

FAQs H1 2019

Kay: Thank you. We would now open the lines for questions. To ask a question, please press "0" on your phone's keypad or "7" to cancel a question request. That's "0" to ask a question and "7" to cancel a request. Thank you. Once again to ask a question, please press "0" on your phone's keypad or "7" to cancel a question request. Thank you. Your first question is from Oluwaseun Peters from FBN Quest. Please, go ahead.

Oluwaseun: Good afternoon. Thank you very much for the presentation. Quickly I like to ask, on your books, I didn't really see the impact of IFRS 16. No right of use of assets. I just want to ask what has been the impact of IFRS 16, Balance Sheet and also in terms of your cost. Hello?

Ademola: Yes we can hear you.

Oluwaseun: Just the impact of IFRS 16 on your books. Thank you very much.

Tunde: Hi, can you hear me, what I will do if you check the details financials that we loaded on the website, you see the impact of IFRS 16 there. Its still marginal as we don't really have that much assets that will be impacted by the accounting regulations. But relevant disclosures were made there. So if you check the notes to the Account; try to look for the particular note, I think that's note 16 or note 17 in the Account. You will see that the impact is negligible but yet we recorded it there in the account. So just please check the IR corner of the website and if its not there then I can share more specific details to you subsequently. Thank you.

Kay: Thank you. To ask a question, please press "0" on your phone's keypad. Thank you. Your next question is from Fola Adeisa. Please, go ahead.

Fola: Okay. Good afternoon. Hello?

Ademola: Yes. we can hear you.

Fola: Thank you for the presentation. Where you were talking [?] income ratio [?] towards last year.

Ademola: Hello, sorry we are struggling to hear you. Are you talking about the cost to income ratio or.

Fola: Yes, Cost to Income ratio of the bank compared with the

Ademola: Okay. So what is the question?

Fola: Okay. my question is to what the Bank is doing, you bring it down lower than what it is because when compared to the what it was last year, I don't think the Bank is doing enough. So I want is know the bank is doing and what the Bank is not doing nice [?]. That's one.

Ademola: Okay

Fole: Then the second one. Your exposure to oil and gas. I didn't get the percentage of the [?] which of the sector of oil and gas you said the [?] is not performing [?] Thank you.

Tunde: Okay. Thank you very much. I hope you can hear me clearly. For the oil and gas question, if you check the slides we presented, slide 19 shows the breakdown. On slide 19, you will see Oil and gas total at 19%. That 19% is upstream, downstream, and mid-stream trading. Out of the 19, upstream accounts for like 4% of the total loan book. The balance [?] of the 15% is largely downstream trading, so those that brings in largely AGO. On the next slide, slide 20, you will see the breakdown on MPLs. And you see oil and gas is almost negligible, less than N70 million in terms of actual MPLs.

So the oil and gas of the Bank has largely been downstream trading and so far its in a relatively clean loan book. In terms of cost to income, yes, we can do a lot more. We've dropped down. 2017, we are on a high of 91 or 92. 2018, we brought it down to 87. 2019 half year, we are on 86 there about. A number of things that we've done. First was to spend some small money to get the efficiency. We upgraded our technology platform to make sure that, Okay, things run a lot more efficiently than before and we minimize cost for reworks.

Secondly is to also use that technology to change the on-boarding and make sure that now on-boarding is paperless, its seamless, we don't need as much resources

to drive that. Thirdly, one key element of cost to income surprisingly is also cost of funds. Now the better you can do your net interest margin impact on your efficiency ratios. So as you get some better deposit mix, you start seeing some work. One other area that went up this year has been personnel expenses. What happened was as we scaled up, we opened additional five or so branches. We've tried to enter some new business segments, we brought in staff. As we digitize also we brought within the technology space to help.

And most importantly the need to remain competitive also came on board where some areas, competition had to be made a little bit more competitive to attract and retain the good hands. But the key driver is that for every Naira of cost, how do we maximize the return from this investment. So a lot of work still needs to be done in cost to income. But while commitment is, we bring it below 80 this year and by next year start getting close to the 60-50% industry average.

Ademola: I think to add to Tunde response, its also the fact that there are some costs management initiatives such as converting power to our branches, moving towards the solar renewable energy space. We believe that we will be able to cut power costs by a minimum of 20% and then the impact of this will begin to be felt in the second half of the year. Thank you.

Kay: Thank you. Your next question is from Chigozie Onuoha. Please, go ahead.

Chigozie: Hello, good afternoon. Hello. I am Chigozie from Qual Invest Capital.

Ademola: Okay.

Chigozie: Yes. I have seen a number of your analysis and presentation. I saw less of a comparism between first half 2018 and first half 2019. I was seeing more of full year 2018 and half year 2019. I wonder if its such a wonderful comparism, full year and first quarter.

Ademola: So you talking about first half or first quarter.

Chigozie: First half. Most of the comparism is between 1st half 2019 and full year 2018. I saw less of 1st half 2018

comparing with 1st half 2019.

Tunde: Good point. what we've done is that P&L items, we compare like for like. So if you look at slide 13 that shows the detail P&L, we did half year 2018, half 2019 and compared like for like. For Balance sheet elements. Balance Sheet is the cumulative target. so Balance Sheet will show full year and then the half year of 2019. But if you look at things that relates to income and loss statement. You will see that we compared 6 months to 6 months. What I can also do is we can also send you the detailed financials where you see a lot more details in the figures. But for P&L items, we try to compare 6 months to 6 months.

Kay: Thank you. Your next question is from Ambrose Udeaba. Please, go ahead.

Ambrose: Good afternoon all. Hello Good afternoon

Tunde: Good afternoon.

Ambrose: My name is Mr Ambrose Udeaba, calling from Qual Invest Capital limited. Hello?

Tunde: Go ahead. Go ahead. Sir.

Ambrose: Yes. My question is not really a question but a kind of commendation and at the same time a brief question. I want to know what the Bank is putting in place to actually include those who are financially excluded. Looking at recent data as released by the MBAC, taking it as a 43% non-financially included persons. Looking at the Agricultural sector, I know a lot of people and if the Bank can have a way of including them. Its definitely going to increase their participation in the financial industry and at the same time give the Bank leverage in terms of having more deposits. So I really want to know what is the future plan for Bank in that regard? Thank you.

Tunde: Okay. Thank you very much. Yes. Financial inclusion is a major trust both from the regulatory point of view and also in particular for us in Wema. A number of regulatory initiatives have been launched, the main one being [Sanex], wherein an Agency network is being created to ensure that we bring on board a lot more people. CBN has

also given go ahead for mobile wallet to be created by Banks to make things a lot easier. Internally in Wema, what have we done? The first thing was around empowerment and we saw a huge challenge within the female gender. So what we did was to work and create a female value proposition known as [Serah] by Wema targeting this particular segment and make sure that they are empowered.

And we started seeing a lot of traction. For example, the Bank was in Ekiti just a few days ago and we saw some huge followership there. The Bank was in Ebonyi State and we saw some huge numbers. So that's one part of it. The other part of it is the Agency banking network. We can't deploy physical assets to all locations, we can't deploy branches or ATMs everywhere but with network of Agents, we can bring on board a lot more people. Today, Wema Bank has over 5,000 agents and the challenge is we want to keep growing that to some significant number between now and end of the year.

You also mentioned Agric. A number of things being done in Agric. I also my have my CRO here. But what we've done is to be a little bit cautious within the Agric space especially when it come to lending, to work within the confines of a number of the intervention programmes and selectively ensure that we get the best value for shareholders. So your point are valid. Financial inclusion is key but Wema has put in place a number of measures to drive this and we've started seeing the traction. Thank you.

Kay: Thank you. Once again. To ask a question, please press "0" on your phone's keypad. Thank you. Your next question is from Oluwaseyio Adeose. Please, go ahead.

Oluwasyi: Hello. Good afternoon. Thanks for taking this call. I just have two questions to ask quickly. One is to acknowledge that from your summary of performance, I can see that your loan to deposit ratio at different [?] is 2.98. But I know that given the recent CBN policy on the LDR, there are going to be priority given to specific sectors that they are trying to drive growth in. So I just wanted to have a sense as to what impact that's going to have on your current loan to deposit ratio? Are you going to be far given the CBN metrics in terms the weighting and all of that on that? I would how that would

affect them or the Bank.

Second question I want to ask is if there's been any change in the ownership structure given the recent capital market transaction or I should say stock market transaction that was seen last month or early this month. Thank you.

Ademola: Thank you Oluwaseun. Now to address the first question in terms of loans to deposit ratio, the circular says that 150% weight will be attached to the consumers/retail space in terms of lending. Without that adjustment, we are 62.98. So clearly with that adjustment we should be way way above the threshold or the benchmark. So really we do not foresee any issue. We also know that in the next half of the year, we might have some pay-downs, huge pay-downs. And then I must say that our pipeline for assets growth is quite robust and we do not have any concerns in terms where we are going to.

And a number of things that are happening in the retail consumer space which give us a lot advantage in terms of maintaining this. So we do not foresee that we will fall foul of the new regulations in terms of LDR. Now of course there are certain segments. For example the mortgage space. Most of the Banks in Nigeria's Balance Sheet are not really skewed for mortgage assets, but what we are doing is we are engaging the pension industry to see how we can come up with some structure where mortgages could be deepened.

Otherwise it will a tall order to go aggressively on the mortgage space. We also know there is NMRC, Nigeria Mortgage Refinance. We can deepen that space as well. Again mortgages will be encouraged. In terms of the second question, the ownership structure. There is no change in the ownership structure of the bank. The movement that you saw in the last month was actually a core investor trying to re-consolidate his holding. Basically, that is what happened. There is no new investor coming into the Bank. Thank you.

Kay: Thank you. Your next question is from Chidozie Onuoha. Please, go ahead.

Chidozie: Thank you. Good afternoon.

Tunde: Afternoon.

Chidozie: Thank you. Good afternoon. Yes. I looked at slide 14 again on the earnings strength. I saw the gross earnings is about 40.8 billion. that's good. The net interest income is about 32.89, but my query is on fees and commissions given that the loan book has increased significant but comparing the fees and commission its still less than first half 2017 values. So I don't really seems to understand given that for you to advance loans, there must be fees and commissions with it.

Tunde: Okay. I am trying to show you the page. Yes. Your points are valid. If you look at the chart, these are commissions moved from 6.65 billion to 7.94 billion. But what we try to show here are fees that relates largely to Banking hall transactions, largely to treasury transactions, trading income and other fee lines. If you got to the account in note 8, you will see the fees relating to loans, the management fees, and credit related fees.

You see that that one actually moved almost 100% from 271 million to 407 million. But looking at other non-loan relate fees, the way we try to show here, to say outside of loans, what other fees are we getting? But you must also realize that a number of those key elements. Number one are a function of competition. Number two, are also a function of regulation. So no matter how many cards you have in the Bank, you can only charge N100 per month. So what you have to do is increase the base and get a lot more cards. No matter how many customers you have, account maintenance is it 1 per mill or 10 kobo per mill.

You can't charge more that what is in the bankers tariff. But what we try to show here really is fees that don't have any thing to do with lending and you can see it moved from 6 billion half of 2018 to 7.6 billion half of 2019. I hope this give some more lights to that?

Kay: Thank you. There are currently no questions at this time. Please, go ahead.

Ademola: I would like to thank you for joining us on this call. I will like to also place it on records that we are very

excited about the outlook for the next half of the year and we are very positive with all the plans that we have in place, we should be able to hit our numbers for Q3 and of course also for year end. Yes, we believe that based on the outlook, things may be a bit slow in terms of implementation of the budget but we believe that we will be to. In the midst of all that there are opportunities. And we want to thank you for being partners with us on this journey and we will definitely not let you down. Thank you for joining us and we expect that you will join us again for the Q3 call. Thank you very much.

Kay: Thank you for dialing into today's Wema Bank H1 2019 Analyst and Investor Conference Call. That conclude today's call. You may hang up.

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