to exactly what happened on the tax line and what you actually do expect by year end, what you've done as of half year is at a wide variance from what you're guiding to by year end. So I am not really sure what to work with on the tax figure. My final question is on deposits; so the split you have on page 19 is the same thing you had in Q1; so I think probably that graph was not changed; if you can kindly give the correct split in deposits at the half year 2013.
Thanks.

Thierry Tanoh
Okay; so, on non-interest revenues, how much growth are we expecting? To be very honest the higher the growth the more happy I will be. We’ve embarked on a clear strategy on customer service and to provide to our customers, you know, product offerings which match their needs, but also in terms of economic capital utilisation here, our ability to generate revenues on less assets, there is a clear impetus on the Group level on providing more non-interest revenue product to our customers. To be very honest the more growth the better it is. Realistically I think if the trend that we have had for the first six months could continue or further accelerate, I would be very happy. At this point it is very difficult for me to make an assessment but I would expect what we have today at the minimum to continue in the next semester and I would be further happy if we can improve it.

I think the net interest margin we’ve provided you as a guideline, I think you talk about in on page 24, 6.5%. I think in this quarter the impact of the $8 million we received from AMCON also had an impact on this. We will want indeed to exceed what we have done last year and therefore conservatively perhaps we can put this number, but we would like to achieve a better number definitely and we will work towards that.

As far as the tax rate is concerned I think that is very difficult to predict, because depending on where you are going to see a profit or different tax law - by the end of this calendar year we might have a different tax rate - so this is to the best of our knowledge today how this would translate by the end of the calendar year, which is a combination of potential new tax laws in some countries but also on where we will generate most of our profits, so I cannot comment further on this. But yes it’s true that currently we will probably be better than the low 20s. Thank you.

Rotimi Nihinlola
Yes thank you, now on deposits now the numbers look different it is because it is the mix we are looking at and the point you mentioned, this is one thing that has helped us, so even when we are trying to raise deposits we have in mind the mix. As you can see, like I said, the mix that you see there we have 75% of our customer deposits is in current and savings accounts and the split that you see there looks similar right, but just reflect that that is our strategy. We are not just raising deposits; we are raising it to maintain a certain mix because we are conscious of the cost of funds, so this is it.

Soji Solanke
Okay so just quick follow up; on the deposits so you are essentially saying the split in Q1 is the same as half year, is that correct?
Rotimi Nihinlola  
That is correct, yes the mix.

Soji Solanke  
Okay then just one quick follow up; in Nigeria you mentioned deterioration in the local corporate loan book; what exactly is driving NPL build-up in Nigeria? Thanks.

Dayo Orimoloye  
Essentially, if you look at Nigeria the NPL ratio actually improved quarter-over-quarter. We wrote off some loans, essentially some of the oil and gas names, and SME and consumer loans that came with the acquisition of Oceanic Bank, but in general we do not expect any deterioration between now and December.

Operator  
Thank you. Your next question comes from Jude Fejokwu; please ask your question.

Jude Fejokwu – Thaddeus Research  
Thanks for the presentation; I have four questions here. First question is as follows: do you intend selling any of your Nigerian PP&E fixed assets in 2013, or next year, 2014? Second question: are you overly concerned with operating expenses in Nigeria relative to other clusters in the region? We are looking at the numbers and we feel that Nigeria has been overly concerned with OPEX rising compared to other regions in the results we just saw, comment on that. Number 3; your 0.5% AMCON payments to AMCON sinking fund of your assets; is it based on the Nigerian cluster alone, as it should in our opinion, or is it based on ETI’s assets as a Group? Number 4; going forward, what is your deposit mobilisation strategy in Nigeria? We would like to know. And the Oceanic Bank acquisition so far do you see it as rubbing off negatively or positively on your capabilities to boost your deposit base in Nigeria at this time? That is pretty much it, and if you can break out your investment banking figures from the corporate bank and in terms of top and bottom line, that would be great also. I am done thank you.

Thierry Tanoh  
Thank you. So on the first aspect we have indeed a strategy, I think, to divest the non-core assets and we are trying to do this at the best time for the market. We have divested some and I think you should expect some more coming in the second quarter, but again we are trying to do this as much as
possible at a time where we feel that we can get a strong price for these assets. Are we very concerned with Nigeria OPEX? No, not overly concerned, but I think with the weight of Nigeria into our P&L and balance sheet, it is important that we are managing and monitoring OPEX in Nigeria. Also historically in Nigeria, because of the acquisition of Oceanic with a cost-income ratio that used to be very high. What we have seen also compared to last year, we have seen an improvement in the cost/income ratio from almost 88% to 79% this year and I think we are welcoming this trend. It is important that Nigeria bring this cost/income ratio further down so that the whole group will benefit from it. So not overly concerned, but it is an area where we need to continue to put pressure and it is important to notice that Nigeria has been able to decrease its cost/income ratio despite regulatory cost increases over the past quarter. The 0.5% AMCON payment is only on Nigeria so the rest of our network does not contribute to this.

On the deposit mobilisation strategy, I think in Nigeria it's clear to say that it is a very competitive market and again what we have tried to do with this part of the training we have started with McKinsey also is to provide more training for our staff to be more aggressive with customers; we have done this for the Domestic Bank; we have also done this on the Corporate Bank and my colleague Albert Essien is doing a fantastic job with his team, as well as our HR team led by Ms Essiam, and McKinsey in continuing providing tools and training to our Branch Managers among others. We are starting to see an upward trend on the deposits. We have also focused more on individuals and local corporates rather than on public sector and I think to be very honest I am quite glad that this has been achieved. We are starting to see, I think, a very positive trend on the integration of Oceanic into our business and if you look at the performance of Nigeria in terms of growth of revenues and PBT, it is a reflection of this. As for the IB figures, this is noted and we will try to share them with you after the call. Thank you.

**Jude Fejokwu**

Okay thank you; just on the second question about the Nigerian OPEX concern, I just want to add that at this point in time you are succeeding. Do you think your strategies in terms of this may hamper business if Nigerian costs in the interim before a benefit dramatically, or you do not think so?

**Thierry Tanoh**

I don't think so. I think the way we are looking at it is really to work more efficiently it is not a cost cutting, we are not cutting costs, we are working more efficiently, and we are paying more attention to expenses; we are really going through an exercise that goes through this, so I think it is not going to hamper our growth in the country.
Jude Fejokwu
Okay thank you very much.

Operator
Thank you your next question comes from Damilola Akinbami; please ask your question.

Damilola Akinbami – Financial Derivatives Co. Ltd
Good afternoon; my name is Damilola Akinbami from Financial Derivatives Company. The first question is actually around the recent monetary policy by the Nigeria Central Bank which I think as has been answered earlier, surrounding the 50% CRR on public deposits. What impact is it actually going to have on your net interest income margin? I realise you had a target for 6.5% for the year, but I think overall this might actually have a larger impact on the bank than what is being forecasted. Second question is surrounding the corporate governance issue which I think is important for investors like ourselves. The loan book is growing which is very good, but at which rate is the non-performing loans growing at? Following the recent corporate governance issue surrounding the chairman of the company, what are the steps the company has taken to actually increase confidence with investors? Thank you.

Thierry Tanoh
Thank you. As I said, we are going to try to do our best to keep our net interest margin at the same level and we would expect, I think, some impact from the public sector regulation policy by CBN. Therefore, at this point, as I said, we are keeping the percentage that we said, stable. We are probably, as I said, going to be less impacted than most of our competitors, to which extent, for me today it is a little bit early to predict, but we are monitoring this. The message that has been given in any case to our team is whatever comes on the expenses side will have to be compensated on the revenue side and generate more revenue. So far I think the team, and you can see on the numbers, are responding quite well and we will continue to monitor this and look into that.

On the loan book and the level of NPL as we mentioned, we are trying to keep it at the same level. We are working quite hard, as I said to put a strong effort on recovery and also on making sure that we are applying very strong credit principles on our portfolio and on new entries to our portfolio. As far as the thing on the Chairman, I want to highlight the fact that the loan that has been repaid was a loan that was granted by Ecobank a few years ago at the time where the current Chairman was not
Chairman. It was done then under our corporate governance policy. The loan has now been fully repaid to the penny. There has been absolutely not a single cent of loss on this facility, which has accrued interest and all interest was paid, so the company has not suffered any loss on this. We will continue to abide by strong governance principles and I think the board of ETI will reinforce this message I am sure. Thank you.

Damilola Akinbami
Sorry, just to get the point on the loan, you said the loan has been fully repaid?

Thierry Tanoh
Yes the loan has been fully repaid last week.

Damilola Akinbami
Should the loan have been taken in the first place as a related party transaction? Is this done after the event because of the publication in the Financial Times which was quite clear on the fact that the loan was not yet serviced and you are repaying the loan after the event? That is the question. What are the governance issues that have been breached here?

Thierry Tanoh
That is what I was saying. As I said, the loan has been fully repaid and there was no breach in the governance when the loan was provided. As I said, for Agbara Estates, the Chairman was not Chairman [when the loan was granted] and the loan was granted following our governance principles; and the loan was fully repaid last Friday with all interest and principal as they accrued since the loan’s inception and as a result the company did not suffer any loss. We also would notice that … hold on, let me finish, let me finish …

Damilola Akinbami
I don’t think that is the issue, the issue is that the loan should not have been taken in the first place in that position and if you are talking about the situation that he has paid after the event, it is not the issue. The issue is that if you are in charge of a public entity you should not have done that. I want to understand your comment on that because the reflection of governance on the structure of the board
and as analysts, we want to have some more confidence that it is not happening and it is not common practice in that institution.

Thierry Tanoh
I cannot hear you very well but if I understand that what you are saying is this should not have been done. You mean he should not have borrowed money? I am not sure I understand.

Damilola Akinbami
Yes, if he borrowed money did you disclose it at that time, that it was a related party transaction and if so the fact that it has been repaid, does not make it right?

Thierry Tanoh
Okay so the Agbara loan was disclosed for years in the Ecobank Nigeria annual reports. Okay? And as I said, now it has been fully repaid as of last week, but in the annual reports over the past years since inception the Agbara loan has been disclosed. Thank you.

Damilola Akinbami
Alright thank you.

Operator
The next question comes from Christopher Hartland. Please ask your question.

Christopher Hartland – Hartland Peel Africa
Good afternoon gentlemen. Thank you very much for an informative presentation. I have several questions. One is looking at the guidance you are giving, or your aspirations for 2015 and the cost-to-income ratio of the low 60%. If you go through the numbers here, from this it looks as if all the effort has to come from Nigeria because that presently has a 79% cost-to-income ratio; if you look at Francophone West Africa it is a 67%; the Rest of West Africa 52%; Central Africa at 70% and the others are very small. If you put it in perspective, Nigeria has 50% of the total operating costs but only one-third of the group loans, so that is the easiest one to take away and to work on that.
The second question relates to slides 30 and 31 concerning the contribution of the Corporate and Investment Bank and the Domestic Bank. The Domestic Bank is at breakeven with a cost-to-income ratio of 89% and the Corporate and Investment bank makes $214 million. Clearly you cannot close one and keep the other, because they work together, but it would imply that the allocation of costs needs to be re-worked so that the Domestic Bank does not take all the costs even though it has got the branches, because there is an implied benefit to it.

The next one is about your tax rate. In your press release there is a small part here on page 2 concerning the tax expense; the low effective tax rate given to certain types of income are tax exempt. This relates to the Treasury bond and Treasury bill interest in Nigeria does it? And as the gentleman said earlier, with a 15% tax rate in the first half and if you are implying the tax rate for the full year is going to be 20%, therefore your tax rate in the second half is going to rise quite appreciably.

Next point, and this is the final one, is looking at your balance sheet, property, plant and equipment is $840 million for shareholders’ equity of $2.2 billion, so almost 40% of the shareholders’ equity is tied up in property, plant and equipment; your comments on that and how you can reduce this in some respects dead-weight on your capital ratios. Thank you.

**Thierry Tanoh**

Thank you. Yes, I think on the first one you are right. It is clear to us that Nigeria is the key success factor in reducing our costs and cost-to-income ratios and I think there are two things we are expecting in Nigeria and we are working extremely hard in doing. The first one is to really increase our revenue generation in Nigeria and the second is to continue, by increasing this revenue generation, to work more efficiently and therefore to bring down the cost-to-income ratio. And this is feasible.

On the second point, I fully agree with you and we are currently having someone looking at the cost allocation between Domestic Bank and Corporate and Investment Bank, which is basically cost accounting and I think we need to re-visit this in order to see a much more broadly balanced cost allocation. As we speak this is being done.

On the tax rate, what we are trying to do here is forecast tax rates among others. I think what we have said is that we look a little bit at the equivalent tax rate we had last year and we are trying to assume a similar one, taking into consideration some tax credits we might have, especially in Nigeria in relation to former losses. Therefore my expectation in terms of the tax rate is close to 20%. If there is a way for us again to continue to minimise this we will do, although I think if you look globally worldwide there is more and more pressure. If you look at the recent discussions, even at the G20, I
think being able to beat tax authorities will become more and more difficult in the years to come. As far as we are concerned we are doing our best, and we are going to try to keep at the low 20s percent.

In terms of PPE at 40% of our balance sheet yes, I mean what do we want? We definitely want, with a platform that is galvanising, to build a strong platform. Part of it is quite young, especially in East and Southern Africa, and Central Africa is picking up. Our desire now is to maximise the platform by getting more deposits and more revenue, generate more business and therefore you should see an improvement of what you have just said in the years to come. As I sit now, we are celebrating our 25th year anniversary of operations this year. We are a young bank. We have grown very fast and in order to continue I think to maximise our return on our assets, we definitely now need to optimise this platform that we have built over the past few years. So I am expecting this ratio to improve in the years to come. Also in property you have seen a lot of these assets are branches and again we are doing two things: maximising our branch network and trying to really maximise revenues into these branches; this is what we have been working on and providing even more training to our people to be more aggressive in generating these revenues. We also have decided to take strong proactive management of our real estate and this is something that we will continue to improve in the years to come. Thank you.

Operator
The next question comes from Ronak Gadhiya. Please ask your question.

Ronak Gadhiya - Exotix
Yes thank you. That is Ronak Gadhiya from Exotix. Given the improvement in ROE that you are seeing, once you consider all the conversion that will happen from Nedbank and from the shareholders of Oceanic, when do you think your return on equity will exceed your cost of equity, approximately by what year?

Thierry Tanoh
Well firstly I think you are asking me to look into a crystal ball. I don't know when and if Nedbank will convert. And if they do I don't know to which extent or which level, so this is very difficult. What I think is that if you were to stay at the current level of shareholding structure, I think probably by next year. By next year we should be close to that. Thank you.
Operator
The next question comes from Soji Solanke. Please ask your question.

Soji Solanke – Renaissance Capital
Hi; here is just one question. It is really around deposit growth. You are guiding to 20%. You have done 3% year-to-date; so if you can correct me or maybe can shed more light? What exactly do you expect to drive deposit growth over the second half of the year? Thank you.

Thierry Tanoh
Outside Nigeria, deposits have grown by 10% year-to-date so this is in line with our 20% target. In Nigeria alone, deposits are down 6% during the first half but we have seen Corporate and Investment Bank has grown deposits consistently this year in Nigeria. The Domestic has been more challenged after effect of strong promotions that we did in the last quarter of 2012, and from public sector deposits which are less attractive now given the CRR of 50%. But, for Q2 the 2% fall in Nigeria deposits is entirely accounted for by the Naira/USD FX exchange weakening from N158 to N162; and the Q2 drop in Nigeria has already been reversed during the month of July. We will continue to work towards the 20% growth target for the group for the full year. No one is going to tell you today that it is going to be easy and it is a challenge, but we want to rise to that challenge. Thank you.

Operator
The next question comes from Muyiwa Oni. Please ask your question.

Muyiwa Oni – SBG Securities
Thank you for taking the time. I just have a question on your East African cluster and it is on the performance in Kenya. I know you highlighted that the net interest income declined and so I really wanted to understand what drove that because there was an increase in customer loans during that period and so what drove that? Was it a function of declining yields or cost of funds came up higher than you were expecting? And also have an outlook on the performance of that cluster going forward because Q2 was obviously worse than Q1 performance.

Thierry Tanoh
Thank you. On the first part of your question I think it is the cost of funds. On the overall, look as I said, East Africa is one of our youngest clusters, but is also a region which is extremely competitive with very strong performance from Kenyan banks. And clearly I think this is at some point an area
where we need to put more resources and right now I think what 2013 was to make sure that we are consolidating very well in Ghana and Nigeria. We will continue, I think, to grow our East and Southern clusters. I think you will see and you should expect, I think, in the years to come a stronger focus also in terms of resources in bringing Kenya at a stronger level and so the more I think we are going to be able to completely and very successfully grow our Nigeria business efficiently and the rest of WAMZ and UEMOA, the more you will see our potential in East Africa. Thank you.

Muyiwa Oni
Thank you.

Operator
There are no further questions at this time. Please continue.

Ato Arku
Operator, can you wrap up the call for us please?

Operator
That does conclude our conference for today. Thank you for participating. You may now disconnect.