Operator: Thank you for standing by and welcome to the H1 2014 Investor conference call. At this time all participants are in 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 star and one on your telephone. I must advise you that this conference is being recorded today the 18th August 2014.

I would now like to hand the conference over to your speaker today, Mr. James Etherington. Please go ahead, sir.

James Etherington: Thank you, Demos. And welcome, good afternoon, ladies and gentlemen, to Ecobank’s first half 2014 conference call. Here to discuss our result Albert Essien, Group CEO and Laurence Do Rego, Group Executive Director of Finance and other executives of the Group.

Before we start I’d like to draw everyone’s attention to the disclaimer at the start of the presentation, but with that said and without further ado I will turn the call over to Mr. Essien.

Albert Essien: Thank you very much, James, and good afternoon everybody. Welcome to this call, the second since I got into the chair. We’re very pleased to be reporting the progress on several fronts for this first half year results.

Business performance is quite strong. Net revenue is up 14 percent for the first half. Strong results across all geographies, I will get back to that later and there’s also a very good contribution and mix of revenue. We’ve seen progress on our capital strategy and continued our long term development.
And we’ve opened in Mozambique, secured a license in Angola and also we’ve actually appointed a new Chairman and a new Board. The Chairman has quite a very good name and credibility in the marketplace in sub-Saharan Africa. And we are really on course with the governance action plan that we promised and actually took to the EGM for approval.

Now on the business side both the top line and asset liability growth have been good. Net customer loans are up 7 percent second quarter, deposits 5 percent up also in the second quarter.

Cost to income: cost efficiency continues to improve with cost to income ratio coming down steadily. We are now 68 percent for the first half of 2014 and doing better and hopefully we will hit what we have promised or advised that we’d do by year end.

Nigeria is a critical part of the business and this is also doing quite well. Metrics for Ecobank Nigeria like return on equity is 17 percent, profit after tax is nearly $90 million and the NPL ratio is trending downwards. And definitely we are not going to go beyond 5 percent, we hope to be much lower than that.

So, we’re getting closer to our peers in terms of performance and knowing that we’re coming really from a long haul. Now all this has meant an improved return for our shareholders and earnings per share is up over 10 percent and the Group ROE is 18 percent for the second quarter and is above our estimated cost of equity which is about 17 percent, a little over 17 percent.

Now on the strategic side, starting with capital; the IFC converted their $75 million loan in early July which boosted the Tier I ratio. And the Group Finance Director will be speaking more to this later on. Now, Nigeria has also just raised $250 million in Tier II capital in the Eurobond market. We think this is quite a good performance already.

I’ve mentioned already our opening in Mozambique and we can explain that further on during the Q&A. And we also are making strides into opening Angola after receiving a license in Angola.

And I also want to reiterate that on the corporate governance side at the AGM a new Board was elected, quite a very good mix, very skilled and diversified persons with
very good backgrounds and experience. And we also have a well-respected Chairman the name of Emmanuel Ikazoboh who has an extensive public markets board experience that comes to boot with it.

Now going to our geographies, again let me emphasise Nigeria is really back on the map and is doing quite well. In the Francophone West Africa, profitability is up 35 percent with a return on equity in the mid 20s. In Ghana and the West African monetary zone region that we call the WAMZ, results continue to be impressive, despite the macro-economic challenges which we are paying very close attention to.

And these macro-economic challenges are actually mainly in Ghana, the biggest subsidiary in that region. But the cluster ROE is 40 percent plus and their cost to income ratio is quite an excellent 47 percent, down 5 percent over the period.

Now Central Africa, that is CEMAC, is also delivering quite strong growth with an ROE of 20 percent, it’s just a little bit over 20 percent. And they also had a cost income ratio down to 62 percent that is 8 percent down.

And we have challenges in East Africa still, but it’s surmountable and we will be investing there this year all things being equal. But they are also making quite some steady improvement with cost to income ratio down five percent over the period of time.

South Africa we call the SADC region is also showing a positive trend. Although we have challenges in a country like Zambia, I think the region as a whole returned an ROE of 14 percent. Being a very young cluster and also CIR, cost to income ratio, is also trending downward, it’s five percent down to 70 percent.

And here again, let me stress the strategic entry into Mozambique which actually concludes that loop except for Angola. Mozambique is where we have the Port of Beira. So the Port of Beira is very, very important for the land locked countries of Zimbabwe, DR Congo, Malawi and Zambia where we find ourselves.

And so with Mozambique we intend to intensify the intra-African trade and also trade with the outside world from this particular cluster. And we would also be in Angola with time and when the time comes for the opening we would actually announce it to all of you.
Now from a business divisional perspective, our treasury business continues to be quite strong and for the first half of the year they did quite well. But having said that, since we’re building a diversified business we are also committed to growing the Corporate Bank which is also trending upwards and we are pulling along the Domestic Bank, where a lot of initiatives including branch profitability, branch revenue, branch productivity improvements and also going into alternative channels, e-banking and the rest, is actually a very big part of our strategy.

Now having given you this intro I will hand over to the Finance Director Laurence Do Rego, to actually speak to the numbers, then I will come back to put it all together again. So, thank you, but just hold on, thank you.

Laurence Do Rego: Thank you, Albert, and welcome everyone to our earnings call. Going straight to the performance summary on slide eight, our performance in the first six months of 2014, benefited from the strength of our diversified business model, as mentioned by Albert.

And it was supported by good loan growth and expense discipline. Profit after tax was $194 million up 15 percent from the prior year while basic earnings per share was 0.95 $ cents up 10 percent from the prior year. Net revenue was $1.1 billion increasing 14 percent from the prior year driven by solid growth in loans and non-funding income.

For the second quarter of 2014 our net revenue was up 4 percent from the prior [period] driven primarily by non-funding income particularly fees and commission.

Laurence Do Rego: Thank you. During the period we focused on managing our expenses very carefully to ensure we kept the pace of expense growth below that of revenue. The 9 percent year-on-year growth in operating expenses and the one percent quarter-on-quarter growth are a testament to the action we took on the expense front and this will continue going forward.

Impairment losses increased 19 percent year on year reflecting portfolio reviews but were down 5 percent quarter-on-quarter driven by the write off of fully provisioned loans in Nigeria. The chart on the bottom of this slide shows the trends in our cost income ratio, return on equity and NPL ratio.
We are encouraged by these trends as they are all showing a steady improvement. Now, let me walk you through the drivers of growth in our income statement and balance sheet.

So if you go to revenue on slide nine, we cannot over emphasize this point that our revenue generation benefits from the diversification of our business across products, line of businesses and geographies. This creates a competitive advantage for the Ecobank Group.

So, despite what was a difficult operating environment in the first half of the year marked by regulatory headwinds and macro-economic challenges in Nigeria and Ghana, respectively, our revenue growth was still increasing 14 percent from the prior year to $1.1 billion.

This growth was evenly balanced between Domestic Bank and Corporate and Investment Bank, as well as, across our geographic clusters and when you go to the pie chart on the bottom of the slide you will see it. Now let’s turn to the primary components of the revenue that is net interest income and non-interest revenue.

So, if you can go on slide ten, our net interest income grew six percent from the prior year, benefiting from strong loan growth but was impacted adversely by regulatory headwinds in Nigeria especially from the increase in cash reserve requirement, the CRR, on public and private sector deposits which caused margins to compress.

On a quarter-on-quarter basis net interest income fell two percent and despite solid loan growth, margins were compressed in some clusters and the interest expense was relatively higher at the parent company.

Now going to slide eight on the non-interest revenue: it was primarily driven by our revenue growth in the period increasing 23 percent from the prior year. The increase in non-interest revenue was driven by client FX volumes and trading income which was up 49 percent on a year ago, as our treasury business took advantage of the market opportunities across our geographic platform.

It is worthy to note that contribution of the non-interest revenue to the total revenue touched the 50 percent mark after averaging roughly I would say 48 percent in the last six quarters. We prefer to have this even balance between the net interest income
and the non-interest revenue and it reduced the overall risk of capital usage in our businesses and reflect the benefit of our diversification strategy.

Now going to the operating expenses on slide 12, we are encouraged by the progress of the initiatives we have taken on the cost front designed to drive efficiency in our businesses. We are starting to see the benefit of our operating expenses increased nine percent on a year-on-year and seven percent quarter-on-quarter driven by flat staff cost growth and significant cost moderation in Nigeria that has grown only by three percent in Ghana especially in our Domestic Bank business.

The cost income ratio improved to 68.1 percent in the first six months of the year and 67.1 percent in the second quarter. We are already within our full year target range of high 60s percent.

Now on slide 13, the net impairment losses on loans and advances were $88 million for the first half of the year, increasing 21 percent from the prior year. The increase was driven primarily by growth in our loan book, which has increased 25 percent from June 2013.

For the second quarter of 2014 impairment losses reduced five percent from the previous quarter. We guided cost of risk to be under 200 basis points for the year and as of the half year it was 142 basis points, about the same level as a year ago.

We expect that provisions for the second half of the year will be at least what we saw in the first half, particularly given the macro-economic situation in Ghana. But overall our guidance of the cost of risk under 200 basis points for the full year remains unchanged.

On our earnings now, if you can go on slide 14, overall our earnings for the period reflected the growth in revenue, improvement in efficiency and asset quality gains particularly in Nigeria, Central Africa and the rest of West Africa. Our profit asset tax of $195 million was up 14 percent from the prior year driven by aforementioned factors that partially offset by a higher effective tax rates.

The higher effective tax rate was due to the 5 percent National Fiscal Stabilization Levy, the NFSL in Ghana, increasing Ghana’s effective tax rate; the gradual write-off of a deferred tax asset, DTA, in Cote d’Ivoire; and the expiration of a five year tax exemption that we had in Congo Brazzaville. On our return on average equity, it
improved on a year-on-year basis to 17.7 percent and was slightly above our cost of equity of 17.1 percent.

The second quarter return on equity was 18.3 percent an improvement on the previous quarter’s return on equity of 16.5 percent and the prior year period of 15.8 percent.

Let us go to the balance sheet side now and when we look at slide 15, assets and funding, our balance sheet is funded largely by our customer deposits with the portion of relatively core and stable deposits in the form of current and savings accounts, the CASA, constituting 71 percent of total customer deposits. On the asset side, loans comprised the bulk of our earning assets. The cost of funds reduced by 30 basis points to 3.1 percent due to the higher level of low cost deposit generation in the second quarter.

On the loan activity, if you can go on slide 16, our net customer loans as at 30 June were $12.4 billion up 25 percent from the prior year and seven percent from March 31st. Loan growth has been particularly strong year- to date especially among the local corporate in Nigeria and the Francophone West Africa region.

The ongoing macro-economic difficulties in Ghana, including the steep depreciation of the Ghana cedi against the U.S. dollar, on the one hand, has dampened business and customer confidence and resulted in lenders being extremely cautious in the credit extension. We are watching our portfolio closely.

On slide 17, on the asset quality our NPL ratio improved to 4.2 percent as at 30 June 2014 compared with 5.8 percent as at March and 5.7 percent a year ago. The improvement in our NPL ratio was driven by the $250 million write off in the second quarter of the fully provisioned loans in Nigeria which led to a significant reduction in non-performing loans.

The coverage ratio dipped to 66.2 percent from 78.3 percent in the previous quarter. We anticipate restoring the coverage ratio to around 75% percent by year end.

Customer deposits: the deposits market was challenging and we expect it to remain so for a while given the regulatory actions seen in Nigeria, the interest rate environment in Ghana and competition for local deposits in maintaining net interest spreads in the Francophone West Africa region.
In spite of these challenges our customer deposit grew 15 percent year-on-year to $17.3 billion and 5 percent from 31st March reflecting our focus on client engagements. Deposit generation particularly strong in the second quarter of 2014.

Nigeria increased deposits by nine percent and Francophone West Africa by five percent. However, customer deposits declined six percent in dollar terms in the rest of West Africa due to the significant depreciation of the Ghana cedi against the U.S. dollar.

On capital: capital is a very important area for us. Firstly, let me restate that from a capital perspective the critical thing is that each of our subsidiaries comply with their local regulatory capital requirements. We will always ensure that this is the case.

Now at the Group level the parent company, ETI, is not regulated as a bank and so does not have specific capital requirements of its own. However, internally we would like to see the total capital adequacy ratio of near the 20 percent. So, how do we get there from where we are today?

Firstly, just after the end of the second quarter the IFC converted their $75 million loan to equity, which has increased the Tier I ratio to 13.5 percent. Also, we have shown in this slide for illustration what will be the impact of a Nedbank conversion and then the top-up if they convert, they decide to convert and top-up.

The conversion, similar to the IFC one, doesn’t add to the overall capital adequacy but increases the portion of Tier I capital. Any top-up to 20 percent ownership will represent an additional Tier I capital injection of around $200 million. If this were to take place then we will also have the capacity to add additional Tier II capital, likely in a non-dilutive form to further increase the overall capital level towards 20 percent.

In terms of targets now, on slide 21, to conclude I will quickly provide an update on our guidance and targets. We said to expect 15 percent plus deposit growth in 2014. We are currently up five percent year-to-date, with good progress in the second quarter.

As mentioned earlier the deposit market is challenging, but we do expect that initiatives ongoing especially in Nigeria will provide momentum going forward. We also said to expect loan growth of roughly 15 percent. We have achieved eight
percent year-to-date, on track to delivering our target. In fact, we will likely be quite cautious on growing the loan book in the second half.

Revenue is tracking well. We said to expect 15 percent plus growth and as of the half year, revenue is up 14 percent on the prior year. We expect non-funded income to continue to lead revenue growth in the second half of 2014.

In terms of cost to income ratio, currently 68 percent is within the guidance range of high 60s percent. We hope to continue to improve on this over the remainder of the year. The guidance on the asset quality was to achieve a NPL ratio under five percent and the cost of risk under two percent. As at 30 June we are on track to delivering these targets with the NPL ratio currently at 4.2 percent and the cost of risk at 1.4 percent.

With this I will conclude on these results and outlook review of the first half 2014 results. I will now pass it over to Albert Essien to conclude this presentation. Thank you.

Albert Essien: Thank you, very much, Laurence. So, ladies and gentlemen, I could say with a lot of confidence and optimism that we have made a lot of progress in the second quarter. So the first half of the year looks trending upward, business is performing well and is growing. We are delivering both on operational improvements as shown in these results and on our strategic objectives.

Strengthening corporate governance: we are really committed to that. We have a new Board and a new Chairman with very strong backgrounds and skills. So, the next four months plus are very important for us as an institution. We’ll continue to drive improvements in cost efficiencies and risk management and also pay a lot of attention and focus on return on equity versus our cost of equity.

We’re going to make sure that we have a positive EVA for most, if not all, our countries, having in mind that we have very young subsidiaries too. But this is a real focus for the Group and for all countries and businesses so that we return the best to our shareholders.

We’ll continue to work on our capital strategy and optimization. And lastly, we are pleased that our shares are included in the MSCI Frontier Markets Index at the May review. And we are encouraged at the performance of our stock price and look
forward to the stock price inching closer and closer and being at par and beating the book value over time.

So we are looking forward with confidence for the rest of the year.

Thank you very much and I will hand you over to the person who’ll be handling the questions, the Q&A. Thank you very much.

James Etherington: Operator, we’ll be happy to take question from the audience now.

Operator: Thank you as a reminder if you wish to ask a question please press star and one on your telephone and wait for your name to be announced. If you wish to cancel your request please press the hash key. Once again, star and one on your telephone and wait for your name to be announced. Your first question comes from the line of Soji Solanke, I hope I pronounced that right. Please ask your question.

Soji Solanke: Hi, good afternoon, everyone, this is Soji Solanke from Renaissance Capital. Thanks for the call, particularly the clarity give on capital. But I have some additional questions. The first one is on Nigeria. So after half year what was the capital adequacy ratio for your Nigeria business under current reporting standards? And under Basel II, what would the capital adequacy ratio be?

After that – and after the half year season you raised – you said $250 million in tier 2. So, under Basel II what does capital adequacy ratio go to post the additional capital raising? That’s my first question.

My second question is, you spoke about investing in EAC this year, all things being equal, what specifically are you referring to? What’s the nature of the investment you plan on doing in EAC? You know, Tier I, Tier II, you know, in EAC?

My next question, you spoke about how well you’ve managed costs particularly in Nigeria and Ghana. Can you just speak to specifically how you’ve been able to manage those costs both for Nigeria and Ghana? And Ghana because I’m thinking about the massive deprecation in the currency, how have you been able to manage costs despite the deprecation in currency?
Then my last set of questions is can you give an outlook for net interest margins to end of the year? And do you say that the Nedbank top-up your estimate is $200 million? Thanks.

Albert Essien: OK, thank you, I will have the executives handling the various questions. And I will come in when I would have to. So, I would ask the Group Risk Manager to talk about the capital adequacy ratio for Nigeria, half year, post Eurobond and the Finance Director will take the rest.

Dayo Orimoloye: OK, thank you, Mr. Essien, Soji, good afternoon this is Dayo, GCRO. To answer the question of the capital adequacy ratio for Nigeria as of June the total capital adequacy ratio for Nigeria was 13.3 percent. If you add the $250 million of Tier II on top, the total CAR actually improves to 16.5 percent.

As you know, Ecobank Nigeria is a bank of systemic importance so at 16.5 percent the affiliate would have met the minimum requirements of 16 percent for any bank of systemic importance in Nigeria.

Soji Solanke: Hi, so still on Nigeria, my other question was under Basel II, right….

Dayo Orimoloye: Oh, yes. Sorry, under Basel II there’s a haircut of 200 bps, so deduct 200 bps from the 16.5% under Basel II. But actually as you know the CBN has come out with a tentative deadline of October 2014 for Basel II, but based on the impact on the banking industry in Nigeria I would not be surprised if the timeline has shifted again till next year.

Soji Solanke: So, if that’s the case what then is your plan for capitalization of the Nigerian business?

Dayo Orimoloye: Capitalization for Nigeria as the GED Finance mentioned, we’re expecting Nedbank to convert, if Nedbank convert there will be an injection of $206 million as a top-up …

Soji Solanke: How much (did you say)?

Dayo Orimoloye: $206 million.

Soji Solanke: OK.
Albert Essien: That’s our estimate, eh, that’s our estimate.

Soji Solanke: Yes, sure.

Dayo Orimoloye: So the estimate of top-up is $206 million. It is probable that a portion of that amount will go to Nigeria.

Soji Solanke: OK and ideally what would you like your CAR for Nigeria to be?

Albert Essien: What did you say?

Soji Solanke: What would you like you capital adequacy ratio for your Nigeria operations to be, ideally?

Albert Essien: Well, definitely we would want them to trend towards and above the 16 percent.

Soji Solanke: OK.

Albert Essien: OK, you also asked questions on cost management in Ghana and Nigeria. You wanted to know how net interest margin would look like at the end of the period. You talked about Nedbank: we told you that this is our estimate and that we’re looking forward to that happening. Of course they will have to make it, but that’s our estimate if they were to do it say today or there about.

And you also wanted to know about our investments in EAC. I will ask the Group Finance Director to take those questions please.

Laurence Do Rego: OK, thank you, Albert. On our investment in EAC, we have programmed to inject some additional capital in Kenya. Currently we have a capital adequacy ratio in the region of 12.2 percent so our strategy there is to push on Kenya.

Because when you look at the banks in Kenya and you look at Ecobank we still have room to grow. So that is the reason why we have decided to continue to inject capital so that our subsidiary there will be able to be adequately capitalized and make also a difference in the market.

Now going to the cost, I will talk about the cost in general and I will go further into detail for Nigeria and Ghana because those two countries it is true are the biggest
ones. But when we look at the Ecobank Group now we have reached a stage where we should have economy of scale - this is what we are looking for.

So, on the global one what we are doing is to look at all our policies again in terms of expenses. We have now clear target policies, we have clear target policies also about the telecoms and procurement. So this is on the global one.

Now for Nigeria and Ghana, if you look at Nigeria we made the review on the cost of our subsidiary comparing to its peers and this review came with the fact that we are not bad, if you make the comparison with our competitors in Nigeria. And for Ghana it’s exactly the same and we are having some reviews on the monthly basis of all our costs and this is how we are handling the overall cost.

But one of those that we are also looking at on the Group wide one is on the staff cost and also the interest costs because when we look at all those costs we have to do something and we have specific actions that are being on the way to reduce it to the barest minimum. Not jeopardizing the business, but being more efficient and for those one of the things that we’re also doing is the branch rationalization especially in Nigeria. And we have seen some progress there.

On the NIM now, I think that you asked the question on our NIM for the end of the period. As of June we were at 6.9 percent, and it should be remain -- we expect it to remain flat or to be slightly lower because of the regulatory environment.

But we are focusing on the cheap deposit generation to improve our cost of fund. So we do not see any drastic difference in our NIM. And I think that the Chief Risk Officer has answered your last question in the estimate of the top-up from our calculation we will be around $200 million and more specifically $206 million. Thank you.

Soji Solanke: Thank you.

Operator: Your next question comes from the line of Ndubuisi Obike, I hope I pronounced that right. Please ask your question.

Ndubuisi Obike: Hello, good afternoon, thanks for the presentation. My questions will currently focus on Nigeria because I’m a little concerned about the impairment charges that 70 percent higher than previous year. And I’m also worried about cost to income ratio
at 70 percent when you compare to many Nigerian banks, still not very competitive especially considering that fourth quarter of last year there are some reductions in staff headcount and also branch rationalization.

And the impact is not yet very significant because your costs grew by three percent and the income grew by about five percent but your reduction to cost income ratio is still not where I think it should be. OK, further explanation I’ll appreciate if you would give me figures for Nigeria with regards to the cost of funds in Nigeria, NIM, and the deposit mix of Nigeria.

Then my last question has to do with the ongoing crisis - the Ebola crisis - how it will affect your other West African operations, that is Liberia, Sierra Leone, seen cases of countries shutting their borders to each other and how you should think that should affect your operations in those countries. Thank you.

Albert Essien: OK, let me take the wider issue of Ebola. I think that Ebola is not specific to Ecobank. It’s something that will affect every business. But I should say that our countries are holding up very well, that is our operations. In Sierra Leone, in Guinea and in Liberia we are in touch with them. None of our staff have been affected, none of our businesses are being disrupted and I think they are on track with what they were supposed to do in the year.

As an institution we have been very supportive of the countries and I will hope to do more. So I think that Ebola, though being a pandemic in the region, we are holding up very well. We have contingency plans. We have business continuity plans. So we don’t think that there will be that disruption to our business and our franchises in the three countries and in fact in the whole region.

I would now let the Finance Director speak to the specific questions of Nigeria, but before she comes in I would want to state that yes I don’t think that we are happy with the cost income ratio in Nigeria but we see quite some good improvements. Year-on-year it has dropped by eight percent. And I think that whereas if you ask me and my executives whether we are happy, I think from where they are coming from we see improvements year-on-year.

But let me leave the lady with the figures to speak to the impairment charges, cost to income ratio, NIM and cost of funds. And I think when it comes to impairment charges the Group Risk Officer will also back it up. So, Laurence?
Laurence Do Rego: OK, thank you, Albert. On Nigeria I think that Albert mentioned that we are happy with the trend because we have seen that we are trending down. We are coming from the very high side. Do not forget that in 2011 and more importantly in 2012 we have merged Oceanic Bank and Ecobank Nigeria and Oceanic came with a very huge, large base of costs that we have worked on since 2012.

And this is the reason why you can see that the trend is trending down. At the end of 2012 we were at 84.7 percent and before we were even crossing 100 percent. So the trend is going down and as I said we did a review of the costs, even the costs at branch and even costs per person, costs per staff and we are in the lowest one comparing to our peers.

In Nigeria what we have to do is to continue to push even more on the revenue side. Now going to the NIM, it has dipped, and going to your last question, I think that I missed your last question.

Albert Essien: Cost of funds.

Ndubuisi Obike: Yes, I asked for cost of funds, NIMs and deposit mix in Nigeria.

Laurence Do Rego: OK, the cost of funds Nigeria is around four percent.

Albert Essien: The question on NIM will be answered by the Group Risk Officer.

Dayo Orimoloye: To answer your question, the net interest margin on the foreign currency book is about 4 percent and the NIM on the local currency book is about 9.25 percent. So, on a blended basis it’s about 7 percent.

Dayo Orimoloye: Your other question had to do with the impairment charge in Nigeria. It’s true that Nigeria accounted for about 57 percent of the year-to-date impairment charge of $88 million. Nigeria account for almost 40 percent of the loan book and we’re seeing a major loan growth in Nigeria so far in 2014.

So, like the GED Finance mentioned the impairment cost in Nigeria is a factor of the loan growth and number two we do review the portfolio on a monthly basis and we
do take provisions on a preemptive basis. It doesn’t mean there are specific asset quality issues, so simply it’s a case of taking provisions on a preemptive basis.

Overall, we expect the cost of credit to be less than 200 bps for full year 2014 for the Group.

Operator: Your next question comes from the line of Kato Mukuru. Please ask your question.

Kato Mukuru: Hello, good afternoon, and thanks for the presentation everybody. First question is on Ghana: managing your currency risk as Ghana is very important to the Group. How are you managing that currency risk and are there any key things we should be looking out for in the Ghanaian operation that you are really worried about?

Also, Nigeria on the loan growth, 33 percent loan growth year-on-year is very, very strong. Can you give us a little more color on where that loan growth is coming from? And then also on the question over your capital position, how much organic capital do you plan to generate this year?

I mean my point being that actually Nigeria is coming along very well and actually this year, if you carry on with this current run rate Nigeria, will deliver more organic capital, than the entire Group did last year easily. So, I mean, if we include organic capital generation surely you should also be able to generate an additional capital buffer over any Basel II implications.

This is something I just wanted to get your thoughts along those lines. Maybe an ROE target for the Nigerian business itself would be very helpful for this year just so we can get a sense of how much capital you’re generating anyway. Thank you.

Albert Essien: OK, thank you, the Group Risk Manager will take up the managing the currency risk in Ghana and also about Nigeria, can you also talk about risk management. And the Finance Director will take the issue of the organic capital and where we think Nigeria’s ROE will sit by the end of the year.

Dayo Orimoloye: Thank you, Mr. Essien. To answer your question, it’s true that year-to-date there’s been some contraction. I estimate it about 17 percent in Ghana essentially driven by the 40 percent drop in the value of the currency, repayments and of course tapered loan growth in the affiliate.
In terms of Ecobank Ghana, we haven’t seen any impact on the loan book. The NPL ratio for Ghana was five percent as of June and we do not expect that number to trend north by year end. The only concern that we have is an exposure of about $150 million to importers of refined gasoline or petrol in Ghana.

Matured LCs of about $120 million. As you know there’s scarcity of foreign exchange in Ghana but the coverage, based on local currency and foreign currency, is about 70 percent. We do monitor coverage on a daily basis and we don’t expect any material deterioration.

My view is that in the short term the cedi will actually stabilize and we actually see that based on the reversal of some policies last week - central bank policies. Also the Eurobond at $1.5 billion and the onset of the cocoa season will also stabilize the currency.

In terms of the fixed income book, T-bills and bonds, we have a book of about $280 million in Ghana. The yield is about 21 percent and we haven’t seen any material change in valuations. So, Ghana is under control.

To answer your second question on Nigeria.

Kato Mukuru: You’re not worried about the structure adjustment program and any implication on future yields?

Albert Essien: Well, when we get there we will cross that bridge. I think that this is a hypothetical question. We will need to wait and see what sort of programs that the Ghana government and the IMF will agree too and I can assure you that we’ll respond adequately.

Today we don’t know the program that they would agree to so it’s a bit of a red herring to actually make a definite statement on how we would handle it. But definitely we would adjust when we get there.

Dayo Orimoloye: OK. Thank you, Mr. Essien. To answer your other question on the components of loan growth in Nigeria; the loan growth in Nigeria was driven primarily by new exposure to the upstream oil and gas sector in Nigeria. As the majors divest, we do lend selectively to parties buying out those assets.
Essentially from our perspective this is a reserve baseline because they are producing assets and the risk is quite low, it’s quite benign. And also the power sector. So we’re lending selectively to the upstream oil and gas sector and also to the power sector and lastly we’ll lend selectively to local corporates so long as you have domiciliation of receivables …

Albert Essien: And regional corporates.

Dayo Orimoloye: Regional corporates.

Kato Mukuru: Any exposures that are above 10 or 15 percent already in any of those sectors or anybody close to single obligor limits?

Dayo Orimoloye: No, not for Nigeria. At the Group level our single obligor limit is 7.5 percent of capital. And actually for some of upstream exposure that we did finance they are actually pre-paying exposures because of elevated production levels.

Albert Essien: OK, so the Group Finance Director will take the question on capital and Nigeria’s ROE for year end.

Laurence Do Rego: OK, we do not guide on dollar amount for our profit attributable but I think that here the takeaway is that we are encouraged by the revenue that we continue to grow - the trends that we are seeing - and on the cost side also we are seeing the good trends so we are confident that these trends will continue and this will help to grow the profitability.

So, all things being equal our efficiency will continue. So, what we expect is continue to see improvement in our Nigerian operation and of course it will get to the improvement in terms of capital at the end. Thank you.

Operator: Your next question comes from the line of [Kingsley]. Please ask your question.

Male: Good afternoon, Albert.

Albert Essien: Yes, good afternoon.

Male: OK, my first question is on your report talked about lower profitability of your corporate and international banking, as well as, higher central cost and interest expense.
(Cross talk)

Albert Essien: You said what on lower profitability?

Male: Yes, of the corporate and international banking units. Corporate and international banking units then higher central costs and higher interest expense. My question is that what measures are you going to adapt to improve the profitability of these two units, the corporate and international banking? As well as reduce the higher central cost, because it has been a cause of concern for a long time.

Now, secondly, in this report you talked about $250 million write off in Nigeria. I quite remember during the AGM there was a write off of $175 million and we asked that question and we were assured that no write off will come up again. May you give me more information on this write off. Is it going to reflect in the bottom line or is it part of the old one?

Thirdly, you talked about some IFC conversion and we know that there are other conversions on the book, Nedbank and others. May we know whether into the future or before the end of the year, other conversions may come in?

And fourthly, there have been a lot of talk about Ghana’s performance and it hinges that the Group is depending on performance from Ghana and Nigeria. What measures are you going to take to ensure that contribution to profits is distributed across the group? Thank you very much.

Albert Essien: OK, thank you very much. In the first is let me say that at the AGM we talked of a one-off write off of $165 million, isn’t?

Male: $165 million, OK, OK.

Albert Essien: Yes, if my memory serves me right. Yes but you know that we are an ongoing institution so definitely that was an exceptional write off. We are not looking forward to such an exceptional write off again, touch wood. But from time to time we’ll clean up our books, from time to time when we make full provisions, executive management will make recommendations to the Board to clean the books.
So this is an ongoing business like is done in any financial institution. So from time to time there’ll be write-offs when there are full provisions. So, I hope I’ve clarified that. OK.

Male: You have clarified, but I think maybe into the future we need to know coming what provisions have been made because the answer to your question at the AGM give us assurance that there would be no other write offs coming in so when we read this we were quite surprised that another write off was coming up in Nigeria again.

Albert Essien: Yes, well the $165 million in Nigeria where provisions and we decided to take it off. OK, but as a continuing business there will be provisions from time to time and when there are provisions we would write off when we have to. OK?

So, it’s a continuing business, any business would write off from time to time. And when we give you our statement we also talk about NPL ratios, we talk about provisions and the rest. So we give you those details - it’s actually in the pack and I can get the Group Risk Officer to speak to it before I continue.

Dayo Orimoloye: So, just to add some color or clarification to the GCEO comment; the write off of $250 million as at Q2 included the $165 million of loans that we classified and booked provisions for as of December 2013. So, in line with prudential guidelines we can write off fully provisioned loans which we did as at Q2. We transferred the loans to memorandum and we are sustaining recovery efforts.

So there is governance around the write off process.

Albert Essien: Yes, so that is what I want to say. For any business from time to time that will happen but you will not have that surprise lump sum. That is what I want to have that difference in thought.

Yes, for the Corporate and Investment Bank I think that their profit. If you look at the page 28, the profit, PBT was up 33 percent so we are not really straining as it is. What we wanted to say is that our treasury business is doing much better. So we need to bring up both the Corporate and Investment Bank and also the Domestic Bank business, the retail business, so that we have a fairly balanced revenue mix.

But having said that, we will still take opportunities from the treasury platform. With our type of unique footprint you definitely always get those opportunities and that we
will take them. But the CIB business is not really doing that bad, it’s up year-on-year 33 percent. So, I wanted to put that in context.

You talked about convertibles. Yes, IFC is done. We look forward to the Nedbank conversion. We’ve already told you that we look forward to Nedbank converting and we actually have to tell you our estimate around $200 million that is if they top-up. So we look forward to that.

We also have the conversion from the EIB; to date it’s about $58 million. We reduce it progressively but they also can take that decision. They’ve not come back yet with that decision. We have one for OFID and that is about 2018. These are the three that comes to mind; Nedbank, EIB and OFID. IFC is already done.

So, we’ve always mentioned that we should that these are conversions in the pipeline. So, I don’t whether I’ve actually answered your question.

Lastly, talking about dependence on Ghana and Nigeria, yes, they are big subsidiaries and they are big contributors but don’t forget we also get very good contributions from Francophone West Africa that is the UEMOA and we also begin to see contribution from CEMAC, that is Central African Francophone and SADC, Southern Africa Development Cluster is coming up very well and we agree we need to do more work in the East Africa cluster.

So, we’re working hard to build a much more diversified group where we would see Nigeria’s contribution, though still large, can come to say about a third. Nigeria is big, we cannot push that under the table. And they will always be there. Ghana is also a big contributor but I dare say that, UEMOA, Francophone West Africa, CEMAC the two of them are coming up quite strongly, also with contributions. Thank you.

Male: But there was a question on the higher central costs that you haven’t yet answered for me.

Albert Essien: Oh, yes, I think that if you see our cost to income ratio trending downwards then you will see that we’re working very hard on the costs. I don’t know whether if you talk of central costs you are referring to the head office costs specifically or you are referring …
Male:  Head office costs.

Albert Essien:  Oh, we’re working on it.  We’re working on that.  I can tell you that that is a cost that it’s not a very big concern compared to the larger Group costs.  We are working on cost optimization at the head office so that the head office holdco costs will come down.  As I speak to you we are on that initiative in earnest.

Operator:  Your next question comes from the line of Soji Solanke.  Please ask your question.

Soji Solanke:  Hello?

Albert Essien:  Yes.

Soji Solanke:  Hi, yes, thanks.  I just have a few follow up questions.

Albert Essien:  Please do.

Soji Solanke:  The first one is can you kindly give us an update on non-core asset disposals?  Then my second question is for Nigeria, non-interest revenue was up about 32 percent year-on-year, can you speak to the drivers of that growth?  And also for Nigeria can you give us some guidance on cost to income ratio for this year and next year?

Then finally, the Risk Officer spoke about writing off the $165 million amount as part of the $250 million, but if I understand correctly the rules in Nigeria requires you to keep fully provisioned NPLs on the books for at least a year before you can write them off and it’s only six months.  Why have you been able to write them off so early?  Thanks.

Albert Essien:  OK, I’ll get my Group Risk Manager to speak first to this issue of Nigeria.

Dayo Orimoloye:  So, Soji, on the issue of the write off; as part of the prudential guidelines you are allowed, and actually the central bank allows you to write off once you’ve fully provided, there’s governance around it and you’re required to transfer the accounts to memorandum and sustain recovery efforts.

Soji Solanke:  But you don’t have to keep it on the books for a year basically, that’s what you’re saying?

Dayo Orimoloye:  Yes.
Soji Solanke: OK.

Albert Essien: OK, the Finance Director will take the non-core assets and the cost to income ratio for Nigeria.

Laurence Do Rego: OK, on the non-core assets we’ll continue to make progress on the disposal of the non-core assets. We have sold since five former Oceanic subsidiaries, namely the registrar, life insurance, general insurance, health management and homes. We sold three-quarters of our equity portfolio and we sold some real estate.

The main remaining items are two of them are O&O (Airtel Shares) but for this one is difficult due to the ongoing litigation that we have on those shares. And the second important one is Bewcastle property and for this one we are exploring alternatives to develop this asset and also to sell it.

The idea is to free up liquidity at the parent company, that’s the overall approach that we have on the non-core assets. And I think that for the cost income ratio of Nigeria I have already responded to it. So Soji, what exactly do you want so that I will be able to address it properly? Thank you.

Soji Solanke: For Nigeria I was just asking if you have a cost income ratio target for this year and 2015?

Laurence Do Rego: Currently we are at 70 percent and we expect to continue to go down. We were actually at 71.5% at the first quarter, during the first quarter, second quarter 68.8% at the end of the June. So we expect to continue to see these trends going down. Does that address your question?

Soji Solanke: That suffices. Thank you.

Albert Essien: OK, you talked about the drivers of the non-interest revenue Nigeria – it’s what I refer to as a flow business. Basically, transaction services. We have seen a very strong trade business in Nigeria and payments. Don’t forget that Nigeria plays quite a significant role in our regional business - what we call the regional business - that is working with other subsidiaries.

OK, so there’s a lot of trade in the region, on our footprint and also there is also a lot of international trade that we are working on. Our trade platform is getting better.
And also the payment side; the payment side is also growing so there’s a growth in the trade and the flow business and also on our eBanking suite, OK. Our eBanking suite is also contributing to that driver.

Soji Solanke: Yes, but to what extent did the non-core asset disposals affect the Group non-interest revenue Nigeria?

Albert Essien: We’ve never talked about non-core assets in Nigeria we didn’t talk about that. So I don’t know, the impact is zero for Nigeria, OK. The non-core assets we’re referring to are Group non-core assets, the Holdco, the non-core assets that sit in with the Group office. That’s what we were talking about, yes.

Soji Solanke: Understood.

Laurence Do Rego: Soji, maybe the information that you need is that we took it off the books of Ecobank Nigeria and they are now seated at the Holdco.

Soji Solanke: OK, that’s very clear, thank you.

Albert Essien: Thank you.

Operator: Your next question comes from the line of Kato Mukuru. Please ask your question. Mr. Mukuru, your line is now open.

(Kato MuKuru): I wanted to discuss the Board changes. I know there’ve been a lot of changes. There have been some changes at the executive level as well and the bank has gone through a lot.

In terms of the Board changes, have there been any specific changes in the way the Board works and it’s interaction with the executive that are very different from where we were two, three years ago, even last year? Have there been any big fundamental changes in, I guess, the process between the Board and the Executive?

And also what is your feeling in terms of sentiment at the executive level now that you’ve been able to ‘steady the ship’ as it were? Are we, you know, are you seeing a growing risk of losing people or are you seeing a, you know, revitalization of the executive across all the different clusters across all the different countries? Are we
seeing momentum in terms of getting back to growing the pan-African business and a more positive feeling across the entire platform?

Albert Essien: Thank you, Kato. The feeling is very positive I should say so with all humility. I think that the team is intact, the team is very optimistic about the future. The team is supportive of each other across all the clusters. We have not lost any senior executive, and touch wood, I don’t think so, except that if people get very good opportunities I’m sure they will look at it.

But what I want to say is that the feeling is very positive and the team is intact. The Board, the new Board, just like the old has been very supportive. It’s a pity that the old one could not handle conflict. I think that was the main issue that bedeviled the old.

But there is a very good and cordial working relationship with this new Board which is made up of very diversified and very strong persons OK. So, I think that everything is fine. We’re focusing to tightening and good governance and the business is growing. I mean just as we showed you the numbers. The business is growing and we are tackling challenges a day at a time and we are focused on our strategic imperatives. So, on the scorecard I would say positive.

(Kato MuKuru): Thank you.

Operator: Your next question comes from the line of Brian Mugabe. Please ask your question.

(Brian Mugabe): Good afternoon. Albert, so my question is just around the Nedbank bank conversion. Assuming they do convert and top-up how do you see that relationship evolving over time? I mean do you anticipate they’re going to want to continue to increase their stake? Has there been any discussion around what the future plans of this Nedbank - ETI alliance are? Thank you.

Albert Essien: Thank you, increasing stake no, because they’re capped at 20 percent. So, that is where they are. That’s the agreement to date. But I think that if they do convert and to date I don’t see why they should not although I always caveat that it is up to them, but we’re looking forward that they do.

I think that it will go further to strengthen the already very good business relationship that we have built over the years from 2008, OK, and to bring closer cooperation.
Don’t forget that the conversion would also, if they do, it would trigger reciprocal board seats. So we get to be on their Board they also get to be on our Board in terms of our nominees.

And I think that it will actually forge much closer business relationships. And we’ll be able to build really an African champion, if I can put it that way. And so we see it as very positive and we expect that it will happen.

Brian Mugabe: OK, thank you.

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

James Etherington: OK, in which case, Demos, thank you very much for handling the questions. Now, I’ll just pass over to Mr. Essien to wrap up briefly.

Albert Essien: Good, thank you, everybody, ladies and gentlemen: the Group is on the right track. We’ve worked very hard on our governance issues and it’s improving. We have a new Board with a new Chairman, lots of credibility for everybody. The executive management is intact, very optimistic, very positive, carrying the whole staff along. And I think that challenges are surmountable and this Group is actually in for a very good future.

We have strong franchises, very good products, very good services and the Group is in very capable hands. Thank you very much. Have a nice day.

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

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