Host

James Etherington, Head, Investor Relations

Speakers

Albert Essien, Group Chief Executive Officer
Laurence do Rego, Group Executive Director, Finance
Dayo Orimoloye, Group Chief Risk Officer

Operator: Thank you for standing by and welcome to the Ecobank Quarter Three Results Investment 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 star-one on your telephone keypad.

I must advise you that this conference is being recorded today, the 31st of October, 2014.

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

J Etherington: Thank you Vivian, and welcome ladies and gentlemen to Ecobank’s 9 Months 2014 Results Conference Call. Here to discuss our results are Albert Essien, Group CEO; Evelyne Tall, Deputy CEO; Laurence do Rego, our Group Finance Director; and Dayo Orimoloye, the Chief Risk Officer 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. With that said and without further ado, I will hand the call over to Mr. Essien.

Albert Essien: Thank you very much, James. Welcome everyone to the conference call. And thanks for joining as usual. For this call, I would give a brief introduction and some key messages before passing over to Laurence Do Rego, the
Finance Director to present and discuss the figures and then I will take up and wrap up the presentation. And you would have opportunity to take your questions.

To start off, our results are quite strong for the first nine months of the year, especially in particular on the P&L side of our business. Our revenue growth is 14 percent year-on-year, quite solid. We are trending downwards on the cost-income-ratio, which means that revenues are turning up and we also really are working hard on our cost efficiencies.

And given all, our earnings per share of 1.59 dollar cents, is up 26 percent year-on-year. So it’s quite a pretty good result for us.

On the balance sheet side, the growth has been muted, but it still better and good compared to this time last year.

We’ve taken a more selective approach to lending in the second half of the year. And also, we had some foreign exchange impact, basically in our Francophone region and in Ghana which is a big player in one of our clusters.

I guess when Laurence takes to the figures she might throw more light on that particular aspect.

But we’re keeping a very close monitoring on our credit portfolio given the trends in some of our countries and with the macroeconomic headwinds that we are having in some of the countries. And not to talk of the impact of Ebola, and of course, also what others describe as the sub-Saharan ‘Arab-uprising’ that just occurred in Burkina Faso.

So we’re taking cognizance of all these headwinds.

Now we have had an enhanced capital position, and I think this as has also fed into a positive credit rating. Nedbank came in with the conversion of the $285 million loan and a top-up with the total investment of $493 million dollars which comes to 20 percent. So they pick up 20 percent as a shareholder.
Now when you look at our Tier I capital ratio, it also trends upwards on a pro-forma basis with the conversion and top-up of Nedbank. And that is about 17.3 percent. Fitch rewarded us with good performance overall. And also with strong capital and shareholders of Nedbank and QNB, and we were upgraded up one notch to B with a stable outlook.

So all in all, the Group is much stronger than the same period last year.

Now if you talk of the geographies, you realize that in the Francophone West Africa Region, that is anchored in Abidjan, Cote d'Ivoire, the performance, continues to be strong, operating expenses just grew by 8 percent versus revenue growth of 16 percent. PBT growth was 37 percent. ROE is 27 percent and the cost-to-income ratio has dropped by five percent to 61 percent. Despite the impact of FX depreciation of Euro-linked CFA on loans and deposits, we’ve seen broad based improvements across the region.

Nigeria is also trending up. The revenue momentum is very good at 18 percent. Costs are virtually muted, flat, at 2 percent year-on-year growth. PBT is up 76 percent, growth year-on-year. ROE is 19 percent which compares with some of the peers in the marketplace. And also, the cost-to-income ratio dropped by 11 percent to 68 percent.

A very strong Treasury performance but lead to a PBT context that we are also growing other businesses generally the Corporate Bank and working much harder on the Domestic Bank to really also have solid branch productivity and efficiencies.

Nigeria raised $250 million Eurobond successfully in August to bolster its overall capital position.

For the rest of West Africa, that is anchored in Ghana despite the rather sharp depreciation of the Cedi and the headwinds that the economy has had and is having although they're working on it, they continue to maintain a leading market performance in the region.

And revenue growth was a bit muted in dollar terms because of the depreciation of the Cedi, is 2 percent. But operating expenses year-on-year
dropped by five percent. PBT up 28 percent year-on-year with a very good cost-to-income ratio of 47 percent and an ROE of 40 percent is the best of all our clusters.

We’re really monitoring the situation in the Ebola-specific countries. And we are really on top of that. I should say that that is a concern. It could, if the situation deteriorates further, feed into our NPLs, if possible, we just want to put that in context. But for now, we are still handling it very well.

We’ve seen an impact on the mining sector, an impact on the hospitality sector and the services sector. But so far, we’re handling it pretty well.

In Central Africa, which is also anchored in the Cameroon, we’ve seen a continuous strong growth. We think that that area we call CEMAC has a real potential for a lot of growth and we are paying attention to that. And it delivered constant FX growth in loans and deposits for the third quarter.

Our revenue year-on-year up 21 percent, operating expenses 11 percent. PBT growth 63 percent; here too, cost-to-income ratio dropped to 62 percent, down six percent. And ROE is 23 percent.

East Africa, we have still a lot of work to do in East Africa. And I think that Kenya will benefit from a capital injection pretty soon.

Revenue is up 21 percent, operating expenses 11 percent. PBT is muted. They are yet to really come to the party there, still a lot of work to do. Cost-to-income ratio dropped by 8 percent to 98 percent and ROE is less than one percent. So that is the area that we need to do some more work there as we always talk about. It’s coming up, but perhaps it needs to be faster to contribute to the overall performance of the Group in a much more positive way.

Now Southern Africa is also seeing quite some good trends. Here, we have had a positive reaction to the opening of Ecobank in Mozambique. Revenue was up 41 percent. Operating expenses 30 percent, still relatively high because there you have also very young subsidiaries and the costs have gone
in. But PBT was up 53 percent and cost-to-income ratio down six percent to 71 percent and an ROE of 14 percent.

I will now turn over the presentation to Laurence Do Rego, the Group Finance Director to speak to the figures in more detail. Thank you for now. I will return.

L. do Rego: Thank you Albert, and good afternoon to all and thanks for joining the call.

Starting on slide eight, Ecobank delivered profit attributable to shareholders of $277 million for the nine months to September; this is an increase of 28 percent from the prior year and earnings per share of 1.59 US dollar cents, an increase of 26 percent.

We also delivered strong revenue growth up 14 percent from the prior year. Operating expenses, up 6 percent; so good positive jaws, with revenue growing more than twice as fast as the costs.

In light of the macroeconomic difficulties in some of our operating regions and intensifying competition in the banking sector, our results here were encouraging.

Now, I would like to draw your attention to the chart across the bottom of the slide. Here, we show the trends in our cost-to-income ratio, return on equity and NPL ratio. We are encouraged by the trends of these metrics, driven by the diligence with which we continue to manage our businesses.

The cost-to-income ratio has improved over time and was 66.6 percent in the nine months to September. Return on equity has also improved consistently and our NPL ratio remains at levels that we are comfortable with.

Now, let’s get more into the details of our performance.

Turning to slide nine, the group reported revenue of $1.7 billion for the nine months to September and an increase 14 percent from the prior year.

For the third quarter, revenue was $577 million, up 14 percent year-on-year and 5 percent quarter-on-quarter. Revenue growth was driven by non-funded
income particularly our Treasury business which benefited from favorable market conditions. As shown by the pie chart, our revenues continue to reflect the strength of our diversified business model and distinctive pan-African platform.

Turning now to slide 10, we reported net interest income of $811 million for the nine months to September. And this is up 5 percent from the prior year.

For the third quarter, revenue was $272 million up two percent from the prior quarter. We saw our net interest income increase in Nigeria, East and Southern Africa, outweighing the reductions in other clusters.

The net interest margin was broadly maintained at 6.9 percent and the slight decline largely attributable to a decline in asset yields coming from Ghana, East and Southern regions.

Now turning to slide 11, non-interest revenue for the nine months to September increased by 23 percent to $840 million. And for the third quarter, our non-interest revenue was $305 million, up 24 percent from the prior year, and 9 percent from the prior quarter.

The growth in non-interest revenue was diversified with strong growth in credit-related fees and encouraging trends in our alternative channels namely ATM, cards and remittance products.

However, I would say that the key driver of the non-interest revenue growth was our Treasury business which benefited from favorable market conditions, as mentioned earlier.

Turning to slide 12, operating expenses: we continue to focus on managing our businesses efficiently. At the same time investing strategically to enable us better serve our clients’ financial needs.

We are seeing the results. Our cost-to-income ratio continues to trend down and was 66.6% for the nine months to September and 63.7 percent for the third quarter despite the increase in operating expenses.
On the impairment losses on slide 13, for the nine months to September, impairment losses were $141 million, an increase of 23 percent from prior year. The increase was driven by impairment provisions we took in Nigeria and in our Francophone West Africa and Southern African Region.

The third quarter saw higher provisions in Francophone West Africa and Rest of West Africa region. We are facing country macroeconomic challenges in Burkina, the Ebola countries and also the tightening of the macro economy overall.

But we expect provisions for the fourth quarter to come in a bit higher than we reported in the third quarter. However, we expect our overall cost of risk to stay within our target of 2 percent by yearend.

Turning to slide 14, we reported profit before tax of $408 million for the nine months to September. And this is an increase of 35 percent from the prior year and profit after tax from continuing the operations of $324 million, an increase of 28 percent from the prior year.

Now, on a quarter-on-quarter basis, we have seen consistent growth in both our pre-and after-tax profit. And again, these results reflected the power of our franchise and diversified business model.

Our return on equity has been improving and was 18.9 percent for the nine month period and 22.1 percent for the third quarter.

On slide 15, we show our balance sheet in the bar graph. The total asset as at September 2014 was $23.4 billion, up 9 percent from the prior year but flat on the quarter-on-quarter. Our balance sheet is mostly funded from core customer deposits, in the form of current and savings accounts, the CASA. And our CASA ratio was 71 percent in the third quarter, following cyclical movements at the tail end of 2013 and early 2014, however, averaging 73 percent over the last seven quarters.

Our loans-to-deposit ratio increased through 2013 but has plateaued around 73-74 percent which is a level we are comfortable with.
If you will turn now on slide 16, the slide shows our loan activity. Total loans were $12.1 billion as at September, increasing in 6 percent year-to-date, but down 3 percent from the prior quarter. We were selective in our lending during the third quarter.

Additionally, the decrease in loan growth in the third quarter, particularly in our Francophone West Africa region, was adversely impacted by 8 percent depreciation of the Euro-linked CFA to the U.S. dollar, our reporting currency. However, in Nigeria we grew by 20 percent year-to-date driven by our Corporate Bank business.

FX impact on the total loan growth was 4 percent in the quarter. And this is around $400 million.

Overall, we expect our loan growth for the full year to come in lighter than our target of 15 percent.

Asset quality now: turning to slide 17, our NPL ratio for the third quarter was 4.9 percent, increasing 70 basis points from the prior quarter. The increase of $74 million in the net new NPLs was driven by Nigeria. Our coverage ratio was 63.2 percent in the third quarter down 6.7 percentage points from the prior year and 3 percentage points from the prior quarter. However, we expect to trend towards 75 percent.

The next slide, in terms of customer deposits: our deposit franchise is solid. In Nigeria, we are the third placed bank in terms of branches, top three in terms of ATMs and have a growing alternative channels network. And similarly in Ghana, we are the first in ATMs and second in the number of branches. Additionally, we continue to invest in our distribution capacity and in technology that would enable us to continue to serve our customers well and grow deposits.

We have $16.8 billion in customer deposits at the end of the third quarter, up 2 percent year to date, but down 3 percent from the second quarter. The decrease from the second quarter was driven by the following factors.
Number one: Domestic Bank deposits in Nigeria were adversely impacted by the increase in the CBN cash reserve requirement (the CRR) to 75 percent of public sector deposits and 15 percent of the private sector deposits.

The single treasury policy has also reduced availability of some of the public sector deposits.

Number two: we focused on improving the deposit mix, thus allowing expensive deposits to run-off, while focusing on generation of cheaper CASA deposits. This has also resulted in an improved CASA ratio and helped our cost of funds within the Domestic Bank book.

Number three: the depreciation of the Ghana cedi and also the CFA franc against the U.S. dollar, adversely impacted growth, deposit growth in U.S. dollars terms during the third quarter.

However, on constant currency basis customer deposits grew by one percent in the third quarter.

Corporate deposits on the other hand were up 9 percent year-to-date, driven primarily by Nigeria and our international business.

Our cost of funds increased 0.1 percent from the prior year to 3.2 percent for the nine months to September.

Turning to capital on slide 19, the group reported a Tier 1 capital ratio of 14.3 percent and a total capital ratio of 16.9 percent for the third quarter. Our capital levels benefited from strong profitability while the level of risk-weighted assets fell by 1 percent, reflecting the cautious approach to lending during the quarter.

Now, let me draw your attention to the bar sitting in the red box. As you may already know, post the third quarter, Nedbank who we have an ongoing alliance with, invested $493 million to give them a 20 percent ownership in Ecobank. Incorporating this action, our Tier 1 capital ratio on a pro-forma basis will be 17.3 percent and total capital ratio of 18.2 percent.
We plan to deploy these new funds to meet regulatory capital requirement in some of our subsidiaries and into countries and businesses able to demonstrate adequate risk-adjusted returns for the use of the capital.

In addition, Ecobank Nigeria, as mentioned by the GCEO earlier, has successfully raised $250 million Tier II via Eurobond in August 2014, which provided them with much increased capital, increasing the single obligor limit and US dollar funding.

As of the third quarter, our total capital ratio in Nigeria was 14.3 percent under Basel I. And then under Basel II, we continue to interpret the rules and the guidelines and we are working closely with the CBN on their parallel capital requirements guidelines.

Our total capital ratio as at September 2014 in Nigeria is 11.3 percent under Basel II.

Now, finally let me end with the progress thus far on the targets that we set at the beginning of the year. We said we’ll grow our deposits by 15 percent. As of date, we have grown our deposits 2 percent. We are running behind target for a number of reasons which I have noted earlier. But we will maintain our push for deposits into year end.

On the loans, we have grown 6 percent year-to-date as against a year end expectation of 15 percent, primarily due to the cautious approach to the lending given the risk we saw in the credit environment and some FX impact.

On the revenue growth, we are on track having delivered 14 percent year-on-year growth against a target of 15 percent.

Our cost-to-income ratio is 66.6 percent which is well within the target range and our asset quality metrics are also within target.

Our NPL ratio is 4.9 percent under our 5 percent target. And the cost of risk is 150 basis points, also under the target of 200 basis points.
In concluding, I would say that we are pleased with our results, which again demonstrate the resilience of our diversified business model and strategy. The revenue and efficiency gains have been particularly pleasing and were are encouraged by the current trend.

Going forward, we will continue to focus on driving business growth and improving returns.

So I would like now to hand over to Albert for the conclusion and the wrap up. Thank you.

Albert Essien: Thank you very much Laurence. Ladies and gentlemen, I'm sure you agree with me that these are set of quite strong results. And we are working to deliver improved performance year-on-year.

Our financial performance is quite good. We are monetizing our platform and see the benefits of our diversified model. We have a diversified business, clients, and we also have that by geography. And this is actually powering a very solid revenue growth.

Our cost initiatives are bearing fruit, all be it we need to push much faster and harder on that.

And we have a good control, a firm control on our impairments in quite a challenging environment in some of our countries.

So we are delivering a strong growth in PBT. And also for the shareholders, there’s an increase in earnings per share of 26 percent compared to year-on-year.

So we will have continued strategic focus on earnings growth by driving the top-line revenues and also improving further the operating efficiency and risk management.

Thanks to Nedbank and we really appreciate they becoming a shareholder after working with them for 6 years as a business partner and an alliance partner. Our capital structure is improved with them coming in.
But we continue to pay attention and optimize our capital structure in the light of regulatory changes in some of our markets, particularly in Nigeria. And also we would ensure that we resource our businesses adequately to take advantage of the growth opportunities in the various markets.

We’ll continue to deepen our alliance with Nedbank and we will also develop the business with our new shareholder, the Qatar National Bank. We appreciate that they are all part of us as we speak. And we will do so to the benefit of all stakeholders.

Finally, I want to thank our customers who give us the business opportunity and therefore the growth in our revenues.

And also salute our hard working staff, especially those still grappling with the challenges in the Ebola related countries. We always pay attention to them. They have made it possible for us to have this good set of results. And we look forward to what would be delivered for the full year. Thank you very much.

We’ll now be happy to take questions and my colleagues as was mentioned earlier, that is Dayo, the Group Chief Risk Officer, Evelyne, my deputy Group CEO and Laurence, and myself, will take turns to handle your questions. Thank you very much again.
QUESTIONS AND ANSWERS

J. Etherington: Thank you Albert. And Vivian with that, we like to open the call to questions.

Operator: Thank you. As a reminder, if you wish to ask a question, please press star-one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press the hash key.

Your first question comes from the Soji Solanke. Please ask your question.

Soji Solanke: Hi, good afternoon everyone. This is Soji Solanke from Rencap. Thanks for the call. I have a few questions. I’ll just go through all of them and wait for your responses.

The first one is on London Mining. Can you kindly tell us out of which subsidiary you wrote this loan, how big is it on your books, and have you classified it given the situation of this asset?

My second question is what continues to drive the NPLs in Nigeria? And I'm asking because end of last year, you had the big write-off that happened and this year, Nigeria continues to deteriorate the asset quality for the group. What exactly is the problem with that book and what’s causing the buildup in NPLs from Nigeria?

My third question is on capital. Are you raising Tier I? If so, when and how much? Because I remember I read an interview granted by the CEO saying a decision would be made in November. What exactly are your thoughts on capital particularly Tier I at this point and for 2014?

My next question is the capital from Nedbank, the top-up, has this been deployed to your subsidiaries? If so, how was that split between whether that’s Nigeria, Kenya or any other subsidiary?

Then, can you give us some sort of outlook on non-interest revenue going into the fourth quarter of the year? I think what’s clear is this year has been very good for non-interest revenue improving sequentially each quarter. Going into the fourth quarter of the year, what exactly should we be looking for?
Then I have just two more questions. On deposit growth, you’ve spoken about the issue you’re having on the currency front affecting your deposits. If you think about going into 2015, Nigeria which is the biggest part of the business, Treasury single account, there’s cash reserve ratio, assuming this is the new normal, what exactly would get deposit growing again in Nigeria?

Then finally, your coverage ratio continues to deteriorate. I think I heard Laurence saying 75 percent as a figure. Is that for this year or 2015? Those are all my questions. Thanks.

Albert Essien: Okay, thank you very much Soji. I guess you have a raft of questions. For some we did not hear it very well, so if we don’t answer it fully, please feel free to come back.

I will get Dayo to answer your question on London Mining, NPLs in Nigeria, our coverage ratio. And Laurence will answer the issues on capital, on the use of Nedbank’s money and on outlook for year end on non-interest revenue growth and on deposits. And I would come in to wrap it up. So that’s how we’ll handle it. So Dayo.

Dayo Orimoloye: Thank you Mr. Essien. Soji to answer your question on London Mining, the exposure on London Mining is $40 million. The entire exposure would be assumed by an investor at par value and as such, we wouldn’t book provisions this year. And we are hopeful that the restructuring will work.

So the outlook is positive for London mining.

To your second question in Nigeria, it’s true that on a quarter-over-quarter basis, there was an increase of $53 million in impairment charges. Nigeria accounted for almost 60 percent of the increase and UEMOA about 22 percent.

To put things into perspective, you do know that Nigeria accounts for about 40 percent of the group portfolio of close to $25 billion. And also in Nigeria, we have the local corporate portfolio of $2.3 billion and also the SME portfolio of about half a billion dollars. We’ll continue to review that portfolio on a monthly basis and we’ll book provisions on a pre-emptive basis.
It does not mean that there are major exposures at risk, but based on our risk appetite, we do book provisions on a pre-emptive basis.

On the issue of the coverage, it’s true that the coverage ratio declined to about 63 percent for Q3. The primary reason the coverage declined was the increase of about $74 million in NPLs. And as the ED finance mentioned, our target coverage for full year 2014 will be close to 75 percent. And our internal threshold or appetite is higher than 75 percent. So we would be closer to our internal threshold of 75 percent for full year 2014 and maintain that trend for full year 2015.

Albert Essien: Okay, thank you Dayo. Laurence, please, the other questions, and I’ll come in if I need to.

L. do Rego: On the capital side, we are currently seeing the regulatory push around the capital requirements. For example, if you look at our largest operation in Nigeria where the authorities are asking the banks to transition to Basel II in March 2015, not only that, the CBN is also expecting banks to have the capital adequacy ratio of 15 percent plus a buffer of 1 percent for the systematically important banks.

So given all of these, management is exploring a number of scenarios to manage the situation and to be prepared on that. That said, we say that we are very cautious of the dilution that the shareholders have experienced in the past and the impact that this has on the per-share returns.

So yes, we are going to raise Tier I capital. Now, we are asking how much and you know, Nigeria is currently at 11.3 percent but given that the CBN expects the SIBs to be at a CAR of around 16 percent. I know guys you would be happy with a number in a dollar amount but we will leave it at this stage as we are still discussing with our own board.

On Nedbank now, the funds as I said previously are going to be used to strengthen our operations and the disbursement, I would say it’s on the way, is not finalized yet. We have not disbursed all the amounts, but this is something that is going to be finalized very quickly.
Your next question was on the … non-interest revenue for the last quarter. And what I would say is that we will maintain the trend that you have seen on quarter three.

I think that was all on my side, Albert.

Albert Essien: I think you have mentioned deposit growth in Nigeria given the difficulties, not difficulties, challenges; I like to use the word challenges and the headwinds in the regulatory environment.

We still believe that we could garner deposits from the retail side; I think that we need to do more by way of deploying more electronic channels and interventions. And also make sure that we keep customer services at very good levels so that we are able to retain good deposits and to grow them over a period of time.

But clearly, it’s going to come from more deployment and better use of our electronic banking channels, is the ATMs, the point of sales and the rest work well, then we are going to maintain these deposits. And again, from corporate collections. I think that we have deployed the platform we call OMNI in Nigeria and we’ve seen a growth in corporate collections and payments.

So the idea is to trap these corporate collections and payments and also to improve our service levels so that we can retain deposits from our personal banking side and business banking teams.

But I should say that deposits will be a real challenge to grow in Nigeria given all that the regulator is saying. But that is where we intend to tap on our deposits.

Soji Solanke: Thank you very much. Just two quick follow ups, on loan growth, are you still looking to achieve 15 percent this year?

Then just finally, if you look at your capital mix at the moment, do you think you still have appetite for Tier II?
Albert Essien: No, we are not. I think that we are very clear that we are muted on loan growth. Even apart from the capital mix, I think one clear challenge is the macro environment in which we operate. Okay, so we are muted in terms of loan growth.

And whatever shortfalls or lack of growth, or not big growth you will see in the net interest income, I think we will make it up on the non-interest income. Where we see real growth, particularly from our fees and commissions, our trade portfolio is growing and fees coming out of that end are growing. We also see a lot of growth from use of the electronic channels especially our Cards, including ATMs and our point of sales growth is coming up. And also we are taking real opportunities on the Treasury front to grow the fees.

So our loan growth will be muted for the last quarter.

Soji Solanke: And do you have appetite for a Tier II capital raise if you look at your capital mix?

Albert Essien: Definitely. We do. We do have appetite for Tier II. You realize that with the conversion of Nedbank, we still have room. We are not as leveraged as before. So we do have appetite at the Holdco and also locally, for some of our selected subsidiaries, we are reviewing the options of Tier II locally.

Soji Solanke: Excellent. Thank you very much.

Albert Essien: Thank you.

Operator: And your next question comes from Ndubuisi Obike. Please ask your question.

Ndubuisi Obike: Hello, good afternoon, thanks for the presentation.

I hear you that the impact of the Ebola crisis has not yet fed into your NPLs. But I am looking at your UEMOA region and I notice that the spike in NPLs between H1 and Q3 - between June and September - is much more significant than Nigeria, even though Nigeria on an absolute basis carries more weight.
So I'm beginning to wonder if we're going to see that and if it is going to get worse than this by time the impact of Ebola as actually come through.

Then as you are aware, the Nigerian government or CBN has been quite active in recent times, throwing out policies as regards to banks, there is the one limiting foreign exchange debt exposure to 75 percent of shareholders’ funds, then there is some of them on the capital adequacy ratio limiting banks’ ability to pay dividend, so I would like to find out if Ecobank Nigeria is caught up in any of those releases, especially the Composite Risk Rating which we do not know about, is Ecobank caught up in that?

And then I would be interested to know the capital adequacy ratio for Nigeria is currently and splits between Tier 1 and Tier II. Thank you.

Albert Essien: Okay, thank you very much. I think that Dayo, our Chief Risk Officer, will take the issue of NPLs in UEMOA. You pick up the issue of the FX exposure, I think he’s talking of FX lending; you take that side by side with whatever exposures we intend to book in Nigeria.

He will comment on the composite risk rating in Nigeria. And Laurence will take the capital mix in Nigeria, Tier 1 and Tier II, Okay?

Dayo Orimoloye: So to answer your question, just to put things in perspective, the portfolio in UEMOA accounts for 30 percent of the Group portfolio. And the impairment charge in Q3 came mainly from Niger, Cote d’Ivoire, Senegal, Mali and a bit from Togo.

Number two, to your question on Ebola, those countries that I mentioned, are not really in the Ebola affected countries. On the issue of Ebola, the portfolio in Guinea is about half a billion dollars accounting for about 2 percent of Group portfolio. In Liberia, the portfolio is about $200 million, accounting for about 1 percent of Group portfolio. And in Sierra Leone, the portfolio is about $112 million, less than 1 percent of Group portfolio.

The total exposure on those countries, the Ebola affected countries, is about $826 million. The total exposure at risk is about $80 million including the exposure of $40 million from London mining.
As I’ve indicated earlier, the exposure of $40 million to London Mining will be restructured and it will not impact asset quality.

On a larger front, in the Ebola-affected countries, we are exposed to the hospitality, services and mining sector, which I have alluded to.

We have stress tested the portfolio. In a worst case scenario we may have to book $20 million more in provisions for 2014. 2015 will be determined when we get to 2015, but we’re closely monitoring the issue and once again, the impact in provisions for 2014 may be about $20 million.

On the question on the composite risk rating for Nigeria, we are awaiting the final report from the Central Bank and once we get the report we may disclose the rating.

Albert Essien: Yeah, I think your other question before I pass on to Laurence do Rego. The other question is on FX borrowings by banks in Nigeria, because there’s a threshold.

Yes, I think that we respect that. We have always been watching, our FX exposure vis-a-vis funding. So for us, I don’t think that it comes as a very big obstacle for the business.

Yeah, we are compliant. We always will be watching that. In fact we are lower than the threshold, so it’s not going to affect the business adversely.

But I’ll pass it on to Laurence to talk about capital mix in Nigeria.

L. do Rego: Okay, thank you Albert. In terms of the capital mix under Basel 1, the Tier I is 11.5 percent and the Tier II 2.9 percent which is the split for your 14.3 percent. Thank you.

Ndubuisi Obike: Thank you.

Operator: And your next question comes from Matthew Pouncett. Please ask your question.
Hi there, it’s Matt Pouncett from Laurium Capital. Thanks very much for the call.

I just have one question regarding the Nigerian subsidiary. So I see your operating expenses are only up 2 percent to Nigeria and I realize you guys are doing a lot of cost initiatives there. And I'm just wondering if that number was impacted at all by any re-allocation of Nigerian cost up to a group shared cost level, if you could just clarify that, thanks.

The answer is no.

Thank you.

Nigeria is working hard on bringing down their cost. And so they did a good job by the subsidiary in Nigeria.

Okay there, thank you.

And your next question comes from the Sergey Dubin. Please ask your question.

Yes, hello. A couple of questions that I have, I think have been partially answered, but I still want to come back and clarify them.

The first question has to do with your Ebola and London Mining exposure. Can you just state one more time what is the total exposure potentially at risk? And with respect to London Mining, why you believe, you don’t need to provision for it. I mean do you expect any sort of recovery in any short period of time? That’s question number one.

And then the second question has to do with your capital adequacy ratios specifically in Nigeria. And I think those are question asked if you can break down your capital adequacy ratio post your capital raise from Nedbank as well as $250 million Tier II Eurobond issue. Can you break out exactly your Tier I, Tier II and total CAR ratio in Nigeria in Q3? And help us understand why you still need to raise additional capital, it sounds like you are contemplating
that. And what are the potential magnitudes of ranges of the capital you're contemplating raising? Thank you.

Albert Essien: Okay, thank you. I think it was a bit difficult hearing some of your questions. But we’ll give it the best shot. I think the first one is on Ebola and London Mining exposure and whether we have a recovery or not, Okay.

I think that we would summarize again for your benefit, because we talked about this over and over.

The next question is capital adequacy ratio mix in Nigeria, I think we’ve also talked about that from the question from, I think, Obike, but we would also go over that again, and perhaps why we think we still need to raise capital.

So Ebola, London Mining will be handled by Dayo, Chief Risk Officer, capital adequacy ratio in Nigeria and why we need to raise capital will be handled by Laurence do Rego, the Finance Director. So, Dayo first.

Dayo Orimoloye: Okay. On the issue of London Mining, one thing is the exposure is $40 million. The exposure will be assumed by a third party at par value. The exposure will be assumed by a third party who’s already operating in Sierra Leone. London Mining is in operation and the key personnel are in place. So we do believe that if the restructuring will work, we will not be compelled into taking provisions in 2014.

Albert Essien: Yeah, for now we are really confident that the restructuring will work, you know we are not the only lenders, we work with other lenders. So we’re confident that the restructuring would work. And we are really reviewing all the options. So that is the position today. But the total exposure is $40 million. So the amount at risk if any is that total exposure. But for now, we believe that we would get it restructured with the party we’re talking to.

L. do Rego: Okay, on the capital side, let me begin by Nigeria again. What I said was that the capital adequacy ratio is 14.3 percent and the mix inside is for the Tier 1 under Basel 1, it’s 11.5 percent and for Tier II, it’s 2.9 percent.
Now I think that you are saying why we have to raise capital again. And I have explained earlier, but I will summarize by saying that to fund the regulatory needs in our businesses, and also to respond to the business needs of our affiliates.

Sergey Dubin: I'm sorry, I couldn't hear very well because of the static on the line. Can you say one more time, the minimum regulatory requirements for both Tier I and Tier II? Where are you going to be in Q4 post Nedbank conversion and what is the gap.

Albert Essien: Okay, you want to know where would be post Nedbank conversion …

Sergey Dubin: Exactly, yes.

Albert Essien: Okay, it’s on the slide number 19. But it would be a total of 18.2 percent, and Tier I will be 17.3 percent post Nedbank conversion and top-up. Thank you.

Sergey Dubin: Okay. I was just asking, you know, not so much for the total company which you showed on the slide, but specifically for Nigeria because I think if I understand you correctly, what you are saying is that you would need to raise additional capital specifically in Nigeria. And I wanted to know and maybe it would’ve been helpful if you’ve put it on a slide, you know, again, just two simple metrics.

One is what are the Tier I and Tier II capital requirements as stated by the local Nigeria regulator, where are you going to be in Nigeria? I think there was a question before regarding whether you can allocate some funds that you raised from Nedbank to various subsidiaries. So presumably, you can allocate some of that to Nigeria. So given that, where you're going to be in Nigeria specifically with regard to those two metrics.

And then the third question is given those parameters, what are your, you know, potential capital raising amount and if there is a gap between what the requirements are and where you're going to be, you know, what are the potential contemplated size of the issue. I think that is fairly straightforward question. I just need to clarify exactly what these numbers are in Nigeria specifically.
L. do Rego: Yes, on Nigeria, we are going to need to inject capital due to this regulation as I mentioned earlier when the question was raised on the capital. And in March, we will be at 16 percent [minimum requirement] as Ecobank Nigeria our subsidiary there has been classified as an SIB, Systematically Important Bank in Nigeria.

So we will be at 16 percent and we are reviewing the options for Ecobank in Nigeria as the requirement is 16. We will be there.

Sergey Dubin: Okay, I will perhaps follow up with you offline. Thank you very much.

Albert Essien: Okay, thank you.

Operator: And your next question comes from Ndubuisi Obike. Please ask your question.

Ndubuisi Obike: Sorry. As a follow up, please: what’s the liquidity ratio status for Ecobank Nigeria currently?

Dayo Orimoloye: Okay, the liquidity ratio for Nigeria is 35 percent; above the minimum requirement of 30 percent.

Ndubuisi Obike: Thank you.

Operator: And your next question from Stefan Bottcher. Please ask your question.

Stefan Bottcher: Sure, hi, Stefan here from Charlemagne. Thank you very much for your presentation.

I’ve got a few questions but I was wondering if you could elaborate on the coverage ratio where you said it’s at 63 percent at the moment and you want to rebuild it through 75 percent by the end of the year.

Could you explain what impact it might have on profitability in the fourth quarter, please?
Dayo Orimoloye: Thank you. So the coverage ratio as at September was 63 percent. And I did mention that the coverage ratio will improve to close to 75 percent by December. We’ll get it close to 75 percent by year end, essentially because of loan recovery. We have loan recovery target of between $70 million and $100 million between now and December, that’s number one. And number two, as I indicated earlier, we may have to book provisions between now and December. That will get the coverage closer to 75 percent.

Stefan Bottcher: Right. Because you’ve presented a return on equity for the first nine months of, I believe it was like 18 percent. Are you suggesting that is sustainable in spite of the fact that you are able to increase the cover ratio to 75 percent and beyond that in 2015?

Albert Essien: Yeah, I think that on ROE, I think that, if you took the business as it was from the beginning of the year the ROE would not be impacted basically by an increase in coverage ratio, Okay? But our ROE will be impacted by the injection of additional capital by Nedbank.

Stefan Bottcher: Okay, yeah.

Albert Essien: Okay, so at the end of the year, we’re looking at about 17 percent thereabout, Okay. So that would be where the impact comes from.

Stefan Bottcher: Okay.

Albert Essien: Thank you.

Stefan Bottcher: Thank you very much. Maybe as a second question then on QNB and Nedbank, could you elaborate a little bit on QNB in terms of like, if you have started working with them other already any benefits you're seeing, do you believe that the cost of funding is going to decline as a result of having this new shareholder on board?

Albert Essien: I think it’s a bit early to look at whether the cost of funds would come down. And of course, you know, QNB, are a very strong bank, but definitely they are not ‘Father Christmas’. I cannot project today whether just having QNB
means that our cost of funds would drop. However, we have started working with QNB, we have had very fruitful meetings.

Let me put it in context that we have always had business relationships with QNB, on the corresponding banking side. But it’s going to get better. And we’ve had very good business meetings. And I think that with QNB in the north and Nedbank in the south, with us in the middle, there will be very good collaboration and it would actually grow the business and revenues to the benefit of all.

Stefan Bottcher: Okay. And my last question is on your succession. I think we have discussed it in the past. And you were suggesting that that was work in progress. Is there any update?

Albert Essien: My perspective?

Stefan Bottcher: Yeah.

Albert Essien: But you are hearing my voice, so it means that I'm still here.

Stefan Bottcher: I know, I know. But obviously we are looking forward and I think …

Albert Essien: Yeah, don’t worry, don’t worry. That is being handled very well by the board. I think it would be handled extremely well. And at the appropriate time, the board will make a statement. But until then, Albert Essien is here with the team.

Stefan Bottcher: Okay. And that appropriate point in time would be when? Are we talking about like, in the first quarter, beginning of second quarter, at that time?

Albert Essien: The appropriate time would be the call of the board of directors.

Stefan Bottcher: Okay, fantastic.

Albert Essien: Thank you.

Stefan Bottcher: Thank you.
Operator: And your next question comes from Ndubuisi Obike. Please ask your question.

Ndubuisi Obike: I'm sorry I have to keep coming back. But I would be grateful if I could get a picture of what the NIM in Nigeria is, and also how the loan book is structured, which sectors do you have the most exposures to? Thank you.

L. do Rego: Okay, the net interest margin in Nigeria in terms of local currency is 8.69 percent and foreign currency 3.87 percent. So it’s about 7 percent blended. Thank you.

Operator: Okay, so there are no further questions at this time. Please continue.

J. Etherington: Well, thank you very much everyone for your questions. And I would now like to hand the call back to Mr. Essien to close.

Albert Essien: Yes. Thank you very much everybody for joining. I think we look forward to quite a positive year end. We recognize that there are still challenges and headwinds in our operating environment. But so far, so good: we are handling it and we believe that all being well, there would be no real negatives and downsides to our business. And we would be able to achieve to a large extent the targets that we set ourselves at the beginning of the year.

Once again, thank you very much and thanks for joining. Bye-bye and have a nice day.

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

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