Wema Funding SPV Plc

Series II ₦17.7 billion 7-year Fixed Rate Bond under the ₦50 billion Debt Issuance Programme

Rating Assigned:

Bbb+

Outlook: Stable
Issue Date: 17 Oct 2022
Expiry Date: 10 Sept 2023
The rating is valid throughout the life of the instrument but will be subject to periodic monitoring and review.

Previous Rating: **Bbb**

Bond Tenor: 7 years
Expiration: 2025

Industry: Banking

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Rating Rationale

Agusto & Co. hereby upgrades the rating of Wema Funding SPV Plc's ("the Issuer" or "the SPV") Series II ₦17.7 billion 7-year fixed rate bond ('the Issue' or 'the Bond') to '**Bbb+**'. The Issuer is a Special Purpose Vehicle (SPV) set up by Wema Bank Plc ("the Bank", "Wema Bank" or "the Sponsor") for the issuance of debt securities. The rating assigned to the bond is hinged on the Sponsor's upgraded rating of **'Bbb'** and is a notch higher given that 45% of the bond proceeds was invested in a 13.53% 7-year Federal Government of Nigeria (FGN) bond and held in the custody of the Joint Trustee. In the unlikely event of a default, this provides some recovery prospects. The upgrade in the rating assigned to Wema Bank ("the Sponsor") reflects its improving profitability metrics, satisfactory asset quality and liquidity profile. However, constraining these positive factors are the elevated operating cost profile, the harsh regulatory environment and prevailing macroeconomic headwinds.

Despite the challenging operating terrain which adversely impacts individuals and businesses, Wema Bank maintains its growth trajectory with total assets and contingents expanding by 13.1% to ₦1.4 trillion as at 30 June 2022. As at the same date, gross loans and advances stood at ₦465.1 billion, a 6.8% growth during the period under review. The Bank successfully recovered some impaired credits during the period under review, resulting in a 26.1% dip in non-performing loans (NPL) to ₦15.6 billion as at 30 June 2022. Consequently, the NPL ratio improved to 3.4% (FYE 2021: 4.9%), lower than the 5% regulatory maximum, and the cumulative loan loss provisions sufficiently covered the impaired loans by 152.9% (FYE 2021: 107.1%). In our view, active monitoring of the loan book is imperative to forestall any possible losses given the Sponsor's exposure to vulnerable sectors and heightened credit risk from a weak macro-climate.

In H1 2022, Wema Bank's net interest spread contracted to 46.7% (HI 2021: 56.9%) as the elevated yield environment and an increase in pricier term deposits moderated the impact of the higher interest income. Notwithstanding, the Sponsor's profitability was upheld by income from ancillary activities which rose by 29%, underpinned by the increase in electronic banking and account maintenance fees. Although the operating expenses pushed up by 26.6%, driven by inflationary pressures and higher regulatory costs, the Bank's cost to income ratio (CIR) improved to 81.1% (H1 2021: 82.9%) due to better earnings. Overall, the Sponsor's profitability strengthened, with annualised return on assets (ROA) of 0.9% (H1 2021: 0.8%) and annualised return on equity (ROE) of 18.6% (H1 2021: 14.7%). We view

Wema Bank's improved profitability positively. In the near term, we believe increased lending activities and uptick in digital transactions will uphold profitability. However, the raging inflationary pressures, stringent CRR regime and high funding costs will continue to threaten profitability.

In the half-year ended 30 June 2022, Wema Bank's growing brand franchise and digital footprint, particularly in the retail and SME market, propelled the deposit liabilities to cross the ₦1 trillion mark, to stand at ₦1.1 trillion, reflecting a 13.5% growth compared to FYE 2021. The Bank is a mid-tier bank with a good digital platform "ALAT" which has helped improve the image of Wema Bank amongst the budding youth. We believe that continuous investment in the Bank's digital platforms will continue to support deposit growth going forward.

As at 30 June 2022, the Sponsor's capitalisation levels remained just adequate for the level of risks undertaken with the capital adequacy ratio (CAR) of 11.9%. This was above the regulatory minimum for a national bank. In the near term, we anticipate an increase in capitalisation based on the ongoing ₦40 billion capital raising programme by the Bank.

Based on the aforementioned, we hereby attach a '***stable'*** outlook to the rating of Wema Funding SPV Plc's Series II ₦17.7 billion 7-year fixed rate bond.

Strengths

- Strong brand in the South West region of Nigeria
- Experienced management team
- Improving profitability
- Satisfactory liquidity profile

Weaknesses

- High cost-to-income ratio
- Concentration in the funding base
- Low market share

Challenges

- Fragile macro economic environment
- Impact of the raging inflationary pressures on operating costs
- Adverse regulatory climate
- Raising core capital in a period of investor apathy

Table 1: Background Information

	31 December 2020	31 December 2021	30 June 2022*
Total Assets & Contingents	₦1 trillion	₦1.2 trillion	₦1.4 trillion
Net Earnings	₦42.1 billion	₦56.6 billion	₦32.4 billion
Pre-tax Return on Average Assets & Contingents (ROA)	0.6%	1.1%	0.9%**
Pre-tax Return on Average Equity (ROE)	10.7%	20.3%	18.6%**

**Unaudited*

***Annualised*

THE ISSUE

The Issue) is a Series II ₦17.7 billion 7-year fixed-rate note due in 2025. The Bond represents the second tranche of the ₦50 billion Debt Issuance Programme registered with the Securities and Exchange Commission (SEC) in 2016. The Series II Bond is a direct, unsecured and subordinated obligation of the Issuer. The Bond, which forms part of the Sponsor's tier II capital is callable after five years and priced at a 16.5% fixed rate with the coupon payable semi-annually in arrears and principal repayable at maturity or when called.

The performance report from the Joint Trustees as at 10 September 2022 indicates that the seventh coupon payment amounting to ₦1.5 billion was made in April 2022, in line with the trust deed. The report also reveals that no covenant was breached by the Issuer during the period under review.

Use of Proceeds

The net proceeds of the Series II bond which amounted to ₦17.3 billion were used to purchase a 7-year fixed-rate subordinated unsecured bond issued by Wema Bank Plc and a 7-year fixed-rate bond issued by the Federal Government of Nigeria (FGN) as shown in the table below. Wema Bank deployed the proceeds to fund the loan portfolio and invest in treasury bonds.

Table 2: Use of Bond Proceeds and Structure of the Bond

	Pricing	Percentage	Amount
A 7-year fixed-rate subordinated unsecured bond issued by Wema Bank Plc	19% per annum	55%	₦9.5 billion
A 7-year fixed-rate bond issued by the Federal Government of Nigeria (FGN)	13.53% per annum	45%	₦7.8 billion

Source of Repayment

Repayments comprising coupons (paid in arrears) and principal relating to the Issue are redeemed from the Sponsor's operating cash flows. Bondholders are repaid from a Debt Service Payment Account (DSPA) which is funded by coupon payments from the 7-year fixed rate Treasury bond and cash flows from the Sponsor. The Bank who is the Sponsor through an undertaking also guarantees all obligations of the Issuer under the programme, including any shortfall in the DSPA. The sum payable at maturity or on the call date (final redemption amount) is the outstanding principal in respect of the Issue, together with any applicable accrued interest at the time of the redemption.

Wema Bank Plc has a **"Bbb"** rating by Agusto & Co. Limited which expires on 30 June 2023 and is subject to annual reviews. The rating assigned to the Sponsor is reflective of an institution with a satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due. The investment in the 7-year fixed-rate Treasury bond was also factored in assigning the final rating to this issue.

AN OVERVIEW OF SPONSOR'S FINANCIAL CONDITION

Satisfactory asset quality buoyed by a conservative lending approach

As at 30 June 2022, Wema Bank's total assets and contingents stood at ₦1.4 trillion, 13.1% higher than FYE 2021. As at the same date, gross loans and advances stood at ₦465.1 billion and reflected a 6.8% growth over FYE 2021. The Bank's top five lending sectors remained general commerce (17.9%), general (17.8%), manufacturing (12.5%), oil and gas (11.6%) and construction (7.6%).

Wema Bank's loan portfolio is vulnerable to adverse macroeconomic conditions because of its exposure to sensitive economic sectors. Of particular concern is the significant exposure to the general commerce and general (individuals and micro, small and medium scale enterprises) obligors who are most impacted by the raging macroeconomic headwinds particularly FX illiquidity and double-digit inflation. However, our concerns are somewhat assuaged by the essential nature of some of the goods traded by these general commerce obligors such as food and pharmaceuticals.

As at 30 June 2022, the Sponsor's asset quality remained acceptable as stage 1 loans constituted 93.6% (FYE 2021: 90.7%) of the loan book. Stage 2 loans accounted for a lower 3.3% (FYE 2021: 4.4%), largely due to the declassification of some loans to stage 1. The Sponsor's non-performing loans (NPL) declined significantly by 26.1% to ₦15.6 billion and represented 3.4% (FYE 2021: 4.9%) of the gross loans. The decline in stage 3 loans was majorly due to an improvement in the financial condition of previously classified obligors. At this level, Wema Bank's impaired loan ratio was comfortably below the regulatory guidance of 5%. Without the loan book growth, the Sponsor's NPL ratio would have been 3.7% which is still lower than the regulatory guidance. Furthermore, the cumulative (excluding the regulatory risk reserves) covered the impaired loans by 114.2% (FYE 2021: 78.5%), which we consider to be good. When we consider additional provisions in the regulatory risk reserves, the coverage ratio improves to 152.9%, which is a good buffer in our view.

In our opinion, Wema Bank's asset quality is satisfactory and we view positively the reduction in stage 3 loans despite the prevailing headwinds. However, given the loan book's exposure to sectors most susceptible to negative macroeconomic conditions in our view, we believe continuous monitoring of the loan portfolio is imperative to forestall any possible losses.

Net interest spread adversely impacted by the rising yield environment

In H1 2022, Wema Bank's interest income expanded significantly by 54% to ₦49.7 billion, due to a larger loan book and investment portfolio. However, the Sponsor's interest expenses also spiked by 91.1%, driven by the higher interest rate environment, coupled with an increase in relatively expensive term deposits. As a result, the Sponsor's net interest spread (NIS) declined to 46.7%, lower than the 56.9% recorded in H1 2021. In the near term, we believe that the Bank's NIS will be further constrained by the CBN's discretionary CRR deductions and the rising yield climate following the increase in the MPR rate by the CBN. Nonetheless, we anticipate that the projected 12% loan book growth and the Bank's low-cost deposit drive should moderate any anticipated decline in NIS going forward.

Wema Bank's non-interest income earned from credit-related transactions amounted to ₦9.8 billion in H1 2022, up by 29% year-on-year on the back of the increase in loan portfolio. Further analysis of the non-interest income showed a 36% increase in electronic banking income, reflecting the Bank's growing digital footprint and the volume of transactions by its customers on these digital platforms. In line with the Sponsor's enlarged customer base, account maintenance fees also jumped by 36.4% to ₦1.2 billion while management fees rose by 11.4% to ₦1.5 billion in H1 2022. Conversely, the Bank recorded net trading losses of ₦290.9 million, due to the uptick in prevailing interest rates. Overall, the Sponsor's non-interest income as a percentage of total assets reduced to 0.6% (H1 2021: 0.7%) as the asset growth outpaced the increase in the ancillary income. In the near term, we expect stronger ancillary revenue on the back of the Bank's push in the retail segment and concerted efforts to increase digital banking transaction volumes.

Improved profitability ratios, though the cost-to-income ratio remained elevated

During the six months ended 30 June 2022, Wema Bank's operating expenses (OPEX) rose by 26.6% year-on year to ₦26.3 billion, largely due to inflationary pressures and higher regulatory costs. However, this translated to a lower cost-to-income ratio of 81.1% (HI 2021: 82.9%), due to better earnings. Notwithstanding, the Sponsor's CIR remained higher than its peers and the estimated banking industry average of 61.6%. We believe the Bank needs to deliberately focus on reducing expenses in line with its peers.

Wema Bank's profit before tax rose materially by 42.5% to ₦6.1 billion in H1 2022, largely driven by the improvement in ancillary earnings. Thus, profitability ratios stood stronger with annualised return on assets (ROA) at 0.9% (H1 2021: 0.8%) and annualised return on equity (ROE) at 18.6% (H1 2021: 14.7%). We view positively the Sponsor's improved profitability despite the fragile economy and the adverse effect of the CRR regime . In the near term, we envisage that the profitability will continue to be upheld by the Bank's drive in the retail and SME space with the aid of digitalisation.

The Sponsor's capital base still provides an adequate buffer for current business risks

As at 30 June 2022, Wema Bank's shareholders' funds stood at ₦72.5 billion and funded 5% (FYE 2021: 5.4%) of total assets and contingents. As at the same date, the shareholders' funds significantly exceeded the ₦25 billion regulatory minimum for banks with national authorisation. The Sponsor's tier II capital comprising revaluation surpluses and the Bond amounted to ₦15.9 billion, as at 30 June 2022. Wema Bank's Capital Adequacy Ratio (CAR) computed according to Basel II tenets remained at 11.9%, above the 10% regulatory ceiling for commercial banks with national authorisation but at par with our minimum CAR for national banks.

In our opinion, the Sponsor's capitalisation is just adequate for the level of risks undertaken. We believe that given the Bank's growth plans, Wema will need to raise additional equity in the near term. The Bank is currently implementing a ₦40 billion capital raising exercise through a rights issue programme to support its medium-term growth plans. We are cautiously optimistic about the near-term completion of the capital raise given the fragile macroeconomic environment and weak investor sentiments toward equities. However, we note the positive response from the significant shareholders to the capital raising exercise.

Expanded deposit base, though growth in tenured deposits pushed up the Sponsor's WACF

Wema Bank's deposit base is underpinned by its growing digital footprint and niche as a retail and SME-focused bank. The Sponsor leverages ALAT (a digital banking platform with over 1.1 million customers) 414 ATMs, 22,906 POS terminals and other digital channels to support its deposit liability generation strategy.

During the period under review, the Bank's total deposit liabilities (excluding interbank takings) crossed the

₦1 trillion mark to stand at ₦1.1 trillion, reflecting a 13.5% growth compared to FYE 2021's position. The increase was recorded across all deposit lines but was most prominent in term deposits which rose by 19.4% and accounted for 51.7% (FYE 2021: 49.2%) of the total deposit base. Consequently, the Bank's deposit mix deteriorated, with low-cost deposits (demand and savings) constituting a lower 48.3% (FYE 2021: 50.8%) of total deposit liabilities as at 30 June 2022. Given the skewness to costly tenored deposits, the Sponsor's weighted average cost of funds (WACF) rose by 100 basis points to 4.5% in H1 2022. We do not envisage a significant decrease in the WACF in the near term given the elevated interest rate environment and the CBN's arbitrary CRR debits.

Wema Bank's borrowings stood at ₦60.5 billion, at par with FYE 2021 and funded 4.1% (FYE 2021: 4.8%) of total assets and contingents as at 30 June 2022. Borrowings from intervention funds and financing support from development finance institutions stood at ₦46.4 billion and made up 76.8% (FYE 2021: 70.5%) of total borrowings. The subordinated fixed rate unsecured bond and borrowings from other financial institutions accounted for the remaining 23.2% (FYE 2021: 29.5%) as at 30 June 2022.

As at 30 June 2022, liquid assets held by the Bank increased by 21% to ₦422.4 billion and accounted for 29.1% (FYE 2021: 27.3%) of total assets and contingents. However, the Bank's liquidity ratio (liquid assets to local currency deposits) stood at 35.9% and meets the regulatory minimum of 30%.

OUTLOOK

Wema Bank's key strategic focus in 2022 is to drive its agenda of becoming a dominant digital platform, expand its capital base through the ₦40 billion capital raise programme and improve financial performance to generate adequate returns to shareholders. The Sponsor targets to grow its share of the Banking industry's deposits to 3% in 2022 and projects a 12% loan book growth in the same period. Furthermore, Wema Bank plans a lower cost-to-income ratio of 70% on the back of higher earnings and various cost optimisation measures.

In the near term, we envisage that the Bank's positive growth trajectory will be sustained, backed by the intensified push in the retail and SME market leveraging its various digital offerings. In addition, we anticipate that the Sponsor's asset quality and liquidity will remain satisfactory. However, with the raging inflationary pressures and Sponsor's high operating cost profile, we believe more effective measures will need to be deployed to protect margins and further improve performance. Furthermore, we are cautiously optimistic about the near-term completion of the capital raise given the prevailing headwinds and investors' apathy. Overall, we believe that the Sponsor will continue to meet timely coupon repayment obligations on the Series 2 Bond as and when due.

Based on the aforementioned, we attach a **stable** outlook to the rating of the Series II ₦17.7 billion 7-year fixed rate bond Bond.

For more comprehensive information, please refer to the 2022 credit rating report of Wema Bank Plc.

FINANCIAL SUMMARY

WEMA BANK PLC

	STATEMENT OF FINANCIAL POSITION AS AT	**30-Jun-2022**		**31-Dec-21**		**31-Dec-20**	
		N'000		**N'000**		**N'000**	
	ASSETS	**Unaudited**		**Audited**		**Audited**	
1	Cash & equivalents	60,303,771	4.2%	74,859,327	5.8%	68,653,862	6.5%
2	Government securities	343,095,120	23.6%	240,458,357	18.7%	198,469,083	18.9%
3	Money market placements	19,096,467	1.3%	34,855,322	2.7%	28,873,996	2.8%
4	Quoted investments						
5	Placements with discount houses						
6	LIQUID ASSETS	422,495,358	29.1%	350,173,006	27.3%	295,996,941	28.2%
7	BALANCES WITH NIGERIAN BANKS						
8	BALANCES WITH BANKS OUTSIDE NIGERIA						
9	Direct loans and advances - Gross	458,573,045	31.6%	429,183,190	33.4%	369,509,979	35.2%
10	Less: Cumulative loan loss provision	(17,919,213)	-1.2%	(16,687,668)	-1.3%	(14,963,578)	-1.4%
11	Direct loans & advances - net	440,653,832	30.3%	412,495,522	32.1%	354,546,401	33.8%
12	Advances under finance leases - net	6,578,867	0.5%	6,368,781	0.5%	5,529,679	0.5%
13	TOTAL LOANS & LEASES - NET	447,232,699	30.8%	418,864,303	32.6%	360,076,080	34.3%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	52,573,671	3.6%	34,305,993	2.7%	21,883,615	2.1%
16	DEFERRED LOSSES	15,500,694	1.1%	15,500,694	1.2%	18,236,111	1.7%
17	RESTRICTED FUNDS	347,416,166	23.9%	313,847,420	24.4%	246,974,959	23.6%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES						
19	OTHER LONG-TERM INVESTMENTS	6,445,140	0.4%	6,386,018	0.5%	1,883,979	0.2%
20	FIXED ASSETS & INTANGIBLES	28,857,719	2.0%	25,440,431	2.0%	23,530,399	2.2%
21	**TOTAL ASSETS**	**1,320,521,447**	**91%**	**1,164,517,865**	**90.7%**	**968,582,084**	**92.4%**
22	TOTAL CONTINGENT ASSETS	131,810,278	9%	119,904,999	9.3%	80,093,635	7.6%
23	**TOTAL ASSETS & CONTINGENTS**	**1,452,331,725**	**100%**	**1,284,422,864**	**100%**	**1,048,675,719**	**100%**
	CAPITAL & LIABILITIES						
24	TIER 1 CAPITAL (CORE CAPITAL)	66,873,068	4.6%	64,656,275	5.0%	57,266,051	5.5%
25	TIER 2 CAPITAL	15,931,829	1.1%	19,335,995	1.5%	15,729,100	1.5%
26	Medium to Long Term Borrowings	50,306,050	3.5%	47,973,643	3.7%	48,774,057	4.7%
27	Demand deposits	275,106,292	18.9%	242,539,403	18.9%	212,314,116	20.2%
28	Savings deposits	233,301,521	16.1%	152,328,228	11.9%	120,103,127	11.5%
29	Time deposits	544,412,665	37.5%	456,102,295	35.5%	429,811,619	41.0%
30	Inter-bank takings	44,250,500	3.0%	40,700,000	3.2%		
31	TOTAL DEPOSIT LIABILITIES - LCY	1,097,070,978	75.5%	891,669,926	69.4%	762,228,862	72.7%
32	Customers' foreign currency balances			76,501,249	6.0%	42,644,530	4.1%
33	TOTAL DEPOSIT LIABILITIES	1,147,377,028	79.0%	1,016,144,818	79.1%	853,647,449	81.4%
34	INTEREST PAYABLE						
35	OTHER LIABILITIES	90,339,522	6.2%	64,380,777	5.0%	41,939,484	4.0%
36	**TOTAL CAPITAL & LIABILITIES**	**1,320,521,447**	**90.9%**	**1,164,517,865**	**90.7%**	**968,582,084**	**92.4%**
37	TOTAL CONTINGENT LIABILITIES	131,810,278	9.1%	119,904,999	9.3%	80,093,635	7.6%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**1,452,331,725**	**100%**	**1,284,422,864**	**100%**	**1,048,675,719**	**100%**
	BREAKDOWN OF CONTINGENTS						
39	Acceptances & direct credit substitutes	30,293,853	2.1%	31,787,388	2.5%	13,939,976	1.3%
40	Guarantees, bonds etc..	101,516,425	7.0%	88,117,611	6.9%	66,153,659	6.3%
41	Short-term self liquidating contingencies						

WEMA BANK PLC

	STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED	30-Jun-22 N'000 Unaudited		31-Dec-21 N'000 Audited		31-Dec-20 N'000 Audited	
42	Interest income	49,749,072	83.5%	73,302,888	79.6%	63,046,722	78.9%
43	Interest expense	(26,509,894)	-44.5%	(33,428,346)	-36.3%	(32,189,452)	-40.3%
44	Loan loss expense	(625,056)	-1.0%	(2,104,393)	-2.3%	(5,635,165)	-7.1%
45	NET REVENUE FROM FUNDS	22,614,122	37.9%	37,770,149	41.0%	25,222,105	31.6%
46	ALL OTHER INCOME	9,845,118		18,834,190	20.4%	16,830,273	21.1%
47	**NET EARNINGS**	**32,459,240**	**54.5%**	**56,604,339**	**61.4%**	**42,052,378**	**52.6%**
48	Staff costs	(9,545,334)	-16.0%	(16,677,420)	-18.1%	(14,082,228)	-17.6%
49	Depreciation expense	(1,993,501)	-3.3%	(3,399,318)	-3.7%	(3,136,273)	-3.9%
50	Other operating expenses	(14,790,059)	-24.8%	(24,143,460)	-26.2%	(18,887,354)	-23.6%
51	TOTAL OPERATING EXPENSES	(26,328,894)	-44.2%	(44,220,198)	-48.0%	(36,105,855)	-45.2%
52	PROFIT (LOSS) BEFORE TAXATION	6,130,346	10.3%	12,384,141	13.4%	5,946,523	7.4%
53	TAX (EXPENSE) BENEFIT	(827,597)	-1.4%	(3,450,940)	-3.7%	(1,354,306)	-1.7%
54	**PROFIT (LOSS) AFTER TAXATION**	**5,302,749**	**8.9%**	**8,933,201**	**9.7%**	**4,592,217**	**5.7%**
55	NON-OPERATING INCOME (EXPENSE) - NET						
56	PROPOSED DIVIDEND						
57	**GROSS EARNINGS**	**59,594,190**	**100%**	**92,137,078**	**100%**	**79,876,995**	**100%**
58	AUDITORS	UNAUDITED		KPMG		DELOITTE	
59	OPINION			CLEAN		CLEAN	

	KEY RATIOS	30-Jun-22	31-Dec-21	31-Dec-20
	EARNINGS			
60	Net interest margin	46.7%	54.4%	48.9%
61	Loan loss expense/Interest income	1.3%	2.9%	8.9%
62	Return on average assets (Pre - tax)	0.9%	1.1%	0.6%
63	Return on average equity (Pre - tax)	18.6%	20.3%	10.7%
64	Operating Expenses/Net earnings	81.1%	78.1%	85.9%
65	Gross earnings/Total assets & contingents	4.4%	7.9%	8.7%
	EARNINGS MIX			
66	Net revenue from funds	69.7%	66.7%	60.0%
67	All other income	30.3%	33.3%	40.0%
	LIQUIDITY			
68	Total loans & leases - net/Total lcy deposits	36.4%	41.1%	41.0%
69	Liquid assets/Total lcy deposits	35.9%	9.7%	38.8%
70	Demand deposits/Total lcy deposits	25.1%	27.2%	27.9%
71	Savings deposits/Total lcy deposits	21.3%	17.1%	15.8%
72	Time deposits/Total lcy deposits	49.6%	51.2%	56.4%
73	Inter-bank borrowings/Total lcy deposits	4.0%	4.6%	
74	Interest expense - banks/Interest expense	0.4%	8.2%	1.3%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**		(76,501,249)	(42,644,530)

WEMA BANK PLC

	KEY RATIOS CONT'D	30-Jun-22	31-Dec-21	31-Dec-20
	ASSET QUALITY			
76	Performing loans (N'000)	442,875,495	407,919,854	351,911,677
77	Non-performing loans (N'000)	15,697,550	21,263,336	17,598,302
78	Non-performing loans/Total loans - Gross	3.4%	5.0%	4.7%
79	Loan loss provision/Total loans - Gross	3.9%	3.9%	4.0%
80	Loan loss provision/Non-performing loans	114.2%	78.5%	85.0%
81	Risk-weighted assets/Total assets & contingents	39.7%	40.9%	41.1%
	CAPITAL ADEQUACY			
82	Adjusted capital/risk weighted assets	11.1%	12.6%	12.4%
83	Tier 1 capital/Adjusted capital	75.2%	70.8%	70.5%
84	Adjusted capital/Total loans - net	697.5%	631.6%	674.7%
85	Capital unimpaired by losses (N'000)	51,372,374	49,155,581	39,029,940
	STAFF INFORMATION			
86	Net earnings per staff (N'000)	28,398	49,523	34,385
87	Staff cost per employee (N'000)	8,351	14,591	11,514
88	Staff costs/Operating expenses	36.3%	37.7%	39.0%
89	Average number of employees	1,143	1,143	1,223

		Estimates	**Estimates**	**Actual**
	MARKET SHARE OF INDUSTRY TOTAL	2022	2021	2020
90	Lcy deposits (excluding interbank takings)	4.8%	2.5%	3.5%
91	Total assets & contingents	2.8%	2.4%	2.0%
92	Total loans & leases - net	2.6%	2.1%	2.1%
93	Net earnings	1.2%	1.6%	1.6%
94	Profit before tax	0.8%	1.6%	0.8%
95	Core capital	1.4%	1.4%	1.2%

RATING DEFINITIONS

Aaa	Bonds rated 'Aaa' are judged to offer highest safety of timely payment of interest and principal. Though the circumstances providing this degree of safety are likely to change, such changes as can be envisaged are most unlikely to affect adversely the fundamentally strong position of such issues.
Aa	Bonds rated 'Aa' are judged to offer high safety of timely payment of interest and principal. They differ in safety from 'Aaa' issues only marginally.
A	Bonds rated 'A' are judged to offer adequate safety of timely payment of interest and principal; however, changes in circumstances can adversely affect such issues more than those in the higher rated categories.
Bbb	Bonds rated 'Bbb' are judged to offer sufficient safety of timely payment of interest and principal for the present; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than for bonds in higher rated categories.
Bb	Bonds rated 'Bb' are judged to carry inadequate safety of timely payment of interest and principal; while they are less susceptible to default than other speculative grade bonds in the immediate future, the uncertainties that the issuer faces could lead to in adequate capacity to make timely interest and principal payments.
B	Bonds rated 'B' are judged to have greater susceptibility to default; while currently interest and principal payments are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal.
C	Bonds rated 'C' are judged to have factors present that make them vulnerable to default; timely payment of interest and principal is possible only if favourable circumstances continue.
D	Bonds rated 'D' are in default and in arrears of interest and principal payments or are expected to default on maturity. Such bonds are extremely speculative and returns from these bonds may be realised only on reorganisation or liquidation.

A "+" (plus) or "-" (minus) sign may be assigned to ratings from Aa to C to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.