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 9M 2013 investor presentation.

Host

James Etherington, Group Manager, 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 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. I must advise you that this conference is being recorded today, Monday 4th November 2013. I would now like to hand the conference over to your speaker today, James Etherington. Please go ahead sir.

James Etherington

Thank you, Melanie, and welcome everyone to Ecobank’s third quarter 2013 earnings call. Joining us today are Thierry Tanoh, Group CEO, and Rotimi Nihinlola, Group CFO, and other members of the team. Before we start, I would like to draw your attention to the disclaimer regarding forward-looking statements at the start of the presentation. With that said, I would like to turn the call over to Mr Tanoh.

Thierry Tanoh

Thank you, James, and good afternoon everybody. It’s always a pleasure to be talking to our stakeholders. Let me first start by making a comment - you have seen that our former Chairman, Mr Kolapo Lawson, has stood down as Chairman. This is something that he had been considering but was determined first to ensure that the independent reviews of our corporate governance and regulatory compliance agreed by the Board should be implemented. We now have the IMD reviewing our governance and also EY with regards to our regulatory compliance. This review has already been started and will report in the next few months. Now that they are underway, Mr Kolapo Lawson has taken the view that he should step back so that there could be no question of their independence and our Vice-Chairman, André Siaka, is now acting as interim Chairman. We will wait for the IMD to report probably before deciding how to proceed with the selection of a new Chairman.
With this being said, I would like to comment on the presentation and then on page 5 talk about first our revenue growth. We still have a strong organic revenue growth with the net revenue YoY growing at 24% and 3% QoQ, with strong non-interest revenue growing at 10% QoQ. We have seen further loan and deposit growth. Net customer loans grew at 6% on the third quarter and deposits grew at 5% on the third quarter and Nigeria also growing 10% on the loans and 4% on deposits QoQ. The underlying cost efficiency is continuing to progress. The cost-to-income ratio is down 71.5% in the first nine months of 2013 versus 76.5% of last year. In the third quarter you will have seen the cost-to-income ratio improvement in many geographies.

We continue to be vigilant on asset quality and we have a stable NPL ratio and provisioning rate and our coverage ratio is now up to 70%. We are continuing to see the benefits of our diversification. Ghana continues to excel and both the Central and Southern clusters are growing strongly. Nigeria is seeing progress despite regulatory headwinds.

On the return to our shareholders, the attributable net income is up 74% YoY to $217 million and the basic earnings per share is up 40% YoY, with a return on average equity at around 15%. As I mentioned, on strengthening our governance, the reviews are underway for IMD and EY and the Board and the management team have made a strong commitment to further strengthen our governance.

Page 6 shows how our diversified growth is underlined with efficiency progress. So on Francophone West Africa revenue grew by 4% and that we had a PBT that went down and was mainly due to provisions in Cote d’Ivoire and Senegal following regulatory reviews. Mali’s profitability has been restored. We are seeing more competition, for example, in Togo.

In the rest of West Africa, again we are seeing strong growth there in revenues, 9% and the PBT at 12%, and the cost-to-income ratio down to 48%, with Ghana really continuing to excel: revenue growth and efficiency gains; 25% year-to-date loan growth and the PBT also is up in Guinea, Gambia and Sierra Leone. We have been, of course, impacted by the tax increase on profit after tax in Ghana, which is affecting our net profit.

On Nigeria, we have been impacted on the net interest income by the CRR increase in the third quarter and one-offs in the second quarter. In addressing the regulatory environment, we are growing our loan and deposit book and increasing margin. Our PBT is up 86% in Nigeria versus the first nine months of 2012, of last year.
In Central Africa, this is a cluster we are seeing very strong results, significant increase in profitability also through 2013, with really Congo and Cameroon continuing with rapid growth and Equatorial Guinea becoming profitable.

In East Africa, we opened in Southern Sudan in July 2013, with a rep office in Ethiopia also opening in October 2013. We are seeing Kenya and Tanzania reduce losses from the second quarter.

In Southern Africa we are seeing again a strong performance from all countries outside Zambia and sustainably profitable, with over $10 million in PBT year-to-date on that.

For the specific results review, I will leave the floor to Mr Rotimi, who will take you through the rest of the presentation and I will come back on the outlook.

**Rotimi Nihinlola**

Thanks to the Group CEO for the opening comments and for the high level remarks on the performance of Ecobank Group as at the end of the third quarter of 2013. I will now go into the details of the performance.

Starting from slide 8, you can see that the strong push for revenue from the beginning of the year has continued very strong and we ended third quarter with revenue of $1.45 billion, which, when you compare to the same period last year, a very strong growth of 24% YoY, which I want to highlight is purely organic growth. Also at the operating expenses level the efforts of the management to ensure a strong discipline on costs and to contain cost growth has also been quite strong and has been serving us well. We ended up at the end of third quarter with YoY growth of 16% which, when you compare it to the revenue growth, is a clear 8% positive jaws and with that clear margin of growth of revenue over costs after adjustment for provision for losses, we ended up with a record PBT of $299 million, which also, when you compare it to the same period last year, very, very strong positive growth of 56%. Net income attributable to equity shareholders ended up at $217 million, which is also very strong growth YoY of 74%. Basic EPS YoY growth of 40%.

Now when you look at the bottom of that slide, we just look at the graphs, which essentially substantiate the strong positive trend that we have seen in our results year-to-date. Looking at the cost-to-income ratio, you will see across the quarters clear improvement in our efficiency. If you will recall, in our past presentations the management and CEO have mentioned that this is a very key imperative to drive cost efficiency and we have seen that progressively across the various quarters. The third quarter of last year was 76.5% and we ended this quarter with 71.5%.
When you look at the return on equity, a very clear improvement as well from 11.9% for the third quarter of last year, we ended up on 15% this third quarter, which ties in with the profitability that we have seen so far.

The NPL ratio, we have seen a containment in the light of the strong loan book. The first quarter you will it was 6.4%. This quarter we ended up at 5.8%. YoY we were 5.4% and now 5.8%, so a bit of a growth but it is likely contained and in some slides afterwards I would explain a bit more.

When we go to slide 9, you see the details of the revenue growth that I mentioned where we record a YoY of 24% and when you see across the quarters, progressively you see growth in quarterly revenue. First quarter, for example, if you look at the first quarter of last year $361 million that is what we did in the quarter. This last quarter we did more than $500 million in revenue. The spike that you see there in the last quarter of last year, as we explained before, which is an extraordinary income from AMCON and from investment property gains and the white box within that bar, this is basically trying to extract and to do an adjustment of that and after doing that once you just look across, you see progressive growth. One good thing to highlight also that you observe in these comments we put there is that the growth in revenue is a balanced growth in the two components of the revenue pot, which is that net interest income grew by 24% YoY and the non-interest revenue which grew by 23%. The net interest income comes from the strong growth in the balance sheet and also the net interest margin, which has improved. I will show you in the next few slides also about that and also as a result of the drop in the cost of funds coming from the deposit mobilisation drive but I will say one or two things more when I get to that point. Now the non-interest revenue grew very strong and in this third quarter it grew 10% QoQ, which is due to some of the emphasis we played on growing the non-interest revenue because of the stability of it. So we will be seeing progress in that respect.

When you look at the bottom of that page, you will see the split of revenue across the business units and across our geographies. In the business units, you see something that is more balanced contributions, 52% Domestic Bank and 48% Corporate and Investment Bank. On the other side you will see the diversification in terms of our revenue across our platform.

Now going to the next slide, slide 10 is the net interest income, just to look at the components of the revenue in more detail. Now the net interest income YoY has grown by 24%, quite strong. This is coming from growth in our balance sheet. The loan book and the deposit book have grown quite well and not only the volume growth, but also in the margin. If you see the margin, the margin has grown YoY from – net interest margin from 6.5% to 7% YoY and that has helped to push this line of revenue and also we have been able increase the yield on our assets and if you look at it QoQ, from first quarter of last year and all across you can see progressive growth in terms of this line of revenue.
We need to point out that you would see QoQ, second quarter to third quarter -2%, that is, actually a slight decline there, and that is because of the regulatory headwinds in Nigeria which all the analysts and all the observers of development of the Nigerian banking industry or market have seen or would have expected from banks operating in Nigeria, where half of the public deposits from the government have been sterilised. But what you would notice is that the decline that we are seeing would have been bigger but for the diversification benefit that we see from Ecobank, because the rest of the Group has grown to be able to minimise that.

One last thing I would like to mention here is if you recall in our last call we said that we received $8 million from AMCON, which is accrued interest on the refund that we got in the last quarter of last year. This is already in the second quarter. So if you adjust for that, it is almost like there was no drop actually in revenue despite the regulatory headwinds. This is also to emphasise the benefits that our diversification that has been able to ensure stability of our earnings.

Now in slide 11 on the non-interest revenue, I have spoken to this earlier on to the fact that there has been strong growth and sustain growth in our non-interest revenue. If you see also, you will see the first three quarters of last year and the first two quarters of this year the growth in that line of revenue. Looking at it in totality, the same time last year we had $555 million in this line of revenue and the same period this year it is $684 million. If you look at the number of the cross-sell ratio, non-interest revenue to total revenue, we have been able to maintain that balance, which shows that we continue to achieve sustained growth also as you have seen on the balance sheet side and the non-interest revenue is coming very strong from trade, from fees and commissions on loans, fund transfer commissions. You will also recall that in Nigeria also there was some regulation which limited or reduced the commission on turnover in Nigeria. This would have also been quite large in terms of the impact on us but thanks to the Group and the other lines, which has also moderated that.

Then just to speak to the diversification, if you look at the bottom right of that slide, you would see that the non-interest revenue is coming from various lines of revenue, which also helps to ensure stability of that line of revenue.

Now let’s go to slide 12, operating expenses. Costs have grown, as I mentioned earlier on, but the good news also is this is relative to the growth in revenue, such that the cost-to-income ratio that you see graphically demonstrates what I have mentioned earlier on, which is continued improvement in the efficiency of the Group. First quarter of last year we were looking at 80.5% in terms of our efficiency ratio. Now we are looking at 71.9%. So, almost 8% improvement in the efficiency of the Group over that period. Basically, if you look at the various lines of expenses, you will see that, in terms of staff expenses there is limited growth, depreciation and amortisation limited growth. We have seen growth in some costs in some of our areas in the Group but they are costs, which are tied
to driving revenue and when you compare the impact of the two, you can see that there is excess of revenue over cost, which is the efficiency level you see. Overall, we emphasise the fact there has been improvement in this ratio across the various parts of the Group.

Looking at the impairment losses (slide 13) on loans, you will see that YoY there is growth of impairment losses. One, there has been strong growth in the loan book but, in terms of the provision itself, it is coming from review of our portfolio in some of our geographies: in Nigeria, certain countries in UEMOA, in Ghana from SME portfolio. I think some you are familiar with it as we have mentioned before, the SME bank we bought in Ghana, which is a good bank with an SME portfolio so it’s typical for this type of portfolio to have high provisions, but we are looking at it. Our attitude is to continue to have continuous scrutiny, be conservative, in terms of being aggressive in terms of our review of our portfolio and take provisions as necessary but just to emphasise that, in terms of recovery efforts, we are very keen on these. We have the whole team looking at this, not only to recover but also to contain the new formation of NPL.

Going to slide 14, it talks to the bottom line. The profit before tax (I have mentioned that before) YoY $191 million same period last year to $299 million, which for us is a record for the Group, is 56% YoY growth. You have seen it YoY. You have seen it also and various parts of our Group have contributed to this and the upper part is the profit before tax, and the lower part, is profit after tax, which is similar in terms of the growth that you have seen, the growth in profitability, going all the way down to the PAT level. Now the drop that you see QoQ, there are two things going: (1) the moderated impact from the regulatory headwind in Nigeria but also an increase in effective tax rates. In Ghana there was an introduction by the Government of a national levy of 5% to companies in Ghana, which also applies to our bank in Ghana. So we are seeing additional 5% tax in Ghana, which has contributed to this. Overall, you can see very strong growth in our PAT and the ROAE tells a story, 11.9% last year to 15% this year.

Then slide 15 talks to the Group assets. We have mentioned it before, our assets have grown, we have a big balance sheet - in middle Africa this is one of the biggest balance sheets. We have grown it consistently QoQ and, in terms of profitability, we have seen growth, ie improvement on our return on assets, from 1.12% last year to 1.61% this year. And looking at the upper part of the slide you see the diversification across our various geographies.

On slide 16 we see the loan book has grown quite well, balanced between Corporate Bank and Domestic Bank. Growth of $2.6 billion, which is balanced $1.3 billion apiece between the two business units, Domestic bank (consumer retail loans). Corporate bank has taken advantage of some key sectors. And when you look at the bottom part, in terms of the growth you see growth ramping up
in the third quarter, a strong build-up towards the end of the year. Then on the bottom right, you also see the diversification of our loan book across our geographies.

Slide 17 talks to the asset quality. The asset quality, the two ratios there tell you the overall story. They are the key highlights of this slide. The coverage ratio, we are trending up. We are now at 70%. I think the CEO mentioned that earlier on the high level highlights and, if you will remember our guidance, which the CEO is likely to talk to again at the conclusion, we are trending towards that guidance of 75%.

Now in terms of the NPL ratio, it is being contained within the 5% range, also within our guidance which also be highlighted at the end. 6.4% the first quarter of this year, now at 5.8%. YoY 5.4% to 5.8% despite the growth in the loan book from the first quarter of last year till now we’ve tried to contain it. Group risk management had a very strong focus in ensuring that this is regulated and this contained. And our Early Warning and Remedial Recovery team are also very strong. The growth in the provisions that I mentioned earlier on are coming from portfolio reviews in some of our countries, and overall that ratio is contained.

Customer deposits (slide 18): I mentioned earlier on very strong growth in our deposit book, $13 billion last year to $16.7 billion this year in Domestic Bank and Corporate Bank. So the good thing to take away also from this slide, I think the last quarter we had, somebody was asking a question around the mix and we said the mix is very important for us because we are not just growing deposits but we want to grow it in the right direction, and that is what we have seen. And if you see that mix, you will see that a lot of the deposits that we have mobilised are in the current account portion, which [has led to] the drop in our cost of funds which we also highlight later on. In terms of the growth, Domestic and Corporate Bank, you can see there is a lot of growth ramp up in the third quarter and there will be a build up towards the end of the year, towards the guidance that we are giving on this metric.

This slide just leads you directly into slide 19 which shows the funding structure. For the funding structure, we are strongly reliant on customer deposits driving our business. We try to play less in the borrowed funds and some other lines of funding that are less stable than customer deposits and tend to be even more expensive. So we stay in the customer deposits and even within that bucket you would see on the right-hand side of that slide that the current and savings is about 74%, which is the factor driving the cost of funds drop: first quarter of 3.3%, by half-year 3.2% and right now we are looking at 3.1% in terms of cost of funds.

The final slide [20] is on the capital and the assets. The asset book has grown as I mentioned earlier on and the risk-weighted assets accordingly have grown. Now on the right hand side look at the
capital adequacy ratio. The loan growth is there and then the qualifying capital has dropped a bit because of the distribution of the dividends last year. So you are seeing a slight drop in the capital adequacy ratio but I want to just emphasise or clarify that this is an aggregation of the capital of our subsidiaries across the Group. Now on the ground, our affiliates are compliant with capital adequacy, all our countries and in fact internally we have a stronger policy of maintaining excess over the regulatory minimum.

So at this point, so this is the performance of Ecobank Group for the third quarter of 2013 and at this point I will hand over to the Group CEO.

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Thierry Tanoh

Thank you, Rotimi. Now looking at the outlook on slide 22, we are starting to see our strategic initiatives delivering results. On the ATMs, for example, we are seeing good growth on ATM uptime, which translates into more revenue. We are seeing also in training and HR sales force effectiveness where we have trained relationship managers in corporate and domestic bank and there is also progress in revenues in relation to that. We see good progress, as I said, within our pilot countries, Nigeria, Ghana and Cote d'Ivoire. In the credit process we are streamlining process for new loans while maintaining robust credit diligence and I think this is important, that we are not trading volume for quality; on the contrary. We are seeing improved customer service experience and the pilot in Nigeria is showing strong results, as you can see in terms of the number of new loans from this pilot programme from quarter one to quarter three.

Now when we look at guidance and our progress so far, we have made good progress in the third quarter with a 5% growth on deposits. That is adding $700 million of new deposits, including a strong contribution from Nigeria. Compared to September last year, we are up by 20%, in line with our growth targets. Year-to-date we are up 8% and we continue to push deposits for the fourth quarter to get as close as possible to our target. On the loans, we saw strong loan growth again this quarter; bringing year-to-date growth in the net loans to 11% and this is in line with our target.

On the revenues, we are tracking well ahead compared to last year at 24% growth. However, it is important to mention that the fourth quarter of last year was a big quarter. It includes one-offs of $100 million revenue. Our run rate, however, now is about over $500 million per quarter despite the headwinds in Nigeria. So we are still on track for the full year target. The costs we expect to be in line with our guidance and we are working on the last quarter to maintain the trajectory. The margin, a strong performance on net interest margin at the half-year has been sustained, with 7% for the nine months. At this stage we expect to end the year slightly ahead of last year’s 6.5% for the year, the net interest margin.
On asset quality, on NPL we expect to end the year in a similar position to where we are now, so roughly stable over the last quarter. The coverage ratio guidance is maintained and we have seen a build-up to 70% this quarter so we are heading in the right direction. On the tax rate, we still expect to have a tax rate on average below 20% even with the increase levy in Ghana.

This concludes our presentation for the third quarter numbers, thank you.

James Etherington
Now we will be happy to take questions from participants.

Questions and Answers

Operator
Thank you. As a reminder, if you wish to ask a question, please press *1 on your telephone and wait for your name to be announced. Your first question comes from Muyiwa Oni. Please ask your question.

Muyiwa Oni – SBG
Good afternoon. My name is Muyiwa Oni. I have three questions for you. The first is on impairment and I think for me it is really just trying to understand what the key drivers for your Q3 provisions for Nigeria were, if they were legacy loans, perhaps maybe pre-merger loans or new loans? Then also I want to understand the sectors that are driving these loans. Then around your rest of West Africa provisions, that's the Ghana business, I know you have mentioned that it is SME loans and we have discussed this in the past. I think for me it is really just trying to understand what management sees as normalised levels for provisions in that segment of the business because I understand it will be high yielding, so just understanding if you are comfortable with where it is right now or you still want to work it down further. And if that is the case, where you want to drive it down to?

Then the second is on efficiency and more on Nigeria as well because the performance in Q2 was I would say quite positive. I think the case is trying to understand what to expect, is it Q2 performance or Q3 performance in Q4? So I am trying to understand where you think Nigeria is in terms of opex, cost-to-income ratio and then the outlook on that.

Then the third I think is just trying to get clearance on your – or trying to understand better your guidance for deposits. I know you mentioned that 20% is where you want to be at the end of the year. Right now year-to-date you are at 8% and so I am just wanted to understand that you still want to
Dayo Orimoloye

Hi Muyiwa, this is Dayo. To answer your question on the key driver of the rising impairment in Ecobank Nigeria: the key drivers are, number one like Rotimi mentioned, we continue to review the portfolio and we identified some ‘at risk’ SME loans and also pre-2009 oil and gas transactions, essentially acquired from the Oceanic transaction, about $42 million. We do not expect any default, as Rotimi mentioned, on a pre-emptive basis we decided to classify and take appropriate provisions. That is number one.

On the second question on TTB, Ecobank Ghana actually, so the rising impairment was driven by the acquisition of The Trust Bank in Ghana. As part of the acquisition, we took over a loan book of about $128 million, about 75% of that portfolio essentially consisting of loans to local corporates and SMEs. Regarding the loan book in Ghana, I believe that we have made the hard decisions and we have come to the end of the cycle in terms of booking provisions and taking impairments. To put things in perspective, right after the acquisition of TTB in Ghana, the combined NPL ratio in Ghana was about 14%. As of today, the NPL ratio in Ghana is 6% and by December we expect that number to be at 5%. In Nigeria, just to put things in perspective, the NPL ratio in Nigeria as of today is about 3.4% lower than the threshold of 5%. If you juxtapose that against the loan book of about $3.5 billion, it is not material.

Thierry Tanoh

On the two other questions, what we expect the outlook in cost-to- income ratios, efficiencies in Nigeria, we definitely want to continue to improve it and therefore we have given very strong guidance for the last quarter to the team in making sure that we are really maximising revenues and at the same time we are very much scrutinising all our expenses, including and more specifically in Nigeria. So the trend would be to continue to improve this. I think we have to also acknowledge the fact that in Nigeria our revenue was affected this quarter by the regulatory changes and that has also impacted our cost-to-income ratio but, as I have said, we have given strong guidance and from Q4 and starting 2014 we intend to take even further action and put pressure on costs.
On East Africa, I think we have gone and we have run promotions in order to increase deposits and this is what you are seeing as a result of this particular initiative. Thank you.

Operator
Thank you. The next question comes from Soji Solanke. Please ask your question.

Soji Solanke – Renaissance Capital
Good afternoon. This is Soji Solanke from Renaissance Capital. I have a few questions. The first one is on Ghana. Can you kindly give – you have already given some sort of update on the cost of risk over there but going into 2014, the cost of risk as at nine months was about 5%. What kind of cost of risk do you expect in your Ghana business next year, from 5% after 9 months?

My next question is on capital, also for the Ghana business. The capital adequacy ratio there is about 13%. Are you thinking of additional capital raise over there and also is there any potential for an acquisition in the Ghana business?

My third question is deposit growth in Nigeria. Given the rising and also volatile interest rates, what supported deposit growth for your Nigerian business in Q3? Thanks.

Dayo Orimoloye
For Ghana the cost of risk should be pretty much in line – for next year it will be pretty much in line with the 2014 number. Like, I said we are coming to the end of the cycle in terms of impairments in Ghana, so once again the numbers will be in line with the 2013 numbers or a bit lower for 2014.

Soji Solanke – Renaissance Capital
Sorry, one second. The cost of risk for 2014, is it in line or lower next year?

Dayo Orimoloye
Actually, slightly lower, slightly lower than 2013, yes.

Soji Solanke – Renaissance Capital
And capital?
Dayo Orimoloye
Well, the capital adequacy ratio, just give me five minutes but, like Rotimi mentioned, we try to be above the minimum requirement and Ecobank Ghana is adequately capitalised.

Soji Solanke – Renaissance Capital
I know it is capitalised, but what I am saying is at 13% so considering how fast that economy is growing, you’re at 13%, and you’ve grown 25% this year. If you grow that quickly in 2014, you will very quickly get to 10%. So do you have any thoughts on recapitalising that business in any sort of form?

Rotimi Nihinlola
Actually, probably if I understand your question, you are looking at the capacity maybe to grow the business and to do more business, so you are looking at whether we want to put in more capital so that we can do more business. Like Dayo said, first and foremost that business is capitalised adequately but, in terms of the funding, I think the numbers that you have there, if you look at the loan-to-deposit ratio, you will see that Ghana still has room to even lend within the liquidity that’s available to it.

If you remember – I don’t know whether you have been part of some of the presentations we had over the last two quarters or in even last year – Ecobank Ghana even had lower loan-to-deposit ratio. And at some point, the question some people were asking is maybe we should try and do more business there in terms of doing more loans and over the period we have seen that we have done more loans but even at that because the bank has the liquidity because of the nature of its business and the corporate bank’s strong business and working with cash flows there, so there is room to do more business. So we have liquidity in the business.

Dayo Orimoloye
And Muyiwa, this is Dayo, to come back to you, the capital adequacy ratio in Ghana as of September was 15% compared to a minimum regulatory requirement of 10%. So once again it’s about one and a half times the requirement and like Rotimi said deposit growth was strong in Ghana. So there’s the opportunity to fund new originations from a capital angle and from a deposit angle as well. We have seen robust deposit growth in Ghana. So our ability to grow the loan book is not in doubt.
Thierry Tanoh
On your third question about deposit growth in Nigeria, I think this is the result of some of the initiatives that we started during the first half of the year that are starting to bear fruit and, as a result, I think we have been also quite aggressive on the ground and that has allowed us I think to increase our deposits in East Africa but also greatly in Nigeria. Thank you.

Operator
The next question comes from Chris Varco. Please ask your question.

Chris Varco – Montpelier
Hi, good afternoon. It is Chris Varco from Montpelier in London – two questions. On Nigeria in the third quarter, you talked about some of the regulatory headwinds. I would just like to really get some more colour on why that has affected Ecobank. Some of your Tier 1 peers have seen a slowdown as well but have still had positive top-line net interest income and bottom-line net profit. GT, Zenith all still positive. So I am wondering why the trend was negative specifically at Ecobank Nigeria.

Then my second question is just some more colour on slide 12 on the increase in other opex. A bit more colour on that would be great. Thank you.

Thierry Tanoh
On the opex, I think that, as we mentioned, while they increased, there was also an increase in revenues. The increase on other opex, you are talking about the $6 million increase during the quarter. Am I correct here?

Chris Varco – Montpelier
Well, I am looking more at the YoY trend on the third quarter and the nine months really.

Thierry Tanoh
Yes. Well, as mentioned, I think we can come back in more details to you into this but overall I think our revenues increased during the same period of time by 24% and therefore you should expect some of the other expenses to increase also. The overall guideline was to kind of increase costs not more than 50% of the growth in revenues and so it was, as expected, a certain level of growth in this.
Now if I understand also on your first question the regulatory headwind, if my understanding is correct, is that only Zenith amongst Tier 1 peer banks have seen a QoQ increase. GTB and Access are also affected and UBA also QoQ by this. Remember also that on Q2 we had an extraordinary $8 million AMCON adjustment also that improved our Q2 and that was a one-off that we don’t see in Q3. That also is impacting our overall cost-to-income ratio. Thank you.

Chris Varco – Montpelier
Okay. Again I was looking more at the sort of longer term strategic YoY trends. You know your competitors still have positive top and bottom line and there I am trying to look more long term. It seems that your Nigerian business is perhaps suffering a bit more from these regulations.

Thierry Tanoh
No. As I said, I just mentioned to you and we can confirm – we have the UBA numbers and we can even be more specific with you, but overall the trend is the following and especially in Nigeria. We have to be better in managing our costs in Nigeria. We are currently, in fact, in budget meetings for 2014 and I can tell you that cost efficiency in Nigeria is the topic we are talking about. So we are looking and taking all the measures that are necessary to first continue to boost our revenues because I think we need to be able to take very strong revenue growth but at the same time to really in detail look at each line of our cost structure in order to make sure that we are efficient. So we are going to continue strategically long term to reduce the cost-to-income ratio in Nigeria because it is a material one that affects the overall ETI as a Group. So there is a very strong focus from now on Nigeria, not just to look at revenue growth but also strategically and efficiently cutting costs from now on.

Chris Varco – Montpelier
Great, thank you very much. Thank you very much for the call and the answers.

Operator
Your next question comes from Brent Malahay. Please ask your question.

Brent Malahay – Investec
Good afternoon and thank you for the presentation. I have one question specific to your Ghanaian subsidiary, just the way the capital is calculated. I notice that you guys deduct other assets against
capital as opposed to risk-weighting it. Can you just maybe give colour why that is done as opposed to the general risk-weighting? Then, secondly, as a sub-question to that, I notice that most of these other assets is to affiliates. Is there a reason why it is – can you give some colour to that? Is there some cost subsidising happening within the Group? Thank you.

Rotimi Nihinlola
Thank you for your question but we weren’t getting your questions clearly and I think probably we need a session with you offline to better understand the question and then walk you through the mechanics. So if you don’t mind, we will take this offline.

Brent Malahay – Investec
Or maybe we can just discuss the second question just with regards to amounts owed from I suppose affiliates and just the thinking around how the Group operates between subsidiaries and whether I suppose there’s assets being moved across legal entities.

Rotimi Nihinlola
Alright, thank you. I think, even though, all the banks, of our subsidiaries belong to the same group but we deal at arm’s length. We don’t mix liquidity. We don’t mix money across. So if an affiliate wants to borrow money from an affiliate, it is going to be treated with the ability of the other affiliate to repay. So he is taken through the normal process of the bank dealing with another bank. And one thing also we do is risk sharing. So if we have transactions, we can have another affiliate participate in the other affiliate in risk sharing or syndication, just like you would deal with another bank. And then we have limits. So we treat it the same way you would have treated maybe another bank. So we have the normal credit process.

Brent Malahay – Investec
Is it fair to say that Ghana would have surplus capital, given that there’s assets owed to it, and with Nigeria it is quite limited in terms of using its balance sheet to help facilitate risk-taking, given the limitation on – I think the Central Bank has limited the ability of the Nigerian balance sheet to take other African risk.
Rotimi Nihinlola
Yes, you are correct there. I think that this has been discussed and I think effective January 2014 this limitation is coming to the banks in Nigeria in terms of their dealings across the border. I think yes, you are right. Yes, we are looking into that.

Brent Malahay – Investec
Okay great, thank you.

Operator
The next question comes from Ken Alorzuke. Please ask your question.

Ken Alorzuke – Social Security and National Insurance Trust
Thank you very much. This is Ken Alorzuke from Ghana. My question is on Nigeria. On slide 5 you say that you made progress in Nigeria but when we come to slide 6, we see revenues falling by 5%, profit after tax falling by 22% and cost-to-income ratio increasing by 6%. So I want you to make it clear to me how the progress was made in Nigeria. That was my first question. The second question is I was expecting a profitability comparison for the clusters but I didn’t see that. However, from my rough estimation, for instance Nigeria is controlling 43% of the asset but, in terms of profitability, from my rough estimation, that is about 27%. How much longer are we going to hold on to see such an imbalance being corrected, as far as Nigeria is concerned? Thank you.

Thierry Tanoh
So when we talk about we make in progress in Nigeria, I think if you look at the first nine months of 2012, the cost-to-income ratio, for example, was 84.3%. It is 79.5% for the same period in 2013. We see also an increase in deposits in Nigeria YoY. So this is the progress. Whether or not, and I think this translates into your second point – whether or not we are satisfied with this number to date, absolutely not. You know I think 2013 was an important year for us in making sure that we are fully integrating Oceanic and it is only in 2013 that we put the whole bank in Nigeria the legacy Oceanic Bank on the same platform and integrated. So the first year of 2013 was really to make sure that we were having the same platform and we are starting to optimise our platform in Nigeria and that we are seeing some improvements in the cost-to-income ratio. As I said, I would expect a stronger hold on costs in 2014 in order to materially improve the cost-to-income ratio in Nigeria so that again it impacts in a positive manner the global cost-to-income ratio of the Group. Thank you.
Your next question comes from Ndubuisi Obike. Please ask your question.

Ndubuisi Obike – Stanbic IBTC Pension
Good afternoon and thanks for the presentation. I have a few questions. My first question has to do with a statement on one of your slides where you said portfolio reviews across different regions, Nigeria and other regions have affected the NPLs in third quarter, perhaps you could shed more light on that comment there. Then I would like to have an update on the shareholding structure of the Group in terms of especially as it affects those shareholders with convertibles. What are the levels of conversions recorded this year and any others that could be expected before the end of the year? Basically what’s the shareholdings of Nedbank, IFC, EIB those major shareholders, how has it changed since last year? Then my third question, I would just like to have these figures for Nigeria. I would like to know the net interest margin, the deposit mix in terms of cheap deposits and term deposits and then what is the weighted average cost of funds for Nigeria, just Nigeria in particular? Then I would be happy if I could get a breakdown of your loan book into the sectors so I would know which sectors you are lending particularly to, and perhaps NPLs to each sector, that would be very helpful. Thank you.

Dayo Orimoloye
So to answer your first question on portfolio reviews, we did conduct portfolio reviews in Nigeria, Togo, Cote d’Ivoire, Senegal and Ghana during the quarter. So essentially what we do is we review the loan files and the loan book and stress test the portfolio to identify at-risk facilities. And for each facility we either classify and take provision or place such facilities on a watch list. It’s an on-going process.

Your second question on the loan book for Nigeria, I do have the numbers but we will email it to you offline.

Thierry Tano
I think you had a question on – I want to make sure. Can you repeat your question on convertible?
Ndubuisse Obike – Stanbic IBTC Pension
I just wanted to know – I wanted to have an update of the current shareholder structure of the Group, especially as regards those major shareholders with convertibles. I know there are some convertibles with Nedbank, so I know IFC, EIB they all have some convertibles and will there be any further conversions, anyone expected by the end of this year, so at least I have an idea a clearer picture of your current share issuance and the structure of the holdings.

Thierry Tanoh
What I can confirm to you is that EIB and IFC have a convertible. Nedbank has also an option. As to whether or not they would exercise these options, I think this is a question to be asked to them.

Ndubuisse Obike – Stanbic IBTC Pension
So what is the current share structure for the shareholders? Who are they and what is the shareholder structure like right now?

Thierry Tanoh
You want to have the shareholder structure?

Ndubuisse Obike – Stanbic IBTC Pension
Yes, the major shareholders, what are their holdings.

James Etherington
Thank you. So just the top shareholders on the register, there has been very little change in this during the course of the year, so the PIC following the investment last year, had just over 18%; the IFC through both themselves directly and their various funds has around 14%; AMCON in Nigeria following Oceanic just under 10%; and SSNIT, the Pension Fund in Ghana have just over 5%. That’s the core group of shareholders we have. Again this is disclosed in the annual report and there has been no change in those this year. There is no change in the outstanding convertibles and no conversions of those so far this year.

Ndubuisse Obike – Stanbic IBTC Pension
And my other questions please, the NIM, deposit mix and what is the weighted average cost of funds for Nigeria and also a breakdown of the loan book and NPL, in to the sectors please?
Rotimi Nihinlola
For Nigeria the cost of funds is 4%, thereabouts, and the net interest margin is 7%, a little over, so 7.2%. We have, as you'd notice – if you were part of the call the last time, we also told you that we are actually having a drop in cost of funding in Nigeria because of the deposit drive. The current account and savings, the CASA is close to 70% in Nigeria. Thank you.

Operator
Once again, ladies and gentlemen, if you wish to ask a question, please press *1 on your telephone. There are no further questions registered at this time.

James Etherington
Thank you very much. I will turn it over to Mr Tanoh to close the call.

Thierry Tanoh
I would like to take the opportunity to thank everybody who participated in this call. As we said, it's always a pleasure to interact with our stakeholders and now we look forward to the next call which will be presenting our 2013 numbers. Thank you very much.

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