

Wema Bank PLC

Full Rating Report

Ratings

Wema Bank PLC

Long-Term IDR B-
Short-Term IDR B

Viability Rating b-

Support Rating 5
Support Rating Floor NF

National Ratings

National Long-Term Rating BBB-(nga)
National Short-Term Rating F3(nga)

Sovereign Risk

Long-Term Foreign-Currency IDR B+
Long-Term Local-Currency IDR B+

Outlooks

Long-Term IDR Stable
Sovereign Long-Term Foreign-Currency IDR Stable
Sovereign Long-Term Local-Currency IDR Stable

Financial Data

Wema Bank PLC

	30 Jun 18	31 Dec 17
Total assets (USDm)	1,474.6	1,261.5
Total assets (NGNbn)	450.1	385.4
Total equity (NGNbn)	51.0	49.7
Operating profit (NGNbn)	1.8	3.0
Net income (NGNbn)	1.6	2.3
Comprehensive income (NGNbn)	1.6	2.4
Impaired loans/gross loans (%)	3.4	1.2
Operating profit/risk-weighted assets (%)	1.9	1.7
Fitch Core Capital/risk-weighted assets (%)	15.4	15.8
Loans/customer deposits (%)	63.8	84.7

Fitch Ratings, Fitch Solutions

Related Research

[Nigeria \(December 2018\)](#)

[Fitch Ratings 2019 Outlook: Sub-Saharan African Banks \(December 2018\)](#)

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Key Rating Drivers

Standalone Strength Drives Ratings: Wema Bank PLC's Issuer Default Ratings (IDRs) are driven by its standalone creditworthiness, as defined by its Viability Rating (VR). Wema's VR is highly conditioned by Nigeria's challenging operating environment, with the fragile economic recovery restraining banks' growth prospects and asset quality. Wema's VR also reflects a nominal franchise, weak profitability, low capitalisation relative to peers', a weak funding profile and a potential for deterioration of asset-quality metrics.

Nominal Franchise: Wema has a small franchise in Nigeria, accounting for just 1% of banking system assets at end-2017. However, Wema's retail franchise continues to benefit from increasing market appeal and brand recognition following the launch of its digital-banking application ALAT in 2017.

High Stage 2 Loans: Wema's impaired loans (stage 3 loans under IFRS 9) ratio (3.4% at end-1H18) has remained lower than peers' in recent years. Reserve coverage of impaired loans (78% at end-1H18) remains adequate. These positives are balanced against a large stock of Stage 2 loans (40% of gross loans at end-1H18). Wema is exposed to large single-obligor and sectoral credit concentrations, like all Nigerian banks under Fitch Ratings' coverage.

Limited Capital Buffers: Wema's Fitch Core Capital (FCC) ratio (15.4% at end-1H18) is the lowest in the peer group, despite being flattered by a lower risk-weight density than that of peers. Unreserved impaired loans do not pressure capitalisation, but capital is vulnerable to large credit concentrations and a large stock of Stage 2 loans becoming impaired.

Weak Profitability: Wema's profitability metrics are broadly in line with most similarly sized Nigerian banks'. Weak profitability primarily reflects a high cost of funding and a cost structure that is not commensurate with its earnings generation capacity, as reflected by a very high cost/income ratio (86% in 1H18).

Reliance on Term Deposits: Wema's funding profile is weakened by a greater reliance on more expensive and less stable term deposits than peers'. However, Wema is almost entirely funded in local currency, meaning that it is less exposed to foreign-currency (FC) liquidity risks that have persisted in Nigeria in recent years.

Sovereign Support Uncertain: Wema's Support Rating (SR) and Support Rating Floor (SRF) reflect uncertainty about the ability of the authorities to support banks, particularly in FC. There are no clear messages from the authorities regarding their willingness to support the banking system.

Rating Sensitivities

Asset-Quality Deterioration: Downside pressure to Wema's Long-Term IDR is most likely to result from a material worsening of impaired loans, including the migration of Stage 2 loans into the Stage 3 category, putting pressure on capital adequacy. A positive rating action is unlikely in the foreseeable future.

Sovereign Support: Wema's SR and SRF are sensitive to a change in assumptions about the propensity or ability of the sovereign to provide timely support.

Operating Environment

Environment Easing but Remains Challenging

Operating conditions continued to improve in 2018 helped by stronger GDP growth, higher oil prices and output, and the strengthening of the non-oil sector. Conditions also improved owing to a significant easing of FC liquidity. As a result, risks in the banking system have abated, reducing pressure on asset quality.

Fitch forecasts Nigeria's GDP growth to rise to 2.4% in 2018 and 3% in 2019 as the country continues to come out of recession. Growth turned positive in 2Q17 (full-year growth was 0.8%). The resumption of oil production to 2.1 million barrels per day and rising oil prices have increased oil sector output. Additionally, greater FC availability has boosted the non-oil export sectors, particularly agriculture. Fitch expects these trends to continue but notes that oil prices are volatile and tight monetary conditions will continue to weigh on Nigeria's growth outlook.

The Nigerian naira has fluctuated close to NGN360/US dollar on the Investors & Exporters window since its introduction in April 2017. Greater liquidity supply together with higher oil prices and production have contributed to the convergence between the parallel market and the Investors & Exporters rate. However, the foreign-exchange market remains segmented and the continued use of exchange controls inhibits greater FC liquidity and capital inflows. In Fitch's view, the Central Bank of Nigeria (CBN) is unlikely to make substantial changes to the existing foreign exchange-rate regime before the 2019 elections.

Inflation rose in August and September 2018 after a consistent 18-month decline. Monetary policy has been stable, attempting to strike a balance between supporting the naira and controlling import inflation.

Nigeria remains underbanked with banking system assets/GDP of 26.1% in 2017. Private-sector credit growth has stalled, being flat for Fitch-rated banks in 2017 and decreasing by 3% in 1H18. This reflects weak operating conditions, the crowding out effect from high T-bill yields and a general risk aversion among banks to grow lending when impaired and restructured loans are high.

Company Profile

Nominal Franchise

Wema operates exclusively in Nigeria under a national banking license. We consider Wema to have a nominal franchise, accounting for just 1% of Nigerian banking system assets at end-2017. Wema's retail franchise continues to benefit from increasing market appeal and brand recognition following the launch of its digital banking application ALAT in 2017. Wema has a small market share of retail lending and deposits, but we expect this to grow over the coming years as ALAT gains traction in the market.

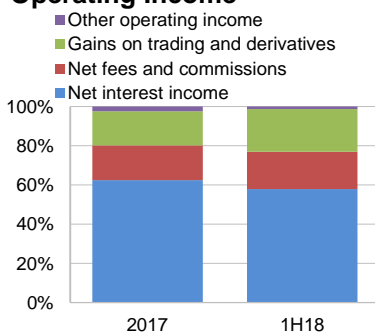
Management and Strategy

New Chief Executive

Wema has an experienced and stable senior management team that is committed to the bank's transformation. The team was appointed by Wema's new shareholders following its recapitalisation in 2009. Wema's former chief executive officer/managing director, Segun Oloketuyi, retired in September 2018 and was replaced by a deputy managing director, Ademola Adebise. We anticipate no change in strategy as a result of this change.

We are not aware of any material governance concerns at Wema. The board comprises 11 members, of which four are executive directors, five are non-executive directors and two are independent non-executive directors.

Operating Income



Source: Fitch Ratings, Wema

Related Criteria

[Bank Rating Criteria \(October 2018\)](#)

[National Scale Ratings Criteria \(July 2018\)](#)

Digital-Led Growth Strategy

Wema has now entered a growth phase. Its strategy focuses on growing its franchise and market share, particularly within the retail segment, which it aims to do by leveraging digital capabilities. Wema has made considerable investments in its ALAT digital bank in this regard. It has also invested in growing its branch, agency banking networks and advertising, which partly explains its high cost/income ratio.

Risk Appetite

Franchise Constrains Customer Selection

Wema’s nominal franchise offers little customer selection, meaning that it has a riskier customer base than peers. However, Wema has a considerably lower proportion of lending in FC (11% at end-1H18) than peers, which we view positively. Wema’s limited FC lending is to customers with FC receivables, which helps to mitigate credit risk.

Wema is exposed to large credit concentrations, as are other Nigerian banks. The largest 20 loans measured at 49% of gross loans and 220% of FCC at end-1H18. The bank has among the lowest exposure to the oil and gas sector (20% of gross loans at end-1H18), which we view positively.

Higher Growth than Peers’

Wema does not mirror the trend of low loan growth that we are seeing across the Nigerian banking system. The loan book contracted in 2017, but loan growth has been historically higher than that of peers and was 14% in 3Q18. Stronger growth is driven by the bank’s ambitions for a greater market share. We expect loan growth to continue to outstrip that of peers.

Financial Profile

Asset Quality

High Stage 2 Loans

Key Metrics

(%)	End-1H18	End-2017	End-2016	End-2015
Impaired loans/gross loans	3.4	1.2	1.1	1.4
Growth of gross loans	4.3	-4.3	22.2	23.5
Loan loss allowances/impaired loans	77.8	167.2	117.9	92.5
Loan impairment charges/average gross loans ^a	0.3	0.9	0.1	-0.1
Net charge-offs/average gross loans ^a	-0.0	-0.0	0.3	0.0

^a Annualised

Source: Fitch Ratings, Fitch Solutions, Wema Bank

Wema’s impaired loans ratio increased to 3.4% at end-1H18 (1.1% at end-2017), but remains the lowest of all Nigerian banks under our coverage. Wema did not participate in a number of sectors that have caused asset-quality problems for other Nigerian banks, such as telecoms, upstream oil and gas and power. However, Stage 2 loans are high at 40% of gross loans at end-1H18.

Reserve coverage of impaired loans was 78% at end-1H18, which we consider to be adequate. Wema is exposed to high loan-book concentrations by sector and single-obligor, which exposes asset quality to event risk.

Earnings and Profitability
Structurally Less Profitable than Peers

Key Metrics

(%)	1H18	2017	2016	2015
Operating profit/risk-weighted assets ^a	1.9	1.7	1.7	1.8
Net interest income/average earning assets ^a	6.0	6.8	7.3	7.8
Non-interest income/operating income	42.2	37.5	34.3	32.6
Loans and securities impairment charges/pre-impairment operating profit	16.0	42.2	11.2	-7.4
Non-interest expense/operating income	86.3	83.8	87.1	89.4
Operating profit/average total assets ^a	0.9	0.8	0.8	0.8
Net income/average total equity ^a	6.3	4.7	5.5	5.1

^a Annualised

Source: Fitch Ratings, Fitch Solutions, Wema Bank

Wema generates among the lowest return on risk-weighted assets of all Nigerian banks under our coverage, despite having the lowest risk-weight density. Key structural weaknesses of Wema's profitability are its cost control and high cost of funding.

Wema operates with the highest cost/income ratio of banks under our coverage, which is partly explained by the continued investment in its 'digital bank' initiative. We expect Wema's cost/income ratio to remain around its current level, as per management's guidance on continued investment in digital initiatives and advertising.

Wema's net interest margin is towards the lower end of peer group average. Wema has a high asset yield but this is offset by a high cost of funding, which reflects its more expensive deposit base. We expect to see Wema's cost of funding gradually improve as it attracts retail deposits through ALAT. Loan impairment charges have not pressured profitability to the extent we have seen at other banks. Non-interest income has improved during 2017 and 1H18 on greater trading income.

Capitalisation and Leverage
Limited Capital Buffers

Key Metrics

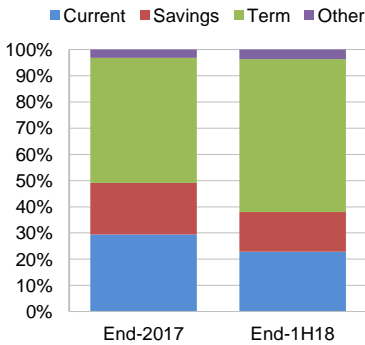
(%)	End-1H18	End-2017	End-2016	End-2015
FCC/FCC-adjusted risk-weighted assets	15.4	15.8	13.7	13.5
Tangible common equity/tangible assets	6.8	7.6	6.5	6.2
Impaired loans less loan loss allowances/Fitch Core Capital	5.9	-6.2	-1.7	0.9
Tier 1 capital ratio	n.a.	12.3	9.1	11.3
Total capital ratio	13.3	14.3	11.1	15.1

Source: Fitch Ratings, Fitch Solutions, Wema Bank

Wema's FCC ratio (15.4% at end-1H18) is the lowest in the peer group, despite being flattered by a lower risk-weight density than that of peers. However, unreserved impaired loans do not pressure capitalisation as with other banks (impaired loans less loan-loss allowances/FCC was 5.9% at end-1H18). Capital is vulnerable to large credit concentrations and a large stock of Stage 2 loans becoming impaired.

Regulatory capitalisation is adequate. Wema's total capital ratio increased significantly to 14.3% at end-2017 (end-2016: 11.1%) as a result of a contraction in its loan book and a Tier 2-qualifying subordinated bond issuance. Wema operates with just a national banking license, meaning that it must comply with a regulatory requirement of just 10%, as opposed to the 15% requirement for banks with an international license. Wema has operated with negative retained earnings for a number of years, but has now reorganised its capital structure to allow for dividends payments.

Deposits by Type



Source: Fitch Ratings, Wema

Funding and Liquidity
Reliance on Term Deposits

Key Metrics

(%)	End-1H18	End-2017	End-2016	End-2015
Loans/customer deposits	63.8	84.7	78.8	66.0
Customer deposits/total funding (excluding derivatives)	93.6	80.4	81.4	84.3
Growth of total customer deposits	38.2	-10.8	2.3	10.1

Source: Fitch Ratings, FitchSolutions, Wema Bank

Wema's funding profile is dominated by customer deposits (94% of total funding at end-1H18). The deposit base is structurally weaker than peers' as a result of Wema's nominal franchise. This means it has a greater reliance on more expensive and less stable corporate term deposits from the corporate and commercial segments. Fitch expects the deposit base to gradually improve as ALAT gains traction and Wema attracts more stable, inexpensive retail deposits.

On a positive note, Wema is almost entirely funded in local currency. This means it is less exposed to foreign-currency liquidity risks that have persisted in Nigeria in recent years. Wema's loans/customer deposits ratio fell considerably to 64% at end-1H18 (end-2017: 85%) on strong customer deposits growth (38% in 1H18), which has mainly come from large corporate deposits. Management has ambitious loan growth plans and we do not expect deposit growth to continue at this rate.

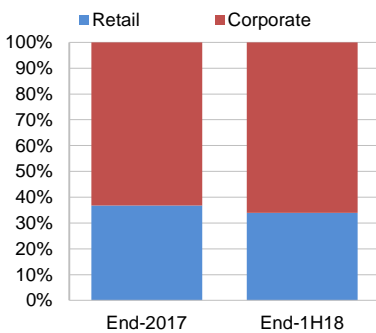
Support

Sovereign Support Cannot be Relied On

Fitch considers the authorities' propensity to support the banking system to be high and there is a record of recent support across the sector.

However, we believe that sovereign support for Nigerian banks is uncertain given Nigeria's weak ability to provide support, particularly in FC. In addition, there are no clear messages from the authorities regarding their willingness to support the banking system. Therefore, the SRFs of all Nigerian banks are at 'No Floor'. This reflects our view that senior creditors cannot rely on receiving full and timely extraordinary support from the authorities if any of the banks become non-viable.

Deposits by Customer



Source: Fitch Ratings, Wema

**Wema Bank PLC
Income Statement**

	30 Jun 2018			31 Dec 2017		31 Dec 2016		31 Dec 2015	
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets	Year End NGNbn	As % of Earning Assets
1. Interest Income on Loans	74.8	22.8	14.44	45.0	15.84	38.7	12.55	30.3	11.61
2. Other Interest Income	8.4	2.6	1.63	7.7	2.69	5.8	1.87	6.8	2.62
3. Dividend Income	0.0	0.0	0.00	0.2	0.06	0.0	0.01	0.1	0.02
4. Gross Interest and Dividend Income	83.2	25.4	16.07	52.8	18.59	44.5	14.42	37.2	14.25
5. Interest Expense on Customer Deposits	45.7	13.9	8.82	23.4	8.23	21.4	6.94	15.1	5.80
6. Other Interest Expense	7.7	2.4	1.50	9.5	3.34	4.4	1.42	4.3	1.64
7. Total Interest Expense	53.4	16.3	10.32	32.9	11.57	25.8	8.36	19.4	7.44
8. Net Interest Income	29.8	9.1	5.75	19.9	7.02	18.7	6.07	17.8	6.81
9. Net Fees and Commissions	9.8	3.0	1.90	5.6	1.99	6.2	2.01	5.6	2.15
10. Net Gains (Losses) on Trading and Derivatives	11.2	3.4	2.16	5.5	1.95	2.7	0.89	1.8	0.71
11. Net Gains (Losses) on Assets and Liabilities at FV	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Insurance Income	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
14. Other Operating Income	0.7	0.2	0.14	0.8	0.28	0.8	0.27	1.2	0.45
15. Total Non-Interest Operating Income	21.7	6.6	4.20	12.0	4.21	9.8	3.17	8.6	3.30
16. Total Operating Income	51.5	15.7	9.95	31.9	11.23	28.5	9.24	26.4	10.11
17. Personnel Expenses	16.4	5.0	3.17	10.2	3.57	10.4	3.38	9.9	3.80
18. Other Operating Expenses	28.1	8.6	5.42	16.6	5.83	14.4	4.66	13.7	5.24
19. Total Non-Interest Expenses	44.5	13.6	8.59	26.7	9.41	24.8	8.04	23.6	9.04
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
21. Pre-Impairment Operating Profit	7.1	2.2	1.36	5.2	1.82	3.7	1.19	2.8	1.07
22. Loan Impairment Charge	1.1	0.3	0.22	1.9	0.68	0.2	0.07	(0.2)	(0.08)
23. Securities and Other Credit Impairment Charges	n.a.	n.a.	-	0.3	0.09	0.2	0.06	n.a.	-
24. Operating Profit	5.9	1.8	1.15	3.0	1.05	3.3	1.06	3.0	1.15
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Goodwill Impairment	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Non-recurring Income	0.0	0.0	0.00	0.1	0.02	0.0	0.00	0.0	0.00
28. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
29. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
30. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
31. Pre-tax Profit	5.9	1.8	1.15	3.1	1.08	3.3	1.06	3.0	1.15
32. Tax expense	0.8	0.2	0.16	0.8	0.27	0.7	0.22	0.7	0.28
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Net Income	5.1	1.6	0.99	2.3	0.81	2.6	0.84	2.3	0.87
35. Change in Value of AFS Investments	0.0	0.0	0.01	0.1	0.05	0.0	0.00	(0.0)	(0.01)
36. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
38. Remaining OCI Gains/(losses)	0.0	0.0	0.00	0.0	0.00	(0.2)	(0.05)	0.1	0.02
39. Fitch Comprehensive Income	5.2	1.6	1.00	2.4	0.86	2.4	0.79	2.3	0.88
40. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
41. Memo: Net Income after Allocation to Non-controlling Interests	5.1	1.6	0.99	2.3	0.81	2.6	0.84	2.3	0.87
42. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
43. Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00

Exchange rate

USD1 = NGN305.25

USD1 = NGN305.5

USD1 = NGN305

USD1 = NGN197

Wema Bank PLC Balance Sheet

	30 Jun 2018		31 Dec 2017		31 Dec 2016		31 Dec 2015		
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Mortgage Loans	n.a.	n.a.	-	0.2	0.05	0.4	0.09	0.4	0.11
3. Other Consumer/ Retail Loans	n.a.	n.a.	-	7.7	2.00	6.4	1.52	12.6	3.17
4. Corporate & Commercial Loans	n.a.	n.a.	-	211.6	54.89	223.0	52.95	175.0	44.11
5. Other Loans	751.6	229.4	50.97	0.6	0.16	n.a.	-	n.a.	-
6. Less: Loan Loss Allowances	19.7	6.0	1.33	4.2	1.10	2.8	0.67	2.4	0.61
7. Net Loans	732.0	223.4	49.64	215.8	56.01	227.0	53.89	185.6	46.78
8. Gross Loans	751.6	229.4	50.97	220.1	57.11	229.8	54.57	188.0	47.39
9. Memo: Impaired Loans included above	25.3	7.7	1.71	2.5	0.66	2.4	0.57	2.6	0.66
10. Memo: Specific Loan Loss Allowances	12.8	3.9	0.87	2.2	0.58	2.1	0.51	1.3	0.33
B. Other Earning Assets									
1. Loans and Advances to Banks	80.2	24.5	5.44	1.2	0.32	5.3	1.25	17.4	4.38
2. Reverse Repos and Securities Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Trading Securities and at FV through Income	65.1	19.9	4.41	10.0	2.60	0.2	0.06	4.7	1.18
5. Available for Sale Securities	26.6	8.1	1.80	9.6	2.48	3.2	0.75	7.6	1.92
6. Held to Maturity Securities	140.2	42.8	9.50	47.5	12.32	72.3	17.16	45.2	11.40
7. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	231.8	70.8	15.72	67.1	17.40	75.7	17.97	57.6	14.51
9. Memo: Government Securities included Above	194.1	59.2	13.16	49.1	12.73	60.9	14.45	42.4	10.69
10. Memo: Total Securities Pledged	53.9	16.5	3.66	25.4	6.60	16.4	3.90	16.5	4.15
11. Equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	0.1	0.0	0.01	0.0	0.01	0.4	0.09	0.4	0.10
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	1,044.1	318.7	70.81	284.2	73.74	308.3	73.20	260.9	65.77
C. Non-Earning Assets									
1. Cash and Due From Banks	239.2	73.0	16.22	58.4	15.15	70.5	16.74	92.6	23.33
2. Memo: Mandatory Reserves included above	156.3	47.7	10.60	37.2	9.65	48.2	11.43	53.4	13.46
3. Foreclosed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Fixed Assets	57.6	17.6	3.91	17.1	4.43	16.6	3.94	16.0	4.02
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	2.6	0.8	0.18	0.8	0.20	0.4	0.09	0.5	0.12
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	69.7	21.3	4.73	21.3	5.52	22.2	5.26	22.6	5.69
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	61.3	18.7	4.16	3.7	0.97	3.2	0.76	4.2	1.06
11. Total Assets	1,474.6	450.1	100.00	385.4	100.00	421.2	100.00	396.7	100.00
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Total Customer Deposits	1,177.3	359.4	79.84	260.0	67.46	291.6	69.22	285.0	71.83
2. Deposits from Banks	0.0	0.0	0.00	26.6	6.90	37.4	8.89	0.0	0.00
3. Repos and Securities Lending	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Commercial Paper and Short-term Borrowings	n.a.	n.a.	-	15.8	4.04	0.0	0.00	0.6	0.16
5. Customer Deposits and Short-term Funding	1,177.3	359.4	79.84	302.1	78.39	329.0	78.11	285.6	71.99
6. Senior Unsecured Debt	80.0	24.4	5.43	21.1	5.47	22.9	5.43	8.1	2.05
7. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	6.4	1.52	25.0	6.30
8. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	19.2	4.83
10. Total LT Funding	80.0	24.4	5.43	21.1	5.47	29.3	6.95	52.3	13.18
11. Memo: o/w matures in less than 1 year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total Funding	1,257.3	383.8	85.26	323.2	83.86	358.3	85.06	337.9	85.17
14. Derivatives	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
15. Total Funding and Derivatives	1,257.3	383.8	85.26	323.2	83.86	358.3	85.06	337.9	85.17
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	0.2	0.1	0.02	0.1	0.02	0.0	0.00	0.2	0.04
4. Current Tax Liabilities	0.9	0.3	0.06	0.4	0.09	0.3	0.08	0.4	0.10
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	49.2	15.0	3.33	12.1	3.13	14.1	3.34	12.2	3.08
10. Total Liabilities	1,307.6	399.1	88.67	335.7	87.11	372.7	88.49	350.7	88.39
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	0.0	0.00	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	166.5	50.8	11.29	49.6	12.86	48.3	11.47	45.9	11.56
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	0.5	0.2	0.03	0.1	0.04	0.2	0.05	0.2	0.05
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	167.0	51.0	11.33	49.7	12.89	48.5	11.51	46.1	11.61
7. Memo: Equity plus Pref. Shares and Hybrid Capital accounted for as E	167.0	51.0	11.33	49.7	12.89	48.5	11.51	46.1	11.61
8. Total Liabilities and Equity	1,474.6	450.1	100.00	385.4	100.00	421.2	100.00	396.7	100.00
9. Memo: Fitch Core Capital	94.7	28.9	6.42	27.7	7.18	25.9	6.16	23.0	5.80

Exchange rate

USD1 = NGN305.25

USD1 = NGN305.5

USD1 = NGN305

USD1 = NGN197

Wema Bank PLC
Summary Analytics

	30 Jun 2018 6 Months - Interim	31 Dec 2017 Year End	31 Dec 2016 Year End	31 Dec 2015 Year End
A. Interest Ratios				
1. Interest Income/ Average Earning Assets	16.79	18.12	17.43	16.33
2. Interest Income on Loans/ Average Gross Loans	20.62	20.50	20.65	19.86
3. Interest Expense on Customer Deposits/ Average Customer Deposits	9.11	8.86	8.19	6.21
4. Interest Expense/ Average Interest-bearing Liabilities	9.30	9.98	8.11	6.49
5. Net Interest Income/ Average Earning Assets	6.01	6.84	7.33	7.81
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	5.78	6.18	7.24	7.90
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	6.01	6.84	7.33	7.81
B. Other Operating Profitability Ratios				
1. Operating Profit/ Risk Weighted Assets	1.94	1.71	1.72	1.75
2. Non-Interest Expense/ Gross Revenues	86.29	83.76	87.06	89.44
3. Loans and securities impairment charges/ Pre-impairment Op. Profit	15.96	42.21	11.18	(7.43)
4. Operating Profit/ Average Total Assets	0.87	0.75	0.84	0.82
5. Non-Interest Income/ Gross Revenues	42.20	37.52	34.31	32.62
6. Non-Interest Expense/ Average Total Assets	6.50	6.71	6.34	6.49
7. Pre-impairment Op. Profit/ Average Equity	8.64	10.49	7.82	6.22
8. Pre-impairment Op. Profit/ Average Total Assets	1.03	1.30	0.94	0.77
9. Operating Profit/ Average Equity	7.26	6.06	6.95	6.68
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	6.29	4.65	5.50	5.07
2. Net Income/ Average Total Assets	0.75	0.58	0.66	0.63
3. Fitch Comprehensive Income/ Average Total Equity	6.33	4.94	5.18	5.12
4. Fitch Comprehensive Income/ Average Total Assets	0.76	0.61	0.62	0.63
5. Taxes/ Pre-tax Profit	13.51	24.68	20.88	24.01
6. Net Income/ Risk Weighted Assets	1.68	1.32	1.37	1.33
D. Capitalization				
1. FCC/ FCC-Adjusted Risk Weighted Assets	15.35	15.83	13.66	13.47
2. Tangible Common Equity/ Tangible Assets	6.75	7.61	6.50	6.16
3. Equity/ Total Assets	11.33	12.89	11.51	11.61
4. Basel Leverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Fully Loaded Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Tier 1 Capital Ratio	n.a.	12.32	9.12	11.31
8. Total Capital Ratio	13.27	14.32	11.07	15.09
9. Impaired Loans less Loan Loss Allowances/ Fitch Core Capital	5.92	(6.16)	(1.66)	0.85
10. Impaired Loans less Loan Loss Allowances/ Equity	3.36	(3.43)	(0.89)	0.43
11. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	0.00	0.00
12. Risk Weighted Assets/ Total Assets	41.83	45.35	45.07	43.06
13. Risk Weighted Assets - Standardised/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
14. Risk Weighted Assets - Advanced Method/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
E. Loan Quality				
1. Impaired Loans/ Gross Loans	3.36	1.15	1.05	1.39
2. Growth of Gross Loans	4.25	(4.25)	22.24	23.46
3. Loan Loss Allowances/ Impaired Loans	77.81	167.23	117.90	92.52
4. Loan Impairment Charges/ Average Gross Loans	0.31	0.88	0.12	(0.14)
5. Growth of Total Assets	16.80	(8.51)	6.17	3.71
6. Loan Loss Allowances/ Gross Loans	2.61	1.92	1.23	1.29
7. Net Charge-offs/ Average Gross Loans	(0.02)	(0.01)	0.27	0.04
8. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	3.36	1.15	1.05	1.39
F. Funding and Liquidity				
1. Loans/ Customer Deposits	63.84	84.65	78.83	65.98
2. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (including Pref. Shares & Hybrids)	93.63	80.44	81.38	84.33
4. Interbank Assets/ Interbank Liabilities	n.a.	4.63	14.07	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
6. Growth of Total Customer Deposits	38.23	(10.84)	2.31	10.05

Wema Bank PLC
Reference Data

	30 Jun 2018		31 Dec 2017		31 Dec 2016		31 Dec 2015		
	6 Months - Interim USDm	6 Months - Interim NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets	Year End NGNbn	As % of Assets
A. Off-Balance Sheet Items									
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	138.5	42.3	9.39	33.4	8.67	22.4	5.32	8.8	2.22
4. Acceptances and documentary credits reported off-balance sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	14.9	3.86	15.1	3.60	10.2	2.58
7. Other Off-Balance Sheet items	80.9	24.7	5.49	n.a.	-	n.a.	-	n.a.	-
8. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet									
1. Average Loans	731.1	223.2	49.58	219.6	56.98	187.4	44.50	152.5	38.43
2. Average Earning Assets	998.9	304.9	67.74	291.5	75.63	255.1	60.57	227.7	57.40
3. Average Total Assets	1,379.5	421.1	93.55	398.6	103.42	390.9	92.80	363.6	91.64
4. Average Managed Securitized Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Average Interest-Bearing Liabilities	1,158.8	353.7	78.58	329.5	85.50	317.7	75.42	299.2	75.42
6. Average Common equity	164.3	50.1	11.14	49.2	12.78	46.9	11.14	44.3	11.15
7. Average Equity	164.8	50.3	11.18	49.4	12.83	47.1	11.18	44.8	11.29
8. Average Customer Deposits	1,010.6	308.5	68.53	263.9	68.49	261.2	62.00	243.4	61.36
C. Maturities									
Asset Maturities:									
Loans & Advances < 3 months	n.a.	n.a.	-	38.5	9.98	70.6	16.75	16.5	4.16
Loans & Advances 3 - 12 Months	n.a.	n.a.	-	45.9	11.91	68.8	16.34	28.4	7.16
Loans and Advances 1 - 5 Years	n.a.	n.a.	-	83.4	21.64	71.0	16.86	100.7	25.38
Loans & Advances > 5 years	n.a.	n.a.	-	52.3	13.58	16.6	3.94	42.4	10.69
Debt Securities < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Debt Securities > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:									
Retail Deposits < 3 months	602.3	183.9	40.85	143.8	37.31	171.1	40.62	170.7	43.02
Retail Deposits 3 - 12 Months	248.7	75.9	16.86	36.7	9.51	27.4	6.50	27.4	6.91
Retail Deposits 1 - 5 Years	311.6	95.1	21.13	74.0	19.21	56.9	13.51	56.9	14.34
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	27.9	6.63	30.0	7.56
Other Deposits < 3 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks < 3 Months	n.a.	n.a.	-	26.6	6.90	37.4	8.89	n.a.	-
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Senior Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	6.4	1.52	n.a.	-
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	15.6	4.04	0.0	0.00	n.a.	-
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	3.3	0.84	0.0	0.00	n.a.	-
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	17.8	4.62	16.4	3.90	n.a.	-
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	36.6	9.50	22.9	5.43	n.a.	-
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	n.a.	n.a.	-	n.a.	-	6.4	1.52	25.0	6.30
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets									
1. Risk Weighted Assets	616.8	188.3	41.83	174.8	45.35	189.9	45.07	170.9	43.06
2. Fitch Core Capital Adjustments for Insurance and Securitisation Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Core Capital Adjusted Risk Weighted Assets	616.8	188.3	41.83	174.8	45.35	189.9	45.07	170.9	43.06
4. Other Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fitch Adjusted Risk Weighted Assets	616.8	188.3	41.83	174.8	45.35	189.9	45.07	170.9	43.06
E. Fitch Core Capital Reconciliation									
1. Total Equity as reported (including non-controlling interests)	167.0	51.0	11.33	49.7	12.89	48.5	11.51	46.1	11.61
2. Fair-value adjustments relating to own credit risk on debt issued	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	2.6	0.8	0.18	0.8	0.20	0.4	0.09	0.5	0.12
6. Deferred tax assets deduction	69.7	21.3	4.73	21.3	5.52	22.2	5.26	22.6	5.69
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fund for general banking risks if not already included and readily convertible into equi	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
10. Fitch Core Capital	94.7	28.9	6.42	27.7	7.18	25.9	6.16	23.0	5.80

Exchange Rate

USD1 = NGN305.25

USD1 = NGN305.5

USD1 = NGN305

USD1 = NGN197

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