Femi Akinfolarin: I will let the Deputy Managing Director, Wema Bank, Mr Mrouf Oseni to start us up.

Moruf Oseni: Good afternoon Ladies and Gentlemen, My name is Moruf Oseni, the Deputy Managing Director of Wema Bank. I have with me today some of my colleagues – Wole Akinleye, Executive Director Corporate Banking and Southwest; Emeka Obiagwu, Executive Director North and East; Tunder Mabawonku, Chief Finance Officer; Kayode Bakare, Treasurer; Sylvanus Eneche, Chief Risk Officer; Funmilayo Falola, Head, Marketing Communications and Investor Relations; and of course, Femi Akinfolarin who handles our Strategy functions. Thank you all for attending this meeting. We don't take this for granted. The presentation will be divided into two sections. I will handle the introduction and the CFO will handle the financials. At the end of the financials, I will circle back and share our outlook for the rest of the year.

The bank is going through an extraordinary period of growth as we push to actualize our corporate ambitions. We have doubled our asset base over the last three years while significantly increasing our profitability. Our digital play is market leading. The strong performance in this challenging environment, especially taking into cognizance the COVID-19 pandemic which has constricted growth. However, it has allowed us to really focus on what our priorities are. Despite a slow economy, we have improved in our digital play, deepened our profitability, increased our product sales using data analytics, improved our loan quality through better loan origination and monitoring practices, brought in a number of tier-one names into our lending book and strengthened our board by bringing in people with broad experience over the last six months.

Our balance sheet has shown our resilience and improvement in the period we are talking about. We have improved our customer deposits year-on-year, grown our loan base, capitalization is on the uptrend, gross earnings have also improved, net interest income has shown improvement, and more importantly, the bottom line (our PBT) has improved.

Significantly, our ratios have also improved. Return on average equity and return on average assets are trending up. Our cost of funds is reduced – a function of a strong focus on retail play. NPLs are down due to the good quality assets that we are booking.

As you would all know, digital is our playground, and we are focused on improving our capabilities and offerings in this space using our flagship digital offering, ALAT by Wema. Over the last four years, ALAT has grown from being a product to a platform which has led to significant growth. Alongside ALAT, we are building other digital capabilities including POS, USSD, Agency Banking, etc. We have refreshed the old version of ALAT as well, so we now have ALAT 4.0 and a number of new products are being ramped up on the new platform. We also have ALAT for Business which caters to the needs of business owners, and we have seen good traction in this area.

We revamped our corporate strategy to more aggressively focus on using digital to capture value across multiple areas. The strategy is built upon key pillars that will enable us to become the number one digital bank in Nigeria, specifically around – Number one; Balance optimization to improve profitability. Number two; Customer acquisition and growth to drive sales. Number three; Ecosystem development with partners in fintech space to develop and deepen offerings.

We have used Data extensively to make sure that predict what customers want and to be able to deliver the kind of products they want to them.

Customer experience is key. Onboarding is key, and we have revamped to better satisfy customers.

We have also made sure that we have brought in talent because it's a talent war and you are only as good as the human assets you have. So, we've brought in quite a number of people both in the development space and in the business space, and the product development space to make our offerings are best in class.

Also, there is no point having a front end, ALAT in this case, and not make sure that your backend and middle office are digitized. Otherwise, what you will just have is what we call digital lipstick. So, to make sure that the process is seamless, and things are working the way they should work, we are also making sure that we digitize our middle and back office so everything flows seamlessly. Of course, this will lead to greater cost reduction and improve our processes.

And, M&A, in terms of inorganic growth is not off the table. When I mean M&A, I use it cautiously. It could be with another financial player in Nigerian banking space, or it could, potentially, be with a fintech or it could be the acquisition of smaller fintechs. But as time goes on, we will engage the market on that.

I will pause now and handover to the Chief Financial Officer, Mr Tunde Mabawonku to do a deeper dive into the numbers and I will circle back at the end to give you, our outlook. Thank you.

Tunde Mabawonku: Thank you very much sir and good afternoon to everyone on the call. My name is Tunde Mabawonku. What I will do in the next few minutes is I will walk you through some of the numbers and give you some more insight into the performance of the bank. Largely, starting from Slide 11, a number of points to mention. Number one, our PBT has improved. It was N1.7bn H1 of 2020, it is now N4bn this H1 of 2021. Total assets have finally crossed the N1trn mark so increasingly we see Wema Bank continue to improve on its market share. The margins are better than this time last year. Specifically looking at this slide, you will see Gross Earnings up from N38bn to N39.8billion – a slight improvement. So, we started seeing yield inch up in Q2 compared to Q1. Margins got tighter in Q1 but are getting a lot better in Q2. So, our expectations in the next few months are that we continue to inch up yield on our assets while. at the same time, we try to manage increments in the Cost of Funds. We expect that Net Interest Income will ramp up in the second half of the year.

Going to slide 12 shows you the other side of the P&L – the non-interest income. Here, the story is a little different. We had a drop in trading income. Largely, we are trading income from the money market space and sometimes when there is less volatility in the market, and given the tightening regulatory regime, we were not able to make as much margin from the trading space. However, we saw improvement in management fees and fees from our e-channels. Our plan is that the better we can get at our ALAT and digital platforms table, the more we can earn and this will translate to better margins and better revenue for the financial institution. The play here is that as rates inch up, as market dynamics get better, we expect the trading income to ramp up but, on the back of that, management fees, fees from loans, fees from transactions will continue to do well here.

Moving on to the next slide. This largely talks about Operating Costs for the Bank, and I want to pause to break this into two. If you look at Wema's operating expenses year-on-year, you will see a move from N17.6 billion to N20.8 billion but embedded in this, is a story. Operating Costs only went up on the back of an increase in what I will call, Regulatory-induced cost – AMCON Levy, NDIC Premium. We saw AMCON Levy grow by around 50%, NDIC by almost 90%. What happened was, between 2019 and 2020, we grew our balance sheet by over 50%; between 2019 and 2020, we grew deposits by almost 80%. What happens is, the levy and the premium are paid in 2021, so the expense will hit the year after the growth. So, our expectation is, we will continue to have this double-digit growth, but, at the same time, get revenue to cover the increase that was borne from regulatory costs. But costs from other areas have been relatively flat, stationeries and what have you. However, a note of caution – some cost elements would go up, largely on the back of the impact of inflation, on the back of some concerns on FX rates and energy costs. Energy costs have doubled in the last year – the price of diesel this time last year is not the same as this year. There might still be some slight headwinds on cost but we are sure we will keep growth in operating expenses way below the inflation rate year-on-year.

Going back again to the Balance Sheet, I want to talk quickly on the digital business – Slide 14, 15, 16. What Slide 14 shows rests on ALAT and what we have done. We decided to take another approach in what to measure. So, what you see on this screen is actively transacting customers, not number of accounts. I think ALAT, at the last check, has 600,000 or thereabout. But the count for us is how many use the digital platform every week because that is what translates to revenue. The more people use it to save and transactions, we get a lot more money, and you can see transactions executed so far is at N715 billion. So we will continue to position ALAT as that digital platform.

Moving to the next two slides. Slide 15 talks a bit about USSD. The emphasis again is on, what I would call the 'less data-rich customers' – customers that use USSD to transact business and other less digital applications. The next Slide talks about our Agency Business, and here you can see an interesting story where we are getting a 200% increase in agency transactions and a 238% increase in agency acquisitions. So, the digital play for Wema is to continue to drive that stability on ALAT, making sure that it is convenient, simple and reliable but, at the same time, opening up various channels to onboard customers – onboarding through USSD, onboarding through agency and still onboarding through the traditional banking hall and other metrics, but then bringing these customers on to ALAT. What you have seen in ALAT, USSD and agency banking are all talking to the bank's strategy of digital dominance in the next few months.

How do these flow into deposit liability? So, if you go to Slide 17, this shows the story of our deposit so far. We are at N808bn in deposit liability, so if you see the two charts on the left-hand side. Growth is less than N5billion for the first half of the year, but the interesting story is on the middle right-hand side where you can see that Retail deposits have grown by 10%, corporate deposits have dipped slightly by less than 5%. Again, if you look at that, you will see an improvement in the Deposit Mix. Fixed deposit and the share of total deposits has reduced from the corporate space, while within the retail, we have some spike, but retail depositors are a little less price-sensitive compared to the corporate end of the market. Our plan is to use ALAT to continue to be the feeder to drive retail liabilities while again working sure that we manage the cost of funds. One key metric we did not show here, but it is also important, is our foreign currency deposit. Again, we have seen a lot of opportunities within that space, a lot of traction both from trapping in the IMTO inflows and from the ordinary domiciliary account. So, we will continue to drive this to further improve our deposit mix.

Slide 18 and 19 talk on the loan book of the bank, and the message is clear here. Number one, the loan book remains diversified, and we don't have any major sector accounting for more than 20%. The loan book is largely in naira – I think 93% of our loans are in naira. The 7% that are in foreign currency also have foreign currency receivables. So, we don't have any major exposure or shock within that space. Oil & gas and the trading sector that have been areas of concern for us as have shares of less than 20% each. NPLs, unaudited NPLs I must note, are at 3.5%, less than the regulatory ceiling of 5%. We have full coverage of the NPLs. As with every institution, we keep a close eye on the loan book, continue to stress test on a regular basis, for the impact of any potential changes in FX rate, for the prolonged stay of the pandemic to see that we are ahead and that we are playing in the right sectors. We are also still looking for sectors where we can do shorter tenure deals and make a lot more money within the one-year financial cycle.

The next slide talks a bit about the capital position of the bank. Today, we have Capital Adequacy Ratio at 13.2%. The minimum required for a commercial bank with national authorization is 10%, so we are still above that. In light of the loan growth expectations, our CAR at the end of the year, I want to bring back audited profits, will still be around the 13.5% mark because we are not allowed to bring in profits until they are audited at the end of the year. Outside of this, another important point in our capital is that when CAR dropped below 15%, the board approved the immediate implementation of our capital management plan. So, what we did was to check what is happening in the market. What is the appetite of our investors? What is the growth plan of the bank? What capital can we absorb at this point in time? Based on all of that scenario, we went to the AGM in the month of May, notifying the shareholders that we want to do a rights issuance. Our plan is to raise an additional N40 billion in capital, plus the existing N61 billion shareholders' funds, that will bring our shareholders funds to above the N100 billion mark. There are a number of steps to take to raise this right issuance, but we've started the process and we believe that by the end of the year, the capital would have been, and we can start ramping up growth on that capital from 2022. But even based on our scenarios, capital adequacy will still remain around 13% - 14%.

The next slide just shows the timelines for the various activities. We are somewhere between number three and number four; we are waiting for the final sign-off of the Securities and Exchange Commission for the scheme of arrangement that we want to do. On the back of that, we will be calling shareholders for an Extraordinary General Meeting and subsequent to that, we will do the right issuance.

To summarize, we have seen growth over the last two months. On Slide 22, we have seen growth over the last five years, ROE numbers continue to grow though it's still not where we want it to be. At 14%, we think ROE will close somewhere between 15% and 17%. Customer deposit up on month-on-month, we think with customer deposits, we should inch close to the N1 trillion mark in deposits. The key message for Wema is that we continue to improve market share, we continue to get better on the digital platform; we are working on improving margins and efficiencies that will translate to a better return on equity.

On this note, I will hand over back to the Deputy Managing Director, Mr Moruf Oseni to run us through the remaining part. Thank you.

Moruf: Okay, thank you Tunde for that very lucid presentation. We believe we have started well, and we will end this year well. In conclusion, we are very excited within the bank as our growth phase accelerates. Although the external environment is very tough, we believe the opportunities are numerous. We will continue to focus on the following over the course of the rest of the year. We will continue to grow our existing business across retail, commercial and corporate space, we will continue to execute on our three-year strategy to ensure we capture all the value from it, and we will continue to build our digital play to actualize our digital domains.

At this point, I will want to bring the presentation to a close. Thank you very much for listening. Thank you.

Femi Akinfolarin: Thank you DMD. We would like to now invite members of the audience to ask questions or make comments. The floor is open, either you type in your questions, or you can directly ask them.

Tunde Mabawonku: There was a question from Dike, and the question was about the slides. Yes, we will share the slides. In fact, it's been uploaded on the Wema Bank website in the Investor Relations section. We have uploaded both the slides, the full details of the half-year numbers and additional information. Subsequent to this call, we will also load the transcript of the call in case you want to listen to it, and we will remain available for further questions and answers outside of this call. Okay, DMD sir, there was a question asked that you hinted at a merger plan. Will you elaborate on the merger?

Moruf Oseni: Thank you very much, Tunde. What I said is if you look at one of our pillars, inorganic growth. Inorganic growth, there is a possibility of a combination, either you merge or you acquire, and this acquisition is not limited to acquiring another financial player in this space or a fintech. We are looking at all options. That's the message I am trying to pass. So, it's a possibility but at this point in time, that is all I think we can say for now. We are looking at all possible options because no matter how efficient we are, in this game we are playing scale is key. And we also have huge aspirations to scale in the shortest possible time. I will leave it at that for now. Thank you.

Tunde: A number of questions have come in. The first question is on regulatory cost. "Is it becoming bothersome for our business?" And then a second question, "What is the position of the bank in terms of LDR as at half-year?" DMD you will take the one on regulatory cost and I can talk on LDR.

Moruf: Very well. I wouldn't want to use the word 'bothersome' because I pick my words carefully. But there is something in this business we call regulatory risk, and they are things that will fly at you that you didn't expect, right? But what you'll do, and that's what we are paid for, is to be able to navigate mid-air and be able to still hit the numbers we've promised. Are those costs things that keep us awake at night? The answer to that will be clearly yes. But are we fully engaged and primed to be able to navigate our way around it? The answer is also yes. Increasingly, the number of those things are flying at us, and I think it is our job to navigate them. Some of them, honestly, if you look at some of them, are just things to measure. If you look at the bigger picture, it is to make sure that the Nigerian economy is bootstrapped so at least there is growth in the economy. That is the way I will capture it, but our job is to navigate those things. There has been a lot of regulatory costs over the last six months, and we've still been able to post quite decent numbers, so for me, it's all part of the business in this clime for now. Thank you. Tunde, you can answer LDR.

Tunde: Thank you, sir. The LDR of the bank as at half-year was 45%. Trying to get the exact numbers, which I will share with you after. But I think it's 45% - it is below the regulatory expected limit. But what we have also tried is to reach out to the regulatory authorities to say:

We still want to grow our loan books cautiously, so that the mistakes of 10-20 years ago are not back on the institution or the industry. Bearing in mind capital constraints, we will start ramping up after we bring in additional capital.

So, yes LDR is less than 50%. There is still room to do a lot more but even by our loan book projection, we will not reach the minimum threshold prescribed by the regulatory authorities. Interestingly, the CRR/LDR regime has been slowed down in the last few months. What has happened has been the CRR regime reeling on the back of managing supply and demand for foreign exchange. That has played out on the market.

There was another question on when the right issuance is expected to hit the market. The right issuance is expected to hit the market in the month of September. This month of August is really for us to have a court-ordered meeting to get shareholders together and agree on the scheme of arrangement. What has happened is, Wema Bank today has a large number of shares in issuance. But before we raise that N40 billion additional capital, we want to get the consent of the shareholders to reduce the shares in issue, and on the back of that, we then issue them right. So, for existing shareholders, their percentage shareholding will not change, we just want to manage the number of shares in issue. That will impact our ratios, cost of up stamping and a number of other costs. It makes sense to have more efficient shares in issue before doing the rights issuance, but the rights issuance will hit the market by the month of September.

DMD, there is a question for you on how we are preparing for competition in the digital space, considering investments by others in the space.

Moruf: Thank you Tunde for that question. I think as a bank, sometimes I say our 'raison d'être' as the French would say. That means our reason for being is to play in this digital space. Yes, they are a number of new entrants across different verticals in the digital space, and a lot of money being pumped by venture capitalists into that space but like I always say, there is no way those guys can flourish without working with a bank or a financial institution. If you understand digital well, for most of those guys, behind them there must be a financial institution that does the settlements and a host of other things. What we've been able to do with Wema and ALAT in the last four years was position ourselves as a bank of choice for quite a number of the fintechs. I don't think there is any huge fintech in the Nigerian banking space today that isn't locked by the hip with Wema in one way, shape or form. The idea is that we all have to build that ecosystem together, so as they flourish, we also flourish. That's why we say we have moved from a product into a platform. We are also making significant investments in technology on our site because we realise that for us to be a partner to some of those guys, reliability must be key. In making sure that we are also reliable, we found out that if your platforms are reliable, naturally your customers will come to you, you can generate retention, and if you generate retention, those that are on your platform will also sell and be ambassadors for your product. So, for us, as the ecosystem evolves, we see ourselves as an incumbent and a permanent member of that class. We are in tune with most of the fintechs and we are aware of what they are doing. Our products too are being revamped quite constantly to make sure that we are ahead of the curve. I think for us, we welcome the competition, and it's actually cooperation because you can't do it alone as a bank. But some of the verticals they have picked, there are schools of thought that say they are eating the cheese of the banks but I look at it differently to say we're building the ecosystem together. There are things they cannot do which we will do for them and the more of them you have, the more robust your bottom line too is. I think it's a good place, even for the country itself if you look at the kind of value that will be created in the next three-five-seven years. Away from the extractive industry, this is the space to play. Thanks.

Tunde: Okay. There is the last question here that I will just take. The question was around our licensing regime. Are we planning to move to another category? The person was even asking about national license and then, "can you give us figures to access how ALAT helps the bank meet customer expectations in terms of increased transactions in 2020 and 2021?" So, I will talk briefly on the national license and then I will also yield to the DMD if there are any other comments for the future.

As we are today, the bank has a license as a commercial bank with national authorisation. At the last check, we are present in 23 states in the Republic of Nigeria and there are possibilities to still have physical expansions in a number of other states. So today, we are present in Kano, Kaduna, Abia, and moving slowly to Enugu. We are in Rivers, Bayelsa, Akwa Ibom and in the states of the Southwest. So slowly, there are opportunities to expand physically to a number of other locations. What matters for us is digital expansion. We are restricted by the national license, but with digital, we can operate anywhere in the world. I will yield to DMD in terms of expectations regarding the licensing and if there are thoughts on ALAT.

Moruf: Very well. Thank you, Tunde. You know, what digital allows you to be is to be able to bank without borders. Today we have a national license, but with our digital offerings, there is nowhere in the world that we cannot play as he said. In terms of figures for ALAT, what we have witnessed is that, in the last four years, the numbers have increased year on year. We have also noticed that with our spend on our digital platforms, our cost to serve has also dropped. Tunde will have the hard numbers but that is definitely trending down in terms of cost to serve. The way it works is, you will have a huge initial spend on the platforms, and with every customer you can move on to those platforms, the cost to serve drops.

Our aspirations for the future, as we go into the next three to five years is, like I said earlier, scale is key. There are a number of combinations and permutations for that. People have asked us questions around 'Holdco no Holdco' but like I keep saying, we are still in the kitchen looking at the best combinations for all our stakeholders, shareholders to actualize our plans. Some of those will be revealed as we go ahead. But underpinning all of that is this capital raise we are about to do to give us an expanded base to do more business over the coming years. Thank you.

Tunde: Thank you, sir. I will just take this last comment from Tayo Akinyade, and he commented that he has "seen an improvement in deposit mix of the bank compared with F-year 2020. What was responsible for that improvement in the mix and what are our plans?" I think largely, to answer your question, it still hints down on the retail/digital play. Gradually, there has been improved customer attraction, which has been encouraging customers to do a lot more on the platform. What we initially saw from the ALAT end were customers liked it and felt this is new, let me onboard but then there was no value offered to say continue to transact, continue to do business and this is the value you will get. We have moved from just saying 'come and open an account,' we moved to say, 'this is the value we have for you,' 'this is how we can help you on your lifestyle journey.' We have slowly started downplaying the corporates because they are very rate sensitive. When rates are low, they give you the funds, when rates are high, they start to price in almost immediately. But working with the retail end of the market, you can gradually grow your funds through that end. We have built a new SME team, focused on driving business from the SME point of view. We've introduced retail clusters across our business locations. So, rather than just having pure-play branches, we group people into clusters so that they can best do a lot more marketing. We have started seeing all of that translate into better results from the retail end of the market. So, it's to just drive a lot more stability, making sure that the platform, as I said, is convenient, simple, and reliable. Then, the sky is the limit regarding how well we can go in the retail business. We expect to see improvement in the second half of the year.

On the final question, if shareholders would be allowed to participate through Zoom at the Court Ordered meeting without been physically present and exercise their rights. The answer is yes. Shareholders will be allowed to participate. Based on the articles of association of the bank, we have a procedure for calling EGM and other meetings, and we make sure we abide by all the terms of the articles. One thing we will also do is we are going to start a roadshow from next week, just engaging minority shareholders and shareholder associations, making sure that everybody is on the same page before we come to the market. And showing them again what Wema has done over the last five to nine years for them to see the transformation. You would recall that this was a bank that in fourteen years, we did not pay dividends, but in the last three years, back-to-back, we have been paying dividends and it has been increasing in value. It is to show them the good plans of the bank and how we continue to be accurate to the reserves. At this point, I will hand over to the DMD, Mr Moruf Oseni for the closing comments. Thank you.

Moruf: Thank you, Tunde. I just want to thank everyone for attending this call. We've put out quite audacious goals but what I can assure the investing community is that all hands will be on deck to make sure that we actualize these numbers. So, thank you for attending. Have a great day, and God bless. Thank you.