Event: WEMA Bank Plc FY 2015 Investor Conference Call

Date: 24.03.2016

Speakers: Ademola Adebise and Tunde Mabawonku

Call Duration: 55:56

Operator: Hello and welcome to the WEMA Bank Full Year 2015 Investor Conference Call. Throughout this call, all participants will be in listen-only mode, and afterwards there will be a question and answer session. Also just to remind you, this session is being recorded. Today I'm pleased to present Mr. Ademola Adebise, Executive Director of Corporate Banking. Please begin, sir.

Ademola Adebise: Good afternoon, ladies and gentlemen. My name is Ademola Adebise, Executive Director, Corporate Banking, WEMA Bank. I have here with me a number of my colleagues who are going to also join me in handling this conference call. I have here Mrs Folake Sanu. Folake Sanu handles the legal business group. She's an Executive Director. I also have Moruf Oseni. Moruf Oseni supervises the North business and also retail banking. He's an Executive Director. Also here with us is Tunde Mabawonku, who is the Chief Financial Officer of the Bank. We also have Mr. Oluwole Ajimisinmi, who is the Company Secretary and Legal Advisor, and Mrs [inaudible], who is the Head of Strategy.

Before I commence, I would like to apologise that my Managing Director, Mr. Segun Oloketuyi, is unavoidably absent. He's on a business trip.

The presentation is in three parts: the overview of the operating environment, the financial highlights and the outlook. I will be handling the overview of the operating environments, Tunde will handle the financial highlights, while I'll come back and wrap up on the outlook.

Please turn to slide four. WEMA Bank plc is a commercial bank set up in 1945 to focus on the retail and SME segment of the market. As of December 2015, we will close with the total assets of ₦397 billion, and shareholders' bonds of 46 billion. The Bank is lease-set[?] on the Nigerian stock exchange.

Slide five. A number of factors affected our operating environments in 2015. On the global scene, the slowdown in the economies of most countries, very significant, is that of China, and of course, the extracted economies like Nigeria. The various issues in the Eurozone also very important, the lifting of the ban on Iran and quite a number of other issues, but all these impacted the downward movement in oil prices and, of course, with the attendant impact on exchange rates. A lot of countries – the currencies of a lot of countries witnessed a lot of pressure in 2015.

On the local thing[?], the economy witnessed a slowdown due largely to two key things. The elections of 2015, which led to a new administration coming into power; basically, the first half of the year was spent on elections, while the second half of the year was spent by the new government trying to settle down. We also had the impact of the crash in oil prices. We all know that Nigeria is the [inaudible] economy, and the drop in oil prices and the global scene has a direct impact on the revenues of the country. So I've pointed to this sharp drop in the revenues. The government introduced a number of fiscal policies in 2015, the number of interventions keeps [inaudible] support these [inaudible], the [inaudible] single accounts, all these were measures put in place by the government basically to manage the finances much better.

The Central Bank, on the monetary side, introduced also a number of policies to manage the interest rates, the FX and inflation. We are all aware that the CRR regime was implemented in 2015, at various times with different rates, depending on the liquidity in the system. Also, the Central Bank introduced a number of policies to manage demand and supply for this [inaudible] foreign exchange. The naira devalued by about 20%, also in 2015. We also witnessed a year of very tight regulatory policies from the Central Bank to manage the risk of banks. [Inaudible] loss provisions moved from 1% to 2%. We also had an introduction of a new template for computing capital adequacy.

In summary, it was a year of very troubling headwinds for businesses.

Slide six. Despite the very tough environments characterised by the CSA, the election slowdown, FX challenges, NPL pressures, WEMA Bank recorded very good results. Gross annuals moved from 42 billion to about 45 billion, a 9.5% increase. Net operating income also increased by 5.2%. It's also important to note that the loan growth of about 25% led to a loan to deposit ratio of 65%. Basically, the strategy here is to rejig the portfolio by moving into high yield segments. Capital adequacies also moved downward, so we've seen from 2% to 3%, it's important to note that 200 basis points out of 300 basis points is actually due to the new reporting templates of the Central Bank. The CFO will expand on this later.

Slide seven. We made some commitments in 2015. And, basically, in terms of a business objective, deposits grew by 9.5%. I will also add an increase in income and in lending activity, 25% growth in loans, basically due to a deliberate strategy to move from low yield to high yield segments. In terms of our capital rates, we had planned to raise $100 million last year. However, we had to suspend this, based on the situation in the FX market, basically to avoid any impending FX rates that that may bring on to the balance sheet, so we therefore decided to switch into naira by raising about 20 billion. The process has already started, and they will expect to close this by Q2, 2016.

As you are aware too, we had a loan from the Central Bank of 50 billion in 2009. We have also started, you know, repaying this loan. As I speak, we have about 18 billion on the balance sheet, and this loan is supposed to be extinguished by September 2016. In terms of efficiency, we continue to improve on our efficiencies. In 2015, [inaudible] OPEX grew by 5.9. It is important to know that inflation rates, this was still lower than inflation rate of 9%. Also, we got certified on the ISO 27001 and 20000, based on processes and our security.

We've continued again to improve on our visibility and our [inaudible] volume. In 2015 we got the national license. Before this time we were put in as regional bank or were put in as a southwest Lagos, Abuja markets. But now with a national license we can operate anywhere in Nigeria. And as we speak, we are currently working on reopening five branches in in the areas where we're not present, in Minna, Lokoja in the north, Aba Enugu in the southeast. We hope that these branches will be up by end of H1. We're also working on additional footprints across Lagos [inaudible] and Abuja. Five branches are currently under construction. We open ten branches.

On the alternate channels, we deployed 210 ATMs with 24% growth on the previous year. We also increase the number of POS's and margins by 35%, and the number of active cards also increased by 26%. It's important to note that on alternate channels we've considerably tried to introduce very innovative products. One of the products that we introduced in 2015 for the mobile hub is called Card Control and basically what that gives you is that for all our customers, it gives them the power to control where they used their cards. Either in terms of geography, or in terms of the alternate channels, whether on POS on the web – on POS.

Shall we please move onto the next slide? So, in summary, I mean we have an improved bank. We have a bank that is looking more useful, more vibrant. We have a national bank. Shareholders' bonds in [inaudible] of 46 billion. We are improving in terms of market share. Processing is improving by the day. And of course we have a robust alternate platform.

At this point on, I'll hand over to Tunde who will take a deep dive into the financials. Thank you.

Tunde Mabawonku: Okay, thank you very much. Good afternoon again, ladies and gentlemen. My name is Tunde Mabawonku, Chief Finance Officer of WAMA Bank, Plc. We'll be starting from slide ten. But it's also important to note that these detailed annual reports of the bank have been loaded on the bank's website, in the investor relations column. So if you need a lot more information you'll be able to find on the website, and also during the Q&A we'll take more questions within this space.

Like the ED mentioned earlier, as a first step it's important to note that the 2015 financial year was particularly challenging. Driven by a number of things. Slowdown driven by election, oil prices at FX illiquidity, the TSA impact, the changes here and in [inaudible]. You will recall, at the point in time, CRR was a high of 75% for public sector. But despite all of this, if you look at slide 10, the bank was able to make some progress. Looking at the second section, the second box in that slide, deposit growth went on – went up year on year by 10%. Loan growth at 25% – this likely occurred in Q3 to Q4. Improvements in fee income from 6.7 billion to 8.9 billion. On the third section you still see that there are still some room for improvement, especially on the efficiency ratios. Cost of funds went up slightly. As we get into later slides we'll shed more light on that, however, despite all of this, WEMA was able to record two [inaudible] indices for first and foremost MPL ratios at 2.67%. You will recall there this margin of 2%, general rule by the Central Bank, so really the incremental force is 0.7 and [inaudible] in the year are 3 billion. So, the message here is improvement in a number of areas, but still some work to be done in the coming years.

We'll move to slide 11. Here the slide highlights two things. The growth in earnings over the period, and the performance of the bank on certain efficiency ratios. As we go further down we'll give a lot more light on some of the indices. On the left-hand side, you'll see the growth earnings. On the right, you'll see cost to income ratio, which was a high of 143 a couple of years ago, yet down to 88 [inaudible] where we'll want it to be. But what this slide also shows is 100% growth in growth earnings between 2011 and 2015, on an average 17% compounded annual growth rate of gross earnings. Core stability has improved and is stable from a loss position on a couple of years ago now to PBT of 3.045 billion. Margins at 7.17%, similar to [inaudible] and [inaudible] for better core stability down the line. So, this chart just shows the summary how we'll fare in the times of growth earnings, and the push to get better in terms of efficiency.

Let's move on to slide 12. Here, we start to shed more light on the revenue structure of the bank. And you will see two things here, firstly the [inaudible] portfolio shifts from lower yielding assets to high yielding lending, to productive sectors, and improvement in non-interest income. On the upper half of the slide, you will see interest income from loans and advances moving from 21 billion to 30 billion. Interest income from investment securities dropping from 12 billion to 5.7. So what the bank has decided to do is to gradually shift and do it – a lot more lending in areas where we believe we can get traction. What you recall are also at some point in 2015 CRR was at 32%, liquidity was 30%. So 62% of funds locked away are unavailable for lending. So if there's some more room for lending and giving up structure for the [inaudible] the bank will also continue to identify structure sectors. The lower half of this – of slide 12 shows the performance on fee income. And what we've tried to do over the years is to improve on banking our transactions. Do a lot more in terms of mass issuance of cards, deployment of alternative channels and we have seen that translate into fee income from the retail space, and also from the corporate banking space. We also made some gains in trading income, largely from trading in fixed income, and some foreign currency gain. The bank remains – the balance sheet of the bank remains local currency. We don't have any derivatives of foreign financial instruments on the balance sheet, and so this is a naira driven revenue base for the bank.

Then to move on to slide 13. Here, we tried to show and shed some more colour on the cost reduction efforts of the bank. And for us at WEMA Bank, keeping a lid on costs is important. There are two major cost elements in financial intuitions, your interest expense and your operation expense. And the mantra for us really is let's continue to reduce the cost to serve. But if you look at the top half, you see that interest expense actually went up by 14.8% year on year. If you compare that to the 10% growth in deposits, you will see that immediately that translated to a slightly higher cost of funds. When we get to slide 15 I will give more [inaudible] into why we have so many costs of funds, but were largely driven by CB guarantee on the treasury single accounts, the TSA.

Well, the story here is on the lower half of the slide, on operating expenses, yes OPEX grew by 5.9 year on year, still slightly lower than inflation. Well, if you look at two major items, the first is personal expense, and the second was [inaudible] branding related expenses, and also the [inaudible] expenses. What happened was we have section one of charges on brand and [inaudible] related expenses. If you'll recall in 2015 the bank undertook a brand refresh. And there are some things that we have to do to come out and publicise and celebrate the brand. A number of those costs are one-off and will not reoccur in subsequent years. But it was important to bear the cost and get the benefits in the coming years. But the really interesting thing here is reduction in personnel expense, from 10 billion to 9.7 billion. And you will recall, like the ED mentioned earlier, we opened ten new branches. Growth earnings went up. But we're able to this after slightly lower cost of personnel. What we've done in WEMA bank is to identify tasks or functions that we believe are repetitive and in areas where we get the relevant approval, we outsource those functions to reduce costs, and also to use technology, where possible, to drive down personnel and recruitment costs. So for all, year on year growth in growth earnings for a reduction in the cost of driving the gross earnings.

Moving to slide 14 – highlights the deposit and funding structure of the bank. On the top half of slide 14, as I mentioned earlier, deposits grew by 10%, while you see that the balance sheet is largely funded by deposits. Yes, we have some long-term borrowings, the BOI on lending, some loans that we are winding down, like, as [inaudible] have mentioned, but largely close to 80% of the bank – of the funding – comes from deposit liability, and that has been stable year on year. The lower half shows the breakdown between corporate bankings, treasury, retail, and public sector. You will just see that we have some public sector balances on our books, and those are largely [inaudible] deposits. WEMA still has a strong presence in a number of states and local governments, and for us we still want to partner with these entities, especially where it has impact on our retail, and on the entire value chain of the bank.

Well, moving on to slide 15, like I said earlier, some more colour on what happened on deposits during the year. At the beginning of – during the middle of the year, federal government to the Central Bank implemented a treasury single account, and also had a number of initiatives and tightening in the monetary policy. So what happened was a number of banks – not all banks – had to move some funds to the Central Bank. At that point of time, WEMA Bank moved close to 18% of its funds to the CBN, due to the TSA. What [inaudible] this 18% movement, the bank was able to close the year with 10% growth year on year in deposits. But the impact on this TSA was we had a slightly less-then-average deposit mix. We thought we would close the year with a better deposit mix. What happened was a number of the funds had to be replaced initially by tailored funds. And then, secondly, 2015 was the year that WEMA Bank had investment-grade ratings. We also approached PSAs and institutional investors. What we realised was that a number of them first of all came in – into the business with the bank – with fixed deposits, and then as they saw the savings they sought information from the bank, they then started opening checking accounts. And what we have done in the last couple of months is to continue to drive the retail part of the business by doing [inaudible], by doing a lot more on certain platforms. So, between September to March this year, we've seen the [inaudible], and we think before H1 we'll definitely have an improved deposit mix within the bank. The lower half of this slide just shows the mix. Retail, commercial, treasury – like we said – public sector. I also wanted to point out that the retail here is largely individual deposits. For retail division includes SMEs, includes small business, and all of those are embedded within the commercial space. So really the bulk of WEMA Bank's deposits, both retail and commercial, are largely SMEs and retail.

Moving to slide 16 to shed some more light on the loan portfolio of the bank, this slide shows two things. The year on year growth in loan volumes, and the – and the reduction in MPLs, both in quantum and in number. So, not just including volumes in MPLs [inaudible] but also showing that MPL ratios, the bank managed to put some lid on this. Now, the growth in loans from 149 billion to 189 billion. Out of this growth – 4% to 5% of this growth – was due to some intervention gains that [inaudible] put in place, and the bank also supported one or two of the states in lending. But what we tried to do was to identify a number of our customers in resilient sectors. A number of our customers also have capacity to pay back their portfolios. We dip in and improved loan volumes to these customers. So a 25% growth in loans, largely driven in Q3 and Q4 2015.

Moving on to slide 17 – show the portfolio analysis of the bank. And it considers a fairly diversified portfolio. A number of the [inaudible] areas where analyst investors always ask, WEMA Bank has been relatively immune from such areas. The first one is exposure to power. Exposure to power sector in the bank is less than 1% of the loan book, largely at the bank we took a decision not to play within that space. And I think that has been a right decision. Exposure to oil and gas upstream is also up 4% and was just a couple of syndication loans that the bank participated in. And they are all classified as performing, both by the auditors and by the Central Bank. So, looking at 2014-2015 credit portfolio analysis you see a fairly diversified portfolio with no major exposure above 20% as prescribed by CBN. So what we're trying to do here year on year is to squeeze this portfolio both for returns, but to ensure improved asset quality.

Moving on to slide 18 – shows the breakdown of MPLs year on year from 2014 to 2015. MPL volumes at 5.2 billion, but what you see here is that we have – we still have some legacy loans that were [inaudible] assets function of the bank is working with the customers, trying to work out the loans and ensure some orderly repayment. There have been no major shift in the structure of the MPLs of the bank and also no major additions year on year. So far, a clean and relatively efficient loan book. 185 billion naira in loans, with MPLs at 2.67%.

Moving on to slide 19. It was also important for us that, yes, credit risk is – is critical for all financial institutions but managing the entire risk is a lot more than a credit risk. There is the operational risk, the market risk, and also the credit risk of the Pillar 1 of the Basel Accord. But then there are the imagined risks, there are the technology risks and related operational risks. And for us, that is a major area the bank is paying attention into. The growth in electronics and alternative platforms has created a major risk space for banks. What the banks did early on this year was to appoint a Chief Information Security Officer, whose role is really what would the banks identify of technology and related risks, and ensure that the bank is protected. We will continue to keep a close eye on this traditional Pillar 1 risks, operational risk, market risk, liquidity and interest rate risk. And also there were concerns obviously of – on inflation, on exchange rate stability, on credit exposures to the key sectors. I think all of those concerns are not particular to WEMA alone, but to the larger industry, and the bank will continue to play and keep a close eye on this.

Moving on to slide 20, it show the trend on key performance metrics in the last five years – a number of important indicators for us. The margins – like I mentioned earlier – remain strong at 7% mark and we think with the loan volumes booked in Q3, Q4 2015 we'll continue to see the impact in 2016 as those loans are – now come into full – full fruition. Yes, there are certain things to work on, especially within the cost to income – within the cost of funds. But like I mentioned earlier, with the market funds what we are doing is going out and driving alternative platforms. We think cost of funds can definitely go only one direction. It will continue to go down. The bank is working with the Central Bank on other regulators on its theme of organisation, to more or less reorganise its capital to ensure that the bank's capital is efficient and the bank is definitely a lot more positioned to pay returns to provide us with capital. So, the 20 just shows the trend analysis of several indicators over the last five years.

Moving on to slide 21, and in conclusion from the figures, really, we want to point out a couple of things. There have been consistent year on year growth in deposits, and that is also evidenced by the 10% growth in deposits in 2015, despite the TSA implementation. Strong risk management in the bank really, with MPL ratios at 2.67, despite the headways. A bank that constantly keeps a close eye on cost management, so like I said earlier, looking for ways to reduce costs to serve, and ensuring that we get efficient – to push costs for our – to push top line earnings, but also to ensure that cost structure does not go higher than the inflation rate. And, in summary, WEMA remains a retail bank, focused on growing within that space, and identifying opportunities in the short to medium term. So, with this summary slide, I will hand over to the Executive Director, Mr Ademola Adebise, to continue with the rest of the presentation. Thank you.

Ademola Adebise: Thank you, Tunde. Kindly switch to slide 23. As we all know, the budget was approved by the National Assembly just yesterday. The budget of about 6.06 trillion. This is the largest so far by any government in this country. In terms of a breakdown, capital expenditure accounts for about 1.6 trillion, which is about 26.4%. This is also quite – quite significant compared to where we're coming from. In terms of recorded expenditure, there's a drop up to about 52.65 trillion. This is about 44%, all-time low as well. We have revenues of 3.85 trillion out of this – one significant thing that is coming out is that non-oil income for the first time also is higher than the oil income. The deficit of 2.2 trillion is also quite huge. We believe that this will also be financed. This budget will clearly create an expansionary effect on the economy, increasing the liquidity in the system. But, however, we believe that this will be counterbalanced by the fact that there will be local borrowing by the government to cover the deficit deposit. Based on the medium term economic plan of government, diversification is a major pillar in the economy. Basically geared towards moving the revenue base towards the non-oil sectors. We believe that there will be direct investment in agriculture, infrastructure and solid minerals, and there will also be policies implemented by government to improve the [inaudible] environment, which will in turn attract foreign direct investments. We believe that the oil price will gradually firm up as we move on, especially with the current negotiation that's going on between the OPEC and the non-OPEC countries. In summary, we expect that the first half of the year will be very slow, as the budget as just been approved. We believe that the – the will – the pressure – the second half – things will pick up in the second half and we expect that the pressure will continue to have on the interest margins, and we believe that the regulators continue will also increase.

Let's go to slide 24. For WEMA Bank in 2016, we have key – four key objectives. Basically, to grow the franchise, improve organisational capability, enhance asset quality and capital, transform service delivery. In terms of growing the franchise, we will continue to implement our strategy on retail, to increase customer acquisition and retention. We will continue to deploy very efficient small branches, and of course we will leverage heavily on the alternative channels. We have just – the African Development Bank has just approved a $50 million line, basically to support the SME. And this – we are currently in the process of working out the modalities of the implementation. We are also constantly leveraging the Central Bank's window to support SME, but access in the CBN intervention funds were SME. In terms of organisation capability we – training is very key. We will continue to train. Building skills in areas – the non-oil areas of agri/mining to ensure that we build up all the national skills. In terms of visibility, we will continue to improve on that. Cost containment, we believe that with a national license and improving on our footprint. We believe that cost to serve will reduce based on the spread. And in terms of service delivery, we have just introduced a rule called the [inaudible] rules. Basically our charges delivery channel. What we are committing to customers is that we will maintain their trust, we will respond quickly to their requests, we will personalise the service. We will also continue to innovate to ensure that we provide specific and innovative products to our customers.

I will switch to slide 25. 25, slide 25 basically speaks through the guardian on the deposit book. We believe that we should be able to record another 10% to 12% in terms of deposit growth, while we continue to focus on our retail, and also shift gradually from the institutional investors through the retail segment of the market. Customer position will also be, will also continue. We are working with a number of telcos, trying to collaborate with them, basically to leverage the customer bills on both sides. We believe that these partnerships will also continue to improve our customer base.

Also we were in about 15 campuses nationwide and will continue to have campus stops basically to keep all the customer base of the bank. In terms of loan growth, we are going to be very cautious in 2016. We believe that things should pick up in the second segment, the second half of the year. However, we will continue to be very, very cautious. And areas I would select to be basically the productive areas, the rural sector to support, to take advantage of the various interventions of the federal governments.

In terms of income, we believe that we will be able to maintain our 15% in non-interest income. Basically we will drive these from the alternative channels, fees coming from the alternative channel. And we believe that all in all 2016 despite the fact that it's also going to be quite a tough year for businesses, we believe that we will still be able to report a very decent report.

The presentation comes to an end here, however we still have additional information, citing the milestone that the bank has gone through. The management staff, the – and some branches, some of the new branches, pictures of some of the branches that we've opened all over the nation. At this point I would like to thank you for listening and I would like to hand over to Gerry to handle the Q&A.

Operator: Thank you very much. Ladies and gentlemen, if you would like to ask a question, please press 01 on your telephone keypads. You can cancel your question at any time by pressing 02 and there will now be a brief pause while questions are being registered.

Our first question comes from the line of Adewale Okunriboye. Please go ahead, your line is now open.

Adewale Okunriboye: All right. Good afternoon. Thank you for the presentation. I just have a few questions. My first question is on your net interest margins. So what was the real source of pressure over 2015, was it really from the funding side or was it on the asset yield side? And then I will also take us to 2016 – so your [inaudible] is lower, so where is that pressure coming from? Is it also from funding or maybe is it lower asset use?

Then, secondly, I'm looking at your NPLs – I see a big item for hotel and leisure. I just want to know what's the story behind that and NPL – is it an individual or is a legacy, asset individual, some colour on it?

And then, thirdly, CBN recently brought out a draft fee guide for, sort of like, how banks go ahead charging fees. What is the impact of this on the net business to you guys, what do you feel the impact is – is it positive or on a net basis, is it positive or is it negative? I think that will be all for now.

Ademola Adebise: Tunde will handle the questions on the net interest margin and the fees. But I will take the question on NPL. Now the NPLs on the hotel and leisure – basically it's a customer legacy loan at the bank and basically what we're trying to do is work out this facility. It's coming out because it's actually quite major, about 700 million and they were working actively to work this loan out. It is not a completely bad situation but it's a situation where we have to work on.

Tunde Mabawonku: Okay, thank you Adewale for the questions. I think for the net interest margins, the real source of pressure actually came from the funding side in 2015. If you recall, I mentioned the CSA impact. What happened was, after we let go of some of the public sector funds, initially we had to fund with fixed deposits and those came in at some slightly higher costs. But eventually, further down the line, as the months progressed, the number of those fixed deposit accounts, based on new relationships, some of them started opening checking accounts. So initially the pressure was from the funding side. In terms of 2016, given the NPC meeting this week and the borderline rate of the NPC in terms of tightening, obviously the initial direction of yield is to go up. What our prediction, really that we think interest on loans at least initially will remain at the same levels. In November, December last year a number of banks are tempted to reappraise loans slightly lower but we were able to keep ours at some constant level, largely because a number of the customers were regular retail and SMEs and we still get some charges out.

In terms of outlook for 2016 on net interest margins, we think the pressure on cost of funds will go down a little bit as they expand the franchise, put a lot more on alternative platforms. We think asset yields or rather interest rates on lending will remain relatively flat at least for each one, depending on how tight the CBN decides to go or rather the NPC decides to grow further down to the line.

Now to the question on the draft fee guide. I think, speaking from the point of view of WEMA, net nets we think is negative for the industry. And why do I say so? A number of things were implemented, for example, the current account charge which at least gives some breather from the COT elimination or COT reduction. But then some of our fees were reduced, for example, commitment fees were reduced from 1% to 0.5%. Some banking transactions were reduced from 1 naira to 60 kobo, it's a – bank transaction fees were also reduced. Some elements of card fees were increased so the annual fees we used to charge have been changed to monthly. Those charges are now – in terms of 100 you can charge monthly of 50. So in some areas some improvements were likely net net, we think there were more reductions and increases in the fee regime. Thank you.

Adewale Okunriboye: Okay, maybe – can I ask maybe one more question?

Ademola Adebise: Okay.

Adewale Okunriboye: Okay then my question was just on – your loan book, what would be the – in terms of currency between FCY and LCY and in the event of a devaluation, what does that do to your ratios?

Tunde Mabawonku: Okay, on foreign currency lending, we, like, the foreign currency loans, local currency loans, I think on our books, 95% of our loans are denominated in naira. Only 5% of the loans are denominated in foreign currency and that was largely due to one or two upstream exposures that have also have receivables in dollars. So a devaluation likely as regards the loan book, we think we will be relatively immune but obviously the challenges of devaluation to the larger economy in [inaudible] eventually might put some pressure. In terms of direct impacts, we think we might be relatively immune.

Ademola Adebise: We have also taking some deliberate steps to convert some of those loans to naira. With the pressures of FX and all that we have taken some decisions to switch back into naira to avoid the imminent devaluation that may happen.

Adewale Okunriboye: All right thank you. That will be all from me.

Operator: Thank you, our next question comes from the line of Laolo Alabi of Silk Invest Ltd. Please go ahead, your line is now open.

Laolo Alabi: Thank you guys. I have a two part question. I think this is the second call that we are attending so it would be useful for you to kindly explain or help to define the essence of WEMA Bank with the new management in place specifically just understanding the main value proposition and I think the related part B question to that is, if you could give some insight as to why you consider it to be a compelling stock. When I look at the relative valuations, the numbers are, shall I say, not as competitive. I think the second question is just around slide 17. You have in your credit loan portfolio sizeable chunk of that been defined as other so I just wondering if you could give a bit of clarity on that. Thank you. That's all.

Ademola Adebise: Well in terms of what do you call is value proposition. What basically what we pride ourselves with is that we're a nimble bank, very efficient, a retail bank. Decision-making is very fast because we are able to work on our processes, streamline our processes. So in terms of what are the key things, nimbleness, use of technology, and service delivery, very, very key for us. In terms of stock, yes, I think we, is the stock to look out for. Unfortunately, yes, we have not provided – we have not paid dividend for year I think for a while. I think Tunde will explain some of the challenges that we have there, but we're working on it to surmount that. So Tunde.

Tunde Mabawonku: Okay good afternoon again Laolu. In addition to what the Executive Director mentioned on the value proposition on essence, I think the story for WEMA is the story of the transformed bank. If you look at the WEMA story 2009 all the way to 2015, you see a bank that has been turned around, a bank that has relatively clean book. A bank that has a traditional legacy present in certain growth sectors and over the years, the brand has remained resilient. So what we have done is well, then well, let get this brand back on track, and then let's start the growth phase. What we seen was that it was easy to get back customers –

Operator: So we'll pause for one brief moment while we re-establish connection to our speakers. We thank everybody for your patience. We ask you to remain on the line. The line will be silent whilst we reconnect. Thank you very much. Again thank you for your patience ladies and gentlemen. We are still reconnecting with the speakers. We ask you to remain on the line until we have re-established connection. Thank you very much. And we are now resuming the call so I'll hand back to our speakers to continue with the question from Laolu Alabi. Thank you very much.

Tunde Mabawonku: Okay sorry Laolu for the break in transmission. So like I mentioned earlier, WEMA is a transformed bank that has a strong brand preset and is growing within the regional space. What we have done in the last couple of years was to clean-up the bank truly and got a new position in the bank and in areas we believe we can intervene, we have intervened. Now we've seen some consistence in performance. There is one more [inaudible] WEMA [inaudible] and that is the theme of the organisation that I said the bank is undergoing. All that doing largely if you look up the balances of the bank we have on the books a negative retail earnings. We have obtained the consent of the financial [inaudible]. We have obtained the consent of securities [inaudible] commission and a number of regulators to use the share premium account to offset some of the negative balances in the revenue results. By doing that nothing happens to shareholder funds. Nothing happens to equity, but what is done is it's made the balance sheet efficient, and the balance sheet is now in a position we're possible to pay returns. But what WEMA investors look at is am I getting the returns on my dividend or returns in terms of capital acquisition? So far we believe we are one of the cleared books within the industry and with that adjustment in capital we think will be on the path of growth. On your question on for the colour on portfolio analysis, what I can do also after the call is send you the details of the breakdown so what is in orders. A number of the key things will bring up our sector within the SME space. What I would do outside the conference call, I think we will get your details and to send the breakdown to you so you can get more colour around that.

Laolu Alabi: Sure that's fine. Thanks.

Ademola Adebise: Okay.

Operator: Thank you. Our next question comes from the line of [inaudible] of Agusto and Co. Please go ahead. Your line is now open.

Speaker: Thank you very much. First of all we just like to get more colour on when you see the bank is trying to grow the loan book and within the high yield space. So which sectors are you looking at particularly and have there been any changes in terms of strengthening risk management practices in order to control non-performing loans? Thank you.

Ademola Adebise: Thank you. What I mean by moving to high yielding areas was that if you look at in 2015, not much happened in the treasury space because I mean as I said we either funding the pressure for margins was on the funding side. In terms of loans, we looked at all the loans. I mean cost. Basically, we don't operate heavily in the corporate space. We really operate into the corporate space as much as it will support the value chain SMEs, that SME business that we do. Basically, our focus is still on the SME. We believe that the markets are still quite good in the SME space. And that is basically where we'd be operating. Oil and gas to the extent that, yes, we can still say that is our downstream sector. We believe it's still a good area [inaudible] still playing actively in that space.

Tunde Mabawonku: Also second question on your other question on changing risk practices. I think what we've done is the combination of things. First and foremost was to strengthen both the credit risk area and the remedial operates. So a lot more in terms of technology-driven loan review so early warning signal, snapshots, industry simulation, stress test of portfolio, a lot more is done within that space so that very quickly, almost on a daily basis [inaudible] where we think there are areas of stress. Secondly, is an area of remedial assets and recovery [inaudible] periods of slowdown, strengthening your recovery function, and ensure that customers that might want to default or that might not want to bring back funds on time also are put on a platform of pressure. So a combination of technology-driven loan review, strengthening of the credit risk process, and a stronger remedial assets. We think that would be started in 2015 with we are now seeing the impact in NPL, will also continue in the 2016 financial year.

Speaker: Thank you. That would be all for now. Thank you.

Operator: Thank you. Our next question comes from the line of Michael Akinyemi of Standard Chartered Bank. Please go ahead. Your line is now open.

Michael Akinyemi: Yeah, good afternoon. Thank you for the presentation. I have a couple of questions. My first question is just to get a sense of your real exposure. I just want to know if the bank is comfortable with the level of loan exposure to the real estate sector and to get a sense of the nature of these exposures. Then my second question is to know what's really driving trading income. I saw that really grew year on year. Just to get a sense of what's really driving trading income. And my final question is on recoveries. I want to know why the bank recorded major loan recoveries and write-off on the P&L in 2015 just to get a sense of the sectors where the bank is making recoveries. Thank you.

Ademola Adebise: On real estate, we have a sizeable portfolio of real estate. Basically these transactions have obstacles. They are not speculative, they are transactions that have obstacles, and in fact in some cases the number of the obstacles have put down funds. However, for us we're also guided by the risk management. We follow that we cannot go beyond the 20% mark so basically we're more or less full on real estate at 18%.

Tunde Mabawonku: Okay in addition for the trading income, I will send you some more colour on that and the financial statements are on the website. Well to answer your question specifically, three things drove to the income last year. The biggest of which was treasury bills trading. We did a lot of fixed income security trading last year. And if you look at the business financial, like if you can get it, note 9 shows movement in treasury bill trading 2014 to 2015. That's a 1 billion naira increase in that. [Inaudible] drop from 850 to 225, and fixed income securities trading had a 200 million increase so largely from fixed income, from treasury bills where this thing that impacted on trading income. And so I'm really if we discuss this treasury it's always around whether that will actually [inaudible] in the market. There are always opportunities to make good trading income so also is an area we'll continue to keep a close eye on.

Now you mentioned recoveries and write-backs. I don't want to go into a lot more detail about also on the financial statement on note 11 on the financial statement shows what the bank has done in special recoveries and what the bank has done in the special write-offs. I'd like to give the story of the bank. This is the [inaudible] where bank would be 60 [inaudible] daily transformation begun. We still have a number of legacy loans on the books. So what we do is [inaudible] towards the half capacity to pay because we used to drive them and get repayments. The biggest chunks of the recoveries last year were legacy loans within the general commerce space. I don't have a specific name for – we can shed more light to you on that later on.

We did a couple of charge-offs during the year, but not been really significant. But recoveries are really, small legacy loans are now have a better capacity to pay and the bank continues to work with them to get out of their disclosures.

Operator: Our next question comes from the line of Jacques Delavie of American Traded Finance company. Please go ahead. Your line is now open.

Jacques Delavie: Yes good morning. Thank you very much for taking my call. And my question has to do with the Central Bank foreign exchange restrictions. More specifically, how certain is WEMA Bank going to have full access to US dollars when it would need them? And the second question last would be about what kind of steps has the bank taken and implemented operationally to ensure that it will have the currency when it will need it?

Ademola Adebise: Can you repeat the first one again? It wasn't too clear.

Jacques Delavie: The first question has to do – secondly how certain is WEMA Bank going to have access to US dollars specifically? And the second one is what kind of steps operationally internally the other bank has been implemented to ensure that all the documents required by the Central Bank would be in place so that the availability of US dollars would be there when the bank needs them?

Ademola Adebise: Okay. I think your question is a question that relates to almost all banks within the industry in terms of access to FX liquidity. The CBN regulatory agencies continued to manage access to funding within that space. So what everybody does I'll answer the right question really. What everybody does is to sending their bid as [inaudible] by law a couple of days before. And then for funding, where we need allocation of FX liquidity is not necessarily within the control of the bank is to a larger extent within the control of the regulator. Yes we're ready. The bank has some interest from its customers.

Yes we use in line with regulation and but the majority of the access to funding comes from the Central Bank. I don't know if I answered the question correctly?

Jacques Delavie: Yes, thank you.

Operator: Thank you. Our next question comes from the line of Dotun Adegboye of GS. Please go ahead. Your line is now open.

Dotun Adegboye: Okay great, thank you for the presentation. That was much appreciated. My question is relatively quick and easy one. Basically you declared that your capital adequacy ratio is about 15%. I was just wondering should the capital increase by say 100 million, what do you expect the capital adequacy ratio to be? Thank you.

Ademola Adebise: I'm assuming $100 million.

Dotun Adegboye: Yes correct.

Tunde Mabawonku: Well it depends if it is $100 million in tier-one capital that would be equivalent of 20 billion naira. Capital adequacy ratio, I think we jumped up to about 25%. We did the numbers to get the exact figure. If it becomes our [inaudible] in tier-two comes in as debt, the ratio may not be affected that significantly. Well CBN has strong guidelines along the percentage of tier-two that qualifies for pay-out. So your tier two currently is third of your tier one. So if I have 40 billion naira there are about $200 million in tier one. I can only use a third of that to qualify for tier two. Where $100 million comes in tier one capital adequacy ratio that it would be both 25% mark.

Dotun Adegboye: Okay thank you.

Operator: Thank you. Again just to remind participants if you would like to ask a question please press 01 on your telephone keypads. You can withdraw your question by pressing 02 to cancel. Now there will be a further pause while questions are being registered. And we have no further questions. So I will return the call to our speakers for closing comments.

Ademola Adebise: Well, back again. My name is Ademola Adebise, Executive Director WEMA Bank. I would like to thank you for this call with us. We assure that 2016 will be a much better year for us, despite all the headwinds that we expect. And we hope to meet with you in another quarter to review our position. On this note, I would like to thank you, thank everybody on this call. Goodbye.

Operator: Thank you. This now concludes our call. Thank you for attending. Participants, you may disconnect your lines.