75 Years WEMA BANK

ALAT by WEMA

# 2019

# ANNUAL REPORT AND ACCOUNTS


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# CORPORATE INFORMATION

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## FOREIGN CORRESPONDENT BANKS

London, UK - Standard Chartered Bank, Union Bank Plc, Bank of Beirut, United National Bank, Access Bank Plc
New York, USA - Standard Chartered Bank, United Bank for Africa (UBA)
Frankfurt, Germany - BHF Bank, Commerzbank, Deutsche Bank AG

## AUDITORS

Deloitte & Touche (Chartered Accountant)

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# OVERVIEW

# Our History

Regarded as Nigerian's most resilient bank and the longest surviving indigenous Financial Institution in Nigeria, Wema Bank Plc has over the years, diligently offered a range of value-adding banking and financial advisory services to the Nigerian public for 75 years.

Incorporated in 1945 as a Private Limited Liability Company under the old name of Agbonmagbe Bank Limited, it commenced banking operations in Nigeria in the same year. Wema Bank subsequently transformed into a Public Limited Liability Company (PLC) in April 1987 and was listed on the floor of the Nigerian Stock Exchange (NSE) in January 1990. On February 2001, Wema Bank Plc was granted a universal banking license by the Central Bank of Nigeria (CBN), thus allowing the Bank to provide the Nigerian public with a diverse portfolio of financial and business advisory services.

In 2009, the Bank underwent a strategic repositioning exercise which culminated in a decision to operate as a commercial bank with regional authorisation. Upon a successful turnaround, the Bank applied to the Central Bank of Nigeria (CBN) for and was granted a national banking license in 2015.

Wema Bank offers retail banking, SME banking, corporate banking, treasury, trade services and financial advisory to its ever-expanding clientele. Operating a network of over 150 business offices backed by a robust ICT platform across Nigeria, we are committed to long-term sustainability in our business whilst maintaining the highest standards of social responsibility, corporate governance and diversity in our operations.

### Our Brand

The Wema Bank Brand reinforces our unique proposition which is Value Driven Relationship Banking. This is a single concept which drives the understanding of the new direction of the Wema Bank Brand. This personifies the behavior and solutions we provide.

Our Brand is driven by a desire to develop an intimate relationship with our customers, putting us in a position to recognize their requirements and priorities. Our approach is hinged on mutual respect, service, innovation and efficiency. We seek to understand our customers' businesses and objectives, such that we can anticipate and meet their needs as they fulfil their financial goals and aspirations.

- We believe in people and societal values.
- We believe in the common good and sustainable success.
- We measure success not only by what is gained, but by the reciprocal value added to lives and businesses.
- We strive to create value that endures and uplifts human dignity and collective welfare.
- Success to us implies succeeding along with all our stakeholders; all moving forward and creating value.

## Our Corporate Philosophy

**Vision**

To be the financial institution of choice in service delivery and superior returns.

**Mission**

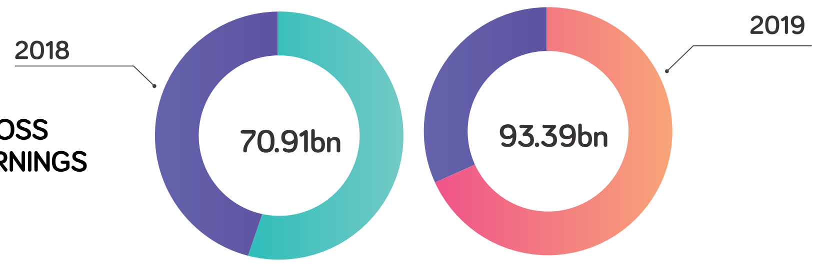
To give every customer a delightful and memorable service experience.

## Values

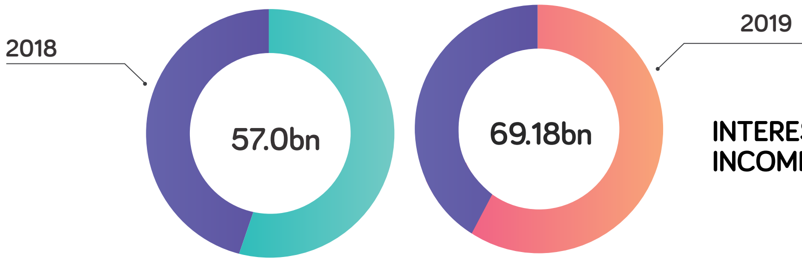
- Mutual Respect
- Teamwork
- Performance Driven
- Innovation
- Professionalism

## Financial Highlights

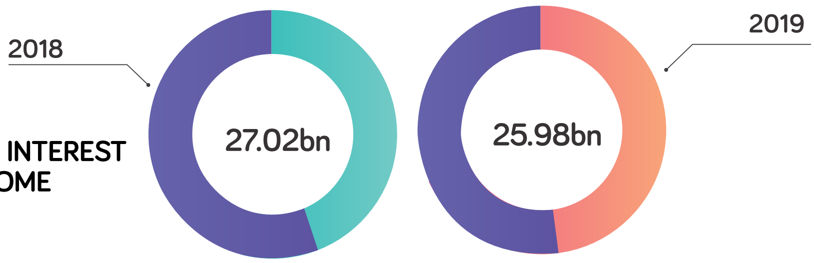
GROSS EARNINGS



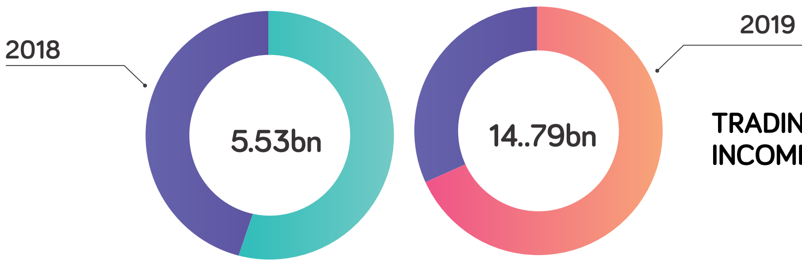

INTEREST INCOME



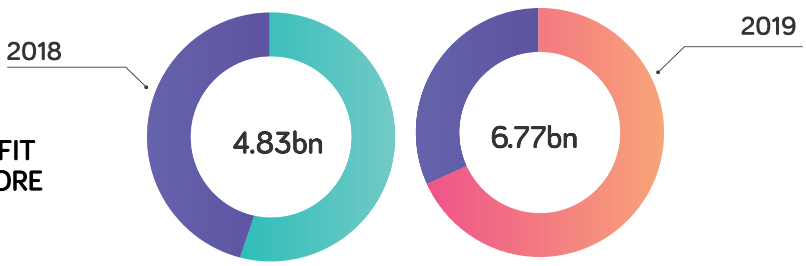

NET INTEREST INCOME



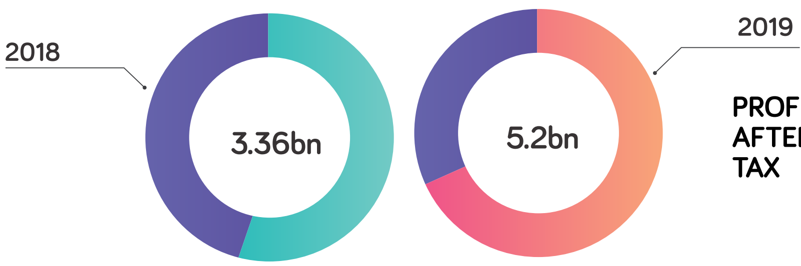

TRADING INCOME




PROFIT BEFORE TAX




PROFIT AFTER TAX



# Corporate Governance

Wema Bank Plc. is committed to the highest standards of Corporate Governance and proactively integrates sound corporate governance practices across its operations, ensuring compliance with the requirements of the Corporate Governance Codes of the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC) and the Nigerian Code of Corporate Governance.

The Bank has laid emphasis on the cardinal values of fairness, independence, credibility, transparency and accountability for performance at all levels, thereby enhancing the shareholders' value and protecting the interest of all the stakeholders.

At Wema Bank, we consider ourselves trustees of our shareholders and acknowledge our responsibility towards them, to maintain their trust and confidence and safeguard their investment. The Bank's performance on corporate governance is regularly being monitored and reported. Every year the Bank obtains an independent report on the effectiveness of its Board members and the Board. The Board engaged KPMG Advisory Services to conduct an independent evaluation of the Board's performance in year 2019 and the result of the evaluation was presented to the Board at the meeting held on 9 March, 2020. The report which confirmed the transparency and competence of the Board and its members is contained in this Annual Report and Accounts for year 2019.

The Bank will continue to entrench the principles of Corporate Governance into every aspect of its business as we are committed to aligning with global best practices.

## Governance Structure

**Size and Composition of the Board**

Our Board has a proper mix of executive and non-executive directors to maintain its independence and separate its functions of governance from management.

The Board is comprised of eleven (11) Directors as stated below:

| Executive Directors | 4 |
|---|---|
| Non-Executive Directors | 7 (inclusive of 2 Independent Directors) |

Four (4) out of the eleven (11) Board members, or one-third of the Board are women, which is in compliance with the provisions of the Central Bank of Nigeria's Code of Corporate Governance.

## Changes on the Board

During the financial year ended 31 December, 2019, there were no changes to the Board.

## Role of the Board

The primary role of the Board is to provide strategic direction for the Bank to deliver long term value to shareholders.

**Other functions of the Board include:**

- To review and provide guidance for the Bank's corporate and business strategy;
- To review Management's succession plan and determine their compensation;
- To ensure that the Bank's operations are ethical and comply with applicable laws and regulations;
- To approve capital projects and investments;
- To consider and approve the annual budget of the Bank, monitor its performance and ensure that the Bank remains a going concern;
- To ensure that adequate system of internal control, financial reporting and compliance are in place;
- To ensure that an effective risk management process exists and is sustained;
- To constitute Board Committees and determine their terms of reference and procedures; including reviewing and approving the reports of these Committees.

### Role of Chairman and the Managing Director/Chief Executive Officer

The roles of the Chairman and the Managing Director/CEO are clearly separated and are not held by the same individual. The Chairman is solely responsible for the running of the Board, whilst the Managing Director/CEO in conjunction with the Executive Management team is responsible for the day to day management of the Bank's business and ensure the implementation of the Board's decisions. The Managing Director executes the powers delegated to him in accordance with guidelines as approved by the Board of Directors.

### Selection of Directors

The Board Nomination and Governance Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.

In identifying suitable candidates, the Committee considers candidates on their merit, using objective criteria, including the Board's skill needs with due regard for the benefit of diversity on the Board. The Committee then recommends nominated directors to the Board and thereafter, to the shareholders for election at the Annual General Meeting.

### Tenure of Directors

Pursuant to the Bank's drive to continually imbibe best Corporate Governance practices, Directors are appointed for a maximum period of three terms of four (4) years each.

Thus, the maximum tenure of a director is twelve (12) years, subject to retirement age of 70 years, statutory provisions and regulatory directives.

### Board Evaluation

In compliance with the requirements of the Central Bank of Nigeria (CBN) Code of Corporate Governance, KPMG Advisory Services was engaged to carry out a Board Evaluation for the Financial Year ended 31 December 2019. The evaluation was based primarily on bench marking the Bank's current governance structures and practices against the CBN Code, SEC Code and other global practices, using the four (4) pillars of Board responsibility which underpin effective corporate governance.

1. Board Leadership and Strategy - the Board's ability to manage its own activities and oversee the planning and implementation of the Bank's strategy.
2. Accountability and Audit – the Board's role in delegating authority to management and monitoring Management's activities.
3. Monitoring and Evaluation - The Board's ability to define a framework for measuring and monitoring performance of the Board, its Committees and individual Directors against defined goals.
4. Stewardship - The Board's responsibility towards shareholders and other stakeholders and accountability for their interests.

The independent advisory firm evaluated the performance of the Board and adjudged the Board's compliance culture to corporate governance as positive and largely consistent with the standard contained in the CBN and SEC Codes of Corporate Governance.

### Induction and Continuous Training

On appointment to the Board and Board Committees, all newly appointed Directors receive formal orientation and training to enable them to familiarise themselves with the Bank's operations, policies, and other members of staff. This is done through induction courses organized by the Company Secretary. However, there was no induction programme in 2019 as no new director was appointed to the Board.

Also, the Bank has institutionalized regular training (both local and foreign) of Board members on issues pertaining to their oversight functions to update their skills and knowledge on new developments in the industry in line with Section 18.2 of the Central Bank of Nigeria Code of Corporate Governance. All the Directors underwent training on Anti Money-Laundering & Combating the Financing of Terrorism and Sustainability, while the members of the Credit and Audit Committees were also trained by industry experts. Two Executive Directors (Mr. Wole Akinleye and Mrs. Folake Sanu) attended an Advance Management Programme facilitated by Harvard, while some Non-Executive Directors attended the IMD Leading Digital Business Transformation programme and Harvard's Making Corporate Boards More Effective programme.

### The Company Secretary

The Company Secretary is responsible for, among other things, the implementation of the Codes of Corporate Governance in the Bank, ensuring that the Board's Charters and Memorandum and Articles of Association are observed, assisting the Chairman and the Managing Director to formulate an annual Board Plan, organising Board meetings and ensuring that the Minutes of the Board clearly and properly captures the Board's discussions and decisions. The Company Secretary also acts as a Corporate Communication Officer by being the centre of communication among the Directors, Management and other stakeholders and administers the shareholders' meetings in line with legal requirements.

Also, the Company Secretary liaises with regulatory agencies to ensure adequate compliance with the recommended corporate. governance practices.

The Company Secretary reports functionally to the Chairman of the Board of Directors and operationally to the Managing Director and enjoys the full support of the Board for the efficient performance of his duties.

## Board Meetings

In compliance with the CBN Code, the Board meets quarterly. Additional meetings are convened as the need arises. In the year ended 31 December , 2019, the Board held five (5) meetings, details of attendance thereof are provided below:

| Meetings Held | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Names of Directors | 28 February, 2019 | 8 May, 2019 | 21 June, 2019 | 27 September, 2019 | 12 December, 2019 |
| Babatunde Kasali | ● | ● | ● | ● | ● |
| Ademola Adebise | ● | ● | ● | ● | ● |
| Moruf Oseni | ● | ● | ● | ● | ● |
| Wole Akinleye* | ● | ○ | ● | ● | ● |
| Folake Sanu * | ● | ● | ● | ○ | ● |
| Abubakar Lawal | ● | ● | ● | ● | ● |
| Abolanle Matel-Okoh | ● | ● | ● | ● | ● |
| Adebode Adefioye | ● | ● | ● | ● | ● |
| Samuel Durojaye | ● | ● | ● | ● | ● |
| Tina Vukor-Quarshie | ● | ● | ● | ● | ● |
| Omobosola Ojo | ● | ● | ● | ● | ● |

*Note that Mr. Wole Akinleye and Mrs. Folake Sanu were away on training during the period they were recorded as absent from the meeting of the Board.

## Board Committees

The Board carries out its oversight functions through its five (5) Committees, as well as the Statutory Audit Committee. Each of these Committees has a Charter that clearly defines its roles, responsibilities, functions, composition, structure, frequency of meetings and reporting procedures to the Board.

Through these Committees, the Board effectively deals with complex and specialized issues and fully utilizes its expertise to formulate strategies for the Bank.

### The Board Committees in operation during the year under review are:

- Board Risk Management Committee
- Board Credit Committee
- Board Finance and General-Purpose Committee
- Board Nomination & Governance Committee
- Board Audit Committee
- Statutory Audit Committee

The Committees meet at least once in each quarter. However, additional meetings may be convened as required. The roles and responsibilities of these Committees are discussed below.

## Board Risk Management Committee

The Committee's major responsibilities are to:

1. Review and assess the integrity and adequacy of the overall risk management structure of the Bank.
2. Oversee the establishment of a formal Risk Management Framework for the Bank and monitor Management's implementation and integration of the framework into the day-to-day operations of the Bank.
3. Establish a robust contingency plan and continuity of business imperatives with in-built capabilities for disruption minimization in the event that mission critical threats crystallize.
4. Ensure the Bank has a comprehensive compliance framework for regulations and guidelines on money laundering and financial crimes.
5. Ensure the establishment of an Information Technology (IT) Data Governance Framework for the Bank and monitor Management's implementation of the Framework.
6. Review significant pronouncements and changes to key regulatory requirements relating to the risk management area to the extent that they apply to the Bank.
7. Report to the Board on material matters arising at the Risk Management Committee meetings following each meeting of the Committee and notify the Audit Committee of relevant issues worth considering.
8. Monitor changes anticipated for the economic and business environment, including consideration of emerging trends and other factors considered relevant to the Bank's risk profile and risk appetite.
9. Assure appropriate independence and authority of the risk management function.
10. Monitor the Bank's capital adequacy levels and capital management process, ensuring compliance with global best-practice standards, such as recommended by the Central Bank of Nigeria (CBN) and Basel II/III.
11. Advise the Board on risk management procedures and controls for new products, markets and services.

The Committee comprised the following members during the year under review:

1. Tina Vukor-Quarshie - Chairman
2. Wole Akinleye - Member
3. Folake Sanu - Member
4. Abubakar Lawal - Member
5. Abolanle Matel-Okoh - Member
6. Adebode Adefioye - Member
7. Ademola Adebise - Member

The Committee held four (4) meetings during the year ended 31st December 2019. The attendance details of the Committee's meetings are as follows:

| Meetings Held | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Names of Directors | 11 February, 2019 | 20 May, 2019 | 27 August, 2019 | 18 November, 2019 |
| Tina Vukor-Quarshie | ● | ● | ● | ● |
| Ademola Adebise | ● | ● | ● | ● |
| Wole Akinleye | ● | ● | ● | ● |
| Folake Sanu * | ● | ● | ○ | ● |
| Abubakar Lawal * | ● | ○ | ● | ● |
| Abolanle Matel-Okoh | ● | ● | ● | ● |
| Adebode Adefioye | ● | ● | ● | ● |

*Note that Mrs Folake Sanu was away on training during the period she was recorded as absent from the meeting of the BRMC, while Mr. Abubakar Lawal was absent on apology.

## Board Credit Committee

This Committee is made up of individuals who are knowledgeable in credit analysis. The responsibilities of the Committee include:

1. Oversee the establishment of credit policies and guidelines, to be adopted by the Board, articulating the Bank's tolerances with respect to credit risk, and oversee management's administration of, and compliance with, these policies and guidelines.
2. Review and recommend for Board approval, on an annual basis, policies on credit philosophy, risk appetite, risk tolerance, credit rating methodology and other material credit risk policies for the Bank.
3. Approve credit guidelines for strategic plans and approving the Bank's credit policy, which includes defining levels and limits of lending authority.
4. Review and approve loan applications above the limits delegated to the Management Credit Committee or Managing Director as may be defined by the Board from time to time.
5. Approve write-offs in excess of Management limits and within the Committee's limits as set by the Board.
6. Receive and review reports from senior management (and appropriate management committees and credit review) regarding compliance with applicable credit risk related policies, procedures and tolerances.
7. Monitor the performance and quality of the Bank's credit portfolio through the review of selected measures of credit quality and trends.
8. Review and assess the adequacy of the allowance for credit losses.

The Committee comprised the following members during the year under review:

| | | | |
|---|---|---|---|
| 1. | Adebode Adefioye | - | Chairman |
| 2. | Tina Vukor-Quarshie | - | Member |
| 3. | Samuel Durojaye | - | Member |
| 4. | Abubakar Lawal | - | Member |
| 5. | Omobosola Ojo | - | Member |
| 6. | Ademola Adebise | - | Member |
| 7. | Moruf Oseni | - | Member |
| 8. | Wole Akinleye | - | Member |
| 9. | Folake Sanu | - | Member |

The Committee held eight (8) meetings during the year ended 31st December 2019. The attendance details of the Committee meetings are as follows:

| Meetings Held | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Names of Directors | 12 Feb., 2019 | 28 Feb., 2019 | 18 April, 2019 | 20 June, 2019 | 26 July, 2019 | 8 Aug., 2019 | Sept. 19, 2019 | 12 Nov., 2019 |
| Adebode Adefioye | ● | ● | ● | ● | ● | ● | ● | ● |
| Tina Vukor-Quarshie | ● | ● | ● | ● | ● | ● | ● | ● |
| Samuel Durojaye | ● | ● | ● | ● | ● | ● | ● | ● |
| Abubakar Lawal * | ● | ● | ● | ● | ○ | ● | ● | ● |
| Omobosola Ojo | ● | ● | ● | ● | ● | ● | ● | ● |
| Ademola Adebise | ● | ● | ● | ● | ● | ● | ● | ● |
| Moruf Oseni | ● | ● | ● | ● | ● | ● | ● | ● |
| Wole Akinleye * | ● | ● | ○ | ● | ● | ● | ● | ● |
| Folake Sanu | ● | ● | ● | ● | ● | ● | ● | ● |

*Note that Mr. Wole Akinleye was away on training during the period he was recorded absent, while Mr. Abubakar Lawal was absent on apology.

## Board Nomination and Governance Committee

This Committee was initiated by the Board in furtherance of its desire to comply with best practice in Corporate Governance. The responsibilities of the Committee include:

1. Overseeing the nomination, remuneration, performance management and succession planning processes of the Board;
2. Overseeing the induction of new Directors and continuing training programme for Directors.
3. Overseeing the annual performance appraisal of the Board, its Committees, the Chairman and individual directors by an independent professional.
4. The Committee shall periodically review the Charter, composition and performance of each committee of the Board and make recommendations to the Board for the creation of additional committees or the elimination of a committee of the Board.
5. Developing and adopting a Code of Business Conduct and Ethics for employees, directors and officers of the Bank.
6. Monitoring compliance with and periodically reviewing corporate governance guidelines.

The Committee is composed entirely of Non-Executive Directors as follows:

1. Omobosola Ojo - Chairman ( Independent Non-Executive Director)
2. Adebode Adefioye - Member
3. Samuel Durojaye - Member
4. Tina Vukor-Quarshie - Member ( Independent Non-Executive Director)
5. Abolanle Matel-Okoh - Member

The Committee held six (6) meetings during the year ended 31st December 2019. The attendance details of the Committee's meetings are as follows:

| Meetings Held | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| Names of Directors | 13 Feb., 2019 | 18 April, 2019 | 6 June, 2019 | Sept. 12, 2019 | Nov. 14, 2019 | 11 Dec., 2019 |
| Omobosola Ojo | ● | ● | ● | ● | ● | ● |
| Adebode Adefioye | ● | ● | ● | ● | ● | ● |
| Samuel Durojaye | ● | ● | ● | ● | ● | ● |
| Tina Vukor-Quarshie | ● | ● | ● | ● | ● | ● |
| Abolanle Matel-Okoh | ● | ● | ● | ● | ● | ● |

## Board Finance and General-Purpose Committee

This Committee handles all staff matters and is responsible for the oversight of strategic people issues, employee retention, equality and diversity as well as other significant employee related matters and administrative issues.

Other functions of this Committee include:

1. Defining the strategic business focus and plans of the Bank and ensure effective implementation of approved strategy.
2. Monitor the performance of the bank against budget.
3. Defining capital and operating expenditure limits and approve all capital expenditure on behalf of the Board.
4. Review the Bank's investment portfolio and investment strategy annually.
5. Oversee Supporting Management business development efforts.

The Committee was comprised of the following members during the period under review:

1. Abubakar Lawal - Chairman
2. Omobosola Ojo - Member
3. Abolanle Matel-Okoh - Member
4. Tina Vukor-Quarshie - Member
5. Ademola Adebise - Member
6. Moruf Oseni - Member

The Committee held five (5) meetings during the year ended 31st December 2019. The attendance details of the Committee meetings are as follows:

## Committee meeting attendance

| Meetings Held | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Names of Directors | 15 February, 2019 | 25 February, 2019 | 19 June, 2019 | 9 September, 2019 | 13 November, 2019 |
| Abubakar Lawal | ● | ● | ● | ● | ● |
| Omobosola Ojo | ● | ● | ● | ● | ● |
| Abolanle Matel-Okoh | ● | ● | ● | ● | ● |
| Tina Vukor-Quarshie | ● | ● | ● | ● | ● |
| Ademola Adebise | ● | ● | ● | ● | ● |
| Moruf Oseni | ● | ● | ● | ● | ● |

### Board Audit Committee

This Committee was established to protect the interests of the Bank's shareholders and other stakeholders and to act on behalf of the Board by:

1. Overseeing the integrity of financial reporting.
2. Overseeing the adequacy of the control environment.
3. Overseeing the internal and external audit function.
4. Ascertaining the independence of external auditors.
5. Ensuring compliance with established policy through periodic review of reports provided by Management, internal and external auditors and the supervisory authorities.
6. Overseeing the identification and monitoring of significant fraud risks across the Bank and ensuring that adequate prevention, detection and reporting mechanisms are in place.

The Committee comprised the following members during the period under review:

1. Samuel Durojaye - Chairman
2. Abolanle Matel-Okoh - Member
3. Omobosola Ojo - Member
4. Tina Vukor-Quarhie - Member

The Board Audit Committee meets at least once in each quarter. However, additional meetings are convened as required. The Committee held four (4) meetings during the 2019 financial year.

### Committee meeting attendance

| Meetings Held | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Names of Directors | 14 February, 2019 | 7 June, 2019 | 13 September, 2019 | 15 November, 2019 |
| Samuel Durojaye | ● | ● | ● | ● |
| Abolanle Matel-Okoh | ● | ● | ● | ● |
| Omobosola Ojo | ● | ● | ● | ● |
| Tina Vukor-Quarshie | ● | ● | ● | ● |

### Statutory Audit Committee

This Committee was established in compliance with Section 359(3) of the Companies and Allied Matters Act, CAP C20 LFN 2004 (CAMA). The Committee is made up of three (3) Non-Executive Directors and three (3) Shareholders' of the Bank appointed at Annual General Meetings. The Bank's Company Secretary serves as the Secretary to the Committee, while one of the Shareholders serves as the Chairman of the Committee.

The Committee is responsible for:

- Ascertaining whether the accounting and reporting policies of the Bank are in accordance with the legal requirements and agreed ethical practices.
- Reviewing the scope and planning of audit requirements.
- Reviewing the findings on management matters as reported by the external auditors and departmental responses thereon.
- Reviewing the effectiveness of the Bank's system of accounting and internal control.
- Making recommendations to the Board about the appointment, removal and remuneration of the external auditor of the Bank.
- Authorizing the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee.
- Reviewing the Bank's annual and interim financial statements, including reviewing the effectiveness of the Bank's disclosure, controls and systems of internal control, the integrity of the Bank's financial reporting and the independence and objectivity of the external auditors.

The Committee comprised the following financially literate members who are knowledgeable in internal control processes during the period under review:

| Names | Role | Status | Educational Qualification |
|---|---|---|---|
| Prince Adekunle Olodun | Chairman | Shareholders' Representative | STAGE II Accounting/auditing, FED. Treasury School, Lagos. Executive Management Accountancy, UNILAG. Associate, NIM ICPAN |
| Mr. Joe Anosike Ogbonna | Member | Shareholders' Representative | BSC, Surveying, UNILAG Registered Surveyor, REG. NO. 785 Fellow, NIS Accounting For Non-accountants, Lagos Business School. |
| Mr. Kashimawo Akanji Taiwo | Member | Shareholders' Representative | FCA, ACIT |
| Mr. Abubakar Lawal | Member | Non-Executive Director | HND, MBA, FCS, ACIP, ANIMN |
| Mr. Adebode Adefioye | Member | Non-Executive Director | MSC, Analytical Chemistry BSC, Chemistry Member, Institute Of Public Analysts Of Nigeria. |
| Mr. Samuel Durojaye | Member | Non-Executive Director | FCIB, FCA, ACS, ACIB |

The Statutory Audit Committee meets at least once in a quarter. However, additional meetings are convened as required. The Committee met five (5) times during the 2019 financial year.

Committee meeting attendance

| Meetings Held | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Names of Member | 27 February, 2019 | 19 March, 2019 | 10 June, 2019 | 16 September, 2019 | 29 October, 2019 |
| Prince Adekunle Olodun | ● | ● | ● | ● | ● |
| Mr. Joe Anosike Ogbonna | ● | ● | ● | ● | ● |
| Mr. Kashimawo Akanji Taiwo | ● | ● | ● | ● | ● |
| Mr. Abubakar Lawal | ● | ● | ● | ● | ● |
| Mr. Adebode Adefioye | ● | ● | ● | ● | ● |
| Mr. Samuel Durojaye | ● | ● | ● | ● | ● |

### Management Committees

The Committees comprises of Senior Management Officers of the Bank. These Committees are risk driven as they are set up to identify, analyse, synthesize and make recommendations on risks arising from the day to day activities of the Bank.

These Committees also ensure that risk limits as contained in the Board and Regulatory Policies are always complied with. In addition, they provide inputs for the respective Board Committees of the Bank and ensure that recommendations of the Board Committees are effectively and efficiently implemented. They frequently meet to take actions and decisions within the confines of their limits.

The following are the standing Management Committees in the Bank:

- Executive Committee
- Management Credit Committee
- Watchlist Committee
- Assets and Liability Committee
- Management Risk Committee
- IT Steering Committee

### Executive Committee

The purpose of the Committee is to deliberate and take policy decisions on the effective and efficient management of the Bank.

The responsibilities of the Committee include:

- Review the strategic operations of the Bank:
    - (I) Review Audit & Inspection Reports
    - (ii) Review adequacy and sufficiency of Branch tools
    - (iii) Review manning level in branches and head office departments
- Consideration and approval of proposed New Branches;
- Review the asset and liability profile of the Bank;
- Consideration and approval of capital and recurrent expenses;
- Monitor and give strategic direction on regulatory issues.

The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/Legal Adviser and any other member as may be appointed from time to time. The Committee meets monthly. However, additional meetings are convened as required. The Company Secretary serves as the Secretary to the Committee.

### Management Credit Committee

This Committee is responsible for ensuring that the Bank is in total compliance with the Credit Policy Manual as approved by the Board of Directors. Other functions include:

- Provide inputs for the Board Credit Committee.
- Review and approve credit facilities to individual obligors not exceeding an aggregate sum as determined by the Board from time to time.
- Review and approve all credits that are above the approval limit of the Managing Director/CEO, as determined by the Board of Directors.
- Review the entire credit portfolio of the Bank and conduct periodic checks of the quality of risk assets in the Bank.
- Ensure adequate monitoring of credits granted by the Bank.

The Committee meets monthly depending on the number of credit applications to be appraised and considered. The Committee comprises of the Managing Director/Chief Executive Officer, all other Executive Directors, the Company Secretary/Legal Adviser and any other member as may be appointed from time to time. The Secretary to the Committee is the Head of Credit Risk Department of the Bank.

### Watchlist Committee

The purpose of this Committee is to assess the risk asset portfolio of the Bank. Other functions include:

- Highlighting the status of the Bank's assets in line with internal and external regulatory frameworks.
- Determines and approves actions to be taken in respect of delinquent assets.
- Ensures that adequate provisions are made in line with the regulatory guidelines.

Membership of the Committee includes, the Managing Director, all other Executive Directors, Head of Enterprise Risk Management, Head of Remedial Assets Management and other relevant Senior Management Staff of the Bank. The Secretary to the Committee is the Head of Loan Review and Monitoring Unit.

### Assets and Liabilities Committee

This is the Committee that is responsible for the management of a variety of risks arising from the Bank's business which include:

- Market and liquidity risk management;
- Loan to deposit ratio analysis;
- Cost of funds analysis;
- Establishing guidelines for pricing on deposit and credit facilities;
- Exchange rate risks analysis;
- Balance sheet structuring;
- Regulatory considerations and monitoring of the status of implemented assets and liability strategies.

Membership of the Committee includes the Managing Director/CEO, all other Executive Directors, the Treasurer, the Chief Finance Officer, the Chief Risk Officer and other relevant Senior Management Staff.

### Management Risk Committee

Membership of the Committee includes: the Managing Director/Chief Executive Officer (Chairman) , all other Executive Directors, RE, Lagos Bank, Head, Corporate Banking, Chief Finance Officer, Chief Risk Officer, Treasurer, Chief Information Officer, Head , Retail Banking, Chief Information Security Officer, Head Operations, Chief Compliance Officer, Chief Audit Executive, Head, Credit Risk Management, Head Market Risk, Head, Operational Risk (Secretary)

In line with global best practices and the Code of Corporate Governance, the Committee was constituted to, amongst other things:

- Review the effectiveness of the Bank's overall risk management strategy at the enterprise level;
- Identify and evaluate new strategic risks and agree on suitable mitigating factors;
- Review the enterprise risk scorecard and determine the risk to be reported to the Board on a quarterly basis.

### IT Steering Committee

Information Technology (IT) has become crucial in the support, sustainability and growth of the Bank's business. This makes it imperative for Management to pay more attention to IT investments, IT Risk Management and Data Governance.
Membership of the Committee includes: ED Business Support (Chairman) and also Heads of the following departments; Information Technology, Information Security, Internal Control/Compliance, Internal Audit, Business Process Reengineering, Infrastructure service, Automation & Innovation, Channels Management, Retail Bank, Finance & Strategy

This Committee's responsibilities are as follows:

- Oversees the development and maintenance of the IT strategic plan;
- Approve vendors used by the organization and monitors their financial condition;
- Approve and monitor major projects, IT budgets, priorities, standards, procedures, and overall IT performance;
- Coordinates priorities between the IT department and users' departments;
- Reviews the adequacy and allocation of IT resources in terms of funding, personnel, equipment, and service levels;
- Provides use and business perspective to IT investments, priorities and utilization;
- Monitors the implementation of the various initiatives and ensure that deliverables and expected outcomes/business value are realized;
- Ensures increased utilization of technology and that the Bank gets adequate returns on all IT investments;
- Makes recommendations and/or decisions in the best interests of the Bank, following review by IT department, on such items as desktops, equipment and service standards, and networking requirements, including benchmarks;
- Evaluates progress toward the established goals and present a report to Executive Committee as and when necessary;
- Acts in a supervisory capacity, in implementing the Bank's IT strategy.

### Monitoring Compliance with Corporate Governance

The Chief Compliance Officer of the Bank monitors compliance with money laundering requirements and the implementation of the

CBN Code of Corporate Governance.

The Bank transmits returns on all whistle-blowing reports and corporate governance breaches to the Central Bank of Nigeria monthly.

### Whistle blowing Procedures

In compliance with the CBN mandate on whistle blowing and in line with the Bank's commitment to instil the best corporate governance practices, the bank formulated a Whistle – Blowing Policy, which guarantees anonymity. The Policy covers both the external and internal whistle blowers and extend to conducts of stakeholders including employees, customers and vendors.
The Bank has a dedicated e-mail address for whistle blowing and the whistleblowing policy is permanently available on the Bank's website and intranet. There is a direct link on the Bank's intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance.

The Bank's Chief Audit Executive is responsible for monitoring and reporting on Whistle-Blowing. The Chief Audit Executive also presents a report on Whistle-Blowing to the Board Audit Committee on a regular basis.

### Code of Professional Conduct for Employees and Directors

The Bank has an internal code of professional conduct for staff and directors which is strictly adhered to and executed upon assumption of duties.

### Shareholders

The Annual General Meeting of the Bank is the highest decision-making body. General Meetings are duly convened and held in line with existing statutory provisions in a transparent and fair manner.

Shareholders are opportuned to express their opinions on the Bank's financials and other business-related issues. Other attendees of the meetings are Regulators such as Central Bank of Nigeria, Securities and Exchange Commission, The Nigerian Stock Exchange, Corporate Affairs Commission, professional consultants, and representatives of Shareholders' Associations.
The Board places considerable importance on effective communication with shareholders on developments in the Bank. Accordingly, the Bank has established an Investors Relations Unit which deals directly with enquiries from shareholders and investors to promote and improve shareholders' access to information and enhance effective communication with shareholders.

### Protection of Shareholders' Rights

The Board ensures the protection of the statutory and general rights of shareholders, particularly their voting right at General Meetings of the Bank. All shareholders are treated equally, regardless of size on volume of shareholding or social status. The Bank has a share holders policy which can be accessed through the Bank's website.

### Shareholder's Complaint Management Policy

The Bank has developed a Complaint Management Policy for shareholders to foster an efficient and timely resolution of Shareholders' complaints.

The Policy can be accessed through the Bank's website.

### Insider Trading Policy

The Bank has an Insider Trading Policy which prohibits Directors, insiders and their related persons in possession of confidential price sensitive information from dealing with the securities of the Bank during the closed period.

Note: In the year under review, there was no record of infraction of this policy.

### Succession Planning

The Board has a robust Selection Criteria and Succession Policy in place and the Nomination and Governance Committee has been assigned by the Board, the responsibility of ensuring that the Bank has a suitable succession plan in place at every point in time for the Board and in particular, positions of the Managing Director/Chief Executive Officer, Executive Directors, Company Secretary and other Senior Management roles and to make recommendations to the Board for approval.


ALAT
by WEMA
WON'T
Shy away from innovative banking?
Join a bank that gives you more than just another bank account.
May we suggest ALAT by Wema?
CORPORATE | RETAIL | COMMERCIAL
Let us help you achieve your goals and dreams
Are you an ALAT user? Download the app to join the ALATrybe
App Store
Google play
Dial *945*1#
Don't forget, payments are easier with
*945#
0-7000-PURPLE, 0803 900 3700
purpleconnect@wemabank.com
Get social with us at:
@wemabank | @alat_ng
alat.ng
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# Sustainability Report

## Shaping the Future Through Sustainability

Sustainability is gradually becoming a key driver of innovation, growth and inclusiveness. Global leaders are more aligned than ever on the need to drive sustainability at the national level with increased commitment to implement the sustainable development goals (SDGs). The three (3) cardinals of sustainability have created new opportunities while improving the efficiency and effectiveness of existing business structures.

At Wema Bank, the quest to actualize our innovative vision and create shared value for our stakeholders has further enhanced our commitments to our sustainability thrust of "Developing Digital Solutions for Societal Impact". This has spurred our collective efforts in creating technology solutions to improve our economic, social and environmental goals, through resource optimization and efficiency, creation of new opportunities while identifying new categories of customers.

With the pervasiveness of technology across critical sectors of the global and local economy, we believe that the future remains digital. Thus, we will continue to sustain our investments in technology, innovate for value creation, collaborate with stakeholders and promote responsible business practices. We will also continue to integrate sustainability into our strategic and operational decisions.

In the financial year 2019, we made appreciable progress in shaping the future through our sustainability initiatives across the economic, social and environmental goals, leveraging on our innovative and digital capabilities and strategic partnerships.

## Sustainability Guidelines and Alignment

We understand that the world is a global village and we must conform to international standards and global best practices to forge a strong alliance. Our sustainability initiatives are aligned with the Sustainable Development Goals, (SDGs), United Nations Environment Programme – Finance Initiative Principles for Responsible Banking (UNEP-FI PRB) and the Nigerian Sustainable Banking Principles (NSBPs)

SDGs are interdependent goals envisioned to achieve a better and more sustainable future for people, environment and the economy. The UNEP-FI PRB is designed to help banks align their business strategy with society's goals and more importantly, to strengthen trust and engagement with our customers, stakeholders and employees. The NSBPs are guidelines for Nigerian banks to improve their environmental and social impacts on business and operations, including increased advocacy for women empowerment and human rights.

"The Future of Banking "discussion at the Launch of UNEP -FI Principles for Responsible Banking (PRB) in New York

We ensured that all our sustainability initiatives, business operations and activities aligned with these goals with a lot of collaborations with critical stakeholders. We partnered with various organizations and sustainability professionals to support our efforts in making meaningful contributions to global development.

Our Managing Director, Mr. Ademola Adebise joined the United Nations leaders and other CEOs at the Global Launch & Official Signing-Implementation of the Principles for Responsible Banking (PRB) during the United Nations General Assembly (UNGA 74) in New York City, United States on September 22, 2019. To further reinforce our commitment and support towards shaping the future, Mr. Adebise was part of the panel discussants on the "The Future of Banking" at the event.


SUSTAINABLE
DEVELOPMENT
GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS


Alignment
Impact
Client & Customers
Stakeholders
Governance &target setting
Transparency & accountability
UNEP
FINANCE
INITIATIVE
PRINCIPLES FOR RESPONSIBLE BANKING


NSBP
NIGERIAN SUSTAINABLE BANKING PRINCIPLES
Our Business Activities: Environmental and Social Risk Management
Women's Economic Empowerment
Capacity Building
Our Business Operations: Environmental and Social Footprint
Financial Inclusion
Collaborative Partnerships
Human Rights
E&S Governance
Reporting

## Corporate Citizenship Efforts

In line with our sustainability goal of developing digital solutions for societal impact, we organized Hackaholics, a radical gathering of developers, web designers and creative thinkers to develop solutions around key themes of financial inclusion, education, women empowerment, data analytics and credit scoring system.

About 300 qualifying applications were received and 20 start-up teams were shortlisted to participate at the 3 -day event. Team Eazy Change emerged the winner with a prize of $10,000. The team developed a solution that will resolve payment issues for commuters.



Post the Hackaholics event, the Bank proceeded to create an incubation lab for the top four (4) start-ups (Bewla, Truudata, Sidehustle and Branch Digitization) to nurture their ideas for greater impact in finance, gender empowerment, automation and data analytics. Their solutions have been developed into market-ready products and we believe they will provide groundbreaking opportunities for more sustainable businesses and create employment for about 5,000 Nigerians with significant impact on 60,000 households.

- **Bewla** - Developed a digital wallet designed for microtransactions that features savings and thrift.
- **Truudata** - Developed a product that features a digital (mobile and web) KYC solution that verifies documents in real time and transmits results to back office both online and offline.
- **Sidehustle** - Developed a mobile app designed for female entrepreneurs to scale their business by featuring basic reporting/accounting tool and integrated to the lending platforms.
- **Branch Digitization** – The solution features authentication of onboarding and card management process on a digital device that sits within branch

**Post Hackaholics Bootcamp:** Incubation of top ideas at the Wema Incubation Lab

### Solar Panel in Branches

We have improved on reducing energy waste through our various energy efficiency initiatives. Our facilities are powered by LED energy-saving bulbs. Our generator-shutdown policy that ensures that most of our branches shut down their generators by 6 pm daily while the corporate branches shut down their generators by 6 pm daily has reduced daily diesel usage.
These measures have not only helped us reduce energy wastage but also reduced our carbon footprint. Other energy efficient strategies include reduction in travel time, fuel consumption and carbon emission through video conferencing for meetings with staff in different locations.

### Paper Usage Reduction

We recognize that decreasing the use of paper helps to protect valuable natural resources, reduction in carbon footprint and a form of cost- savings. We have reduced paper usage by 90% whilst also reducing our carbon footprint and improving operational efficiency. During the year, the bank embarked on a campaign to further reduce the use of paper in our daily operations. This campaign was tagged **"paperlympics"** and aided by **Purpleworks**, our electronic correspondence and document management system.

### Water Management

Water scarcity has been identified as one of the global risks that requires urgent solution across the world. With severe drought reported in some areas, saving water is good for the environment and societies. The Bank has implemented an innovative water management system across our branches to reduce water consumption using the dual toilet flushing system. In addition, we have an effluent water management system where wastewater is recycled for other uses in Head Office. We also continually advocate the importance of water conservation to our employees and customers. This helps us to save water for the generations to come.

### Waste Management

As an environmentally conscious organisation, we aim to reduce the volume of plastics and other recyclables that go into the landfill from the Bank. We have also increased our environmental sustainability advocacy by creating increased awareness on the importance of adopting the 3Rs of recycling (reduce, reuse and recycle) with our employees and vendors.
In partnership with recycling companies and non-governmental organizations, we embarked on a waste recycling process for proper disposal and management of recyclables (paper, plastic, glass and can). The proceeds of the processed recyclables are used for social causes such as school fees payment for children in disadvantaged communities using RecyclesPay. This contributes to the economic growth of the recycling industry whilst also encouraging a responsible waste disposal system. Overall, we collected over 1000kg of plastics across 12 branches in Lagos State.


Recycles Pay Badge from our Partners, African Clean Up Initiative (ACI)

### OAU Hackathon Bootcamp

The bank collaborated with the management of Obafemi Awolowo University, Ile-Ife, Osun State to create opportunities for students to develop business ideas that will make them financially independent and empower them at an early age. The teams developed solutions to solve common problems within the school community.

## OAU Bootcamp

### AgriKore: Partnership with Cellulant Corporations

In partnership with Cellulant Corporation, the bank provided funding for rural sector based small and medium scale agribusiness enterprises through 'Agrikore Blockchain Marketplace platform'. Agrikore is a blockchain-based contracting and payment system that ensures everyone in the agricultural eco-system such as farmers, community aggregators, food processors, financial institutions, insurance companies, governments, development companies, can do business with each other in a trusted environment.

L-R: The Managing Director, Wema Bank, Mr. Ademola Adebise; Co-CEO, Cellulant, Mr. Bolaji Akinboro; and Wema Bank Regional Executive, Lagos Bank, Mr. Oluwole Ajimisinmi

Wema Bank committed N2 billion (Two Billion Naira only) in funds, which is available for immediate drawdown to community aggregators on the Agrikore Marketplace network, to facilitate trade across the value chain. The partnership will also see Nigeria Incentive Based Risk Sharing System for Agriculture (NIRSAL) provide credit risk guarantees for all borrowers in the scheme.

This partnership has helped expand access-to-market and access-to-finance for farmers and other small and medium scale agribusinesses in underbanked rural areas in Nigeria, without the need for traditional brick and mortar bank branches.

## Environmental Sustainability

**Impact of Climate Change:** Scientists have high confidence that global temperatures will continue to rise for decades to come, largely due to greenhouse gases produced by human activities. As a responsible organisation, we are conscious of the impacts of our activities and operations on the environment and will continue to take deliberate actions to mitigate the impacts of our business activities on climate change and global warming.

**Energy Efficiency:** In reiteration of our environmental sustainability commitment, we are reducing our reliance on diesel generators and carbon footprint by profiling our branches for alternate source of energy. In 2019, 18 of our branches were migrated to solar power energy leading to reduction of 160,744kg carbon emission for the year. In addition, all our ATMs use hybrid power supply (solar, grid and inverter) to meet the needs of our customers within and outside our business locations.

### Responsible Lending: Environmental and Social Risk Governance

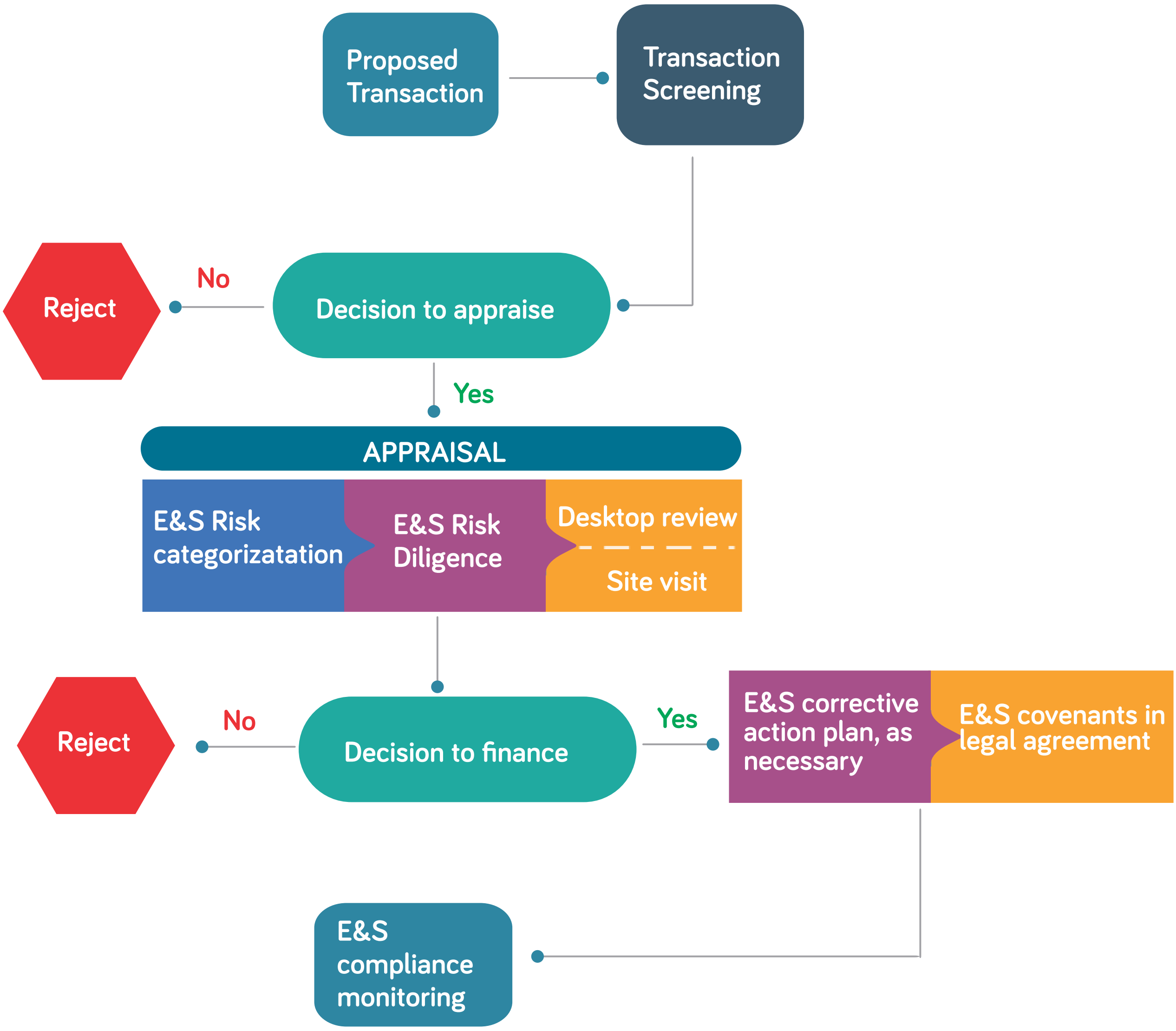
At Wema Bank, we take a holistic and long-term view of our lending strategy by ensuring that what we finance supports sustainable development and our corporate goals. Our financing strategy is anchored on business activities that has positive impact on the environment, economy and society.

We encourage and educate our customers to adopt more sustainable models of doing business and work in line with our environmental and social risk management system. Our customers are aware that we are committed to supporting and promoting environmentally and socially responsible projects and enterprises.

We have continually enhanced our credit risk policy to incorporate a better approach to managing Environmental and Social governance (ESG) issues in our lending process. Relationship managers have been trained on ESG to equip them with the requisite knowledge to support our lending business. The environmental and social risk managers review the environmental and social risk assessments and make decisions on the credit approval.

The bank also conducts enhanced due diligence which include site visitation and other independent reviews. Monitoring our customers' adherence to our ESG standards and implementing good ESG practices include tracking progress in addressing past incidents, engaging customers in establishing policies that align with global best practices and following up on agreed mitigating measures and action plans.

## Managing Environmental and Social Risk in Transaction Cycle



### Creating Sustainable Wealth

#### Financial Inclusion

A key tenet of our sustainability efforts is developing and improving the access to financial services for all segments of the population through our product offerings and operations. Unhindered access to financial services enables vulnerable segments of the society to improve economic power, reduce inequality and can drive growth in the long run.

ALAT and *945# have helped us to meet our goal to reach the unbanked and underbanked and has significantly reduced transaction cost. We will continue to enhance ALAT in order to meet up with changing consumer behaviours, banking habits and expectations. This will ensure that we remain the bank of the future.

The number of unbanked individuals who received financial services through Wema Bank for the first time in 2019 was over 150,000. We collaborated with our agents to reach out to customers in remote parts of the country through BankPass, a platform for opening Tier 1&2 accounts for the unbanked and underbanked.

To further deepen financial inclusion, we organized Financial Literacy sessions across key locations in the country and impacted over 12,000 people with this initiative. Our agency banking network has also improved, with over 2000 agents across the country.

#### MSME Clinic

We understand that we can only be as prosperous as the financial well-being of our customers hence we created opportunities for our customers to achieve their wealth management goals and supported businesses to achieve sustainable wealth.

We organized capacity building sessions for several Micro, Small and Medium Scale Enterprises ( MSMEs) in form of MSME Clinics on scaling their businesses to ensure their businesses outlive them and successfully transit to future generations. We were able to reach about 600 small businesses in Aba, Lagos, Ibadan, Kano, Kaduna and Uyo We also supported businesses with concessionary funding to achieve sustainable wealth that will be passed down from one generation to another.

MSME Clinic @ Kaduna

MSME Clinic @ Ibadan

## Social Sustainability

#### Employee Engagement and Development

We have continued to maintain a diverse, agile, inclusive and engaging workforce who are inspired by our mission and feel empowered to represent the Bank. We are dedicated to maintaining a workforce free of violence, harassment, violation of laws, unsafe and disruptive behaviors. The bank offers a competitive renumeration which includes benefits like Health Management Organization (HMO) coverage, pension scheme, work life balance and grievance mechanisms.

We also regularly review our employee retention strategy to help us retain our best staff and encourage them to utilize the various learning platforms (online & offline) for skills and knowledge development. We have continued to enhance our parenthood leave which includes maternity and paternity leave.

**Employee Engagement and Development Sessions**

## Wemalympics

In order to improve team bonding and internal collaboration, the bank has continued to invest in our annual sports and games tournament "Wemalympics". This initiative contributes to our employees' physical fitness, mental well-being and social interactions while fostering the development of other essential skills such as teamwork, tolerance, courage, resilience, and innovation.


## Wemalympics 2019

**Gender Inclusiveness and Diversity.:** Wema Bank believes that diversity and inclusion in our workforce are critical to our growth as a forward-looking organization. We strive to create an enabling environment for everyone regardless of gender, age, and religious or ethnic background. We also endeavour to treat all employees with fairness and respect; and give them equal opportunities to grow and succeed. We have a long-standing commitment on gender diversity and have made a lot of progress in this regard. For instance, in recent years, the number of women on the Board of Directors has increased to 36% while the female officers make up 47% of the workforce as at the end of 2019. Also, 79% of the entire workforce are millennials which reflects the changes in the Nigerian demography.

**Whistleblowing Policy** – Wema Bank encourages whistleblowing, which aims to create a work environment where employees can raise concerns on ethics, governance, irregularities or malpractices, without fear of victimization and with an assurance that their concerns will be taken seriously. The whistleblowing procedure ensures anonymity for whistleblowers to protect them from victimization and harassment. There is a direct link on the intranet for whistleblowers to report all identified breaches of the Code of Corporate Governance. All reports are investigated, and necessary sanctions applied for violations.

**Human Rights:** Wema Bank is an equal opportunity employer with no tolerance for discrimination in its workforce. Continually, we ensure that we respect human rights in our business operations and activities. Our credit processes also include screening transactions for human right issues. There is continuous communication to ensure that staff are aware of their basic rights. On a monthly basis, we reiterate the need to escalate abuse and other related issues that contravene human rights.

## Occupational Health and Safety

We recognize that a healthy workforce is a productive workforce. Hence, we take paramount care of the health and wellness of our employees by providing access to quality health care. The Bank has an onsite fitness center and a creche facility for the use of our staff.

The Managing Director, Mr. Ademola Adebise and the Executive Director, Business Support, Mrs. Folake Sanu during the unveiling of SARA by Wema.

SARA by Wema Seminar

## Wema Women Network

Internally, we have a strong network (Wema Women Network) for all female staff across all cadres regardless of location. in 2019, the network championed a series of activities such as book review, mentorship, capacity building and skill acquisition, networking programmes and health seminars.

The network also supports female staff to realize their full potentials and ultimately drive full representation across different levels in the Bank. In addition, we disseminated monthly newsletters to all staff to create awareness on issues relating to the women in the workplace, home and the larger society.

Wema Women Network Activities; Skill Acquisition & Knowledge Sharing Programme

## Partnerships

We have developed a systemic thinking approach by adopting a mindset about organizations working together, across sectors, breaking down silos, to advance the global goals and our corporate objectives. We are leveraging these partnerships for effective planning, implementation, execution of our women empowerment initiatives. Our different partnerships for women empowerment as well as sponsorships are illustrated below:

- **SheCan Nigeria:** We partnered with SheCan Nigeria to empower Nigerian women in the course of the year through skill empowerment, networking opportunities and capacity building. We also supported about 5,000 women leveraging on this partnership.

- **Ekiti State Government:** We partnered with Ekiti State Government to organize a capacity building programme for their women. We enlightened the participants on the importance of being financially independent and other ways to strategically position for power and leadership at the lowest level.

We developed an Employee Assistance Program (EAP) designed for wellness to help them deal with work-life stressors and general life issues to achieve a sound psychological and all-round health. Members of our workforce also engage in daily routine exercise sessions at specific time during work hours to ensure that are physically and mentally fit.

As part of our commitment to protecting our employees and customers, we carried out periodic fire drills to ensure that all staff, customers and visitors in our premises understand the safety measures if there is a fire outbreak and test how effective our fire evacuation process is. The fire drills were carried out using a comprehensive action plan, specified procedures, enhancement of safety technology, and cooperation of all security personnel.

Staff at the Purple Fitness Gym

Creche at the Head Office

**Training and Capacity Building**

All staff were trained on sustainability with emphasis on local and global trends and the impact of our business on climate change. We developed a new mandatory training module on Environmental and Social Risk Management for experienced and new hires. The Board of directors also took a refresher course on global sustainability trends.

Our training programmes are a mix of in-house, classroom and computer based via our robust e-learning platform. Employees also participate in other training programmes designed to improve their skills on the job and enhance their career growth. We value our competent workforce and ensure that we make deliberate significant investment in their training and capacity building.

Training and Capacity Building Sessions

**Women Empowerment**:

The bank embarked on several women empowerment initiatives during the year as part of our efforts to position women for growth and success. The impact of these initiatives has been significant and has helped them make better financial decisions.
**SARA by Wema**: The Bank launched its first female proposition for women **"SARA BY WEMA"**. The proposition is targeted at empowering women to achieve their potentials through mentorship programs, trainings, and networking opportunities and access to concessionary loans. All the female customers of the Bank are members of the SARA community.

A capacity building seminar tagged "Your Business and You" was also held to help women scale up their businesses.


Ekiti State Women Capacity Building programme


Skill Acquisition Programme in Partnership with She Can Nigeria

- **Knowledge is Best Shared (KIBS) Non-Governmental Organization (NGO)**: We partnered with this organization to commemorate the International Girl-Child Day in October. The objective of this celebration was to give back to the girlchild through knowledge and resource sharing.

- **Office of the First Lady of Niger State**: The Bank partnered with the First Lady of Niger state, through her Non-Governmental Agency, Raise Foundation to commemorate the Breast Cancer Awareness month. We supported this cause by creating awareness for cancer and advocacy through our channels.

Cancer Awareness Programme in Niger State


Commemoration of International Girl-Child Day

**iVolunteer @ Wema**: As a bank, we regularly see the need for employees to engage in corporate social responsibilities. We are providing opportunities for employees to explore their skill, talent, time and resources in creating a lasting impact in the society. We believe that it is important to build a culture of giving in the Bank, as it brings value to life. Our volunteering efforts are focused on areas such as education, environment, finances and health.

Our various volunteering initiatives are stated below:

**Mentorship Program**: We developed a knowledge-based mentorship programme for students to improve quality education and increase the knowledge of the students on certain topics. Members of staff are encouraged to give back by sharing knowledge on their area of expertise to students. During the year, we trained students on cyber security, leadership and development of vision board.

Vision Board Activities with Young Students

Cybersecurity Mentorship Programme

**Declutter and Donate**: As a Bank who is passionate about sustainable living and enriching the lives of people around us, we have continued to promote our Declutter and Donate campaign which has become an annual programme. We encourage members of staff to declutter and donate food items, clothing, shoes, toys, beddings, electrical appliances and cash. In 2019, the items collected were sent to Maikakaki Community in Shiroro Local Government Area, Niger State. This community is a flood ravaged community with over 1,000 inhabitants. We will continue to leverage on this campaign to meet the needs of our immediate community while supporting them to create a sustainable future.

Declutter and donate

**Salary for Love**: The salary for love initiative has progressed over the years, from donations to help critically ill children in government hospitals, neglected individuals, orphanages to schools, internally displaced persons, flood ravaged communities and health challenged communities. Every member of staff donated their one-day basic salary in February 2019 towards this cause. The funds were used to purchase textbooks refurbish computer room and donate insecticide mosquito nets to health centers and communities.

**Salary for Love**

## International Men's Day

We celebrated all our male customers and staff in the course of the year. The 2019 International Men's Day (IMD) was commemorated in grand style with a focus to promote men's positive contributions to society, career, health and leadership roles. Our aim is to ensure a balanced workforce and entrench gender inclusiveness.

## International Women's Day

Women play a significant role in our world hence we seize every opportunity to celebrate them. The Bank celebrated International Women's day which was themed "Balance for Better" with an enlightening debate session from our female staff.

International Men's Day

International Women's Day

## Governance and Reporting:

The Board Nomination and Governance Committee reviews and approves decisions that govern the environmental, social and economic policies within the organization through the Sustainability Committee; while all sustainability initiatives are executed by the Corporate Sustainability and Responsibility Department. In addition, the department is responsible for advising the board and executive management on best sustainability practices and relevant regulatory expectations.
The Sustainability Committee comprises of members from key departments of the bank who are key stakeholders in driving the sustainability agenda. The committee reviews strategies, activities and policies regarding sustainability and community investments and makes recommendations to the Board.

To ensure that sustainability is entrenched and fully embedded in our operations, we have nominated champions who understand and drive this cause within various units of the Bank including Human Capital Management, Risk Management, General Administrative Services and Retail Banking Division.

In compliance with the Nigerian Sustainable Banking Principles (NSBPs), the Bank reports progress made on targets and goals semi-annually to the Central bank of Nigeria. In future, reporting will commence on United Nations Environment Programme – Finance Initiative Principles for Responsible Banking (UNEP-FI PRB) in line with our commitment to the global goals which will be anchored on our area of materiality.

We will continue to ensure that our reporting system is full of integrity, accountability and transparency. We will also continue to clearly communicate, assess and report the impact we have on our stakeholders.

## The Future

We believe that innovation will continue to be the pivot for sustainability which is critical to achieving the sustainable development goals. We are on a journey to becoming the most innovative bank in Africa, leveraging on our digital capabilities and our investments in technology related strategies.

We have achieved a couple of feats in our sustainability efforts through our robust environmental, social and governance system, development and design of responsible products and investments, our corporate social investments activities and partnerships. Overall, we have been able to combine business performance with sustainable value creation.

As the digital economy continues to evolve, we will consistently hone our skills in technology and innovation; and rethink the way we operate within the business environment with the aim of achieving our corporate objectives of leading a responsible and profitable organization.

# Compliance Risk Framework

Compliance is "adhering to the requirements of law, industry and organizational codes, principles of good governance and ethical standards."
The Compliance and Conduct Department is at the fore-front of supporting the compliance goals of the bank by implementing programs that identify potential risks, deter misconduct and potentially reduce penalties in the event infractions occur.

The continued change in legislation aimed at combating Money Laundering, Terrorist Financing and proliferations of equipment for mass destruction has placed great emphasis on the formal and structured monitoring of compliance with legal, regulatory and supervisory requirements.

Our Compliance Risk Framework reflects the following core principles and practices:

- Our responsibilities as employees, our culture, systems and processes;
- Compliance with the letter and spirit of regulatory standards and ensuring that the standards are embedded in our processes;
- Visibility and accountability of senior management ensuring a strong compliance culture;
- Engagement with regulatory bodies and industry fora to ensure the maintenance of high standards across the Bank.

The Compliance function reports to the Board Risk & Management Committee and Board Audit Committee through the Executive Compliance Officer (ECO) and the Chief Compliance Officer (CCO).

The Compliance Risk Framework utilizes a range of methods, including compliance audit, file reviews, customer surveys and operational risk assessments to measure the effectiveness of our compliance program. The Compliance and Conduct Department is supervised by the Chief Compliance Officer (CCO), who ensures the implementation of the Compliance Risk Management Framework. The team provides the infrastructure to facilitate compliance planning and reporting, specialist advice to business and operational units of the bank. The Department operates a zonal structure with a Compliance Officer in each branch reporting to a Zonal Compliance Officer who implements regulatory initiatives and ensure internal policies are adhered to.

### Key components of the Compliance framework:

### Board and Management Responsibilities

The overall responsibility of establishing broad business strategy, significant policies and understanding significant risks of the bank rests with the Board of Directors. In Wema Bank, through the establishment of Board Risk & Management Committee (BRMC), the Board of Directors oversees the effectiveness and sets the risk acceptance criteria of the AML/CFT programme and compliance to internal policies.

The Bank's Management sets a strong compliance culture within the bank, with governance & guidance from the Board of Directors. The Executive Committee (EXCO) puts in place approved policies and procedures to identify, measure, monitor and control risks. The Bank has a Compliance structure, which assigns clear responsibility, authority and reporting relationships among members of staff. The Management through its monthly Management Risk Committee (MRC) monitors the adequacy and effectiveness of the Compliance function based on the bank's established policies & procedures.
The Chief Compliance Officer and Chief Financial Officer regularly attests to returns to the Security and Exchange Commission (SEC), Central Bank of Nigeria (CBN), other regulatory bodies and the general public.

### Reports to Senior Management and the Board of Directors

Compliance issues and risks identified in the financial environment are discussed at the Board and Management Risk Committee meetings as detailed below:

- Management Risk Committee – Monthly
- Board Risk & Management Committee – Quarterly
- Statutory Audit Committee – Quarterly
- Board Audit Committee - Quarterly

Critical emerging issues requiring immediate attention prior to the aforementioned meetings are communicated to the Management and Board.

### Cooperation with Regulators and Law Enforcement Agencies

Wema Bank will continually cooperate with the law enforcement agencies within the limits of the rule governing confidentiality. The Bank shall comply promptly with all requests made pursuant to the provisions of relevant AML/CFT laws and regulations.

Compliance and Conduct Department serves as a liaison office between the bank and regulators and a point of contact for all employees on issues relating to money laundering and terrorist financing.

### Customer Due Diligence (CDD)

Wema Bank ensures that due diligence and proper KYC practices are carried out on prospective customers. All parties to a business are properly identified before relationships are established.

In Wema Bank, the level of KYC carried out is determined by the level of risk associated with the customer. High risk customers attract Enhanced Due Diligence (EDD).

### Risk Recognition and Assessment

Wema Bank recognizes and assesses all material risks (internal and external factors) that can adversely affect the achievement of the bank's goals and business objectives.

The risk assessment by the bank focuses on the review of business strategies to maximize risk/reward trade-off within the different areas of the bank. This is based on compliance with regulatory requirements, social, ethical and environmental risks that affect the banking industry.

### Customer Identification Program (CIP)

A business relationship with Wema Bank will NOT be established until the identity of the potential customer is satisfactorily established. Where a customer declines to provide any account initiation information, the relationship will NOT be established.

### Politically Exposed Persons (PEPs)

In line with regulatory requirements, Wema Bank classifies Politically Exposed Persons (PEPs) as high risk customers. Senior Management approval is required before such accounts are opened and for a continuous relationship where an existing customer subsequently becomes a PEP.

Due to the peculiarity of transactions of PEPs, such accounts are subjected to a continuous account monitoring process. This is to mitigate money laundering and terrorist financing risks as well as strict adherence to regulatory policies and FATF recommendations on the management of PEP accounts.

### Preservation of Customers' Records

In line with applicable laws and regulations, Wema Bank keeps all documents and transaction records of customers in the course of business relationship for a minimum period of five (5) years after the severance of business relationship with the Bank.

### Compliance Training (AML/CFT & Compliance to Internal Policies)

Considering the role of Employees, Management and Board of Directors in the fight against money laundering and terrorist financing, formal AML/CFT trainings are conducted for all members of staff, Senior Management and Board of Directors at least once a year.

Additional trainings are conducted through the bank's intranet, nuggets and knowledge sharing sessions (KSS). Knowledge base of all employees are periodically assessed, which forms part of the employees' appraisal.

### Whistle Blowing/Employees' Responsibilities

All employees are responsible for complying with the Bank's policy on whistle blowing. Employees having information on any prohibited, unlawful act or unethical activity affecting the Bank must promptly report via our robust whistle blowing system. This also enables our external stakeholders to report unethical activities.

The whistle blowing reports are received by the Head, Investigation Team, Chief Audit Executive and Chief Compliance Officer of the Bank. This enables the Bank to take measures to address such reports before they escalate into future liabilities, business threats and losses.

The whistle blowing policy protects the whistle blower from any reprisal for reporting unlawful or unethical act.

Employees have been trained via various platforms (such as e-learning, face-to-face etc.) on how to report contraventions without their identity being revealed.

Details of the whistle-blowing channels are provided below:

Phone Numbers: +2348022245818; +2348022230169 & +2348033448971

Email: whistle-blowing@wemabank.com

## Anti-Bribery and Corruption

Wema Bank Plc, is strongly committed to high ethical standards and integrity. We continue to create awareness amongst our staff on the importance of ethical conduct. The Bank maintains a corporate culture that rewards honest practices and discourages unethical activities.

The Bank has an approved Anti-Bribery and Corruption policy, indicating rules that must be adhered to by employees and stakeholders.

## Role of External and Internal Auditors in Evaluating AML/CFT & Compliance to Internal Policies

External Auditors, by dint of their independence of the management of the Bank, provide unbiased recommendations on the strength and weakness of the AML/CFT and Internal Compliance programme of the Bank. They examine the records and transactions of the Bank and evaluate its accounting and disclosure policies as well as methods of financial estimation made by the Bank.

The Internal Audit function reviews the AML/CFT programme of the Bank bi-annually.

# Customer Complaints and Feedback

## Introduction

At Wema Bank, we are fully committed to delivering a delightful and memorable service experience because we know that our customers are the heart of our business.

In line with the Central Bank of Nigeria's Consumer Protection Guidelines, we have adopted the regulations on Fair Treatment of Consumers ensuring that all customers regardless of tribe, race, social status, physical abilities, marital status, gender, age, religion or ideology are provided best-in-class financial and non-financial services.

## Our Feedback Channels

We see customer complaints and feedback as opportunities for the continuous improvement of our products and services. Hence, we have made available various interaction channels at every point of the customer's journey and encourage our customers to share their concerns and suggestions with us.

To enable customers reach us at ease and ensure quick resolution of issues, our interaction channels include:

**Telephone**
0-7000 PURPLE, 08039003700
01-2777700

**Email:**
purpleconnect@wemabank.com

**SMS & WhatsApp**
0705 111 2111

**Live Chat**
www.wemabank.com

**Fraud Desk**
01-2779836 - Frauddesk@wemabank.com

**Letters**
Customer Protection Unit, Wema Bank Plc, Wema Towers, 54 Marina, Lagos

**Ombudsman**
01-2779960 - cpu@wemabank.com

**Social Media**
Facebook.com/wemabankplc | Youtube.com/wemabank
Instagram.com/wemabank | Twitter.com/google+.com

We also solicit regular feedback through Surveys, Customer Forums, Business Review Sessions, etc and incorporate recommendations received into our product and service designs.

## Our Complaints Resolution Process

The Bank maintains an integrated Complaints Management Solution where all customer complaints received via our various channels are recorded, with tracking numbers sent to the customers, and monitored until full resolution. Complaints received are also analyzed, root causes identified and addressed to prevent recurrence of similar issues.

We adhere to the Consumer Protection Framework, ensuring speedy resolution of complaints within desired Service Level Agreements (SLA) and rendering monthly reports to the Central Bank of Nigeria as required.

The details of complaints for FY 2019 are as shown in the table below:

| Description | Number of Complaints | | Total Amount Claimed (N'Million) | | Amount Refunded (N'Million) | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Pending Complaints B/F | 2,684 | 7,051 | 236 | 210 | Nil | Nil |
| Received Complaints | 264,083 | 261,425 | 1,521 | 4,163 | Nil | Nil |
| Resolved Complaints | 265,055 | 265,792 | 372 | 4,137 | 137 | 21 |
| Unresolved Complaints escalated to CBN for intervention | Nil | Nil | Nil | Nil | Nil | Nil |
| Unresolved Complaints pending with the bank C/F | 1,712 | 2,684 | 1,385 | 236 | Nil | Nil |

# REPORTS

# Notice Of The 2019 Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of Wema Bank Plc will be held at the 5th Floor, Wema Towers, 54, Marina Lagos on Monday, 18 May, 2020 at 11:00am to transact the following business:

**Ordinary Business.**

1. To lay before the meeting the Audited Financial Statements for the year ended 31 December, 2019 together with the reports of the Directors, Auditors and Audit Committee thereon;

2. To declare a dividend;

3. To re-elect the following Directors as Non-Executive Directors;
   a. Mrs. Abolanle Matel-Okoh – Non-Executive Director
   b. Mrs. Omobosola Ojo – Independent Non-Executive Director

4. To authorize the Directors to fix the remuneration of the Auditors;

5. To elect members of the Audit Committee;

## Proxy

Shareholders should kindly note that following the Government directive restricting public gathering due to the COVID-19 pandemic, the Corporate Affairs Commission has granted approval for the AGM to hold with attendance by proxy to minimise physical contact and ensure public health and safety. Quorum for the meeting can therefore be formed either by physical attendance or by proxy.

A member entitled to attend and vote at the General Meeting is therefore entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. The names of suggested proxies are:

a. Babatunde Kasali (Chairman)
b. Ademola Adebise (Managing Director)
c. Samuel Durojaye (Non-Executive Director)

A blank proxy form is attached to the Annual Report and also available in the Company's website at www.wemabank.com and the Registrars website at www.gtlregistrars.com. In line with the Corporate Affairs Commission's Guidelines, shareholders are advised to send their completed proxy forms to the office of the Company Secretary, Wema Bank Plc 54, Marina Lagos or send soft copies to companysecretariat@wemabank.com or proxy@gtlregistrars.com not later than 8 May, 2020 to enable the bank to stamp the proxy forms at the Bank's expense.

Dated this 23rd day of April 2020
By Order of the Board

Johnson Lebile
Company Secretary
FRC/2019/NBA/00000019017
54, Marina,
Lagos.

## Notes

### a. Dividend Payment and Closure of Register

If the proposed dividend of recommended by the Directors is approved by members at the AGM, the dividend will be payable less withholding tax on 18 May, 2020 to shareholders who are on the Company's Register of Members at the close of business on Wednesday, 6 May, 2020. Shareholders who have completed the e-dividend Mandate forms will receive a direct credit of the dividend into their bank accounts.
Notice is therefore given that the Register of Members and Transfer Books will be closed from Thursday, 7 May to

Tuesday, 12 May, 2020 (both days inclusive) for the purpose of preparing an up-to-date Register.

**b. Statutory Audit Committee**

In accordance with section 359(5) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, any shareholder may nominate another shareholder for appointment to the Audit Committee. All nominations of members for appointment to the Audit Committee should reach the Company Secretary at least 21 days before the Annual General Meeting via companysecretariat@wemabank.com.

Kindly note that the provisions of the Codes of Corporate Governance issued by the Securities and Exchange Commission (SEC) and Central Bank of Nigeria has indicated that some members of the Committee should be knowledgeable in internal control processes.

Consequently, all nominations should be accompanied by a copy of the nominee's detailed resume disclosing requisite qualifications.

**c. Rights of Shareholders to ask questions**

Shareholders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting on any item contained in the Annual Report and Accounts. Please send questions and comments to the Company's Secretarial Department, Wema Bank Plc, 54 Marina Lagos not later than 11th day of May 2020.

**d. Unclaimed Dividends**

A list of such unclaimed dividends will be circulated with the Annual Reports and Financial Statements. Members concerned are advised to contact the Registrars at 274, Murtala Mohammed Way Yaba, Lagos State.

**e. E-Dividend**

Pursuant to the directive of the Securities and Exchange Commission, notice is hereby given to all shareholders to open Bank accounts, stockbroking accounts and CSCS accounts for the purpose of e-dividend. A detachable application form for e-dividend to enable shareholders furnish particulars of their accounts to the Registrar as soon as possible is attached to the Annual report for convenience. The form can also be downloaded from the company's website at www.wemabank.com or from Greenwich Registrars & Data Solutions website at www.gtlregistrars.com

**f. Biographical Details of Directors for Re-election/Election**

The profiles of the directors standing for election or re-election are available in the Annual Report and on the Company's website.

**g. Live Streaming of the AGM**

The AGM will be streamed live online. This will enable shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the AGM live streaming will be made available on the company's website at www.wemabank.com

h. The 2019 Annual Report and Accounts of the Company shall be made available on the company's website at www.wemabank.com

# Explanatory Notes to The Proposed Resolutions

The Notes below provide explanation to the proposed resolutions.

Resolutions 1 to 5 are being proposed as ordinary resolutions. This means that for each resolution to be passed, a simple majority of votes in favour of the resolution is required. Please note that if you abstain from voting, you will not be counted in the calculation of the proportion of votes 'for' or 'against' a resolution.

### Resolution 1: Annual Report and Accounts

The directors are required under Section 345 (1) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 to lay before the company at the General Meeting for each financial year, copies of the Financial Statements of the company made up to a date not exceeding nine months prior to the date of the meeting. This provides the shareholders the opportunity to ask questions on the content of the Annual Report and Financial Statements.

### Resolution 2: Declaration of Dividend

By Section 379 (1) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, the General Meeting has the power to approve or reduce the dividend recommended by the Directors but cannot increase the amount. If the dividend is approved, the dividend, net of withholding tax will be payable on 18 May, 2020 to those shareholders registered on the company's Register of Shareholders as at 5 May, 2020.

### Resolution 3: Re-election of Directors

The company's Articles of Association require one-third of all Non-Executive Directors (rounded down) to stand for re-election every year, depending on their tenure on the Board.

In keeping with the requirement, Mrs Omobosola Ojo (Independent Non-Executive Director) and Mrs Abolanle Matel-Okoh (Non-Executive Director ) will retire at this Annual General Meeting and being eligible for re-election, will submit themselves for re-election. It is hereby confirmed that following a formal evaluation, the directors continue to demonstrate commitment to their role as Non-Executive Directors.

The profiles of the said Directors are provided in this Annual Report.

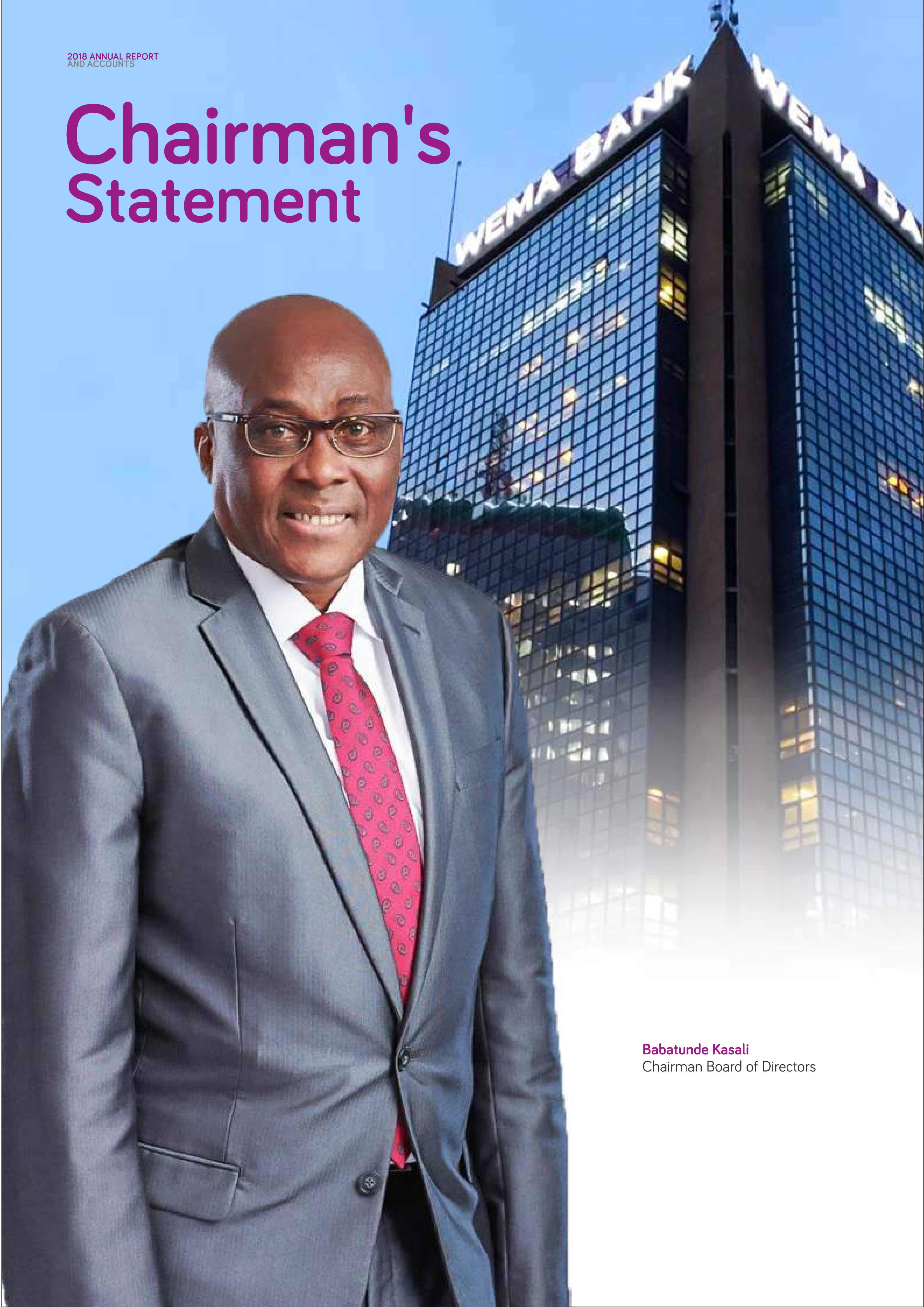
### Resolution 4: Approval of Auditor's Remuneration

Deloitte & Touche was appointed as Statutory Auditor of the Bank by the Ordinary Resolution of shareholders, passed at the Annual General Meeting held on 10 June, 2011. Section 361(1)(b) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, provides that the remuneration of the Auditor of a company shall, subject to Section 361 (1)(a) be fixed by the company at a general meeting or in such manner as the company at a general meeting may determine. Pursuant to this provision, the shareholders will be required to authorize the directors to fix the remuneration of the Statutory Auditor for the financial year ending 31 December, 2020.

### Resolution 5: Election of Members of the Audit Committee

In accordance with Section 359(5) of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004, any member may nominate a shareholder for election as a member of the Statutory Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting.

# Chairman's Statement




**Babatunde Kasali**
Chairman Board of Directors

Welcome to the 2019 Annual General Meeting Esteemed Shareholders, Members of the Board of Directors, Ladies and Gentlemen.

It is with great pleasure I present to you the financial results for 2019 as well as review the operating environment under which the Bank achieved that performance while looking forward to an even better year in 2020.

**Babatunde Kasali**
Chairman Board of Directors

## Chairman's Statement

Welcome to the 2019 Annual General Meeting Esteemed Shareholders, Members of the Board of Directors, Ladies and Gentlemen.

It is with great pleasure I present to you the financial results for 2019 as well as review the operating environment under which the Bank achieved that performance while looking forward to an even better year in 2020.

In 2018, a new management team comprising of Mr. Ademola Adebise and Mr. Moruf Oseni took office as Managing Director & Deputy Managing Director respectively. I would like to use this opportunity to congratulate them on the work done so far as they mark their first full year in office. They have continued to toe the path of growth.

2019 was a watershed year for Nigeria with the successful conduct of Federal and State elections across the country. The year started with GDP growing at 2.10%, a drop from the 2.38% of the last quarter of 2018. The economy then witnessed steady growth in subsequent quarters recording figures of 2.12%, 2.28% and 2.55% in Q2, Q3 and Q4 respectively. Inflation started the year at a moderated level of 11.37%, but however experienced a surge as the year came to an end closing out at 11.98%. Moderated growth in the global economy directly impacted the domestic economy leading to depleted foreign reserves and trade balances.

The year also highlighted the weakness in the Nigerian economy and its inability to withstand cyclical swings in the global economy especially as it relates to demand for its core commodities which form the bulk of Federal government revenues.

The Central Bank of Nigeria was a crucial factor in the Financial sector within the year with a number of significant policy interventions. In addition, three new commercial banks were issued banking licenses, stiffening competition.

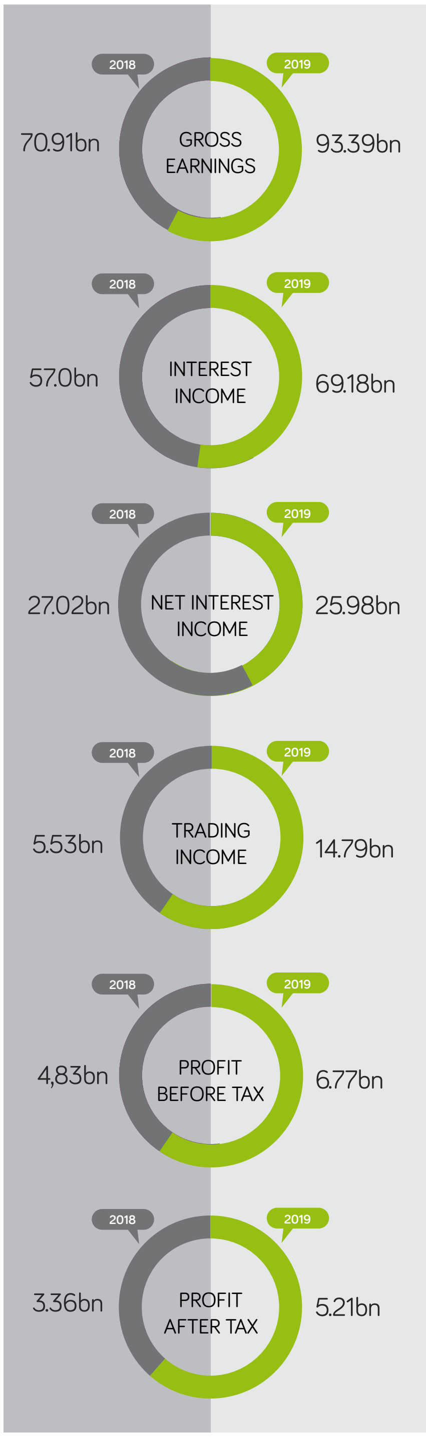
Ladies and Gentlemen, I am pleased to say that due to its strong governance, the Bank delivered on most of its strategic goals for 2019 while undertaking bold steps to position the bank as a dominant financial institution in the coming years.

It is satisfying to note that year on year, Wema Bank continues to record significant achievements in various areas, and this is evident in the ability of the bank to continue to pay dividends to its shareholders. ALAT, Nigeria's First Fully Digital Bank, continues to record strong performance as we deliver on our commitment to remain the industry leader in technology.

## Operating Environment

### Global Environment – Darkening Skies

In 2019, the global economy was beclouded with significant uncertainties as the effects of



different trade issues including the advent of strong protectionists forces impacted global economies from the US to China. The key factors that drove the global economy in 2019 include:

- **Trade Tensions**: The year was overshadowed with the tit for tat tariffs imposed between the US and China. The United States imposed tariffs on up to $200billion of goods from China, while the Chinese retaliated with $60billion worth of tariffs on imports from the US. During the course of the year, the IMF revised the projected growth in global GDP to 3.0% from its initial projection of 3.3%, its slowest growth rate since the financial crisis of 2008.

- **Interest Rates Slashed**: The US Federal Reserves during the course of the year took a cautionary stance on rates. Consecutive rate cuts were witnessed in September and October as perceived strong gains in employment and an inflation rate below 2% forced the hand of the committee. This saw foreign Portfolio investors seek higher rates from emerging markets. The Nigerian Stock Exchange shadowed the domestic economy as the stock exchange's equity capitalization had fallen by 14.60% as at YE, 2019.

- **Commodities prices**: Commodities prices led by crude oil fell for most of the year. Nigerian Bonny light started the year at $54.91/barrel then climbed to $74.57 in April and ending the year at $66.00/barrel.

- Finally, the China economy grew at 6.1% in 2019. This was the country's slowest pace in growth in the last three decades. This was as a result of the ongoing trade war with the USA as the contraction in GDP negatively impacted the global economy throughout the year.

## Push towards normalization in the domestic economy in 2019

Nigeria's Gross Domestic Product (GDP) grew by 2.55% (year-on-year) in real terms in the 4th quarter of 2019. This continued a trend started in the last quarter of 2018 which has witnessed GDP growth rate maintained above 2%. The oil sector continued to foster growth in 2019 as global events such as the sanctions on Iran and the attack on Saudi Aramco's oil pushed oil prices upwards. The increased prices were however not sustained.

Focus on improving the country's debt levels while ensuring the economy is positioned in the right direction saw the inauguration of the Economic Advisory Committee tasked with advising the President on economic policy matters. The Finance Bill 2019 was passed by the Senate during the course of the year and was signed by the President in January 2020. The bill amongst other things seeks to utilize various fiscal measures in in plugging the country's revenue gaps.

We witnessed stability in the foreign exchange market during the period with the attendant impact on various aspects of the trade sector. Post elections judicial proceedings also witnessed a peaceful appeal process and inauguration.

The CBN Monetary Policy Committee at the end of the first quarter of 2019 revised its key policy rate to 13.5%. This comes after 14 quarters of maintaining rates at 14%, a decision made easier due to inflationary pressures on the economy.

The merger between Access/Diamond bank was completed earlier in the year, reinforcing the banks position as a SIB. Banks during the course of the year consolidated efforts in driving down NPLs as reports from the Nigerian Bureau of Statistics recorded NPLs at a single digit 9.30% as at the end of Q2 2019. The released guidelines by the CBN allowing banks access to the account of debtors in other banks aided the drive. As the year came to an end, the banking sector witnessed significant policy changes from the apex bank.

In a bid to foster growth in the real sector, the CBN directed all commercial banks to maintain a Loan to Deposit Ratio (LDR) of 60%, this was later reviewed upwards to 65%. The Apex bank also introduced a new customer tariff structure which come into effect by the 1st of January 2020.

The year 2020 will be one to swing in both the positive and negative direction. The key things to watch out for will include crude oil price & production, a supplementary budget by the government to fund widening revenue gap; increase in interest rate to curb rising inflation levels , impact of Covid -19 pandemic and the global economy.

## Financial Scorecard

The bank continued its growth trajectory as gross earnings in 2019 grew by 31.71% from N70.91 billion in 2018 to N93.39 billion. Profit before Tax (PBT) and Profit after Tax (PAT) increased by 40.17% and 55.12% respectively to N6.77 billion and N5.21 billion against N4.83 billion and N3.36 billion in 2018.

Total Assets as at 31 December 2019 stood at N704.96 billion representing a 47.51% increase over the N477.92 billion recorded in the corresponding year of 2018 as loans to customers rose by 14.35% to close the 2019 year at N289.24 billion from N252.2 billion recorded in 2018.

The Bank , during the year continue to drive down its Non performing loan at 7.38%. Furthermore, the Bank continues to record growth in its retail deposit drive, as the Wema brand gains continued acceptance. Savings deposit grew by 20.43% from N62.89 billion to N75.74 billion while current account deposit grew by 28.80% from N102.16 billion to N131.59 billion.

## Our Strategic Focus

We at Wema Bank are driven by the need to render the best return on investment to our shareholders and to actualize this, the bank has continued to grow steadily and in a sustainable manner.

Since 2016, our business has largely focused on four (4) major areas namely Innovation and Technology, Excellent Customer Service, Effective Risk Management and Broadening Our National footprint. ALAT, Nigeria's first fully digital bank, was borne of this renewed focus and in 2020, the Bank will continue to record significant growth by extending this focus.

The year 2020 will witness a reinforcement in the banks retail drive while concurrently deepening our focus on the commercial and corporate business. This will ensure balance sheet optimization, more efficient processes and operations as well as value creation for our customers and shareholders. We will continue to attract and retain the best talents available as we proceed into 2020. Though the economy has witnessed an export of viable talents to foreign countries, our focus will be to harness talents from various fields as we ensure capacity building across the bank.

## Our Achievements

Amidst the dark clouds gathered in 2019, the bank continued to deliver on its mandate bagging awards and recognition.

Continuing its growth path, the bank recorded year on year growth despite ongoing issues in the domestic and international economic space within the period. On investments, the bank has been adequately positioned to attract new investments into the bank as we go into the new year especially with the CBN having intimated that Banks would be required to raise additional capital in 2020. This is evident in the ratings of the bank which shows the result of our dedicated workforce.

ALAT continues to be a significant success for the Bank and this continues to be evidenced by the awards that the Bank received during the year 2019.

Customer service remains paramount in all the activities of the bank and a key deliverable as we go into 2020 will be to continue the bank's drive towards our ambitious target of being in the top 5 best banks in customer service by year end and I believe we will deliver on this goal.

Infosys - Finacle Client Innovation Award 2017

World Summit Awards - Best and Most Innovative Digital Solution in Nigeria

World Finance - Best Digital Bank, Nigeria

World Finance - Best Mobile Banking App, Nigeria

New Age Banking Awards - Excellence in Branchless Banking

Business Day Banking Awards 2107 - The Digital Banking Platform of the Year

Asian Banker Award - Best Digital Bank in Africa

TUSH Awards - Most Youth Friendly Brand of 2017

# Outlook For 2020

## 2020 Will Require The Deployment Of Heterodox Measures In Delivering Significant Growth.

As we continue to push forward on the path of success in 2020, key factors that pose a threat to the growth of the global and domestic economies include;

- The economic impact of the Coronavirus on global and domestic economies.
- Continuing trade tensions between developed and developing economies like the United States and China;
- The manner of the United Kingdom's exit (Brexit) from the European Union will also be a significant drag on global economic growth.
- Increased tensions in the Middle East as different state actors continue to battle it out through proxies.
- Impact of fiscal and monetary policies of the governmental authorities on industry revenue.

As a Bank, we continue to pride ourselves on our commitment to deliver on superior returns and impeccable service delivery. It is our duty to look beyond the clouds to find opportunities for accelerated growth especially around the sectors and industries which are enjoying growth, areas like Agriculture and Manufacturing.

Internally, significant steps were taken in 2019 to ensure that in 2020, we deliver value for our shareholders and we are prepared to achieve this. Another of our core commitment in 2020 is to continue to use our technology edge to drive disruption to deliver on our goals for the year.

Thank you for your continued support and loyalty.

**Babatunde Kasali**
Chairman Board of Directors
FRC/2017/ICAN/0000001697

# Directors' Report

The directors present their annual report on the affairs of Wema Bank Plc (the "Bank") and the group, the audited financial statements and independent auditor's report for the financial year ended 31 December 2019.

## Legal Form

The Bank was incorporated in Nigeria under the Companies Act of Nigeria as a private limited liability company on 2 May, 1945 and was converted to a public company in April 1987. The Bank's shares, which are currently quoted on the Nigerian Stock Exchange were listed in February 1991. The Bank was issued a universal banking license by the Central Bank of Nigeria on January 2001. Arising from the consolidation in the banking industry, Wema Bank Plc acquired National Bank of Nigeria Plc in December 2005. Currently, the Bank is a Commercial Bank with National Banking Authorization under the new CBN licensing regime to operate in Nigeria.

The Bank has a wholly owned subsidiary WEMA Bank Funding SPV Plc.

## Reporting Entity

Wema Bank Plc (the Bank) is a company domiciled in Nigeria. The Bank's registered office is 54, Marina, Lagos, Nigeria. The Bank is primarily involved in Corporate, Commercial, Retail Banking and Financial Advisory Services. The Bank has Deloitte and Touche as Auditors, Greenwich Registrars & Data Solutions Limited and Johnson Lebile as Registrars and Company Secretary respectively.

Wema Bank Funding SPV was established for the purpose of issuing bonds to fund working capital, enhance liquidity and capital base.

## Principal Activity

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and other banking services.

## Operating Results

| | Group | | Bank | |
|---|---|---|---|---|
| **In thousands of Nigerian Naira** | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2019 | 31 Dec 2018 |
| **Gross earnings** | **94,890,127** | **71,529,939** | **93,389,811** | **70,907,759** |
| Profit on ordinary activities before taxation | 6,760,021 | 4,797,709 | 6,770,828 | 4,830,549 |
| Taxation | (1,560,081) | (1,471,290) | (1,560,080) | (1,471,290) |
| Profit on ordinary activities after taxation attributable to equity holders | 5,199,940 | 3,326,419 | 5,210,748 | 3,359,259 |
| | | | | |
| **Appropriation:** | | | | |
| Transfer to statutory reserve | 1,563,224 | 1,007,778 | 1,563,224 | 1,007,778 |
| Transfer to general reserve | 4,974,416 | 1,423,368 | 4,974,416 | 1,423,368 |
| Basic earnings per share (Kobo) | 13.5 | 8.6 | 13.5 | 8.6 |
| Total non-performing loans to gross loans | 7.38% | 4.98% | 7.38% | 4.98% |

## Fraud and Forgeries

| Item | Count |
|---|---|
| No. of Cases | 1,056 |
| Amount Involved (N) | 168,772,408.50 |
| Actual Loss (N) | 96,533,456 |
| Amount Involved ($) | 3,100 |
| Actual Loss ($) | 3,100 |

A cumulative figure of N593.99 million was recorded as at 31 December, 2019 for Fraud and Forgeries, only the sum of N168.77 million and $3,100 were recorded in the year 2019. Out of the total fraud and forgeries recorded, actual loss to the Bank was N96.53 million and $3,100 respectively. Staff involvement in the 1056 cases, which occurred in the year were 14 cases.

## Dividends

The Board of Directors of the Bank have also recommended the payment of Dividend from the present year earnings on the back of improved performance and the Bank meeting all regulatory requirements for such payment. The payment will be made from the audited earnings of 2019 and not from the accumulated reserves in line with the regulatory policy. The payment of dividend is in line with the Bank's dividend policy and will go a long way in providing support to our shareholders.

The Directors, pursuant to the powers vested in it by the provisions of section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, proposed a dividend of 4k per share (2018: 3k per share), which translates to a total sum of N1.543 billion (2018: N1.157 billion) from the retained earnings account as at 31 December, 2019. This will be presented for ratification by the shareholders at the 2019 Annual General Meeting. Payment of dividends is subject to withholding tax at a rate of 10% in the hand of qualified recipients.

## Compliance with the CBN Circular on Dividend Payment

The proposed dividend payment is in line with the requirements of the CBN circular on Internal Capital generation and dividend payout ratio. The Central Bank circular dated 8, October 2014 requires the following conditions to be met before dividend payment can be made.

| s/n | Condition | Wema Position |
|---|---|---|
| 1 | The DMB must meet minimum capital adequacy ratio | The Banks Audited Capital Adequacy ratio is 13.6% |
| 2 | The Composite Risk Ratio CRR should not be High and the NPL should be lower than 10% | The Banks CRR is Moderate and NPL is 7.38% |
| 3 | Where CRR is Above average and NPL between 5% & 10%, payout must not be more than 30% | |
| 4 | There shall be no regulatory restriction on dividend payouts for DMB that meet minimum capital adequacy ratio, has a CRR of “low” of “moderate” and NPL ratio of not more than 5%. However, it is expected that the Board of such institutions will recommend payouts based on effective risk assessment and economic realities | The Proposed dividend payout is 30% of PAT and the Bank has set aside additional reserves to ensure that Capital adequacy is significantly above regulatory threshold of 10% |
| 5 | No Dividend should be paid from reserves | Dividend not being paid from reserves |
| 6 | Banks shall submit board approved dividend payout policy to CBN | Dividend policy has been sent to the CBN |

The Directors seek to pay dividend based on the justification listed below:

- The Bank has largely met all the requirements of the CBN circular on dividend payout and is not in contravention.
- The payment of dividend will not impact negatively on any of the bank's ratios
- The payment of dividend as proposed has been ratified by the Board of Directors of the bank based on effective risk assessment and economic realities

## Directors' Shareholding

The following directors of the Bank held office during the year and had direct interests in the issued share capital of the Bank as recorded in the register of Directors shareholding as noted below:

| S/No | Director's Name | Direct Holdings in 2019 | Indirect Holdings in 2019 |
|---|---|---|---|
| 1 | Mr. Babatunde Kasali | — | 10,738,608,412 |
| 2 | Mr. Ademola Adebise | 10,265 | 2,243,208 |
| 3 | Mr. Adebode Adefioye | 6,988 | 5,745,816,867 |
| 4 | Mr. Abubakar Lawal | 1,000,000 | 693,874,014 |
| 5 | Mr. Samuel Durojaye | — | — |
| 6 | Mrs. Tina Vukor'Quarshie | — | — |
| 7 | Mrs. Omobosola Ojo | — | — |
| 8 | Mrs. Abolanle Matel-Okoh | 1,750,000,000 | 10,738,608,412 |
| 9 | Mr. Moruf Oseni | — | — |
| 10 | Mrs. Folake Sanu | 12,677 | — |
| 11 | Mr. Oluwole Akinleye | 1,641,800 | 1,641,800 |

Mr. Babatunde Kasali and Mrs. Abolanle Matel-Okoh have indirect holdings with Neemtree Limited
Ademola Adeise has indirect holdings with AIICO Insurance
Samuel Durojaiye has indirect holdings with Pilot Finance Limited and Odu'a Investment Company Limited
Adebode Adefioye has indirect holdings with SW8 Investment Limited
Abubakar Lawal has indirect holdings with L.A Proshares Limited

## Shareholdings of Top Management Staff

| S/No | Name | Shareholding |
|---|---|---|
| 1 | Oluwole Ajimisinmi | 5,019,945 |
| 2 | Tunde Mabawonku | 1,000,000 |
| 3 | Olukayode Bakare | 1,001,209 |
| 4 | Rotimi Badiru | 1,399 |
| 5 | Oluwatoyin Karieren | 8,333 |
| 6 | Tajudeen Bakare | 1,050 |

## Retirement of Directors

In accordance with the provisions of Section 259 of the Companies and Allied Matters Act of Nigeria, one third of the Directors of the Bank shall retire from office by rotation. The Directors to retire every year shall be those who have been longest in office since their last election. In accordance with the provisions of this section, Mrs. Omobosola Ojo and Mrs. Abolanle Matel-Okoh will retire by rotation and being eligible, offer themselves for re-election.

## Directors' Interests in Contracts

Directors have no interest in any contract in the year under review.

## Property and Equipment

Information relating to changes in property and equipment is given in Note 20 to the financial statements. In the Directors' opinion, the net realizable value of the Bank's properties is not less than the carrying value in the financial statements.

# Remuneration Policy

## Mandate & Terms of Reference

The Remuneration Policy is a product of the Nomination & Governance Committee of the Board of Directors ("the Board") of Wema Bank Plc ("Wema"). The Committee is set out in compliance with various Corporate Governance Codes of conduct.

## Objectives

This policy sets out the criteria and mechanism for determining the levels of remuneration of the Directors of the Bank and the frequency for review of same. It further defines the process for determining Directors compensations and rewards for corporate and individual performance.

## Purpose

Amongst others, this policy attempts to:

a. Ensure remuneration is provided in a form that will attract, retain and motivate qualified industry professionals as Directors of a major Bank.
b. Balance and align the remuneration of the Directors with the short-term and long-term elements of their tasks.
c. Align the interests of the Executive and Non-Executive Directors with the interests of the Shareholders and other stakeholders of the Bank; and
d. Ensure that remuneration reflects performance.

## Executive Directors Remuneration Components

### Fixed Remuneration

The fixed remuneration shall be determined on the basis of the role of the individual director, including responsibility, skill and experience, job complexity, performance and the specific needs of the Bank at the material time.

### Performance-Based Remuneration

The Nomination & Governance Committee shall determine a maximum percentage of performance-based remuneration relative to the fixed remuneration in line with the KPIs as defined by Executive Contract of the Executives.

### Pension Schemes

Executive Directors are covered by defined pension contribution plans and the Bank remits both its percentage of the pension contributions and that of the Executive Director to the nominated Pension Managers every month.

### Severance Pay

Executive Directors are entitled to Severance Pay as determined in their contracts of Employment.

### Other Benefits

Other benefits which may include medical insurance. are awarded on the basis of individual employment contracts and industry practice.

## Non-Executive Directors Remuneration Components

The remuneration of Non-Executive Directors is fixed by the Board on the recommendation of Executive Management and approved by Shareholders in a General Meeting. However, the fees and allowances or other incentives tied to corporate performance paid to Non-Executive Directors shall not be at a level that can compromise their independence.

The components Non-Executive Directors' fees include: Annual Fee, Sitting Allowance and Reimbursable Expenses properly incurred in the performance of their duties to the Bank.

The Directors' annual fee for 2018 was N6,000,000.00 (Six Million Naira Only) for the Chairman and N4,500,000.00 (Four Million, Five Hundred Thousand Naira Only) for other Directors, gross per annum. The sitting allowance for each meeting attended is N150,000.00 for members and N200,000.00 for Chairmen of Board Committees.

## Shareholding Analysis

The shareholding pattern of the Bank as at 31 December 2019 is as stated below::

| Share Range | Number of Shareholders | Shareholders % | Number of Holdings | Shareholding % |
|---|---|---|---|---|
| 1-1,000 | 30,572 | 12.50 | 15,451,101 | 0.04 |
| 1,001-5,000 | 146,130 | 59.76 | 303,707,123 | 0.79 |
| 5,001-10,000 | 28,471 | 11.64 | 197,735,754 | 0.51 |
| 10,001-50,000 | 30,263 | 12.38 | 607,571,512 | 1.58 |
| 50,001-100,000 | 4,449 | 1.82 | 319,112,099 | 0.83 |
| 100,001-500,000 | 3,787 | 1.55 | 726,999,861 | 1.88 |
| 500,001-1,000,000 | 387 | 0.16 | 285,440,080 | 0.74 |
| 1,000,001-5,000,000 | 372 | 0.15 | 720,615,458 | 1.87 |
| 5,000,001-10,000,000 | 40 | 0.02 | 280,178,732 | 0.73 |
| 10,000,001- 500,000,000 | 37 | 0.02 | 2,655,493,713 | 6.88 |
| 500,000,001-1,000,000,000 | 6 | 0.00 | 3,858,419,339 | 10.00 |
| 1,000,000,000 and Above | 8 | 0.00 | 28,603,741,309 | 74.15 |
| **Total** | **244,522** | **100.00** | **38,574,466,081** | **100.00** |

The shareholding pattern of the Bank as at 31 December 2018 is as stated below:

| Share Range | Number of Shareholders | Shareholders % | Number of Holdings | Shareholding % |
|---|---|---|---|---|
| 1-1,000 | 30,277 | 12.37 | 15,354,972 | 0.04 |
| 1,001-5,000 | 146,384 | 59.78 | 304,295,370 | 0.79 |
| 5,001-10,000 | 28,565 | 11.67 | 198,330,052 | 0.51 |
| 10,001-50,000 | 30,495 | 12.45 | 612,447,930 | 1.59 |
| 50,001-100,000 | 4,484 | 1.83 | 321,559,099 | 0.83 |
| 100,001-500,000 | 3,796 | 1.55 | 727,167,893 | 1.89 |
| 500,001-1,000,000 | 387 | 0.16 | 282,025,590 | 0.73 |
| 1,000,001-5,000,000 | 365 | 0.15 | 701,472,271 | 1.82 |
| 5,000,001-10,000,000 | 35 | 0.01 | 243,399,624 | 0.63 |
| 10,000,001- 500,000,000 | 47 | 0.02 | 4,726,251,394 | 12.25 |
| 500,000,001-1,000,000,000 | 8 | 0.00 | 4,918,970,909 | 12.75 |
| 1,000,000,000 and Above | 8 | 0.00 | 25,523,190,977 | 66.17 |
| **Total** | **244,851** | **100.00** | **38,574,466,081** | **100.00** |

## Substantial Interests in Shares

According to register of members, as at 31 December 2019, the following shareholders held more than 5% of the issued share capital of the Bank:

| S/No | Name | Holding | % Holding | Representative on the Board |
|---|---|---|---|---|
| 1 | NEEMTREE LIMITED | 10,738,608,412 | 27.84 | Babatunde Kasali & Abolanle Matel-Okoh |
| 2 | SW8 INVESTMENT LTD | 5,745,816,867 | 14.90 | Adebode Adefioye |
| 3 | PETROTRAB LIMITED | 3,295,880,000 | 8.54 | - |
| 4 | ODUA INVEST COY | 3,191,190,608 | 8.27 | Samuel Durojaye |

According to register of members as at 31 December 2018, the following shareholders held more than 5% of the issued share capital of the Bank:

| S/No | Name | Holding | % Holding | Representative on the Board |
|---|---|---|---|---|
| 1 | NEEMTREE LIMITED | 10,695,688,150 | 27.73 | Babatunde Kasali & Abolanle Matel-Okoh |
| 2 | SW8 INVESTMENT LTD | 3,853,691,608 | 8.16 | Adebode Adefioye |
| 3 | PETROTRAB LIMITED | 3,295,880,000 | 8.54 | - |
| 4 | ODUA INVEST COY | 3,853,691.608 | 10.00 | Samuel Durojaye |

Aside from the above-named substantial shareholders, no other person(s) holds more than 5% of the issued and fully paid up shares of the Company.

## Donation

The Bank made contributions to charitable and non-political organizations amounting to N58.96m (31 December 2018: N34.62m) during the year, as listed below:

| Donation And Charitable Gifts | =N='000 |
|---|---|
| ABUAD | 10,660 |
| Ogun State Economic Summit | 10,000 |
| Educational Support For Various Schools | 5,700 |
| Shecan Nigeria | 5,000 |
| Bank & Finance Conference | 5,000 |
| Lagos State Environmental Protection Agency | 4,100 |
| Financial Inclusion Retreat Support | 4,000 |
| Construction Of Bank Access Road, OAU Ile-Ife | 3,800 |
| Ekiti State IRS | 3,000 |
| Nigerian Canada Summit | 2,500 |
| Fire & Safety Conference Support | 2,000 |
| Other Donations Below N2m | 3,200 |

Several other humanitarian services were rendered during the year under review, for example One Day Salary for Love, an initiative which has progressed over the years, from donations to help critically ill children in government hospitals, neglected individuals, orphanages, internally displaced persons, flood ravaged communities and health challenged communities. Every member of staff donated their one-day basic salary in February 2019 towards this cause. The funds which amounted to N2.91m was used to purchase textbooks refurbish computer room and donate insecticide mosquito nets to health centers and communities.

## Human Resources

- **Recruitment**

  The recruitment of staff is an integral part of our Human Capital process. In accordance with the regulatory policies, we recruit qualified staff irrespective of gender, age, challenged, ethnic, belief, marital or social status.

  Our policies ensure that recruitment procedures are fair, objective, impartial and transparent and are applied consistently. We continue to comply with all pre-employment screening guidelines as required by the regulators.

  In the year under focus, we made investment to develop our digital capabilities and recruiting front-line staff to grow the business.

- **Culture Change**
  Our people are critical to our success, and we are committed to build our human capital resource and ensure every employee is empowered to thrive in this ever-changing world. In addition, our focus is also to create a work force that is digitally minded, feels valued and driven by the need for continuous innovation.

  Listening to our people, understanding how our people feel is very important to us. It helps us to ensure that we are giving them the right support to achieve their potential and to serve our customers well. We capture the views of our people, through periodic employee survey, on a range of issues, including but not limited to our strategy, culture and work environment. The report is shared with the Management Team and forms the basis of decisions taken in most instances. This gives comfort to our employees that the decision-making process is an all-inclusive one.

- **Diversity and Inclusion**
  The Bank is an equal opportunity employer that is committed to maintaining a positive work environment. Our guiding principle is built on mutual respect for all employees irrespective of grade, gender, belief or ethnicity.

  We believe that by building upon the range of ideas, backgrounds and perspectives of our employees driven by a diverse population, we can drive a better outcome for our stakeholders.

  We are focused at improving female gender diversity at the senior management level by recruiting, supporting, developing, promoting and retaining more female employees at that level.

- **Employment of physically challenged individuals**
  The Bank's policy prohibits discrimination against physically challenged persons. We are committed to giving a fair consideration to application for employment made by challenged person with due regards to their aptitudes, abilities and qualifications. Should an employee become physically challenged during their employment with us, efforts will be made to continue their employment and, if necessary, appropriate training and reasonable equipment and facilities provided to support their continued performance.

- **Employee Involvement and Training**
  The Bank ensures through various fora that employees are informed on relevant issues. Employee inclusion in arriving at decision is a key policy of the Bank. The Bank provides various forums where employees discuss issues affecting them with a view to providing inputs in the decision-making.

  The Bank is committed to continuous development of its employees. It is the Bank's policy that for it to be at the cutting edge of innovation in the industry, learning and development of its work force must be top notch.
  To achieve this, we have developed a robust competency framework that speaks to the skills required to achieve the Bank's strategy and also equip our employees with the right skills for the future. Our learning center has been upgraded to world class standard and we have also acquired e-learning platforms to encourage continuous learning.

**Employee Gender Analysis**
The number and percentage of women in the Bank during the 2019 financial year vis-a-vis total workforce is as follows:

| Total Employees | Gender | | | Proportion | |
|---|---|---|---|---|---|
| | M | F | Total | M | F |
| Employee -Bank | 668 | 493 | 1161 | 58% | 42% |
| | | | | | |
| **Board & Top Management** | **M** | **F** | **Total** | **M** | **F** |
| Assistant General Manager | 6 | 3 | 9 | 67% | 33% |
| Deputy General Manager | 7 | 1 | 8 | 88% | 13% |
| General Manager | 4 | 0 | 4 | 100% | 0% |
| Executive Director | 1 | 1 | 2 | 50% | 50% |
| Deputy Managing Director | 1 | 0 | 1 | 100% | 0% |
| Managing Director | 1 | 0 | 1 | 100% | 0% |
| Non-Executive Director | 4 | 3 | 7 | 57% | 43% |
| TOTAL | **24** | **8** | **32** | **75%** | **25%** |

## Events after reporting date

A global significant event occurred after the reporting year; COVID-19 (Corona virus ), a pandemic that brought the entire universe to a halt. In response to this, Wema Bank has come up with a road map as shown below:

## Background

In December 2019, a pneumonia of unknown cause was detected in Wuhan, Hubei Province, China and reported to the WHO country office in China. The World Health Organization (WHO) used the term 2019 novel coronavirus to refer to a coronavirus that affected the lower respiratory tract of patients with pneumonia in Wuhan, China. At the end of January 2020, the disease had spread to over 10 countries with 11,791 confirmed cases and about 213 deaths. The outbreak was then declared a Public Health Concern by WHO and on the 11th of February 2020, WHO announced a name for the new coronavirus disease: COVID-19 with 43,103 confirmed cases and 1,018 deaths.

The impact of the Coronavirus on global economies is now more apparent. The IMF and World Bank have reviewed their estimates for global growth for 2020 (from a 2020 forecast of 2.9% in November 2019, to a current forecast of 2.5%). The biggest hit is seen happening in China where the original forecast of 6.2 - 6.5% for 2020 has been reviewed to 4.8%.

Wema Bank has maintained a keen eye on the situation in Nigeria with regards to the novel Coronavirus Covid-19. The situation in the country has changed rapidly over the last few weeks as the country has seen a sharp increase in the number of cases and indeed started to see community transfers of the virus. The Federal and State governments have started to put in place restrictions on movement and physical gatherings in a bid to stem the spread of the infection. In response to the escalating situation, the bank has executed its Business Continuity Plan which covers different emergency scenarios including natural disasters, wars and healthcare issues.

## Global & Domestic Impact

- China is the largest net purchaser of crude oil in the world. Since the disease outbreak the price of crude has continued to decline largely as a result of the drop in global oil demand. This has also partly led to the price war between Saudi Arabia and Russia.
- Gross domestic product (GDP) which largely measures the health an economy will also be affected as a result of the pandemic. Growth prospects are highly unlikely as most of the world's largest economies are currently on lockdown. Trade activities have slowed down and the financial markets are also down.
- Most governments are preparing for fiscal stimulus. For example, the Bank of England has drafted plans to push a stimulus bill through parliament
- The International Monetary Fund has cut its projection for Nigeria's 2020 economic growth to 2% from 2.5% due to plunging oil prices stemming from the coronavirus outbreak.
- Oil prices are trading below the Federal Government's benchmark for the 2020 budget, which was signed on the assumption of oil production of 2.18 million barrels per day with the price benchmark of $57 per barrel. A committee was however set up to review the impact of falling oil price on the 2020 budget and this has now been reviewed downward with a price benchmark of $30 per barrel.
- Reduction in government's projected oil revenue which could widen budget deficit. Oil revenues accounts for over 40% of federal government revenues and with a drop-in oil price fiscal deficit could increase.
- Trade activities have also declined as China accounts for over 15% of Nigeria's total imports. The trade sector is the second largest contributor to Nigeria's GDP
- There are chances that proposed government projects may not be executed. The Minister of Finance has stated that a number of projects might not be carried out this year because of the economic issues
- The Central bank of Nigeria have also technically devalued the Naira in response to the challenges on foreign reserves and oil prices.

## Wema Bank Response

**(1) Credit Risk**

Most households and businesses in Nigeria will be adversely affected by the Covid-19 pandemic especially as several states have been forced into lock down.

- **Households and Individuals**: We have seen increasing impact on households with regards to the Covid-19 pandemic. Nigeria's demography follows the typical pyramid structure with the largest proportion of the country falling into the mass market space at the bottom of the pyramid. Mot of these families and individuals earn their income daily and are thereby immediately impacted by the lockdown because they can not go out and earn. This also impacts their ability to repay loans where they have them. The other parts of the pyramid also suffer from the same issues but to a lesser degree. The country also has a demography that is skewed towards the youth segment with about 40% of Nigerians being 14 years and below. This means a large proportion of the population will be relying on others to provide sustenance during the period.

- **Businesses**: The impact on the business sector varies by industry with some industries significantly impacted by the pandemic including the airline, oil & gas, general commerce and trade industries while some others are seeing significant uptick like the food delivery industries, the pharmaceutical industries among others. Companies that have supply chains coming from Asia has seen significant disruptions. Industries that can not shift to remote working have also seen significant disruptions though some like restaurants are picking up the slack by using food delivery firms to reach customers.

In Nigeria, the Bank have been able to mitigate the impact of disruption on businesses by working closely with customers to offer loan repayment moratoriums where possible and especially to highly impacted industries. The Bank have also keyed into the Federal Government fiscal and monetary incentives to mitigate the disruptive impact of the pandemic including some loan moratorium and interest reduction schemes.

From a credit perspective, the Bank have quickly identified most affected sectors and customers within our loan book to understand how we can be supportive. Initiatives include proactively engaging with the customers to understand their situation, developing an internal view of where support measures will be the most effective, segmenting portfolios based on expected needs, and adjusting risk-mitigation actions for early delinquencies and for nonperforming exposures. We are aware that closely supporting our customers during this crunch period will deepen our relationships with them.

Regulators around the globe understand the challenge and are already relaxing rules for banks. The same has happened in Nigeria with the Central Bank of Nigeria leading the charge with the following initiatives .

The Central Bank of Nigeria (CBN) announced six policy responses to fight the negative impact of COVID-19 on the Nigerian economy, given the material weakness in oil prices and risk to government revenues. These include;

- Extension of moratorium on loans from CBN's N5tn intervention fund,
- Interest rate reduction on the intervention funds to 5% from 9% over the next year,
- Creation of a N50bn targeted credit facility,
- Credit support for the healthcare sector,
- Regulatory forbearance in sectors such as Oil &Gas, agriculture and manufacturing and
- Strengthening of loan to deposit rate (LDR) policy.

Nigeria's CBN decisions focus on preserving asset quality, giving the banks forbearance to restructure affected loans, reducing interest rates on CBN intervention loans, extending principal moratorium on these CBN facilities among others.
Overall regulatory response remains strong; however, the challenge requires strong fiscal reform which, in our view, has remained inadequate.

The Banking industry in Nigeria and our Bank has started to engage the international community and the correspondent banks to assure them that all outstanding obligations will be met in an orderly manner. Letters of Credit will continue to be opened for essential sectors like healthcare for raw materials to run the manufacturing companies. The list of 43 items (these are items banned from accessing dollars from the formal sector) will increase, the regulator will in addition introduce stimulus to the sectors considered essential to encourage import substitution
It is also clear that the bank regulator will not give approval to banks who may want to export dollars. Penalties will be stiffer going forward for any act deemed to be injurious to the economy. We need to be very careful as a bank. The CBN has given directives to the oil companies both local and international that FX will now be sold to the CBN and not the NNPC

We have taken the followings steps to strengthen our business and better prepare for the impact of the pandemic:

- Wema Bank is simulating the impact of various scenarios on the bank across key performance metrics. We are doing this on a continuous basis.
- The Bank identified the sectors in our loan book most exposed to the economic downturn caused by the Covid-19 pandemic and reviewed our loan book to identify at risk customers within this portfolio. We are also working on reducing exposure to the above sectors while engaging at risk customers to ensure that the bank is able to continue getting repayments
- The Bank has also taken steps to align with the Federal Government and CBN mandate to prioritize the Healthcare & Pharmaceuticals sector for access to credit.
- We have also reviewed our foreign currency exposure around our trade and letters of credit business to ensure that we are sufficiently able to manage our exposure. The Bank is also working on our liquidity especially with regards to being able to meet customers' over the counter demand for cash.

**(2) Workforce and Customers' Protection**

The Bank took the following steps to educate and protect staff and customers:

- Creation of COVID-19 awareness through emails, notices, wall posters, desktop wallpaper, and detailed illustrations on how the virus spreads, precautions to take and the emergency numbers to call.
- Staff and customers were advised to:
  (i) Wash hands regularly with soap and water or clean them with alcohol-based hand rub.

(ii) Maintain at least 1-metre distance with people coughing or sneezing.
(iii) Avoid touching the face.
(iv) Cover mouth and nose when coughing or sneezing.
(v) Stay home if feeling unwell.
(vi) Refrain from smoking and other activities that weaken the lungs.
(vii) Practice physical distancing by avoiding unnecessary travel and staying away from large groups of people.

- All customer-facing staff, including cleaners and security officers, were instructed to use face masks and protective gloves always when carrying out their duties.
- The cleaning staff were educated on the need to carry out proper cleaning and disinfecting of surfaces.
- The security staff were trained on how to use the infrared thermometer and what to do if an individual's temperature is outside the acceptable range.
- Sanitizer dispensers, sanitizers, cleaning and disinfecting agents, Infrared thermometer, face masks and hand gloves were deployed for use to all branches.
- Temperature screening was implemented for all customers, staff, and visitors entering bank premises and branches.
- All customers, staff, and visitors entering bank premises and branches were also required to use the hand sanitizer provided at the entrance.
- A communication on travel restriction and procedure for resumption if a staff or close family member travelled to locations where there is a widespread of the virus.
- Customers are to be apprised on the precautions the Bank has taken to prevent the spread of the virus.
- Suspension of marketing calls that require physical interaction customer engagement to be done virtually.
- Physical training activities were suspended; all training was moved to the Bank's E-Learning platform
- Recruitment activities (Interviews and on-boarding) was suspended
- Cancellation of all events initially through to 15th of April 2020
- Meetings to be conducted via Microsoft Teams and telephone/video conferencing
- Customers were advised to use our secure and convenient online and mobile banking platforms to get remote access to banking services 24/7. Those not currently signed up on ALAT/ USSD were encouraged to get started.
- Monitoring of the effectiveness of the physical access measures and response plan in place at our locations
- Commencement of remote working for all non-essential functions

## (3) Maintainance of Operations

The requirements for maintaining essential business services under the two scenarios of partial lockdown and total lockdown were identified. The following actions were also carried out to provide service to customers:

- **Identification of Critical employees and critical inputs**

i. Essential employees and critical inputs required under each scenario were identified, and actions put in place to ensure the availability of these critical staff and inputs.
ii. Identification of critical staff, the alternate locations they can work from and the resources required to work from those locations.
iii. Accommodation of critical staff of IT, Contact Centre, ALAT Tech Support and ALAT Back Office who have to work from the head office and ALAT building.

- **Optimization of the IT infrastructure**

i. The IT infrastructure was optimized to support high availability and remote access.
ii. Management actions such as keeping significant changes that could negatively impair performance and stability to a minimum were implemented to maintaining system stability.
iii. CISCO Umbrella and Two-Factor Authentication were implemented to allow staff to have secure remote access to critical IT Infrastructure.
iv. Measures to ensure continued availability of services and supplies such as Internet Connectivity and diesel required to continue operating at an acceptable level were put in place.

- **Branch Operations**

In line with the directive of the government to institute social distancing measures by minimizing the number of people that should attend public gatherings as part of the attempts to limit the spread of COVID-19, the Bank took the following precautionary measures:

i. Banking hours were shortened, and a shift system was implemented to reduce the number of staff in branches.
ii. Only ten customers were allowed into the banking hall at a time (consideration should be hinged on a maximum of 20 people in branches at a time including the staff).
iii. The security officers were instructed to monitor and maintain the overflow of customers outside and direct them inside one at a time after checking their temperature and making sure they use the hand sanitizer.
iv. Supervisors were instructed to ensure the highest level of security adherence in line with the provisions made by

the Bank in each location.

v. Branches in affected states were shutdown while branches in unaffected states continued operations as usual with strict adherence to the precautionary measures in place.

vi. CMU operations continued with the respective CBN branches.

vii. ATM operations except at offsite locations continued despite the closure of physical branches.

### Migration to Digital Channels

Our channels are essential to serving our customers especially during a crisis like the Covid-19 pandemic. We have instituted measures to ensure maximum uptime on all our alternative channels – Mobile App, Internet Banking, USSD Banking, ATMs and PoS Terminals will be available and reliable at this time. All the relevant teams managing these services have a clear mandate to ensure that our customers do not suffer from any service outages across all these platforms. Through our communications platforms, we will also be encouraging customers to adopt these channels in the interest of their safety during this period.

Increasingly institutions are able to remotely monitor customer demand for our tech platforms and adjust capacity and reduce risks, we have been able to utilize this concept as our monitoring of our remote channels have shown an initial spike and then a fall in demand across most of our physical locations as the lock down in Lagos and Abuja has commenced. Physical branches in those states have been closed but electronic channels are still available to serve our customers.

A plan has been instituted to engage customers during the period and ensure that we continually provide a channel for them to ask questions and receive clarifications for issues that they are facing within the financial services space. We continue to encourage customers to use existing platforms and digital products while also providing tutorials online and by phone and increasing remote support options. We also continue to enhance our current digital offerings, identifying key functionalities that can be improved quickly; for example, they can increase the limit for online activities, and they can simplify the procedure to reset passwords.

Unfortunately, as our customers increasingly move to the digital space within thisperiod, we have started to see increase cyber security attacks, attempted fraud and information security intrusion attempts. Opportunists seeking to exploit confusion and vulnerabilities stemming from changes in ways of working and serving customers aretrying to find ways into the bank. The bank in response has ramped up its deterrence capabilities and are fully focused on

### (4) Provision of COVID-19 related updates to the workforce and customers.

Apart from the initial communication and awareness materials shared and subsequent updates provided, staff and customers were advised to stay informed on the latest developments about COVID-19 through official channels on TV and Radio, the Social Media, including the Lagos State Ministry of Health, NCDC and Federal Ministry.

The following were also done:

- Sensitization of customers on the use of alternate channels.
- Provision of relevant updates as at when due.
- Provision of the required information to staff and customers on branch operations and closures.
- Creation of awareness on remote working and how to work effectively and productive while working from home.

### Stress testing financials to plan for the future

We anticipate that financial-institution performance will be hit across all dimensions—fees, interest revenue, losses, and expenses. However, variances will be substantial by sector and customer segment, with details depending significantly on the scenario that ultimately unfolds. While the exact financial impact of the COVID-19 crisis remains highly uncertain and will be bank dependent, we anticipate the following:

- Fee income likely will fall, driven by lower consumer spending in retail businesses, decreased assets under management in asset-management divisions, as well as slowdown in investment-banking activity. Some sales and trading businesses may be an exception: fixed-income flow volumes may increase, and high volatility will translate to elevated bid–ask spreads and potential mark-to-market gains.
- Net interest margins will remain compressed, as rates remain low or fall slightly further. Any increase in borrowing volumes, for example, from drawdowns on lines of credit, may be offset by losses in credit portfolios.
- Credit losses will be elevated across most sectors, across small businesses and in certain retail segments (for example, self-employed workers, hourly-wage earners, uncollateralized products). Within commercial banking, travel, tourism, and entertainment segments will be the hardest hit. Oil and Gas lending may also be challenged, with ultimate outcomes depending heavily on geopolitical factors affecting oil production and price. Across all industries, smaller and less efficient businesses will be hit disproportionally.
- Remote work may increase costs for setup, and may cascade to lost wages normally paid to hourly workers and contingent staff. Operational losses due to fraud are also likely to increase.

We will adopt the following recommended approach:

- Prioritize and iterate. Unlike regulatory stress testing, this is not a hypothetical exercise. Stress-test results have direct implications for decisions we will be making in real time.
- Reverse stress test to identify worst-impact scenarios. In today's world, we will look immediately to understand the outer limits of possible actions to support borrowers and markets during the trough.
- Build scenarios based around potential virus spread and human reaction. Building mere macroeconomic scenarios will not be helpful as these would be divorced from the underlying drivers of the crisis. Instead, we will build around the spread of the virus. This will require developing a range of expectations for the progression of the disease, government response, and supply and demand shifts, and only then looking at macroeconomic changes.
- Examine performance assumptions built into existing models. Because the situation is unprecedented, assumptions built into models may not hold.
- Incorporate implications of near-term actions, including on expenses. Most institutions have appropriately acted quickly to try and contain virus spread and protect their employees' and customers' health. If these measures remain in place for several months—consistent with China's experience—their implications may be nontrivial and will need to be better understood.

In doing so, we will bear in mind that this crisis is likely to reinforce, in direct proportion to its extent and duration and maybe even more, a number of existing trends. Workplace dynamics and talent management, already evolving in a digitizing world, may be durably changed after an extended period of remote working. As we settle into the new routines over the next weeks or months, we will consider this as a testing ground for what does and does not work and draw implications for HR, organizational, governance and culture transformations.

Likewise, customer routines and expectations may also shift further in meaningful proportions, both in terms of digital adaptation and the expectation for proactive communication and care. Operational resiliency is also bound to remain critical with mounting risks of pandemics, societal and geopolitical tensions, and climate change.

## Accounting Impact

Wema Bank will update its forward-looking information to reflect expectations at the reporting date. This assessment might include, for example, assessing the status and extent of corona virus infections in geographies relevant to the credit risk of the Wema Bank's credit exposures at the reporting period end and considering the path and extent of the increase in infection rates in other areas that were affected earlier.

Wema Bank may consider it reasonable to forecast particular macro-economic inputs used in ECL modelling. If those macro-economic inputs end up not occurring or changing after the reporting date this should not be used as evidence to adjust Wema Bank's expectation at the period end. Doing so would represent inappropriate use of hindsight and would not reflect the conditions that existed at the reporting period end. Distinguishing between adjusting and non-adjusting events requires significant judgement, particularly in the current economic environment where the economic severity of the COVID-19 pandemic became apparent very shortly after the reporting
period end.

The severity of the economic impact of COVID-19 after the period end will require consideration even if those economic impacts are non-adjusting events. In the case where non-adjusting events after the reporting period are material Wema Bank is required to disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made (IAS 10:21).

We are aware that for banks with material exposures subject to ECL accounting, entities will need to consider the extent of disclosure and the practicality of determining the financial effect. Where it is not practical for an Wema Bank to recalculate the ECL in order to determine the financial effect, the Wema Bank should consider disclosure of other qualitative and quantitative information, such as the identification of balances that are expected to be subject to the greatest degree of change in ECL because the impact of COVID-19 on ECL might not be evenly distributed across the Wema Bank's exposures.
The Bank can not at this time estimate correctly the financial impact due to the judgement and assumptions involved.

## Modifications, forbearance and credit enhancements

Given the potential impact of COVID-19 on borrowers' ability to service their debts, a number of government and central bank led initiatives have been, or are due to be, implemented to support borrowers and banks. Other support and relief has been or is expected to be provided by banks and related parties of borrowers. These measures vary across jurisdictions and include:

- Payment holidays, with or without interest charged for delayed payments
- Loan guarantees from related parties, governments and central banks

- Lending to corporate borrowers or injections of capital by governments or related parties
- Government payments to individuals to replace lost incomes
- Government reimbursements to banks for losses suffered on certain loans
- Reduced taxes on corporates or delayed tax due dates
- New bank lending facilities such as overdrafts, short term loans, mortgages
- New government lending facilities
- Fee waivers on overdrafts, late payments and credit card cash withdrawals
- Renegotiated loan terms with extended maturities and reduced short term payments

Some of these measures result in a change to the contractual terms of loan assets which need to be assessed to determine how they

### Customer complaints management and feedback

The Bank recognizes the importance of customer patronage to the growth of its business and thus considers customer complaints and feedback as valuable information to improve its service delivery.

Wema Bank has continued to improve on its feedback channels to ensure timely and satisfactory resolution of complaints. In view of this, a consumer protection unit resident at the head office was also created to nib service issues as raised without further delay in addition to the fully equipped state of the art contact centre – purple connect. The available feedback channels in the bank are listed below:

| | |
|---|---|
| **Hotlines:** | 08039003700, 01-2777700 |
| **Email:** | purpleconnect@wemabank.com |
| **Sms/whatsapp:** | 07051112111 |
| **Live chat:** | www.wemabank.com |
| **Letters:** | consumer protection unit, customer experience management department, 54 marina, lagos. |

### Auditors

The auditors, Deloitte and Touche have indicated their willingness to continue in office as auditors in accordance with section 357 (2) of the Companies and Allied Matters Act, Cap C20 Laws of Federation of Nigeria 2004. The Auditors, having indicated their willingness to continue in office, a resolution will be proposed at the annual general meeting to authorize the directors to determine their remuneration.

**By Order Of The Board**

Johnson Lebile
FRC/2019/NBA/00000019017
Company Secretary
Wema Towers
54 Marina

# Shareholders' Bulletin

## Share Capital History

### Issued & Paid-up

| | Authorised Share Capital | | Issued Share Capital (Increase) | Description | Total Issued Share Capital | |
|---|---|---|---|---|---|---|
| YEAR | NO OF | AMOUNT | NO OF | | NO OF | AMOUNT |
| | SHARES | N'000 | SHARES | | SHARES | N'000 |
| 1945 | | | 20,000 | | 20,000 | 10,000 |
| 1970 | | | 980,000 | | 1,000,000 | 500,000 |
| 1974 | | | 4,600,000 | | 5,600,000 | 2,800,000 |
| 1981 | | | 4,000,000 | | 9,600,000 | 4,800,000 |
| 1987 | 20,000,000,000 | 10,000,000,000 | 14,400,000 | PRIVATE ISSUE FOR CASH | 24,000,000 | 12,000,000 |
| 1988 | | | 8,000,000 | PRIVATE ISSUE FOR CASH | 32,000,000 | 16,000,000 |
| 1989 | | | 8,000,000 | PRIVATE ISSUE FOR CASH | 40,000,000 | 20,000,000 |
| 1990 | | | 16,000,000 | BONUS:2 FOR 5 | 56,000,000 | 28,000,000 |
| 1990 | | | 24,000,000 | PUBLIC ISSUE FOR CASH | 80,000,000 | 40,000,000 |
| 1991 | | | 20,000,000 | BONUS:1 FOR 4 | 100,000,000 | 50,000,000 |
| 1992 | | | 20,000,000 | BONUS:1 FOR 5 | 120,000,000 | 60,000,000 |
| 1993 | | | 80,000,000 | PUBLIC ISSUE FOR CASH | 200,000,000 | 100,000,000 |
| 1993 | | | 30,000,000 | BONUS:1 FOR 4 | 230,000,000 | 115,000,000 |
| 1995 | | | 46,000,000 | BONUS:1 FOR 5 | 276,000,000 | 138,000,000 |
| 1996 | | | 55,200,000 | BONUS:1 FOR 5 | 331,200,000 | 165,600,000 |
| 1997 | | | 68,217,200 | PUBLIC ISSUE FOR CASH | 399,417,200 | 199,708,600 |
| 1997 | | | 639,067,520 | BONUS:8 FOR 5 | 1,038,484,720 | 519,242,360 |
| 2000 | | | 311,545,416 | RIGHT ISSUE FOR CASH: 1 FOR 2 | 1,350,030,136 | 675,015,068 |
| 2002 | | | 207,696,944 | RIGHT ISSUE FOR CASH: 1 FOR 2 | 1,557,727,080 | 778,863,540 |
| 2003 | | | 778,863,540 | RIGHT ISSUE FOR CASH: 1 FOR 2 | 2,336,590,620 | 1,168,295,310 |
| 2003 | | | 778,863,540 | BONUS:1 FOR 3 | 3,115,454,160 | 1,557,727,080 |
| 2004 | | | 1,038,494,720 | BONUS:1 FOR 3 | 4,153,948,880 | 2,076,974,440 |
| 2004 | | | 5,000,000,000 | PUBLIC ISSUE FOR CASH | 9,153,948,880 | 4,576,974,440 |
| 2005 | | | 445,162,526 | BONUS:1 FOR 20 | 9,599,111,406 | 4,799,555,703 |
| 2005 | | | 721,519,546 | NATIONAL BANK FOR CONVERSION | 10,320,630,952 | 5,160,315,476 |
| 2010 | | | 2,500,618,927 | SPECIAL PLACING | 12,821,249,879 | 6,410,624,940 |
| 2012* | | | -913,907,131 | SHARE REDUCTION | 11,907,342,748 | 5,953,671,374 |
| 2013 | 40,000,000,000 | 20,000,000,000 | 26,667,123,333 | SPECIAL PLACING | 38,574,466,081 | 19,287,233,041 |

# Shareholders' Bulletin

Since becoming a public company in 1987. The company has issued shares and declared dividends as shown below.

| S/N | SHARES DATES | DESCRIPTION | NO OF ORD. SHARES INVOLVED |
|---|---|---|---|
| 1 | 30/09/1987 | PRIVATE ISSUE FOR CASH | 14,400,000 |
| 2 | 05/12/1988 | PRIVATE ISSUE FOR CASH | 8,000,000 |
| 3 | 31/03/1989 | PRIVATE ISSUE FOR CASH | 8,000,000 |
| 4 | 24/10/1990 | BONUS:2 FOR 5 | 16,000,000 |
| 5 | 16/11/1990 | PUBLIC ISSUE FOR CASH | 24,000,000 |
| 6 | 18/10/1991 | BONUS:1 FOR 4 | 20,000,000 |
| 7 | 20/11/1992 | BONUS: 1 FOR 5 | 20,000,000 |
| 8 | 20/08/1993 | PUBLIC ISSUE FOR CASH | 80,000,000 |
| 9 | 26/10/1993 | BONUS:1 FOR 4 | 30,000,000 |
| 10 | 16/11/1995 | BONUS: 1 FOR 5 | 46,000,000 |
| 11 | 31/12/1996 | BONUS: 1 FOR 5 | 55,200,000 |
| 12 | 28/02/1997 | PUBLIC ISSUE FOR CASH | 68,217,200 |
| 13 | 31/03/1997 | BONUS: 8 FOR 5 | 639,067,520 |
| 14 | 31/03/2000 | RIGHTS ISSUE FOR CASH: 1 FOR 2 | 311,545,416 |
| 15 | 31/03/2002 | RIGHTS ISSUE FOR CASH:1 FOR 2 | 207,696,944 |
| 16 | 31/03/2003 | RIGHTS ISSUE FOR CASH:1 FOR 2 | 778,863,540 |
| 17 | 31/03/2003 | BONUS: 1 FOR 3 | 778,863,540 |
| 18 | 31/03/2004 | BONUS: 1 FOR 3 | 1,038,484,720 |
| 19 | 31/03/2005 | PUBLIC ISSUE FOR CASH | 5,000,000,000 |
| 20 | 09/11/2005 | BONUS: 1 FOR 20 | 445,162,526 |
| 21 | 30/08/2006 | NATIONAL BANK CONVERSION | 721,519,546 |
| 22 | 14/12/2010 | SPECIAL PLACING | 12,821,249,878 |
| 23 | 30/12/2013 | SPECIAL PLACING | 26,667,123,333 |

Wema Bank Plc dividend pay-out history

| DIVIDEND ISSUE NO | FINANCIAL YEAR ENDED | DIV. PAY -OUT PER 50K SHARE | PAYMENT DATE | AMOUNT |
|---|---|---|---|---|
| 1 | 31/03/1989 | 7.5K | 09/10/1989 | N3,000,000.00 |
| 2 | 31/03/1990 | 10K | 08/10/1990 | N4,000,000.00 |
| 3 | 31/03/1991 | 6.25K | 07/10/1991 | N5,000,000.00 |
| 4 | 31/03/1992 | 10K | 09/10/1992 | N10,000,000.00 |
| 5 | 31/03/1993 | 20K | 30/09/1993 | N24,000,000.00 |
| 6 | 03/03/1994 | 30K | 30/09/1994 | N69,000,000.00 |
| 7 | 31/03/1995 | 32.5K | 29/09/1995 | N74,750,000.00 |
| 8 | 31/03/1996 | 27.5K | 25/10/1996 | N75,900,000.00 |
| 9 | 31/03/1997 | 7.5K | 31/10/1997 | N77,886,354.00 |
| 10 | 31/03/1998 | 10K | 28/10/1998 | N103,848,472.00 |
| 11 | 31/03/1999 | 12.5K | 31/08/1999 | N129,810,590.00 |
| 12 | 31/03/2000 | 15K | 02/10/2000 | N202,504,520.00 |
| 13 | 31/03/2001 | 25K | 27/09/2001 | N337,507,543.00 |
| 14 | 31/03/2002 | 45K | 09/09/2002 | N700,977,186.00 |
| 15 | 31/03/2003 | 25K | 30/10/2003 | N763,655,288.00 |
| 16 | 31/03/2004 | 10K | 20/10/2004 | N311,092,082.00 |
| 17 | 31/12/2018 | 3K | 13/05/2019 | N1,157,233,982.43 |

# Board and Management

# Board and Management

From Left to Right: Tina Vukor-Quarshie (TVQ), Wole Akinleye, Moruf Oseni and Folake Sanu

From Left to Right: Abubakar Lawal, Omobosola Ojo, Samuel Durojaye, Abolanle Matel-Okoh and Adebode Adefioye

# Profile of Directors

## Babatunde Kasali
Chairman

Babatunde Kasali is a Fellow of the Institute of Chartered Accountants of Nigeria and graduated from Manchester Metropolitan University, United Kingdom with a BSc. (Hons) Economics.

He has over 4 decades of professional experience in accounting, banking and finance, and risk management. He began his career in 1977 with Ernst & Young, United Kingdom. His work experience also includes various senior positions at United Bank for Africa Plc.

He is currently the Non-Executive Chairman of UACN Property Development Company Plc and has been a Non-Executive Director of UAC of Nigeria Plc since March 2013.

## Ademola Adebise,
Managing Director/CEO

Ademola has over 30 years' experience in the banking industry (inclusive of four years in management consulting), and has worked in various capacities in Information Technology, Financial Control & Strategic Planning, Treasury, Corporate Banking, Risk Management and Performance Management.

Before joining Wema Bank, Ademola was the Head of the Finance & Performance Management Practice at Accenture (Lagos Office) where he led various projects for banks in Business Process Re-engineering, Information Technology and Risk Management.

He is an alumnus of the Advanced Management Program (AMP) of the Harvard Business School and holds a Bachelor's degree in Computer Science from the University of Lagos. He obtained a Master's degree in Business Administration (MBA) from the Lagos Business School.

A Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), Ademola is also an Associate of the Chartered Institute of Taxation and Computer Professionals (Registration Council of Nigeria). He is an Honorary Member of the Chartered Institute of Bankers of Nigeria (HCIB) and a member of the Institute of Directors.

Ademola serves on the board of Nigeria Inter-Bank Settlement System Plc (NIBSS), AIICO Insurance Plc and AIICO Pensions Management Limited.

Prior to his appointment as Managing Director, he was the Deputy Managing Director of Wema Bank.

# Profile of Directors

## Moruf Oseni
Deputy Managing Director

Moruf Oseni is the Deputy Managing Director of Wema Bank Plc. Prior to his appointment, he was an Executive Director responsible for the bank's Consumer & SME business, E-business & Payments and the award-winning ALAT digital bank.

Before joining Wema Bank, Moruf was the CEO of MG Ineso Limited, a principal investment and financial advisory firm with interests in various sectors of the economy. Prior to MG Ineso, Moruf was a Vice President at Renaissance Capital, where he was responsible for Debt Capital Markets (DCM), Equity Capital Markets (ECM) and structured finance origination and execution for Sub-Saharan African corporates and financial institutions. He was also an Associate at Salomon Brothers/Citigroup Global Markets in London and New York where he was involved in credit market origination and execution for European financial institutions.

During his tenure at Citigroup, he was involved in the origination of various pioneering and innovative instruments across the debt spectrum. He commenced his career as an IT officer with Nigeria Liquefied Natural Gas Company (NLNG).

## Wole Akinleye
Executive Director

With 3 decades of cognate Banking experience, Wole Akinleye oversees Corporate Banking and South Business Directorate for Wema Bank Plc.

His work experience cuts across all major areas of banking; Retail, Commercial, Corporate Banking and Risk Management.

Wole Akinleye served as Group Head, Business Development for StanbicIBTC Bank Plc prior to joining Wema Bank Plc in 2009. He held, at various times, the role of Regional Head, Retail & Commercial Banking in the Bank's Lagos Island, Lagos Mainland and South-West regions.

A Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), Wole is an alumnus of Harvard Business School, Boston Massachusetts, USA. He obtained his first degree in Accounting from Obafemi Awolowo University in 1989 and subsequently, a Master's Degree in Business Administration (Finance) from the same University.

Wole Akinleye has attended several Senior Leadership Programmes around the world.

# Profile of Directors

## Folake Sanu
Executive Director

Folake Sanu is a reputable banker and finance professional with over 37 years' work experience. Having started out in Audit, Sanu has worked in Executive and Senior Management roles for a number of commercial banks in Nigeria.

Her work experience spreads across Corporate Strategy, Financial Control, Operations and Technology, Risk Management, Audit, Mergers and Acquisitions, Credit and Marketing. Prior to joining the banking industry, she formerly worked as a liaison officer to regulatory authorities and external auditors for over nineteen years.

Sanu is a fellow of the Institute of Chartered Accountants of Nigeria (FCA), an honorary senior member of the Chartered Institute of Bankers of Nigeria, and an alumnus of the London Business School. She has also attended various management courses at the Harvard Business School and INSEAD Fontainbleau.

She served as the Executive Director Lagos, prior to her appointment as the Executive Director of Wema Bank Plc. In her role as Executive Director, Sanu coordinates the bank's Sustainability & Corporate Social Responsibility, Human Capital Management, Operations, Customer Experience Management, Business Processes Re-engineering and Brand & Marketing Communications departments.

She has successfully overseen efficiency in service delivery for the bank's Branches, strategic focus, digitization of core processes and all-round improvement of brand perception, brand loyalty and brand acceptance.

Sanu is a result-oriented, resourceful and motivating leader dedicated to the pursuit of the overall corporate goals of the bank. She enjoys travelling, listening to music, watching movies, and taking part in aerobics and sports.

## Adebode Adefioye
Non-Executive Director

Adebode Adefioye is an alumnus of the University of Lagos from where he obtained a B.Sc. degree (Chemistry) in 1983 and two years later became a Master of Science degree holder from the same citadel of knowledge.

He started his career with John Holt Plc and rose through the ranks to become a General Manager from 2000 – 2002 having held several management positions. He served at different levels and sections in the company with his experience covering Production & Quality Control, Personnel and Administration before opting for an early retirement in 2002 and has since been engaged in business and public service.

Currently he serves on the board of several limited liability companies like Cereem Investment Limited, SW8 Investment Limited, IBK Services Limited and Spectrum Ventures Limited to mention a few.

# Profile of Directors

## Abubakar Lawal
Non-Executive Director

Abubakar Lawal holds an HND certificate in Banking & Finance from The Polytechnic, Ibadan (1988). He later obtained an MBA from Abubakar Tafawa Balewa University, Bauchi in 1999.

Abubakar worked in Midas Finance Limited, Ibadan as Investment Officer (1990 – 1993). He joined the services of City Code Trust Limited, Lagos as a Manager in 1993 before he joined Altrade Securities Limited, Ikeja as an Assistant General Manager in 1995.

He is a professional and a Fellow of the Chartered Institute of Stockbrokers, the Chartered Institute of Bankers in Nigeria, the Institute of Directors (IOD), the Associate Certified Pension Practitioner and Associate National Institute of Marketing of Nigeria. His career in the Capital Market spans a period of 15 years. He is a highly experienced stock-broker. He is also a member of the Ikoyi Club 1938 and Ikeja Golf Club amongst others.

Abubakar is a former Council Member of the Nigerian Stock Exchange and Member, Chartered Institute of Stock Brokers. He loves reading and golfing. Until his appointment as a Non-Executive Director on the board, Mr. Lawal is the Managing Director/CEO of GTI Capital Ltd, a position he occupies till date. He is happily married with children.

## Samuel Durojaye
Non-Executive Director

A Fellow of both the Institute of Chartered Accountants Nigeria and the Chartered Institute of Bankers Nigeria, is also an Associate Member of both the Institute of Stockbrokers Nigeria and the Institute of Directors Nigeria.

A seasoned accountant and finance expert, Mr. Durojaye has held several high-profile positions in his career in the Finance Industry, and Public Sector. He worked with Nigerian Breweries Plc as Finance Manager, Imports and Brewery between 1985 and 1991. He was appointed Commissioner for Finance, Ogun State in July 1999 serving in that capacity till April 2003 when he left to resume as Managing Director Pilot Securities in October 2003 till May 2006 when he left to take up appointment as Managing Director Pilot Finance Limited from June 2006 till September 2019 when he retired.

He currently serves as Non-Executive Director on the Boards of Pilot Securities Limited and ERCAS Integrated Solutions Limited. He joined the Board of Wema Bank Plc. in March 2003.

He has attended several local and international Executive Management Courses at Institutions including Harvard, INSEAD and IMD.

Mr. Durojaye is married and blessed with Children.

**Omobosola Ojo**
Independent Non-Executive Director

Omobosola Ojofirst obtained a Bachelor of Arts degree in History and subsequently, a Bachelor of Law Degree from the University of Buckingham, UK, and was called to the Nigeria Bar in 2000.

She began her legal career in the Department of Public Prosecution at the Lagos State Ministry of Justice before switching to the private sector as an Associate at O. Adekoya & Co.

Widely trained internationally in credit analysis, risk management, corporate governance and more, Mrs. Ojo is currently a Partner at Fola, Akinrinsola, Ojo & Co., a member of the Institute of Chartered Mediators and Conciliators and the Institute of Directors and an honorary senior member of the Chartered Institute of Bankers.

**Abolanle Matel-Okoh**
Non-Executive Director

An attorney with over 20 years of experience, qualified to practice both in Nigeria and New York, United States of America, Abolanle is a member of the Nigerian Bar and the New York State Appellate Division, Third Department Bar. She obtained her a Bachelor of Law Degree from the Ogun State University and is also a Licensed Real Estate Agent from the Weichert Real Estate School, New Jersey, USA.

She has experience in diverse areas of judicial science encompassing legal research, investigation, adjudication, amongst others. Abolanle started her career in 1992 at the United Commercial Bank as a Legal Officer and has gained relevant experience in legal practice and real estate business over the years.

Abolanle joined the Board of Wema Bank Plc. as a Non-Executive Director in 2015.

## Tina Vukor-Quarshie (TVQ)
Independent Non-Executive Director

Tina Vukor'Quarshie attended the prestigious Idia College, Benin-City where she came out with a Grade 1 in the West African School Certificate Examination as the best graduating student in 1977. She attended the University of Ife, now Obafemi Awolowo University, Ile-Ife where she bagged a Bachelors of Pharmacy (B.Pharm) degree with a Second Class, Upper Division in 1982 and later a Master of Science (M.Sc) degree in Pharmacy, 1986. Whilst at the University of Ife, she was honoured with a National Merit Award by the Federal Government of Nigeria for scholastic excellence and the Odelola Memorial prize for the best graduating student in traditional medicine.

She soon abandoned pharmacy for the world of finance where she picked a Master of Business Administration (MBA) degree in 1988 from the University of Benin, Benin-City to prepare her for what has turned out to be an outstanding career in banking. At the University of Benin, she was the recipient of the Dr. Samuel Ogbemudia prize for the best graduating student in business policy and the Chief Isaac Akinmokun prize for the best graduating student in Entrepreneurial Development. She was awarded an Honourary Doctorate degree by the Commonwealth University, Belize/London Graduate School in 2012.

'TVQ' as she is fondly called started her banking career as a credit analyst in 1988 with the International Merchant Bank Limited, Lagos. In 1990, she moved to Zenith Bank Limited as a pioneer member of staff and Assistant Manager where she worked in the Foreign Exchange and Correspondent Banking Department. She soon rose to become Deputy Manager and between 1992-1994, she was the Manager/ Head of the Financial Intermediaries and Correspondent Banking Departments. By the year 1999, after heading several divisions of the bank, which included Treasury/Financial Institutions, Correspondent and Corporate Banking Divisions, Retail Banking Division, Human Resource (Training and Development), she was deservedly appointed an Executive Director of the bank. During her time at Zenith Bank, she won several awards, notably the Chief Executive Awards (in recognition of unalloyed loyalty to the bank, outstanding performance and achievement and exceptional leadership qualities).

This unusually hardworking, energetic, dynamic and unassuming personality took a year sabbatical leave from banking after her voluntary exit from Zenith Bank Limited in June 2000. After a well-deserved rest, TVQ was practically dragged out of this self-imposed leave to re-enter the Nigerian Banking scene as Divisional Director, Commercial Banking from July 12th, 2001 to September 30th, 2001 of the highly successful Guaranty Trust Bank Plc.

Never known to shy away from challenges and with a desire to creatively leave prints on any path she treads, she soon joined the upcoming Platinum Bank Limited as Executive Director in October 2001, from where she also voluntarily resigned in December 2002. She had decided to engage the "retreat" mode of her three R's (Retreat, Renew and Return) and pursue her passion for awakening and enhancing the human potential through writing, motivational speeches, training sessions, etc. She is a well sought-after leader, trainer and consultant. She is currently the Chief Executive Officer/ Chief Service Marshal of Tvq Consulting Group®, a training and consulting firm in the area of customer service, marketing and leadership.

TVQ is a well-decorated achiever who has won many honours in her endeavours, is a member of the prestigious Institute of Directors and a Lifetime Deputy Governor of the American Biographical Institute, North Carolina, USA. This highly focused and career-minded lady loves travelling, reading and listening to classical and jazz music.

# Executive Management

**Ademola Adebise**
Managing Director/CEO

**Moruf Oseni**
Deputy Managing Director

**Wole Akinleye**
Executive Director

**Folake Sanu**
Executive Director

# General Managers

**Wole Ajimisinmi**
Regional Executive,
Lagos

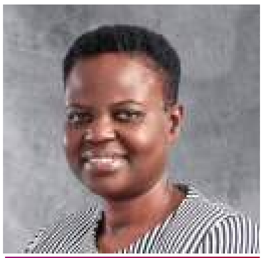
**Olukayode Bakare**
Treasurer

**Tunde Mabawonku**
Chief Financial Officer

# Deputy General Managers

**Rotimi Badiru**
Regional Manager,
Ikeja

**Mohammed Kawu**
Regional Executive,
North

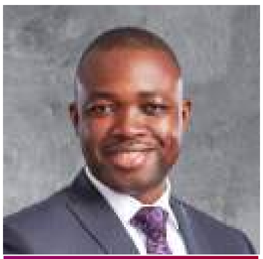


**Ololade Ogungbenro**
Head Human Capital
Management

**Sylvanus Eneche**
Chief Risk Officer

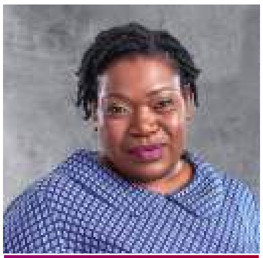
**Richard Uba Amafonye**
Chief Information Officer

**Dotun Ifebogun**
Acting Head, Retail Bank



**Olaitan Sunday**
Regional Executive,
South-West

# Assistant General Managers



**Oluwatoyin Karieren**
Chief Compliance Officer

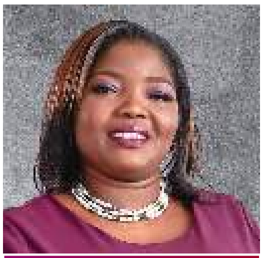
**Adekunle Onitiri**
Chief Audit Executive

**Kemi Adeniji**
Head Customer Experience Management

**Emmanuel Edah**
Regional Manager, Benin

**Adeoluwa Akomolafe**
Chief Information Security Officer

**Olalekan Somorin**
Regional Manager, Apapa



**Aramide Awosanya**
Regional Manager, Lagos Mainland

**Tajudeen Bakare**
Head Of Operations

**Uduak Afangide**
Regional Manager, South-South & South-East Region

# Report of the Audit Committee

### To the Members of Wema Bank Plc

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Wema Bank Plc hereby report as follows:

- We have exercised our statutory functions under section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation of Management and Staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Group's internal control systems.

- We are satisfied that the Bank has complied with the provisions of Central Bank of Nigeria Circular BSD/1/2004 dated 18 February 2004 on "Disclosure of Insider Related Credits in the financial statements of Banks". We hereby confirm that an aggregate amount of N5.275 billion (31 December 2018: N6.372billion) was outstanding as at 31 December 2019 of which Nil (31 December 2018: Nil) was non- performing.

- We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Group's system of accounting and internal control.

**Prince Adekunle Olodun**

FRC/2013/NIM/00000003105
Chairman, Audit Committee
15, March 2020

### Members of the Audit Committee are:

| | | | |
|---|---|---|---|
| 1. | Prince Adekunle Olodun | - | Shareholder (Chairman) |
| 2. | Mr. Anosikeh Joe Ogbonna | - | Member |
| 3. | Mr. Kashimawo Akanji Taiwo | - | Member |
| 4. | Mr. Samuel Durojaye | - | Member |
| 5. | Mr. Adebode Adefioye | - | Member |
| 6. | Mr. Abubakar Lawal | - | Member |

In attendance:
Mr. Johnson Lebile - Secretary

# A Refreshing Way to Bank

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# Statement of Directors' Responsibilities

### For the preparation and approval of the Consolidated and Separate Financial Statements

The Directors of WEMA Bank Plc are responsible for the preparation of the group financial statements that gives a true and fair view of the financial position of the Group as at 31 December 2019 and the results of its operations, cash flows and changes in equity for the year end, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011 and Bank and Other Financial Institutions Act Cap B3 LFN 2004.

### In preparing the consolidated financial statements, the Directors are responsible for:

- Properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

### The Directors are responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of Bank and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group;
- Preventing and detecting fraud and other irregularities.

### Going Concern:

The Directors have assessed the Group's ability to continue as a going concern and have no reason to believe the Group will not remain a going concern in the year ahead.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the board of directors on 9 March, 2020.

### On behalf of the Directors of the Group

**Babatunde Kasali**
**Chairman**
FRC/2017/ICAN/00000016973

**Ademola Adebise**
**Managing Director/CEO**
FRC/2013/ICAN/00000002115

**Tunde Mabawonku**
**Chief Financial Officer**
FRC/2013/ICAN/00000002097

KPMG

# Report Of The Independent Consultant To The Board Of Directors Of Wema Bank Plc On Their Appraisal For The Year Ended 31 December 2019

In compliance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code") and the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code"), Wema Bank Plc. ("Wema Bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2019. The Codes mandate an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

We have performed the procedures agreed with Wema Bank in respect of the appraisal of the Board in accordance with the provisions of the CBN Code and SEC Code. These procedures, which are limited in scope but sufficient for the Board's objectives in line with the Codes, are different in scope from an external audit. Consequently, no opinion is expressed by us on the activities reported upon.

Our approach to the appraisal of the Board involved a review of the Bank's board papers and minutes, key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained from questionnaires, interviews with the members of the Board and senior management.

On the basis of our review, except as noted below, the Bank's corporate governance practices are largely in compliance with the key provisions of the SEC and CBN Codes. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations in the following key areas: compliance with regulatory and sectoral limits and timeliness of submitting board papers.

Tomi Adepoju
Partner, KPMG Advisory Services
FRC/2013/1 CAN/00000001185
9 March 2020

Deloitte.

# Independent Auditor's Report

## To the Shareholders of Wema Bank Plc

### Report on the Audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the accompanying consolidated and separate financial statements of Wema Bank Plc (the Bank) and its subsidiary (together referred to as the Group)which comprise the consolidated and separate statements of financial position as at 31 December 2019, the consolidated and separate statements of profit or loss and other comprehensive income, statements of changes in equity, consolidated and separate statements of cash flow for the year then ended and the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated financial position of Wema Bank Plc as at 31 December 2019 and the consolidated and separate financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004,Banks and Other Financial Institutions Act Cap B3 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters.

**Key Audit Matter**

| Expected Credit Loss (ECL) | How the matter was addressed in the audit |
|---|---|
| The Bank has adopted IFRS 9 – Financial Instruments which requires the measurement of expected credit loss allowance for financial assets at amortised cost and fair value through other comprehensive income.<br><br>The Bank reviews its loans and advances for impairment at the end of each reporting period. There are significant judgements made in the following areas in applying IFRS 9 – Financial Instruments. These include;<br><br>• Determining the staging of financial assets of the Bank | We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss.<br><br>In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed.<br><br>In performing operating effectiveness of controls, we selected a |

which includes establishing groups of similar financial assets

- Determining criteria for significant increase in credit risk
- Determination of the probability of default (PD) and Loss Given Default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL).

Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred we considered this to be a key audit risk.

**Deferred Tax assets**

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

As disclosed in Note 22 to the financial statements, the Bank has, accordingly, derecognised additional deferred tax asset of N1billion during the year which makes the total of recognized deferred tax asset as at 31 December 2019 to be N19.2billion relating to net deductible temporary difference that are considered to be realisable against the Bank's taxable profits, which is expected to arise in future periods.

Judgement is required by the Directors to estimate the deferred tax asset amount; which comprises calculation of the timing differences in the tax treatment of specific provisions and unrealized foreign exchange differences, timing differences in the treatment of property plant and equipment and in the losses carried forward to be offset against future profits.

In the same vein, judgement is required by the Directors to assess the recoverability of the estimated deferred tax asset that are considered to be realisable against the Bank's taxable profits, which is expected to arise in future periods.

Accordingly, for the purposes of our audit, we identified the assessment of recoverability of estimated deferred tax asset as a key audit matter.

sample of transactions based on the control frequency to determine whether the control operated during the year.
With the support of our internal credit risk specialists we:

- Tested the assumptions, inputs and formulas used in a sample of ECL models (including assessing the appropriateness of model design and formulas used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models);

    - Performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default and the Loss Given Default.
    - Tested the underlying calibration data behind the determination of the probability of default by agreeing same to underlying supporting documentation.
    - Tested the disclosures to ensure that the required disclosures under IFRS 9 have been appropriately made.
    - Challenged the criteria used to allocate asset to stage 1, 2 or 3 in accordance with IFRS 9;
    - Tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage;
    - Tested the data used in the ECL calculation by reconciling to source systems;
    - Recalculated the risk ratios for a sample of performing loans in order to test credit monitoring;
    - Assessed the completeness and appropriateness of post model adjustments and recalculating a sample;
    - Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.

We found out that the assumptions used by management were comparable with historical performance and have been assessed as reasonable.

We evaluated the appropriateness of the Directors' assessment of the recoverability of the recognized deferred tax asset and the adequacy of the disclosures made.

Our audit procedures included challenging the Directors on the reasonableness of the estimated tax provision including the deferred tax asset that are considered to be realisable against the Company's taxable profits, which is expected to arise in future periods and assumptions used to determine the future operating profit to offset the deferred tax asset.

We performed the following audit procedures:

We involved our Tax Specialist on the engagement to review and challenge the reasonableness of the tax provisions including the deferred tax asset that are considered by the Directors to be realisable against the Bank's taxable profits, which is expected to arise in future periods.

We obtained the Directors' assessment of future operating performance including the 5 years' operating result. Discussed the assessment with the Directors to determine whether the

| | |
|---|---|
| | Directors have identified events or conditions that, individually or collectively, may prevent the entity to achieve the forecasted future operating result.<br><br>We reviewed the Directors' assessment of future operating performance and assessed the reasonableness of the 5 years' operating result.<br><br>We challenged the key assumptions used in the 5 years' operating result forecast by comparing these with industry trends and Company's historical performance.<br><br>We assessed the adequacy of the disclosures in the financial statements relating to deferred tax asset.<br><br>The Directors have, at the time of approving the financial statements, a reasonable expectation that the Bank will achieve the future operating performance to offset the deferred tax asset.<br><br>Based on the work performed, we found the Directors key judgements and assumptions to be reasonable. We are satisfied that the related disclosures in Note 22 of the financial statement are appropriate. |

The directors are responsible for the other information. The other information comprises the Directors' Report, Audit Committee's Report and Company Secretary's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004,Banks and Other Financial Institutions Act Cap B3 LFN 2004,Financial Reporting Council Act,2011 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of theconsolidated and separate financial statements, including the disclosures and whether the Group and Bank's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the audit committee and/or the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable from such communication.

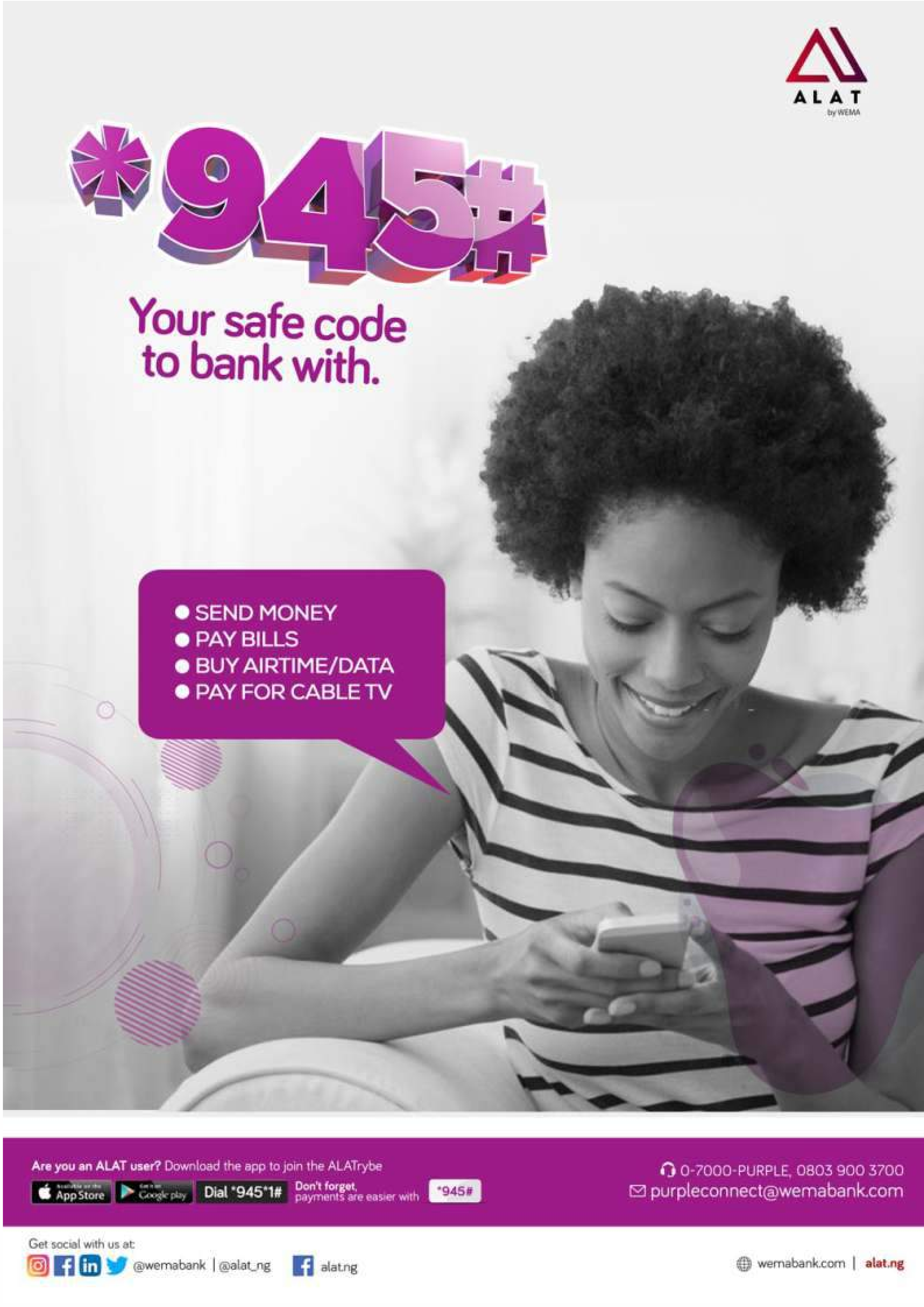
**Report on Other Legal and Regulatory Requirements**
In accordance with the Sixth Schedule of Companies and Allied Matters Act CAP C20 LFN 2004 we expressly state that:

i) We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii) The Group has kept proper books of account, so far as appears from our examination of those books.
iii) The Group and Company's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

- The Bank has complied with the requirements of the relevant circulars issued by Central Bank of Nigeria
- In accordance with circular BSD/1/2004 issued by the Central Bank of Nigeria, details of insider-related credits are as disclosed in note 32.

During the year the bank contravened certain sections of BOFIA and CBN circulars/guidelines, the details of the contravention and the related penalties are as disclosed in Note 33 to the financial statements.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
22 April, 2020
Engagement Partner: Michael Osinloye, FCA
FRC/2013/ICAN/000000819



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*945#
0-7000-PURPLE, 0803 900 3700
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Get social with us at:
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alat.ng
wemabank.com | alat.ng

# FINANCIALS

# Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income

| In thousands of Nigerian Naira | Notes | Group 31-Dec-19 | Group 31-Dec-18 | Company 31-Dec-19 | Company 31-Dec-18 |
|---|---|---|---|---|---|
| **Gross Earnings** | | **94,890,127** | **71,529,939** | **93,389,811** | **70,907,759** |
| Interest income | 7 | 70,682,043 | 57,634,999 | 69,181,727 | 57,012,819 |
| Interest expense | | (44,696,360) | (30,642,651) | (43,197,658) | (29,997,631) |
| **Net interest income** | 7 | **25,985,683** | **26,992,348** | **25,984,069** | **27,015,188** |
| Net impairment loss on financial assets | 11 | (6,130,600) | (3,510,537) | (6,130,600) | (3,510,537) |
| **Net interest income after impairment charge for credit losses** | | **19,855,083** | **23,481,811** | **19,853,469** | **23,504,651** |
| Net gain on FVTPL investment securities | | 234,124 | 33,188 | 234,124 | 33,18 |
| Net fee and commission income | 8 | 7,998,793 | 6,507,409 | 7,998,793 | 6,507,409 |
| Net trading income | 9 | 14,789,480 | 5,532,402 | 14,789,480 | 5,532,402 |
| Other income | 10 | 1,185,687 | 1,821,941 | 1,185,687 | 1,821,941 |
| | | 24,208,084 | 13,894,940 | 24,208,084 | 13,894,940 |
| **Operating income** | | **44,063,167** | **37,376,751** | **44,061,553** | **37,399,591** |
| Personnel expenses | 12 | (14,870,989) | (12,336,818) | (14,870,989) | (12,336,818) |
| Depreciation and amortization | 13b | (3,316,846) | (2,622,568) | (3,316,846) | (2,622,568) |
| Other operating expenses | 13a | (19,115,311) | (17,619,656) | (19,102,890) | (17,609,656) |
| Profit before tax | | **6,760,021** | **4,797,709** | **6,770,828** | **4,830,549** |
| Income tax expense | 26 | (1,560,081) | (1,471,290) | (1,560,080) | (1,471,290) |
| **Profit for the year** | | **5,199,940** | **3,326,419** | **5,210,748** | **3,359,259** |
| **Other comprehensive income, net of income tax** | | | | | |
| **Items that will not be subsequently reclassified to profit or loss** | | | | | |
| Net change in fair value of investments FVTOCI | | 404,901 | 200 | 404,901 | 200 |
| | | 404,901 | 200 | 404,901 | 200 |
| **Items that will be subsequently reclassified to profit or loss** | | | | | |
| Net change in fair value of investments FVOCI | | 67,520 | - | 67,520 | - |
| | | 67,520 | - | 67,520 | - |
| **Other comprehensive income for the year** | | 472,421 | 200 | 472,421 | 200 |
| Total comprehensive income for the year | | 5,672,361 | 3,326,620 | 5,683,169 | 3,359,459 |
| **Profit attributable to:** | | | | | |
| Equity holders of the Bank | | 5,199,940 | 3,326,420 | 5,210,748 | 3,359,259 |
| Total comprehensive income for the year | | 5,672,361 | 3,326,620 | 5,683,169 | 3,359,459 |
| **Earnings per share -basic (kobo)** | 14 | 13.5 | 8.6 | 13.5 | 8.6 |

The accompanying notes are an integral part of these Consolidated and Separate Financial Statements.

# Consolidated and Separate Statements of Financial Position

| | Notes | Group 31-Dec-19 | 31-Dec-18 | Company 31-Dec-19 | 31-Dec-18 |
|---|---|---|---|---|---|
| **In thousands of Nigerian Naira** | | | | | |
| Cash and cash equivalents | 15 | 65,974,273 | 42,122,799 | 65,967,028 | 42,122,799 |
| Restricted Deposit with CBN | 15b | 137,392,701 | 58,054,204 | 137,392,701 | 58,054,204 |
| Pledged assets | 16 | 26,925,527 | 20,583,433 | 26,925,527 | 20,583,433 |
| Investment securities: | | | | | |
| Fair value through other comprehensive income | 17a | 1,793,543 | 880,074 | 1,794,543 | 881,074 |
| Fair Value through profit or loss | 17b | 105,164,284 | 11,708,530 | 105,164,284 | 11,708,530 |
| Held at amortised cost | 17c | 43,142,925 | 59,029,181 | 32,234,960 | 139,60648, |
| Loans and advances to customers | 18 | 289,239,870 | 252,189,613 | 289,239,870 | 252,189,613 |
| Investment properties | 19 | 39,330 | 40,273 | 39,330 | 40,273 |
| Right of Use | 29 | 509,963 | - | 509,963 | - |
| Property and equipment | 20 | 20,637,634 | 18,602,696 | 20,637,634 | 18,602,696 |
| Intangible assets | 21 | 974,069 | 927,391 | 974,069 | 927,391 |
| Other assets | 23 | 4,879,789 | 4,459,906 | 4,879,789 | 4,459,906 |
| Deferred tax assets | 22 | 19,195,906 | 20,206,217 | 19,195,906 | 20,206,217 |
| | | **715,869,814** | **488,804,317** | **704,955,604** | **477,915,742** |
| Deposits from banks | 24 | 3,638,400 | - | 3,638,400 | - |
| Deposits from customers | 25 | 577,283,469 | 369,199,768 | 577,283,469 | 369,314,164 |
| Lease Liabilities | 29 | 72,584 | - | 72,584 | - |
| Current tax liabilities | 26 | 905,364 | 429,079 | 905,364 | 429,079 |
| Other liabilities | 27 | 30,039,084 | 22,837,603 | 29,996,610 | 22,772,597 |
| Other borrowed funds | 28 | 48,770,306 | 45,448,718 | 37,702,326 | 34,401,024 |
| | | 660,709,207 | 437,915,168 | 649,598,753 | 426,916,863 |
| **Equity** | | | | | |
| Share capital | 30 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 |
| Share premium | 30 | 8,698,230 | 8,698,230 | 8,698,230 | 8,698,230 |
| Regulatory risk reserve | | 7,577,698 | 3,384,894 | 7,577,698 | 3,384,894 |
| Retained earnings | 30 | 3,254,018 | 5,992,622 | 3,450,262 | 6,102,353 |
| Other reserves | | 16,343,428 | 13,526,170 | 16,343,428 | 13,526,170 |
| **Equity Attributable To** | | **55,160,607** | **50,889,149** | **55,356,851** | **50,998,879** |
| **Total Liabilities And Equity** | | **715,869,814** | **488,804,317** | **704,955,604** | **477,915,742** |

The accompanying notes are an integral part of these Consolidated and Separate Financial Statements.

The Consolidated Financial Statements of the Group for the year ended 31 December, 2019 were approved by the Board of Directors on 9 March, 2020 and signed on its behalf by :

**Babatunde Kasali**
**Chairman**
FRC/2017/ICAN/00000016973

**Ademola Adebise**
**Managing Director**
FRC/2013/ICAN/00000002115

**Tunde Mabawonku**
**Chief Financial Officer**
FRC/2013/ICAN/00000002097

# Consolidated and Separate Statements of Changes in Equity

Group
In thousands of Nigerian naira (000s)

| | Share Capital | Share premium | Credit risk reserve | Regulatory risk reserve | Statutory reserve | SMEIES reserve | Fair value reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | |
| **Balance at 1 January 2019** | 19,287,233 | 8,698,230 | - | 3,384,894 | 12,034,093 | 526,908 | 965,169 | 5,992,622 | 50,889,149 |
| Opening Adjustment | | | | | | | | (75,705) | (75,705) |
| Dividend Payout | | | | | | | | (1,157,235) | (1,157,235) |
| SMEIS Charge | | | | | | | | (167,963) | (167,963) |
| Profit or loss | - | - | - | - | - | - | | 5,199,940 | 5,199,940 |
| Other comprehensive income | | | | | | | | | |
| Cumulative gain/loss reclassified from reserve ondisposal of FVTOCI investments | | | | | | | | | |
| Fair value reserve FVTOCI financial assets | - | - | - | - | - | - | 472,421 | - | 472,421 |
| | **19,287,233** | **8,698,230** | **-** | **3,384,894** | **12,034,093** | **526,908** | **1,437,590** | **9,791,659** | **55,160,607** |
| Transactions with owners, recorded directly in equity | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | |
| Regulatory risk reserve | - | - | | 4,192,804 | - | - | - | (4,192,804) | - |
| Credit risk reserve | | | 781,612 | | | | | (781,612) | |
| Transfer to Statutory reserve | - | - | | - | 1,563,224 | - | - | (1,563,224) | - |
| **Total contribution and distributions to owners** | - | - | 781,612 | 4,192,804 | 1,563,224 | - | - | (6,537,641) | - |
| **Balance at 31 December 2019** | **19,287,233** | **8,698,230** | **781,612** | **7,577,698** | **13,597,317** | **526,908** | **1,437,590** | **3,254,018** | **55,160,607** |
| **2018** | | | | | | | | | |
| Balance at 1 January 2017 | 19,287,233 | 8,698,230 | - | 5,846,943 | 11,026,315 | 526,908 | 140,051 | 4,089,570 | 49,615,250 |
| IFRS Opening ECL Adjustment | - | - | - | (2,877,639) | - | - | - | - | (2,877,639) |
| IFRS Opening Adjustment on FVTOCI | - | - | - | - | - | - | 824,918 | - | 824,918 |
| Balance as at 1 January 2018 | 19,287,233 | 8,698,230 | - | 2,969,304 | 11,026,315 | 526,908 | 964,969 | 4,089,570 | 47,562,529 |
| Profit or loss | - | - | - | - | - | - | | 3,326,420 | 3,326,420 |
| Other comprehensive income | | | | | | | | | |
| Re-measurement of defined benefit obligation | - | - | - | - | - | - | - | - | - |
| Cumulative gain/loss reclassified from reserve on disposal of FVTOCI Investments- | | - | - | - | - | - | - | - | - |
| Fair value reserve FVTOCI financial assets | - | - | - | - | - | - | 200 | - | 200 |
| | **19,287,233** | **8,698,230** | **-** | **2,969,304** | **11,026,315** | **526,908** | **965,169** | **7,415,990** | **50,889,149** |
| Transactions with owners, recorded directly in equity | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | |
| Regulatory risk reserve | - | - | - | 415,589 | - | - | - | (415,589) | - |
| Transfer to Statutory reserve | - | - | - | - | 1,007,778 | - | - | (1,007,778) | - |
| **Total contribution and distributions to owners** | **-** | **-** | **-** | **415,589** | **1,007,778** | **-** | **-** | **(1,423,367)** | **-** |
| **Balance at 31 December 2018** | **19,287,233** | **8,698,230** | **-** | **3,384,893** | **12,034,093** | **526,908** | **965,169** | **5,992,623** | **50,889,149** |

# Consolidated and Separate Statements of Changes in Equity

**Bank**

**In thousands of Nigerian naira (000s)**

| | Share Capital | Share premium | Credit risk reserve | Regulatory risk reserve | Statutory reserve | SMEIES reserve | Fair value reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | | |
| **Balance at 1 January 2019** | **19,287,233** | **8,698,230** | **-** | **3,384,894** | **12,034,093** | **526,908** | **965,169** | **6,102,353** | **50,998,880** |
| Dividend Payout | | | | | | | | (1,157,235) | (1,157,235) |
| SMEIS Charge | | | | | | | | (167,963) | (167,963) |
| Profit or loss | - | - | - | - | - | - | | 5,210,748 | 5,210,748 |
| **Other comprehensive income** | | | | | | | | | |
| Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments | | | | | | | | | - |
| Fair value reserve FVTOCI financial assets | - | - | - | - | - | - | 472,421 | - | 472,421 |
| Total comprehensive income for the period | 19,287,233 | 8,698,230 | - | 3,384,894 | 12,034,093 | 526,908 | 1,437,590 | 9,987,903 | 55,356,851 |
| | | | | | | | | | - |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | - |
| **Contributions by and distributions to owners** | | | | | | | | | - |
| Regulatory risk reserve | | | | 4,192,804 | | | | (4,192,804) | - |
| Credit risk reserve | | | 781,612 | | | | | (781,612) | |
| transfer to statutory reserves | | | | | 1,563,224 | | | (1,563,224) | - |
| Total contribution and distributions to owners | - | - | 781,612 | 4,192,804 | 1,563,224 | - | - | (6,537,641) | - |
| **Balance at 31 December 2019** | **19,287,233** | **8,698,230** | **781,612** | **7,577,698** | **13,597,317** | **526,908** | **1,437,590** | **3,450,262** | **55,356,851** |
| **2018** | | | | | | | | | |
| **Balance at 1 January 2017** | 19,287,233 | 8,698,230 | - | 5,846,943 | 11,026,315 | 526,908 | 140,051 | 4,166,460 | 49,692,140 |
| IFRS Opening ECL Adjustment | | | | (2,877,639) | | | | | (2,877,639) |
| IFRS Opening Adjustment on FVTOCI | | - | | | | | 824,918 | - | 824,918 |
| **Balance as at 1 January 2018** | **19,287,233** | **8,698,230** | **-** | **2,969,304** | **11,026,315** | **526,908** | **964,969** | **4,166,460** | **47,639,419** |
| Profit or loss | - | - | | - | - | - | | 3,359,259 | 3,359,259 |
| **Other compreh ensive income** | | | | | | | | | |
| Re-measurement of defined benefit obligation | - | - | - | - | - | - | - | - | - |
| Cumulative gain/loss reclassified from reserve on disposal of FVTOCI investments | | | | | | | | | - |
| Fair value reserve FVTOCI financial assets | - | - | - | - | - | - | 200 | - | 200 |
| | **19,287,233** | **8,698,230** | **-** | **2,969,304** | **11,026,315** | **526,908** | **965,169** | **7,525,719** | **50,998,879** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | |
| Regulatory risk reserve | - | - | - | 415,589 | - | - | - | (415,589) | |
| Transfer to Statutory reserve | - | - | - | - | 1,007,778 | - | - | (1,007,778) | - |
| Total contribution and distributions to owners | - | - | - | 415,589 | 1,007,778 | - | - | (1,423,367) | - |
| **Balance at 31 Dec ember 2018** | **19,287,233** | **8,698,230** | **-** | **3,384,893** | **12,034,093** | **526,908** | **965,169** | **6,102,352** | **50,998,879** |

# Consolidated and Separate Statements of Cashflow

| In thousands of Nigerian Naira | Notes | Group 31-Dec 2019 | Group 31-Dec 2018 | Bank 31-Dec 2019 | Bank 31-Dec 2018 |
|---|---|---|---|---|---|
| Cashflows from operating activities | | | | | |
| Profit for the year | | 5,199,940 | 3,326,419 | 5,210,748 | 3,359,259 |
| Adjustments for: | | | | | |
| Taxation expense | 26 | 1,560,080 | 1,471,290 | 1,560,080 | 1,471,290 |
| Depreciation and amortization | | 3,316,846 | 2,622,568 | 3,316,846 | 2,622,568 |
| Adjustment for transfer out of PPE now expensed | | 24,413 | (1,087) | 24,413 | (1,087) |
| Opening balance adjusted directly in retained earnings | | (75,706) | - | | - |
| (Gain)/Loss on disposal of property and equipment | 10 | (133,842) | (3,766) | (133,842) | (3,766) |
| Benefit in Kind | | | | | |
| Specific provision on cash | 15 | | | | |
| Net interest income | | (25,985,683) | (26,992,348) | (25,984,069) | (27,015,188) |
| Dividend received from equity investment | | (85,247) | (38,333) | (85,247) | (38,333) |
| Impairment loss on financial assets | | 5,365,942 | 3,489,741 | 5,365,942 | 3,489,741 |
| Operating cashflow before movement in working capital | | (10,813,255) | (16,125,514) | (10,725,129) | (16,115,515) |
| Change in pledged assets | | (6,342,094) | 4,836,704 | (6,342,094) | 4,836,704 |
| Change in loans and advances to customers | | (42,416,199) | (41,728,917) | (42,416,199) | (41,728,917) |
| Change in other assets | | (419,883) | 9,619,514 | (419,883) | 9,675,569 |
| Change in deposits from banks | 24 | 3,638,400 | (26,575,260) | 3,638,400 | (26,575,260) |
| Change in finance lease obligation | | - | - | - | - |
| Change in restricted deposit with CBN | | (79,338,497) | (31,558,540) | (79,338,497) | (31,558,540) |
| Change in deposits from customers | | 208,076,540 | 114,738,887 | 207,962,144 | 114,827,114 |
| Change in other liabilities | | 7,274,064 | 6,239,077 | 7,296,598 | 6,210,600 |
| Cashflow generated by operations | | 79,666,237 | 19,445,951 | 79,662,502 | 19,571,755 |
| Income tax paid | 26 | (73,484) | (338,604) | (73,484) | (338,604) |
| Interest received | | 70,682,043 | 57,634,999 | 69,181,727 | 57,012,819 |
| Vat paid | | - | (24,612) | - | (24,612) |
| Interest paid | | (41,389,921) | (25,474,742) | (41,389,922) | (26,912,175) |
| **Net cash from operating activities** | | **108,884,875** | **51,242,992** | **107,380,822** | **49,309,182** |
| Cashflows from investing activities | | | | | |
| Disposal/Acquisition of investment securitiesAt Amortised Cost | | 15,886,256 | (33,767,245) | 15,904,646 | (25,738,457) |
| Disposal/Acquisition of investment securities FVTOCI | | (441,048) | 7,860,365 | (441,048) | 7,860,365 |
| Change in FVTPL investments | | (93,455,754) | (1,704,688) | (93,455,754) | (1,704,688) |
| Dividend received from equity investment | | 85,247 | 38,333 | 85,247 | 38,333 |
| Acquisition of property and equipment | 20 | (4,753,596) | (3,757,759) | (4,753,596) | (3,757,759) |
| Proceeds from the sale of property and equipment | | 271,852 | 30,769 | 271,852 | 30,769 |
| Right of Use | | (719,648) | - | (719,648) | - |
| Acquisition of intangible assets | | (596,662) | (577,531) | (596,662) | (577,531) |
| **Net cash used in investing activities** | | **(83,723,352)** | **(31,877,758)** | **(83,704,962)** | **(23,848,970)** |
| Cash flows from financing activities | | | | | |
| Proceed from borrowings | 28.1 | 14,036,739 | 31,033,157 | 14,036,739 | 22,857,417 |
| Repayment of borrowings | | (10,715,151) | (25,535,265) | (10,735,437) | (25,535,265) |
| Transfer for Retained Earnings | | (167,963) | - | (167,963) | - |
| Interest paid on borrowings | 7 | (3,306,439) | (5,167,909) | (1,807,736) | (3,085,456) |
| Dividend paid to shareholders | | (1,157,235) | - | (1,157,235) | - |
| **Net cash from financing activities** | | **(1,310,049)** | **329,982** | **168,368** | **(5,763,304)** |
| Net increase in cash and cash equivalents | | 23,851,474 | 19,695,213 | 23,844,229 | 19,696,908 |
| Cash and cash equivalents at beginning of period | | 42,122,799 | 22,427,586 | 42,122,799 | 22,425,891 |
| **Cash and cash equivalents at end of period** | 15 | **65,974,273** | **42,122,799** | **65,967,028** | **42,122,799** |

The accompanying notes are an integral part of these Consolidated and Separate Financial Statements.

# Statement of Prudential Adjustments

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **Prudential Provisions:** | | | | |
| Loans and advances | 20,502,558 | 12,779,003 | 20,502,558 | 12,779,003 |
| Other financial assets | 2,157,688 | 4,299,660 | 2,157,688 | 4,299,660 |
| | **22,660,246** | **17,078,663** | **22,660,246** | **17,078,663** |
| **Impairment assessment under IFRS:** | | | | |
| **Loans and advances** | | | | |
| Specific allowance for impairment | - | 7,808,039 | - | 7,808,039 |
| Collective allowance for impairment | - | 1,586,070 | - | 1,586,070 |
| 12-months ECL credit | 7,104,750 | - | 7,104,750 | - |
| Life-time ECL credit Not impaired | 377,572 | - | 377,572 | - |
| Life-time ECL credit impaired | 4,646,110 | - | 4,646,110 | - |
| | **12,128,432** | **9,394,109** | **12,128,432** | **9,394,109** |
| **Investment securities** | | | | |
| 12-months ECL | 1,324,037 | 459,583 | 1,324,037 | 459,583 |
| | **1,324,037** | **459,583** | **1,324,037** | **459,583** |
| **Off balance sheet exposures** | | | | |
| 12-months ECL | 768,381 | - | 768,381 | - |
| | **768,381** | - | **768,381** | - |
| **Other financial assets** | | | | |
| specific allowance for impairment on other assets | - | 3,840,077 | - | 3,840,077 |
| 12 months ECL | 861,697 | - | 861,697 | - |
| Other non-financial assets | - | - | - | - |
| | **861,697** | **3,840,077** | **861,697** | **3,840,077** |
| **Total IFRS Impairment** | **15,082,548** | **13,693,769** | **15,082,548** | **13,693,769** |
| **Excess of Prudential impairment over IFRS impairment transferred to regulatory reserve** | **7,577,698** | **3,384,894** | **7,577,698** | **3,384,894** |

# Notes to the Consolidated and Separate Financial Statements

## 1. Reporting Entity

Wema Bank Plc (the "Bank") is a Company domiciled in Nigeria. The address of the Bank's registered office is 54 Marina, Lagos, Nigeria. The Bank is primarily involved in investment, corporate, commercial and retail banking. The bank has a wholly owned subsidiary which is WEMA Bank Funding SPV Plc.

### 1.1 Going Concern

The Bank received its national banking license from Central Bank of Nigeria in November 2015 and now operate as a National Bank as against its previous status as a regional bank.

Based on the current capitalization position of the bank and prevailing situation the Directors believe the bank will continue as a going concern, realize its assets and discharge its liabilities in the normal course of business.

Accordingly, the financial statements are prepared on a going concern basis.

## 2. Basis of Preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the Financial Reporting Council of Nigeria for the financial year starting from 1 January,2014.

The financial statements comply with the requirement of the Companies and Allied Matters Act CAP C20 LFN 2004.

The Bank and Other Financial Institutions Act CAP B3 LFN 2004 and the Guidelines issued by the Central Bank of Nigeria to the extent that they are not in conflict with the International Financial Reporting Standards.

The financial statements were authorized for issue by the Board of Directors on 9th of March, 2020

### (b) Functional and presentation currency

These financial statements are presented in Nigerian Naira, which is the Group's functional currency. Except otherwise indicated, financial information presented in Naira have been rounded to the nearest thousand.

### (c) Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of the following:

- Assets and liabilities measured at amortised cost;
- Derivative financial instruments which are measured at fair value; and
- Non-derivative financial instruments, carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

### (d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, incomes and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 4.

### (e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the bank and its subsidiary (Wema Bank Funding SPV Plc). The subsidiary is controlled by the bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Total comprehensive income of subsidiaries is attributed to the owners of the Bank. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by the Group.

The wholly owned subsidiary was incorporated in Nigeria on the 30th of June, 2016 (Registration Number 1345745) as a public limited company under the name of Wema Bank Funding SPV Plc. The special purpose vehicle carries on business at Wema Towers, 54 Marina, Lagos. It has no subsidiary or affiliate. It was established as a special purpose vehicle for the purpose of issuing bonds to fund working capital, enhance liquidity and enhance its capital base of the Bank

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## 2.1 New and amended IFRS Standards that are effective for the current year

### Impact of initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the note.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the previous lease guidance including IAS 17 Leases and the related Interpretations. The date of initial application of IFRS 16 for Wema Bank Plc is 1 January 2019.

The Bank may choose the full retrospective application of IFRS 16 in accordance with IFRS 16:C5 (a) or the modified approach. Consequently, if the Bank had chosen the retrospective approach, it will restate the comparative information. However, the Bank elected not to restate the comparative information and has adopted the cumulative catch-up approach upon transition to IFRS 16.

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project.
The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

## 2.1.2 New and amended IFRS Standards that are effective for the current year

### Impact of initial application of IFRS 16 Leases

### (b) Impact on Lessee Accounting

**i) Former operating leases**

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

### ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

## 2.1.3 New and amended IFRS Standards that are effective for the current year

### Impact of initial application of IFRS 16 Leases

### (c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts.

The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Group has reclassified certain of its sub-lease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

### (d) Financial impact of the initial application of IFRS 16

**Commentary:**
Unlike other recent Standards (e.g. IFRS 15), for entities that adopt the new Standard using a full retrospective approach, IFRS 16 does not provide an exception from the requirement of IAS 8:28(f) to present the effect of the new Standard on the current period amounts.

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the current and prior year:

| | | As previously reported - 31/12/2018 N'000 | IFRS 16 adjustments N'000 | As presented - 31/12/2019 N'000 |
|---|---|---|---|---|
| | **Impact on profit or loss** | | | |
| | Finance cost | - | (10,810) | (10,810) |
| | Depreciation charge | | 571 | 571 |
| | Administrative expenses | | | |
| | **Increase/(Decrease) in profit for the year** | **-** | **(10,239)** | **(10,239)** |
| | | | | |
| | **Impact on assets, liabilities and equity as at 1 January 2018** | | | |
| | Property, plant and equipment | | | |
| | Right -of -use assets | 587,914 | 131,735 | 719,649 |
| | Finance lease receivables | | | |
| | Prepayments (leased assets) | 315,883 | (315,883) | - |
| | **Net impact on total assets** | **903,797** | **(184,148)** | **719,649** |
| | | | | |
| | Lease liabilities | - | 72,584 | 72,584 |
| | Other liabilities (Accumulated Depreciation) | | 209,686 | 209,686 |
| | **Net impact on total liabilities** | **-** | **282,269** | **282,269** |
| | | | | |
| | Retained earnings | - | (10,239) | (10,239) |
| | | | | |
| | **Total impact on total liabilities and equity** | **-** | **272,030** | **272,030** |

## 2.1.4 New and amended IFRS Standards that are effective for the current year

### Impact of initial application of IFRS 16 Leases

The Bank as a lessee:

(a) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and leases liabilities. It resulted in a decrease in other expense and an increase in depreciation and amortisation expense and in interest expense

(b) Lease liability on leases previously classified as financing leases under of IAS 17 and previously presented within borrowings is now presenting in the separate line lease liabilities. There has been no change in the liability recognised.

The application of IFRS 16 has an impact on the consolidated statement cash flows of the Bank.

Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Bank has included these payments as part of payments to suppliers and employees);
- Cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Bank has opted to include the interest paid as part of operating activities); and
- Cash payments for the principal portion for leases liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has changed by N 210.3 million which would ordinarily have been charged into the profit or loss as prepayment amortization for the period (under IAS 17) and net cash flow has changed the financing activities by N 10.8 million been the finance cost for the period.

The adoption of IFRS 16 did not have an impact on net cash flows.

### Amendments to IFRS 9 Prepayment Features with Negative Compensation

The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

## 2.1.5 New and amended IFRS Standards that are effective for the current year

### Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net Investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long term interests required by IAS 28 (i.e., adjustments to the carrying amount of long term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

### Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

### IAS 12 Income Taxes

The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

### IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRS 3 Business Combinations**

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

**IFRS 11 Joint Arrangements**

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.

### 2.1.6 New and amended IFRS Standards that are effective for the current year

**Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**
The Group has adopted the amendments of IAS 19 for the first time in the current year. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Group will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19:99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

**IFRIC 23 Uncertainty over Income Tax Treatments**

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- Determine whether uncertain tax positions are assessed separately or as a group;and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:

    (i) If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    (ii) If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

### 2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

(i) IFRS 17 Insurance Contracts
(j) IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
(k) Amendments to IFRS 3 Definition of a business
(l) Amendments to IAS 1 and IAS 8 Definition of material
Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

**IFRS 17 Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

### IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

### Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

### Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

**Amendments to References to the Conceptual Framework in IFRS Standards**

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018,the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19,IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001,the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

## 3 Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

### (a) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Bank. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Bank takes into consideration potential voting rights that currently are exercisable.

The Bank measures goodwill at the acquisition date as the total of:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in profit or loss. The Bank elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Bank incurs in connection with a business combination are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### (b) Foreign currency

The financial statements are presented in Nigerian Naira, which is the Bank's functional and reporting currency. Transactions in foreign currencies are translated at the foreign exchange rates effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are adjusted to the functional currency at the spot exchange rates effective at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in the foreign currency translated at the exchange rate effective on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate effective at the date that the fair value is determined. Foreign exchange differences arising on translation are recognised in profit or loss.

## (c) Interest Income and Expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

### Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

### Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

## (d) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.
Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

## (e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, dividend and foreign exchange differences.

## (f) Dividend Income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends on trading equities are reflected as a component of net trading income or other operating income based on the underlying classification of the equity investment. Dividend income on available-for-sale securities are recognised as a component of other operating income.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## (g) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

**Specifically;**

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss;
- Other exchange differences are recognised in other comprehensive income in the fair valuation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

## (h) Lease

### The Bank as the Lessee

The Bank assesses whether a contract is or contains a lease, at inception of a contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever.

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Bank applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in Note 29.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss (see note13).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has not used this practical expedient.

### The Bank as the Lessor

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

### (l) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) **Current tax**

In accordance with the Companies Income Tax Act, Cap C21, LFN 2004, the Bank is assessed for tax under the minimum tax regulation when the total profits of the Bank from all sources have produced tax or tax payable which is less than the minimum tax specified by the law. When assessed for minimum tax, the rates applicable for calculating the minimum tax is the higher 0.5% of Turnover or excess dividend basis where dividend paid during the year is higher than taxable profit.

The current income tax charge is calculated on the basis of the tax rates enacted or substantively enacted at the reporting date in the country where the Bank operate and generate taxable income. Current tax also includes any tax arising from dividend. Current income tax is recognised as an expense for the period and adjustments to past periods except to the extent that current tax related to items that are charged or credited in OCI or directly to equity.

Additional taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognized. These amounts are recognised in profit or loss because they relate to income arising from transactions that were originally recognised in profit or loss.

(ii) **Deferred tax**

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which it can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(j) **Financial instruments**

(i) **Initial recognition and measurement**

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.
Financial instruments carried at fair value through profit or loss are initially recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Financial instruments are recognised or de-recognised on the date the Group commits to purchase or sell the instruments (trade day accounting).

### (ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at amortised cost or fair value depending on their classification category.

### (iii) Classification

**Financial assets**

Subsequent to initial recognition, all financial assets within the Group are measured at:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group's financial assets are subsequently measured at amortised cost if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect' business model test - The asset is held within a business model whose objective is to hold the financial asset in other to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test - The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time.

Debt instruments are measured at amortised cost by the Group if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and

- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets including equity investments are measured at fair value.
A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Group if the financial asset is:

A debt instrument that does not qualify to be measured at amortised cost or FVOCI;

An equity investment which the Group has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;

A financial asset where the Group has elected to measure the asset at FVTPL under the fair value option.

**Financial liabilities**

Financial liabilities are either classified by the Group as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

Financial liabilities are measured at amortised cost by the Group unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or
- The Group elects to measure the financial liability at FVTPL (using the fair value option).

**Financial guarantees contracts and loan commitments**

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

The Group conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties. Contingent liabilities and commitments comprise usance lines and letters of credit.

Usance and letters of credit are agreements to lend to a customer in the future subject to certain conditions. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer.

Letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the Customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Contingent liabilities and commitments are initially recognized at fair value which is also generally equal to the fees received and amortized over the life of the commitment. The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment when a payment under the contingent liability has become probable and the unamortised fee.

**Business model assessment**

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and features that modify consideration of the time value of money (e.g. periodical reset of Interest rate).

The Group holds a portfolio of long -term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

### (iv) Derecognition

**Financial assets**
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group sometimes enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale- and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

**Financial liabilities**
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

### (v) Modifications of financial assets and financial liabilities

**Financial assets**
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

**Financial liabilities**

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### (vii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### (viii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments. If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

### (ix) Assets pledged as collateral

Financial assets transferred to external parties and which do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognised at fair value and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

### (x) Assets under repurchase agreement

Assets under repurchase agreement are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same as the one sold) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

## (k) Derivative instruments

The Group recognizes the derivative instruments on the statement of financial position at their fair value. The Group designates the derivative as an instrument held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

Trading or non-hedging derivatives assets and liabilities are those derivative assets and liabilities such as swaps and forward contracts that the Group acquires or incurs for the purpose of selling or purchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Non-hedging derivative assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position. All changes in fair value are recognized as part of net trading income in profit or loss. Non-hedging derivative assets and liabilities are not reclassified subsequent to their initial recognition.

## (l) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.
- No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instrument for which a 12-month ECL is recognised are referred to as 'stage 1 f inancial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Financial instruments for which lifetime ECL is recognised which are credit impaired are referred to as 'Stage 3 financial instruments".

Loss allowances for other assets and lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' or its is a sovereign debt instruments issued in the local currency.

### (i) Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- **Financial assets that are not credit-impaired at the reporting date**: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- **Financial assets that are credit-impaired at the reporting date**: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- **Undrawn loan commitments**: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

- **Financial guarantee contracts**: the expected payments to reimburse the holder less any amount that the Group expects to recover.

### Reversal of Impairment and Backward Transfer Criteria

When the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that criteria for recognizing the lifetime ECL is no longer met i.e. cured, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

However, the Group observes the following backward transfer criteria (probationary period) to monitor if the criteria for recognizing the lifetime ECL has decreased significantly before the backward transfer can be effected on the credit rating of the customer;

90 days probationary period to move a financial instrument from Lifetime ECL not credit-impaired (Stage 2 financial instruments) to 12 months ECL (Stage 1 financial instruments);

90 days probationary period to move a financial instrument from Lifetime ECL credit-impaired (Stage 3 financial instruments) to Lifetime ECL not impaired (Stage 2 financial instruments);

180 days probationary period to move a loan from Lifetime ECL credit-impaired (Stage 3 financial instruments) to 12 months ECL (Stage 1 financial instruments).

The Group also considers other qualitative criteria where necessary.

Impairment gains arising from backward transfers will be recognized as part of 'impairment losses on financial instruments.'

### (ii) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired referred to as 'Stage 3 financial instruments. A financial asset is 'credit -impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- Evidence that a financial asset is credit-impaired includes the following observable data:
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

#### (iii) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;

Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and;

Debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of the asset is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve.

#### (iv) Write-off policy

The Group writes off a loan balance when the Group's credit department determines that the loan is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. For insider- related loan (loans by the Bank to its own officers and directors), CBN approval is required. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### (m) Reclassification of financial instruments

Financial assets are required to be reclassified in certain rare circumstances among the amortised cost, FVOCI and FVTPL categories. When the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets in accordance with the new model. The reclassification is applied prospectively from the reclassification date. Accordingly, any previously recognised gains, losses or interest are not reinstated. Changes in the business model for managing financial assets are expected to be very infrequent.

### (n) Restructuring of financial instruments

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

If the terms of a financial asset is restructured due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows;

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset is included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

## (o) Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults.

The Group may also use other credit instruments, such as derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities and other non-cash assets is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability.

In certain cirumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less cost to sell and reported within 'Other asset'.

## (p) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## (q) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. The Bank holds some investment properties consequence of the ongoing rationalisation of its retail branch network. Other property has been acquired through the enforcement of security over loans and advances. Investment property is measured at cost less accumulated depreciation and impairment losses in line with the cost model in IAS 16. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

## (r) Property and equipment

### (I) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, where the Bank has an obligation to remove the asset or restore the site and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### (ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-today servicing of property and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| Buildings | 50 years |
| Furniture and office equipment | 5 years |
| Computer equipment | 4 years |
| Motor vehicles | 5 years |
| Right of use of assets | Lower of lease term or the useful life for the specified class of item |
| Work in progress | Not depreciated |

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's value less costs to sell or the value in use.

Depreciation methods, useful lives and residual value are reviewed at each reporting date and adjusted if appropriate.

**(iv) De-recognition**

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## (s) Intangible assets

**(I) Software**

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is shorter of 3 years or the contractual licensing period.

Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## (t) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(u) Deposits and subordinated liabilities**

Deposits and subordinated liabilities are the Bank's sources of debt funding. When the Bank sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit and the underlying asset continues to be recognised in the Bank's financial statements. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and subordinated liabilities are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

**(v) Provisions**

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**(i) Restructuring**

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

**(ii) Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

**(w) Financial guarantees**

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

**(x) Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as personnel expenses in profit or loss when they are due in respect of service rendered before the end of the reporting period.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the reporting period in which the employees render service are discounted to their present value at the reporting date.

The Bank operates a funded, defined contribution pension scheme for employees in Nigeria. Obligations in respect of the Bank's contributions to the scheme are recognised as an expense in the profit and loss account on an annual basis. The employee and the Bank contribute 8% and 12.5% of basic salary, housing, luncheon and transport allowance respectively to each employee's retirement savings account maintained with their nominated Pension Fund Administrators in accordance with the Pension Reform Act 2014.

**(ii) Termination benefits**

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

**(iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### (y) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank or the Bank has a present obligation as a result of past events which is not recognised because it is not probable that an outflow of resources will be required to settle the obligation; or the amount cannot be reliably estimated. Contingent liabilities normally comprise of legal claims under arbitration or court process in respect of which a liability is not likely to crystallise. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are never recognised rather they are disclosed in the financial statements when an inflow of economic benefit is probable.

### (z) Share capital and reserves

**(i) Share issue costs**

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

**(ii) Dividend on the Bank's ordinary shares**

Dividend on the Bank's ordinary shares are recognised in equity when approved by Bank's shareholders.

### (aa) Earnings per share

The Bank presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### (ab) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it can earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Executive Management Committee to make decisions about resources allocated to each segment and assess its performance and for which discrete financial I nformation is available.

### (ac) Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale of their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification. Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### (ad) Related party transactions

Transactions with related parties are conducted and recorded at arm's length and disclosed in accordance with IAS 24 " Related party disclosures".

## 4 Key sources of estimation uncertainty

### (a) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy j (viii).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merit and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way interest losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are made.

**(b) Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy j (viii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## 5 Critical accounting judgements made in applying the Bank's accounting policies include:

**(a) Valuation of financial instruments**

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.

**Level 2:** Valuation techniques based on observable inputs, either (i.e., derived from prices). This category includes instruments valued using: quoted market prices inactive markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less directly or indirectly observable from market data.

**Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

### (b) Business model assessment:

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**(c) Significant increase of credit risk**

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

**(d) Establishing groups of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

**(e) Models and assumptions used**

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

5 (e) In thousands of Nigerian Naira

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Group** | | | | |
| **31 -Dec -19** | | | | |
| Trading assets | 105,164,284 | - | - | 105,164,284 |
| Investment securities | 493,568 | 1,299,975 | - | 1,793,543 |
| | **105,657,852** | **1,299,975** | **-** | **106,957,827** |
| **Bank** | | | | |
| **31 -Dec -19** | | | | |
| Trading assets | 105,164,284 | - | - | 105,164,284 |
| Investment securities | 493,568 | 1,300,975 | | 1,389,642 |
| | **105,657,852** | **1,300,975** | | **106,958,827** |
| **Group** | | | | |
| **31 -Dec -18** | | | | |
| Trading assets | 11,708,530 | - | - | 11,708,530 |
| Investment securities | - | 880,074 | | 880,074 |
| | **11,708,530** | **880,074** | **-** | **12,588,604** |
| **Bank** | | | | |
| **31 -Dec -18** | | | | |
| Trading assets | 11,708,530 | - | - | 11,708,530 |
| Investment securities | - | 881,074 | | 881,074 |
| | **11,708,530** | **881,074** | **-** | **12,589,604** |

### (i) Financial asset and liability classification

The Bank's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:
Details of the Group's classification of financial assets and liabilities are given in note 6.

### (ii) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

### (iii) Determination of impairment of property and equipment and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

### (iv) Determination of recognised deferred tax balances

Management is required to make judgements concerning the recoverability of unused tax losses.
Judgement is required in determining the estimated future profitability from which tax assets are expected to be realised.

## 6 Operating segments

The Bank, which has a national authorization, has four reportable geographical segments, which are the Bank's strategic zones. The strategic zones offer different products and services and are managed separately based on the Bank's management and internal reporting structure. For each of the strategic zones, the Bank's management reviews internal management reports on a monthly basis.

Segment information is presented in respect of the Bank's geographic segments which represents the primary segment reporting format and is based on the Bank's management and reporting structure.

## Geographical segments

The Bank operates in four geographical regions; South-west, South-South, Abuja and Lagos zones:

**Group**

| **31-Dec-19**<br>**Group**<br>In thousands of Nigerian Naira | **South-West** | **South-South** | **Abuja North** | **Lagos** | **Total** |
|---|---|---|---|---|---|
| Derived from external customers | 13,294,360 | 3,424,970 | 2,430,393 | 75,740,405 | 94,890,127 |
| Interest and similar expenses | (5,536,468) | (1,558,472) | (1,754,660) | (35,846,760) | (44,696,360) |
| Operating income | 7,757,892 | 1,866,498 | 675,733 | 39,893,645 | 50,193,767 |
| Operating expenses | (6,550,977) | (1,826,494) | (200,712) | (34,855,562) | (43,433,746) |
| Profit on ordinary activities before taxation | 1,206,915 | 40,003 | 475,021 | 5,038,083 | 6,760,021 |
| Income tax expense | (246,381) | (45,971) | (46,904) | (1,220,824) | (1,560,081) |
| **Profit on ordinary activities after taxation** | **960,534** | **(5,968)** | **428,116** | **3,817,259** | **5,199,940** |
| **Assets and liabilities:** | | | | | |
| Total assets | 90,750,348 | 19,980,188 | 12,096,951 | 593,042,328 | 715,869,814 |
| Total liabilities | (120,901,515) | (27,817,368) | (25,594,280) | (486,396,044) | (660,709,207) |
| **Net Asset** | **(30,151,167)** | **(7,837,180)** | **(13,497,330)** | **106,646,284** | **55,160,607** |

**Bank**

| In thousands of Nigerian Naira | **South-West** | **South-South** | **Abuja North** | **Lagos** | **Total** |
|---|---|---|---|---|---|
| Derived from external customers | 12,699,467 | 3,271,710 | 2,321,639 | 75,096,996 | 93,389,811 |
| Interest and similar expenses | (5,536,468) | (1,558,472) | (1,754,660) | (34,348,057) | (43,197,658) |
| Operating income | 7,162,999 | 1,713,238 | 566,978 | 40,748,939 | 50,192,154 |
| Operating expenses | (6,548,075) | (1,825,780) | (200,072) | (34,847,398) | (43,421,325) |
| Profit on ordinary activities before taxation | 614,924 | (112,542) | 366,907 | 5,901,541 | 6,770,828 |
| Income tax expense | (168,422) | (28,589) | (43,141) | (1,319,928) | (1,560,080) |
| **Profit on ordinary activities after taxation** | **446,502** | **(141,131)** | **323,766** | **4,581,613** | **5,210,748** |
| **Assets and liabilities:** | | | | | |
| Total assets | 89,342,517 | 19,670,230 | 11,909,288 | 584,033,569 | 704,955,604 |
| Total liabilities | (118,858,798) | (27,347,373) | (25,161,847) | (478,230,735) | (649,598,753) |
| **Net Asset** | **(29,516,281)** | **(7,677,143)** | **(13,252,559)** | **105,802,834** | **55,356,851** |

| In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **7 Interest income** | | | | |
| Cash and cash equivalents | 1,638,912 | 1,305,176 | 1,638,912 | 1,305,176 |
| Loans and advances to banks and customers | 61,844,058 | 51,013,452 | 61,844,058 | 51,013,452 |
| Investments securities | 7,199,073 | 5,316,371 | 5,698,757 | 4,694,191 |
| **Total interest income** | **70,682,043** | **57,634,999** | **69,181,727** | **57,012,819** |
| **Interest expense** | | | | |
| Deposits from banks | 5,027,316 | 983,288 | 5,027,316 | 983,288 |
| Interest expense on lease liabilities | 10,810 | - | 10,810 | - |
| Deposits from customers | 36,351,796 | 24,491,455 | 36,351,796 | 25,928,887 |
| Other borrowed funds | 3,306,439 | 5,167,909 | 1,807,736 | 3,085,456 |
| **Total interest expense** | **44,696,360** | **30,642,651** | **43,197,658** | **29,997,631** |
| **8 Fees and commission income** | | | | |
| Credit related fees | 876,039 | 421,057 | 876,039 | 421,057 |
| Account maintenance fees | 1,078,759 | 964,660 | 1,078,759 | 964,660 |
| Management fees | 835,777 | 1,113,996 | 835,777 | 1,113,996 |
| Fees on electronic products | 3,758,718 | 2,845,751 | 3,758,718 | 2,845,751 |
| Fees on financial guarantees | 408,151 | 415,231 | 408,151 | 415,231 |
| Other fees and charges | 1,041,349 | 746,714 | 1,041,349 | 746,714 |
| **Total fee and commission income** | **7,998,793** | **6,507,409** | **7,998,793** | **6,507,409** |
| **9 Net trading income** | | | | |
| Fixed income securities | 16,241 | 39,551 | 16,241 | 39,551 |
| Treasury bills | 14,521,181 | 4,485,360 | 14,521,181 | 4,485,360 |
| Foreign exchange trading (note 9.1) | 252,058 | 1,007,491 | 252,058 | 1,007,491 |
| Other gains | - | - | | |
| | **14,789,480** | **5,532,402** | **14,789,480** | **5,532,402** |

9.1 Foreign exchange trading income is principally made up of trading income on foreign currencies, as well as gains and losses from revaluation of trading position. The amount reported above are totally from financial assets carried at fair value through profit or loss

| 10 Other income | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Dividends on available-for-sale equity securities | 85,247 | 38,333 | 85,247 | 38,333 |
| Gains on disposal of property and equipment | 171,624 | 3,766 | 171,624 | 3,766 |
| Rental income | 42,028 | 9,8242 | 42,028 | 29,824 |
| Insurance claim received | 6,287 | 18,940 | 6,287 | 18,940 |
| Income on contingents | 32,623 | 29,512 | 32,623 | 29,512 |
| Income on deposit accounts | 138,193 | 164,077 | 138,193 | 164,077 |
| Fund transfer | 3,259 | 7,564 | 3,259 | 7,564 |
| FX Revaluation | 460,312 | 156,563 | 460,312 | 156,563 |
| Swift transactions | 82,231 | 76,292 | 82,231 | 76,292 |
| Service charge | 15,119 | 70,405 | 15,119 | 70,405 |
| Advisory fees | 67,941 | 46,606 | 67,941 | 46,606 |
| Gains on disposal of unquoted equities (CSCS) | - | 1,047,492 | - | 1,047,492 |
| Others | 80,824 | 132,567 | 80,824 | 132,567 |
| | **1,185,687** | **1,821,941** | **1,185,687** | **1,821,941** |

## 11 Impairment loss on financial and non-financial instruments

| | Group | | Bank | |
|---|---|---|---|---|
| ECL on financial instruments: | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Total impairment charge on loans and advances | 4,087,113 | 2,974,221 | 4,087,113 | 2,974,221 |
| Investment securities/Treasury bills | 1,278,829 | 475,726 | 1,278,829 | 475,726 |
| Other financial assets | 45,208 | 33,337 | 45,208 | 33,337 |
| **Impairment charge onnon-financial instruments** | | | | |
| Off balance sheet | 768,381 | 48,049 | 768,381 | 48,049 |
| Recoveries on loans | (48,931) | (20,796) | (48,931) | (20,796) |
| **Total impairment charge on financial instruments** | **6,130,600** | **3,510,537** | **6,130,600** | **3,510,537** |

## 12 Personnel expenses

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Wages and salaries | 10,812,839 | 9,966,645 | 10,812,839 | 9,966,645 |
| Contributions to defined contribution plans | 1,205,050 | 992,399 | 1,205,050 | 992,399 |
| Other staff costs | 2,853,100 | 1,377,774 | 2,853,100 | 1,377,774 |
| | **14,870,989** | **12,336,818** | **14,870,989** | **12,336,818** |

**Compensation for the staff are as follows:**

| In thousands of Nigerian naira | Group | | Bank | |
|---|---|---|---|---|
| Employee costs, including executive directors, during the year is shown below: | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Wages and salaries | 10,812,839 | 9,966,645 | 10,812,839 | 9,966,645 |
| Gratuity Expenses | 600,000 | 385,548 | 600,000 | 385,548 |
| Contributions to defined contribution plans | 605,050 | 606,851 | 605,050 | 606,851 |
| | 12,017,889 | 10,959,044 | 12,017,889 | 10,959,044 |
| Other staff costs | 2,853,100 | 1,377,774 | 2,853,100 | 1,377,774 |
| | **14,870,989** | **12,336,818** | **14,870,989** | **12,336,818** |

**(a) The average number of persons employed during the year by category:**

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 Number | 31-Dec-18 Number | 31-Dec-19 Number | 31-Dec-18 Number |
| Executive Directors | 4 | 4 | 4 | 4 |
| Management | 40 | 32 | 40 | 32 |
| Non- management | 1117 | 985 | 1117 | 985 |
| | **1,161** | **1,021** | **1,161** | **1,021** |

**The emoluments of all other directors fell within the following ranges:**

| | | | Number | Number | Number | Number |
|---|---|---|---|---|---|---|
| N2,370,001 | - | N2,380,000 | - | - | - | - |
| N2,720,001 | - | N2,730,000 | - | - | - | - |
| N3,060,001 | - | N5,070,000 | 7 | 7 | 7 | 7 |
| N7,360,001 | - | N7,370,000 | 4 | 4 | 4 | 4 |

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 Number | 31-Dec-18 Number | 31-Dec-19 Number | 31-Dec-18 Number |
| N500,000 - N1,000,000 | | - | | - |
| N1,490,001 - N2,500,000 | 8 | 44 | 8 | 44 |
| N2,510,001 - N3,020,000 | 22 | 72 | 22 | 72 |
| N3,240,001 - N3,750,000 | 266 | 310 | 266 | 310 |
| N3,990,001 - N4,500,000 | 195 | 144 | 195 | 144 |
| N4,710,001 - N5,220,000 | 267 | 161 | 267 | 161 |
| N5,390,001 - N5,900,000 | 148 | 93 | 148 | 93 |
| N5,990,001 - N6,600,000 | 164 | 122 | 164 | 122 |
| N6,900,001 - N7,710,000 | 87 | 71 | 87 | 71 |
| Above N7,710,000 | | | | |

Directors' remuneration (excluding pension contributions and certain benefits) was provided as follows:

| In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Executive compensation/fees | 297,839 | 297,839 | 297,839 | 297,839 |
| Other emoluments | 142,790 | 142,790 | 142,790 | 142,790 |
| | **440,629** | **440,629** | **440,629** | **440,629** |

The directors' remuneration shown above includes:

| | | | | |
|---|---|---|---|---|
| Chairman | 6,266 | 6,266 | 6,266 | 6,266 |
| Highest paid director | 76,857 | 70,050 | 76,857 | 70,050 |

| In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **13a Other operating expenses** | | | | |
| Advertising and marketing | 1,266,180 | 1,290,508 | 1,266,180 | 1,290,508 |
| AMCON Levy (i) | 2,759,640 | 2,452,607 | 2,759,640 | 2,452,607 |
| Auditors remuneration | 150,000 | 142,742 | 140,000 | 132,742 |
| Business Expenses | 360,060 | 410,365 | 360,060 | 410,365 |
| Cash movement expenses | 530,796 | 492,801 | 530,796 | 492,801 |
| Diesel Expenses | 568,355 | 757,429 | 568,355 | 757,429 |
| Directors Expenses* | 58,869 | 172,706 | 58,869 | 172,706 |
| Directors fees | 33,000 | 33,000 | 33,000 | 33,000 |
| Donations | 110,806 | 79,307 | 110,806 | 79,307 |
| Electricity | 264,045 | 241,322 | 264,045 | 241,322 |
| General administrative expenses | 1,076,029 | 979,211 | 1,073,608 | 979,211 |
| CBN Penalties | 2,000 | 8,800 | 2,000 | 8,800 |
| Legal expenses | 198,968 | 149,907 | 198,968 | 149,907 |
| Insurance | 301,603 | 260,523 | 301,603 | 260,523 |
| NDIC Premium | 1,742,504 | 1,190,528 | 1,742,504 | 1,190,528 |
| Other premises and equipment costs | 370,206 | 476,706 | 370,206 | 476,706 |
| PAYE/Withholding expenses | 599,990 | 741,807 | 599,990 | 741,807 |
| Printing and stationery | 438,277 | 380,496 | 438,277 | 380,496 |
| Other Professional fees | 1,024,931 | 679,320 | 1,024,931 | 679,320 |
| Digital Bank Professional fees | 344,060 | 345,130 | 344,060 | 345,130 |
| Repairs and maintenance | 1,903,682 | 1,874,635 | 1,903,682 | 1,874,635 |
| Security expenses | 601,834 | 592,163 | 601,834 | 592,163 |
| Service charge | 1,143,074 | 988,959 | 1,143,074 | 988,959 |
| SMS Expenses & Others | 67,306 | 48,129 | 67,306 | 48,129 |
| Statutory expenses | 110,281 | 39,964 | 110,281 | 39,964 |
| Technology and alternative channels (ii) | 2,548,421 | 2,276,268 | 2,548,421 | 2,276,268 |
| Transport & Communications | 540,394 | 514,323 | 540,394 | 514,323 |
| | **19,115,311** | **17,619,655** | **19,102,890** | **17,609,655** |

Directors Expenses* - movement was due to training expenses in the year 2018

(I) AMCON contributory cost relates to contribution towards the fund set up by the Central Bank of Nigeria for the bailout of the banking sector. The cost is charged at 0.5% of the preceding year's total assets and off-balance sheet exposures.

(ii) This represents expenses incurred by the bank on electronic and digital platforms

Employees other than Directors, earning more than N200,000 per annum, whose duties were wholly or mainly discharged in Nigeria, received emoluments (excluding pension contributions and certain benefits) in the following ranges:

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| 13b | Depreciation and amortization | | | | |
| | In thousands of Nigerian Naira | | | | |
| | Property, plants and equipment | 2,580,647 | 2,207,915 | 2,580,647 | 2,207,915 |
| | Right of use | 209,686 | - | 209,686 | - |
| | Investment property | 942 | 5,399 | 942 | 5,399 |
| | Intangible assets | 525,571 | 409,254 | 525,571 | 409,254 |
| | | **3,316,846** | **2,622,568** | **3,316,846** | **2,622,568** |

## 14 Earnings per share

### Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculation of basic earnings per share as at 31 December 2019 was based on the profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

| | Group | | Bank | |
|---|---|---|---|---|
| In thousands | | | | |
| Weighted average number of ordinary shares - basic;'000 | 38,574,466 | 38,574,466 | 38,574,466 | 38,574,466 |
| Profit attributable to ordinary shareholders-basic | | | | |
| Profit for the year attributable to equity holders of the Bank '000 | 5,199,940 | 3,326,420 | 5,210,748 | 3,359,259 |
| Earnings per share -basic (Kobo) | 13.5 | 8.6 | 13.5 | 8.6 |

## 15 Cash and cash equivalents

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| In thousands of Nigerian Naira | | | | | |
| Cash and balances with banks | | 20,634,380 | 17,114,625 | 20,627,135 | 17,114,625 |
| Unrestricted balances with central bank (Note | (i) | 14,703,557 | 6,863,422 | 14,703,557 | 6,863,422 |
| Money market placements | | 30,681,544 | 18,180,366 | 30,681,544 | 18,180,366 |
| IFRS 9 ECL Adjustment | | (45,208) | (35,614) | (45,208) | (35,614) |
| | | **65,974,273** | **42,122,799** | **65,967,028** | **42,122,799** |

(I) Included in the balance is a sum of N 930,162,226.26 which represents principal deduction made by the Central Bank of Nigeria (CBN) on bailout funds provided to the bank for certain sub-national governments.

## 15b Restricted Deposit with CBN

This represents mandatory cash deposit held with Central Bank of Nigeria as a regulatory Cash Reserve Requirements (CRR).

The CRR rate was increased from 20% to 22.5% for both private and public sector funds in the year 2016 and the rate has been maintained till the date. The balance as at 31 December 2019 was N137,392,701,000 (N2018 - N58,054,204,000).

Restricted deposits with Central Bank are not available for use in day to day operations.

The sum of N16billion is included in restricted deposits which represents shortfall in the regulatory Loan to Deposit ratio (LDR).

| | | | Group | | Bank | |
|---|---|---|---|---|---|---|
| | | | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **16** | **Pledged assetsHeld at amortised cost** | | | | | |
| | In thousands of Nigerian Naira | | | | | |
| | Treasury bills (note 16.1) | 16.1 | 7,818,251 | 6,793,338 | 7,818,251 | 6,793,338 |
| | Bonds (16.2) | 16.2 | 19,107,276 | 13,790,095 | 19,107,276 | 13,790,095 |
| | | | **26,925,527** | **20,583,433** | **26,925,527** | **20,583,433** |

**16.1** The treasury bills are pledged for clearing activities with the clearing bank and as collection bank for government taxes and electronic card transactions with Federal Inland Revenue Service (FIRS), Nigerian Interbank Settlement System (NIBSS) and Interswitch Nigeria Limited. The bank cannot trade on these pledged assets during the period that such assets are committed as pledged.

**16.2** The Bonds are pledged as collateral for interbank takings and intervention credit granted to the Bank by the Bank of Industry for the purpose of refinancing existing loans to Small and Medium Scale Enterprises Scheme under secured borrowing with related liability of N2billion (2018: N2.78billion) as disclosed in note 28.

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | In thousands of Nigerian Naira | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **17** | **Investment securities** | **151,196,057** | **71,617,784** | **140,065,186** | **60,729,209** |
| | Current | 128,934,300 | 43,755,275 | 128,934,300 | 43,755,275 |
| | Non-current | 22,261,758 | 27,862,510 | 11,130,886 | 16,973,934 |
| **17a** | **Investment securities measured at FVTOCI** | | | | |
| | Treasury bills | 493,568 | - | 493,568 | - |
| | Equity (see note (i) below) | 1,299,975 | 880,074 | 1,300,975 | 881,074 |
| | | **1,793,543** | **880,074** | **1,794,543** | **881,074** |
| **17b** | **Investment securities measured at FVTPL** | | | | |
| | Treasury Bills (see (ii) below) | **105,164,284** | **11,708,530** | **105,164,284** | **11,708,530** |
| **17c** | **Investment securities measured at amortised cost** | | | | |
| | Treasury Bills | 23,276,448 | 32,046,745 | 23,276,448 | 32,046,745 |
| | FGN Bonds | 19,442,617 | 25,253,421 | 8,534,652 | 14,363,846 |
| | Other Bonds (see (iii) below) | 1,702,690 | 2,044,825 | 1,702,690 | 2,044,825 |
| | Impairment on bond | (1,271,400) | (72,699) | (1,271,400) | (72,699) |
| | Opening IFRS 9 Adjustment | - | (241,936) | - | (241,936) |
| | IFRS 9 ECL Adjustment | (7,430) | (1,175) | (7,430) | (1,175) |
| | | **43,142,925** | **59,029,181** | **32,234,960** | **48,139,606** |
| **(i)** | **Equity** | | | | |
| | **Quoted Investments:** | | | | |
| | **Unquoted Investments:** | | | | |
| | Unified Payment Services Limited | 7,474 | 7,474 | 7,474 | 7,474 |
| | FMDQ | 15,000 | - | 15,000 | - |
| | Nigeria Inter-Bank Settlement System | 47,482 | 47,482 | 47,482 | 47,482 |
| | WEMA Funding SPV Plc (a) | - | - | 1,000 | 1,000 |
| | Fair value gain on (FVTOCI) financial assets (b) | 1,230,019 | 825,118 | 1,230,019 | 825,118 |
| | | **1,299,975** | **880,074** | **1,300,975** | **881,074** |

(a) Wema Funding SPV PLC was incorporated on 30 June 2016 and commenced operations on 12 October 2016. The principal activity of the company is to raise or borrow money by the issue of bond or debt instruments and invest the money raised or borrowed in securities or any other investments as the company may deem fit.

(b) **Description of Valuation Methodology and inputs**

**Market approach**

The bank have adopted the market multiples (guideline public companies and transaction) valuation approach in estimating the fair value of investment in the three entities. This methodology expounds that similar assets should sell for the same value or similar prices.

The fair value measurement of unquoted equity instruments under the market multiples approach consists of the following steps:

(i) Identifying guideline public companies and guideline public transactions.
The bank obtained a list of guideline for public companies and guideline for public transactions using the S&P Capital IQ platform.

(ii) This represents Nigerian Treasury Bills with maturity of less than 360 days; a face value of N149,565,347,000 stated at Fair value through profit or loss.

(iii) Other bonds - these are held to maturity securities for state and corporate entities, stated at amortised cost as shown below:

| Entities | Approach |
|---|---|
| Financial Market Dealers Quote | We have selected a universe of African and other Asian developing markets guideline public companies that operate in the Financial Exchange and Data Industry. We limited the adjust multiples to reflect African guideline public companies only |
| Nigerian Inter-bank Settlement | We shortlisted guideline public companies that provide payment processing services in emerging markets in emerging and developed markets. We based our calculation on the average of both markets |
| Unified Payment Services | We shortlisted guideline public companies that provide data processing and outsourced services in emerging marketsin emerging and developed markets. we based our calculation on the average of both markets. |

(ii) Selecting the performance measure that is most relevant to assessing the value of the investee (i.e. the performance measure that market participants will typically use to price the investee). This would typically be by reference to trading multiples, for example, earnings, book value of equity or revenue. The bank adopted the price to book value (P/B) for FMDQ, while it adopted the enterprise value to earnings before income, tax, depreciation and amortisation (EV/EBITDA) for NIBSS and UPS, as this reflects the nature of these entities' businesses and operations.

(iii) The bank applied the appropriate valuation multiple to the relevant performance measure of the investee to obtain an Indicative fair value of the investee's equity value as at the valuation date.

(iv) We made appropriate adjustments to ensure comparability between the unquoted equity instruments held in the subject entity and the equity instruments of the guideline public companies. We have made adjustments to the multiples for the size of the bank relative to the size of the guideline public companies. We have also made adjustments for the country risk of the bank relative to the country risk of their peer companies.

(v) We made appropriate adjustments to the equity values obtained from the guideline for public companies and guideline of public transactions methodologies to reflect the marketability of each company's shares and the ownership in the companies (majority or minority stake).

In determining the equity values of FMDQ, NIBSS and UPS, we considered the following:

| Entities | Approach |
|---|---|
| Marketability discount | We made adjustment to the guideline of comparable companies and transaction to account for the lack of marketability of the firm's share. the discount of 19.07% applied is the average of 15%-23%, sourced from the result of an industry survey of discounts and premiums typically applied to valuations in West Africa. |
| Minority discount | We made no adjustment for minority discounts in the guideline of company's methodology as the multiples are on minority basis already |

Based on the results from the different performance measures, the bank adopted the fair value based on the P/B value of guideline for public companies for FMDQ, and EV/EBITDA value of guideline for public companies for NIBSS and UPS. The bank then adjusted the enterprise values derived for net debt/excess cash in estimating the equity value for NIBSS and UPS.

The bank have not selected the equity value based on guideline transactions given that the obtained guideline transactions occurred in the distant past (with the most recent transaction occurring in 2016) and it is difficult to determine the extent to which the transaction value was impacted by changes between the transaction and the valuation date.

### Determine the indicative valuation ranges

The indicative valuation range of Wema's investment in the unquoted equity securities was established using the mean point of the valuation ranges.

| CORPORATE | | 2019 | 2018 |
|---|---|---|---|
| | | N | N |
| 1 | 7YR: DANA Group Bond Series 1 | 1,271,400 | 1,344,097 |
| **STATE BONDS** | | | |
| 2 | EKITI State Govt Bond Tranche 11 | 198,649 | 371,423 |
| 3 | ONDO State Govt Bond | 232,641 | 329,305 |
| | | 431,290 | 700,728 |
| | | **1,702,690** | **2,044,825** |
| | ECL allowance | **(1,271,400)** | **(72,699)** |
| | | **431,290** | **1,972,126** |

## 18 Loans and advances to customers at amortised cost

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **In thousands of Nigeria Naira** | | | | |
| Overdrafts | 27,436,741 | 28,517,756 | 27,436,741 | 28,517,756 |
| Term Loans | 269,662,529 | 231,163,886 | 269,662,529 | 231,163,886 |
| Advances under finance lease | 4,269,032 | 1,902,080 | 4,269,032 | 1,902,080 |
| Gross loans and receivables | **301,368,302** | **261,583,722** | **301,368,302** | **261,583,722** |
| Less ECL allowances | | | | |
| 12-months ECL credit | (7,104,750) | (5,532,165) | (7104,750) | (5,532,165) |
| Life-time ECL Not impaired | (377,572) | - | (377,572) | - |
| Life-time ECL credit impaired | (4,646,110) | (1,586,070) | (4,646,110) | (1,586,070) |
| Opening IFRS 9 adjustment | - | (2,633,426) | - | (2,633,426) |
| Closing IFRS 9 adjustment | - | (63,610) | - | (63,610) |
| Adjusted interest on impaired loans | - | 421,162 | - | 421,162 |
| | (12,128,432) | (9,394,109) | (12,128,432) | (9,394,109) |
| | **289,239,870** | **252,189,613** | **289,239,870** | **252,189,613** |
| **Total Loans and Advances** | | | | |
| Current | 131,380,819 | 138,926,994 | 131,380,819 | 138,926,994 |
| Non-current | 169,987,483 | 122,656,728 | 169,987,483 | 122,656,728 |
| | **301,368,302** | **261,583,722** | **301,368,302** | **261,583,722** |

**Movement in expected credit loss**

| In thousands of Nigerian Naira | Overdraft | Term Loan | Advances under finance lease | Totals |
|---|---|---|---|---|
| **Balance as at 1 January 2019** | **1,735,905** | **7,517,270** | **140,934** | **9,394,109** |
| 12-months ECL credit | 1,516,451 | 6,172,803 | 118,785 | 7,808,039 |
| Life-time ECL Not impaired | | | | |
| Life-time ECL credit impaired | 219,454 | 1,344,467 | 22,149 | 1,586,070 |
| ECL allowance during the year | 461,318 | 4,490,475 | 6,719 | 4,958,512 |
| Written off in the year as uncollectible | (792,311) | (510,398) | (1,149) | (1,303,857) |
| Amounts recovered during the year | | (48,931) | - | (48,931) |
| **Balance as at 31 December 2019** | **1,404,912** | **10,577,016** | **146,504** | **12,128,432** |
| 12-months ECL credit | 786,322 | 6,216,053 | 102,375 | 7,104,750 |
| Life-time ECL Not impaired | 21,812 | 355,760 | - | 377,572 |
| Life-time ECL credit impaired | 596,778 | 4,005,203 | 44,129 | 4,646,110 |

## 19 Investment properties

| In thousands of Nigerian Naira | Group 31-Dec-19 | Group 31-Dec-18 | Bank 31-Dec-19 | Bank 31-Dec-18 |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 1 January 2019 | 47,079 | 280,633 | 47,079 | 280,633 |
| Disposal | - | (233,554) | - | (233,554) |
| **Balance at 31 Dec 2019** | **47,079** | **47,079** | **47,079** | **47,079** |
| **Accumulated depreciation and impairment** | | | | |
| Balance at 1 January 2019 | 6,807 | 234,962 | 6,807 | 234,962 |
| Charge for the year | 942 | 5,399 | 942 | 5,399 |
| Disposal | - | (233,554) | - | (233,554) |
| **Balance at 31 Dec 2019** | **7,749** | **6,807** | **7,749** | **6,807** |
| Cost | 47,079 | 47,079 | 47,079 | 47,079 |
| Accumulated depreciation | 7,749 | 6,807 | 7,749 | 6,807 |
| | **39,330** | **40,273** | **39,330** | **40,273** |

(i) Investment properties represent land and buildings that are not substantially occupied by the bank but held for investment purposes. Investment properties are carried at cost less accumulated depreciation and impairment losses in accordance with the cost model. Investment properties are depreciated over a useful life of 50 years with a nil residual value. Had investment property been carried at fair value, the fair value as at 31 December 2019 would have been N115,563,000.00 (31 December 2018: N103,305,825.08). The valuations was provided by Messrs Diya Fatimilehin & Co. (FRC/2013/NIESV/00000000754) and Jide Taiwo & Co. (FRC/2012/0000000000254) surveyors and valuers

(ii) On 19 December, 2013 the Central Bank of Nigeria issued a circular that all deposit money banks should dispose off all the investment properties in their books on or before 30 June, 2014. The directors are aware of this directive and all necessary efforts is being made to ensure compliance. Although the directors are committed to a plan to sell the asset as directed by the Central Bank of Nigeria; however, the asset requires some process to be in place before disposal and this we have initiated. Hence, the sale is not expected to qualify for recognition as a completed sale within one year from the date of classification.

Consequently, the assets were not classified as Held for sale as the stipulated criteria in IFRS 5 regarding this has not been met.

## 20 Property and equipment

**Group / Bank**

| In thousands of Nigerian Naira | Land | Buildings | Furniture & Office Equipment | Motor Vehicles | Computer Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 January 2019 | **1,295,911** | **15,822,468** | **6,779,414** | **2,314,087** | **7,042,609** | **1,811,324** | **35,065,813** |
| Additions | 80,750 | 906,697 | 1,162,382 | 1,171,364 | 2,598,701 | (1,166,298) | 4,753,596 |
| Disposals | (72,550) | (26,115) | (29,209) | (391,093) | (27,727) | - | (546,694) |
| **Balance at 31 Dec 2019** | **1,304,111** | **16,703,050** | **7,912,588** | **3,094,358** | **9,613,583** | **645,026** | **39,272,715** |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at 1 January 2019 | - | 4,662,373 | 4,733,308 | 1,600,677 | 5,466,760 | - | 16,463,117 |
| Charge for the year | - | 320,447 | 814,972 | 320,616 | 1,124,612 | - | 2,580,647 |
| Disposals | - | (12,475) | (28,020) | (341,308) | (26,880) | - | (408,684) |
| **Balance at 31 Dec 2019** | **-** | **4,970,345** | **5,520,259** | **1,579,984** | **6,564,492** | **-** | **18,635,081** |
| Carrying amounts | | | | | | | |
| Balance at 1 January 2019 | **1,295,911** | **11,160,095** | **2,046,107** | **713,410** | **1,575,850** | **1,811,324** | **18,602,696** |
| **Balance at 31 Dec 2019** | **1,304,111** | **11,732,705** | **2,392,329** | **1,514,374** | **3,049,090** | **645,026** | **20,637,634** |

**Property and equipment**
**Group / Bank**

| In thousands of Nigerian Naira | Land | Buildings | Furniture & Office Equipment | Motor Vehicles | Computer Equipment | Work in Progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at 1 January 2018 | 1,225,581 | 14,697,341 | 6,090,524 | 1,952,289 | 6,378,768 | 1,372,248 | 31,716,751 |
| Additions | 70,330 | 1,125,127 | 940,447 | 515,714 | 667,065 | 439,076 | 3,757,759 |
| Transfer to prepaid expenses | - | - | 437 | - | - | - | 437 |
| Disposals | - | - | (251,994) | (153,916) | (3,223) | - | (409,134) |
| Balance at 31 December 2018 | **1,295,911** | **15,822,468** | **6,779,414** | **2,314,087** | **7,042,609** | **1,811,324** | **35,065,813** |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at 1 January 2018 | - | 4,362,690 | 4,299,245 | 1,485,545 | 4,490,482 | - | 14,637,962 |
| Charge for the year | - | 299,683 | 673,447 | 255,527 | 978,629 | - | 2,207,914 |
| Disposals | - | | (239,385) | (140,395) | (2,351) | - | (382,131) |
| **Balance at 31 December 2018** | | | | | | | |
| Carrying amounts | **-** | **4,662,373** | **4,733,308** | **1,600,677** | **5,466,760** | **-** | **16,463,117** |
| Balance at 1 January 2018 | **1,225,581** | **10,334,651** | **1,791,279** | **466,744** | **1,888,286** | **1,372,248** | **17,078,789** |
| **Balance at 31 December 2018** | **1,295,911** | **11,160,095** | **2,046,107** | **713,410** | **1,575,850** | **1,811,324** | **18,602,696** |

## 21 Intangible assets

In thousands of Nigerian Naira

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Cost | | | | |
| Cost 1 January, 2019 | 4,197,401 | 3,619,870 | 4,197,401 | 3,619,870 |
| Additions | 596,662 | 577,531 | 596,662 | 577,531 |
| **Balance at 31 Dec 2019** | **4,794,063** | **4,197,401** | **4,794,063** | **4,197,401** |
| **Amortization and impairment losses** | | | | |
| Cost 1 January, 2019 | 3,270,010 | 2,860,778 | 3,270,010 | 2,860,778 |
| Amortization for the year | 525,571 | 409,232 | 525,571 | 409,232 |
| Adjustment | 24,413 | - | 24,413 | - |
| **Balance at 31 Dec 2019** | 3,819,994 | 3,270,010 | 3,819,994 | 3,270,010 |
| **Carrying amounts** | **974,069** | **927,391** | **974,069** | **927,391** |

## 22 Deferred tax assets and liabilities

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| In thousands of Nigerian Naira | | | | |
| At 1 January | 20,206,217 | 21,269,702 | 20,206,217 | 21,269,702 |
| Write down | (1,010,311) | (1,063,485) | (1,010,311) | (1,063,485) |
| **At 31 December** | **19,195,906** | **20,206,217** | **19,195,906** | **20,206,217** |

## 23 Other assets

| In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Accounts receivables | 488,523 | 3,269,568 | 488,523 | 3,269,568 |
| Prepayments | 885,274 | 1,311,633 | 885,274 | 1,311,633 |
| Stock | 715,567 | 558,870 | 715,567 | 558,870 |
| Collaterised Placement | 52,917 | 52,917 | 52,917 | 52,917 |
| Clearing Balance | 261,567 | 405,250 | 261,567 | 405,250 |
| Fraud & Burglary | 593,987 | 545,918 | 593,987 | 545,918 |
| CBN Special Reserve (see 23.1 below) | 677,214 | 677,214 | 677,214 | 677,214 |
| AGSMEIS Investment with CBN | 115,058 | 115,058 | 115,058 | 115,058 |
| Card Receivables | 2,141,123 | 833,931 | 2,141,123 | 833,931 |
| FBN Settlement | 371,065 | 42,838 | 371,065 | 42,838 |
| Other Settlements | - | 395,707 | - | 395,707 |
| Others | 11,136 | 91,079 | 11,136 | 91,079 |
| | 6,313,431 | 8,299,983 | 6,313,431 | 8,299,983 |
| Specific impairment on other assets | (1,433,642) | (3,840,077) | (1,433,642) | (3,840,077) |
| | **4,879,789** | **4,459,906** | **4,879,789** | **4,459,906** |
| At 1 January 2019 | 3,840,077 | 3,621,834 | 3,840,077 | 3,621,834 |
| Write off during the year | (2,406,435) | - | (2,406,435) | - |
| Allowance made during the year | - | 218,243 | - | 218,243 |
| **At 31 December,2019** | **1,433,642** | **3,840,077** | **1,433,642** | **3,840,077** |

### 23.1 CBN Special Reserve

The balance represents amount debited to the bank's current account with CBN as eligibility contribution to the Special Intervention Reserve for the Real Sector Support Facility (RSSF). The RSSF will be used to support start-ups and expansion financing needs of priority sectors of the economy to expand the industrial base and consequently diversify the economy. Draw down will be subject to banks contribution to the Special Intervention Reserve (SIR) with the CBN. The Facility shall be administered at an all-in interest rate/charge of 9 per cent per annum payable on quarterly basis. The CBN shall release the fund to DMBs at 2% interest rate.

| | Group | | Bank | |
|---|---|---|---|---|
| **24 Deposits from banks** | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| In thousands of Nigeria Naira | | | | |
| Money market deposits (Items in course of collection) | **3,638,400** | **-** | **3,638,400** | **-** |
| **25 Deposits from customers** | | | | |
| **25a Retail customers:** | | | | |
| Term deposits | 70,805,999 | 59,091,417 | 70,805,999 | 59,091,417 |
| Current deposits | 19,443,240 | 18,303,142 | 19,443,240 | 18,303,142 |
| Savings | 75,740,488 | 62,891,853 | 75,740,488 | 62,891,853 |
| **Corporate customers:** | | | | |
| Term deposits | 281,349,601 | 129,353,423 | 281,349,601 | 129,353,423 |
| Current deposits | 112,148,279 | 83,747,802 | 112,148,279 | 83,862,198 |
| Others | 17,795,862 | 15,812,131 | 17,795,862 | 15,812,131 |
| | **577,283,469** | **369,199,768** | **577,283,469** | **369,314,164** |

**25b** The maturity profile of customers' deposit is as follows:

| | Group 31-Dec-19 | Group 31-Dec-18 | Bank 31-Dec-19 | Bank 31-Dec-18 |
|---|---|---|---|---|
| Under 3 months | 339,734,521 | 254,244,803 | 339,734,521 | 254,359,200 |
| 3 - 6months | 125,234,648 | 50,122,360 | 125,234,648 | 50,122,360 |
| 6 - 12months | 34,980,628 | 11,924,196 | 34,980,628 | 11,924,196 |
| Over 12months | 77,333,672 | 52,908,409 | 77,333,672 | 52,908,409 |
| | **577,283,469** | **369,199,768** | **577,283,469** | **369,314,164** |

| | Group | | Bank | |
|---|---|---|---|---|
| In thousands of Nigerian Naira | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| **26** Taxation | | | | |
| **26.1** Income tax expense | | | | |
| Company income tax | 466,523 | 351,751 | 466,523 | 351,751 |
| NITDA Levy | 67,708 | 56,054 | 67,708 | 56,054 |
| Nigerian Police Trust Fund | 340 | - | 339 | - |
| Capital Gains Tax | 15,200 | - | 15,200 | - |
| Current Income Tax expense | 549,771 | 407,805 | 549,770 | 407,805 |
| Deferred tax expenses | 1,010,310 | 1,063,485 | 1,010,310 | 1,063,485 |
| | **1,560,081** | **1,471,290** | **1,560,080** | **1,471,290** |

The income tax expense for the year can be reconciled to the accounting profit as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| Profit before tax from continuing operations | 6,760,021 | 4,797,709 | 6,770,828 | 4,830,543 |
| Income tax expense calculated at 30% (2018:30%) | 2,031,248 | 1,449,165 | 2,031,248 | 1,449,165 |
| Effect of income that is exempt from taxation | (1,005,399) | (385,680) | (1,005,399) | (385,680) |
| Effect of expenses that are not deductible in determining taxable profit | - | - | - | - |
| Minimum tax adjustment | 466,523 | 351,751 | 466,523 | 351,751 |
| Information technology tax levy adjustment | 67,708 | 56,054 | 67,708 | 56,054 |
| | **1,560,081** | **1,471,290** | **1,560,080** | **1,471,290** |

| | | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **26.2** | **Current tax liabilities** | | | | |
| | At 1 January | 429,079 | 359,878 | 429,079 | 359,878 |
| | Payment during the year | (73,484) | (338,604) | (73,484) | (338,604) |
| | Charge for the year | 549,770 | 407,805 | 549,770 | 407,805 |
| | **At 31 December** | **905,364** | **429,079** | **905,364** | **429,079** |

The charge for taxation is based on the provision of the Company Income Tax Act Cap C21 LFN 2004. Education Tax is based on 2% of the assessable profit for the year in accordance with the Education Tax Act CAP E4 LFN 2004. NITDA levy is based on 1% of profit before tax in accordance with NITDA levy Act 2007.

## 27 Other liabilities

| In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **Financial Liabilities** | | | | |
| Creditors and accruals | 171,852 | 647,648 | 171,852 | 647,648 |
| Staff Deductions | 546,027 | 118,892 | 546,027 | 118,892 |
| Others taxes | 436,388 | 236,388 | 436,388 | 236,388 |
| Amcon Levy | - | 277,300 | - | 277,300 |
| Other current liabilities | 213,669 | 157,693 | 171,196 | 92,686 |
| Insurance Claim | 89,668 | 70,635 | 89,668 | 70,635 |
| Swift Payables | 96,547 | 75,997 | 96,547 | 75,997 |
| Western Union | 16,154 | 45,860 | 16,154 | 45,860 |
| Salary Suspense | 197,123 | 155,041 | 197,123 | 155,041 |
| Accounts payable | 640,355 | 595,884 | 640,355 | 595,884 |
| Electronic products payable | 407,972 | 425,679 | 407,972 | 425,679 |
| Certified cheques | 1,302,551 | 1,196,631 | 1,302,551 | 1,196,631 |
| Customer deposits for letters of credit | 9,084,928 | 4,585,784 | 9,084,928 | 4,585,784 |
| Discounting Line | 13,087,390 | 12,841,871 | 13,087,390 | 12,841,871 |
| Other Settlements | 241,855 | - | 241,855 | - |
| Remittances | 845,001 | 540,155 | 845,001 | 540,155 |
| | **27,377,480** | **21,971,458** | **27,335,007** | **21,906,452** |
| **Non-Financial Liabilities** | | | | |
| Litigation claims provision (i) | 328,571 | 196,435 | 328,571 | 196,435 |
| Other payables | 2,333,032 | 669,710 | 2,333,032 | 669,710 |
| | **30,039,084** | **22,837,603** | **29,996,610** | **22,772,597** |

| | | Group | | Bank | |
|---|---|---|---|---|---|
| **(i)** | **Movement in litigation claims provision** | | | | |
| | At 1 January | 196,435 | 76,435 | 196,435 | 76,435 |
| | Additions | 132,135 | 120,000 | 132,135 | 120,000 |
| | At 31 December,2019 | **328,571** | **196,435** | **328,571** | **196,435** |

| | In thousands of Nigerian Naira | Group | | Bank | |
|---|---|---|---|---|---|
| | | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| **28** | **Other borrowed funds** | | | | |
| | Due to BOI ((i) & (ii) below) | 2,001,782 | 2,776,464 | 2,001,782 | 2,776,464 |
| | CBN Agric. loan (iii below) | 1,945,234 | 825,234 | 1,945,234 | 825,234 |
| | CBN MSMEDF (iv below) | 572,189 | 1,000,112 | 572,189 | 1,000,112 |
| | Wema SPV (v below) | 24,705,937 | 24,676,317 | 13,637,957 | 13,628,623 |
| | National Housing Fund | 83,551 | 93,638 | 83,551 | 93,638 |
| | Shelter Afrique (see vi below) | 2,025,056 | 2,938,327 | 2,025,056 | 2,938,327 |
| | AFDB (see vii below) | 4,920,885 | 5,639,386 | 4,920,885 | 5,639,386 |
| | ICD (viii below) | - | 7,493,845 | - | 7,493,845 |
| | DBN (ix below) | 12,515,672 | 5,395 | 12,515,672 | 5,395 |
| | | **48,770,306** | **45,448,718** | **37,702,326** | **34,401,024** |

(I) The amount represents an intervention credit granted to the Bank by the Bank of Industry (BOI), a company incorporated in Nigeria for the purpose of refinancing or restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and manufacturing companies. The total facilities are secured by Nigerian Government Securities worth N8,934,491,000 and have a maximum tenor of 15 years.

(ii) A management fee of 1% deductible at source is paid by the Bank under the on-lending agreement and the Bank is under obligation to on-lend to customers at an all-in interest rate of 7% per annum. Though the facility is meant for on-lending to borrowers in specified sectors, the Bank remains the primary obligor to the BOI and therefore assumes the risk of default of customer.

(iii) This represents CBN intervention funds to some of the Bank's customers in the agricultural sector. The fund is administered at a maximum interest rate of 9% per annum. The maximum tenor of the facility is 7 years.

(iv) This represents CBN intervention funds to some bank's customers in Small & Medium Scale sector. The fund is administered at a maximum interest rate of 9% per annum and maximum tenor of 5 years.

(v) The Wema SPV represents amortized cost of the fixed rate unsecured bond issued by Wema Funding SPV Plc. The outstanding bond of N6,295,000,000 and N17,675,000,000 (principal) were issued on 12 October 2016 and 2018 respectively for a period of 7 years at 18.5% and 16.5% per annum with interest payable semi-annually and principal payable at maturity in October 2023 and 2025 respectively.

(vi) This amount represents the bank's foreign facility from Shelter Afrique, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+6.5% (Libor plus 6.5%)

(vii) This amount represents the bank's foreign facility from AFDB, this was granted to the Bank for a period of 7 years. It is repayable bi-annually with interest rate of L+5.2% (Libor plus 5.2%)

(viii) This amount represents the bank's foreign facility from ICD, this was granted to the Bank for a period of 5 years, with 1 year moratorium. It is repayable at maturity with interest rate of 6.91% (mid swap 2.96% plus 395 bps per annum). This has been repaid accordingly

(ix) The amount represents the outstanding balance on the on-lending facilities granted to the bank by the Development Bank of Nigeria (DBN) in respect of the Micro, Small and Medium Scale Enterprises (MSMES) and small corporates. The tenor of these facilities ranges between 1 and 7 years with interest rate in the following order:

- 0-3 years 9.6%
- 3-6 years 11.6%
- Above 6 years 13.1%

## 28.1 Movement in the liabilities

| | Group | | Bank | |
|---|---|---|---|---|
| | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| At 1 January | 45,448,718 | 39,459,511 | 34,401,024 | 36,627,761 |
| Additions | 14,036,739 | 31,033,157 | 14,036,739 | 22,857,417 |
| Effect of exchange rate changes [loss/(profit)] | 902,168 | 451,111 | 902,168 | 451,111 |
| Payments made | (11,617,320) | (25,495,061) | (11,637,605) | (25,535,265) |
| **At 31 December** | **48,770,306** | **45,448,718** | **37,702,326** | **34,401,024** |

## 29 Right of use

The Bank leases several assets which includes buildings for commercial and residential purposes.
The average lease term is 5years.

| In thousands of Nigerian Naira | As at 31 Dec 2019 |
|---|---|
| **COST** | |
| At 1 January 2019 | - |
| Additions | 719,649 |
| At 31 December, 2019 | 719,649 |
| **DEPRECIATION CHARGE** | |
| At 1 January 2019 | - |
| Charge for the year | 209,686 |
| As at 31 December, 2019 | 209,686 |
| **CARRYING AMOUNT** | |
| At 31 December, 2019 | 509,963 |

Approximately one fifth of the leases for property, plant and equipment expired in the current financial year.

The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of N131.7million in 2019.

| | | As at 31 Dec 2019 |
|---|---|---|
| | | N'000 |
| **b.** | **LEASE LIABILITY** | |
| | At 1 January 2019 | - |
| | Addition during the year | 61,774 |
| | Interest expense for the year | 10,810 |
| | **As at 31 December, 2019** | **72,584** |

| | In thousands of Nigerian Naira | Group 31-Dec-19 | Group 31-Dec-18 | Bank 31-Dec-19 | Bank 31-Dec-18 |
|---|---|---|---|---|---|
| **30** | **Share capital and Reserves** | | | | |
| (a) | The share capital comprises: | | | | |
| (i) | Authorised - 40,000,000 Ordinary shares (2018 - 40,000,000,000) Ordinary shares of 50k each (2018 - 50k) | 20,000,000 | 20,000,000 | 20,000,000 | 20,000,000 |
| (ii) | Issued and fully paid - 38,574,466,000 Ordinary shares (2018-38,574,466,000) shares of 50k each (2018 - 50k) | **19,287,233** | **19,287,233** | **19,287,233** | **19,287,233** |
| **b** | **Share Premium** | | | | |
| | **At 31 December** | **8,698,230** | **8,698,230** | **8,698,230** | **8,698,230** |

Share premium is the excess paid by shareholders over the nominal value for their shares

### (C) Statutory reserves

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

### (d) Fair value reserve

The fair value reserve includes the net cumulative change in the fair FVTOCI investments until the investment is derecognised or impaired.

### (e) SMEIES Reserve

The SMEIES reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. However, this is no longer mandatory.

**(f) Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

| | Group | | Bank | |
|---|---|---|---|---|
| In thousands of Nigeria Naira | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| At 1 January | 5,992,622 | 4,089,570 | 6,102,353 | 4,166,460 |
| Profit or loss | 5,199,940 | 3,326,420 | 5,210,748 | 3,359,259 |
| Opening balance adjustment | (75,706) | - | - | - |
| Transfer to Regulatory risk reserve | (4,192,804) | (415,589) | (4,192,804) | (415,589) |
| Transfer to Statutory Reserve | (1,563,224) | (1,007,778) | (1,563,224) | (1,007,778) |
| Dividend Paid to Shareholders | (1,157,235) | - | (1,157,235) | - |
| Transfer to Credit Risk Reserve | (781,612) | - | (781,612) | - |
| Regulatory charge to SMEIS | (167,963) | - | (167,963) | - |
| **At 31 December** | **3,254,018** | **5,992,622** | **3,450,262** | **6,102,353** |

**(g) Regulatory risk reserve**

The regulatory risk reserve warehouses the excess of the impairment on loans and advances computed under the Nigerian GAAP based on the Central Bank of Nigeria prudential guidelines compared with the incurred loss model used in calculating the impairment under IFRSs.

**(h) Credit Risk Reserve**

The credit risk reserve warehouses the 15% of PAT in respect of Pan Ocean credit in line with Central Bank of Nigeria requirement on the facility in addition to the prudential provisions.

## 31 Contingencies

**(i) Litigation and claims**

There are litigation claims against the Bank as at 31 December 2019 amounting to N10,670,204,446.32 (31 December 2018: N11,058,581,506.36 These litigations arose in the normal course of business and are being contested by the Bank. The Directors, having sought advice of professional counsel, are of the opinion that no significant additional liability will crystallise from these claims; other than as recognised in these financial statements.

**(ii) Contingent liabilities and commitments**

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, endorsements, guarantees and letters of credit.

**Nature of instruments**

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities include performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customers' credit worthiness.
Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period or have no specific maturity but are cancellable by the lender subject to notice requirements.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk

| In thousands of Nigerian naira | **Group 31-Dec-19** | **Group 31-Dec-18** | **Bank 31-Dec-19** | **Bank 31-Dec-18** |
|---|---|---|---|---|
| Contingent liabilities: | | | | |
| Guarantees and indemnities | 67,644,200 | 44,413,119 | 67,644,200 | 44,413,119 |
| Bonds | 3,937,590 | 4,995,812 | 3,937,590 | 4,995,812 |
| Clean-line facilities & irrevocable letters of credit | 13,076,960 | 13,511,351 | 13,076,960 | 13,511,351 |
| ECL during the year | (768,381) | (48,049) | (768,381) | (48,049) |
| **Closing balance** | **83,890,369** | **62,872,234** | **83,890,369** | **62,872,234** |

### Disclosure

We confirm that in line with Rule 17.15 of the NSE Rulebook, 2015, Wema Bank Plc. has a Securities Trading Policy which guides its directors, employees and all individuals categorized as insiders in their dealings in the companies' shares. The Company has made specific inquiries of all the directors and other insiders and is not aware of any infringement of the policy.

## 32 Related party transactions

**Transactions with key management personnel**

The Bank's key management personnel and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Wema Bank Plc.

Key management personnel and their immediate relatives transacted with the Bank during the year as follows:

**Loans and advances:**

| | Group | | Bank | |
|---|---|---|---|---|
| In thousands of Nigerian naira | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| Loans and advances: | | | | |
| At 1 January | 6,372,986 | 6,661,918 | 6,372,986 | 6,661,918 |
| Granted during the year | 1,644,000 | 715,400 | 1,644,000 | 715,400 |
| Repayments during the year | (2,741,322) | (1,004,332) | (2,741,322) | (1,004,332) |
| At 31 December | **5,275,664** | **6,372,986** | **5,275,664** | **6,372,986** |
| Interest earned | 809,752 | 1,279,257 | 809,752 | 1,279,257 |
| Deposit Liabilities | | | | |
| Deposits | **214,302** | **79,234** | **214,302** | **79,234** |

Interest rates charged on balances outstanding are rates that would be charged in an arm's length transaction. The secured loans granted are secured over real estate, equities and other assets of the respective borrowers. Impairment losses of N268,387,850.00 (2018- N42,584,580.16) have been recorded against balances outstanding during the period with key management personnel and their immediate relatives at the year end.

**Transactions with other related parties**
**31 December 2019**

| | Relationship | Loans N'Million | Deposits N'Million | Interest Receive N'Million | Interest Paid N'Millon |
|---|---|---|---|---|---|
| Petrolex Oil & Gas Limited | Related to a Principal Shareholder | 894.49 | 101 | 211 | 8 |
| Leasing Partners Limited | Related to a Serving Director | 299.53 | - | 183 | - |
| Applemark Nigeria Limited | Related to a Serving Director | 0.68 | - | 23 | 1 |
| Spectrun Ventures Limited | Related to a Serving Director | 91.17 | | 6 | 1 |
| Folly-Yem Allied Services Limited | Related Company to a Mgt. Staff | 94.68 | - | - | - |
| E and O Power and Equipment Leasing | Related to a Principal Shareholder | 4.75 | - | 1 | 0 |
| WEMABOD Estates Limited | Related to a Principal Shareholder | 867.28 | 113 | 106 | 11 |
| Oladiran Engineering and Trade Ltd | Related to a Principal Shareholder | 921.13 | - | - | - |
| Diamed Centre Limited | Related to a Principal Shareholder | 278.45 | - | - | - |

**Transactions with other related parties**
**31 December 2018**

| | **Relationship** | **Loans N'Million** | **Deposits N'Million** | **Interest Receive N'Million** | **Interest Paid N'Million** |
|---|---|---|---|---|---|
| Petrolex Oil & Gas Limited | Related to a Principal Shareholder | 2,688 | 272 | 645 | 46 |
| Leasing Partners Limited | Related to a Serving Director | 1,737 | - | 417 | - |
| Applemark Nigeria Limited | Related to a Serving Director | 120 | - | 29 | - |
| Spectrun Ventures Limited | Related to a Serving Director | 69 | | 17 | - |
| ODUA Invstment Company Limited | Principal Shareholder | 28 | - | 7 | - |
| Folly-Yem Allied Services Limited | Related Company to a Mgt. Staff | 13 | - | 3 | - |
| Premier Hotel | Related to a Principal Shareholder | 8 | - | 2 | - |
| E and O Power and Equipment Leasing | Related to a Principal Shareholder | 5 | - | 1 | 0 |
| WEMABOD Estates Limited | Related to a Principal Shareholder | 1,180 | 187 | 283 | 32 |

# PRINCIPAL SHAREHOLDERS, AND THEIR RELATED INTERESTS AS AT 31 DECEMBER 2019

| S/N | NAMEOFCOMPANY/INDIVIDUAL | FACILITYTYPE | RELATIONSHIP TO REPORTING INSTITUTION | DIRECTOR'S NAME | LOAN PRINCIPAL OUTSTANDING | CONTINGENTS OUTSTANDING | NATURE OF SECURITY | LOAN STATUS |
|---|---|---|---|---|---|---|---|---|
| 1 | PETROLEX OIL&GAS LIMITED | TERMLOAN | RELATED COY TO A PRINCIPALSHAREHOLDER | KESSINGTON ADEBUTU | 913,916,450.29 | - | GUARANTEES&PLEDGES | PERFORMING |
| 2 | APPLEMARK NIGERIA LIMITED | TERMLOAN | SERVING DIRECTOR | ABUBAKARR. LAWAL | 683,819.92 | - | LEGALMORTGAGE | PERFORMING |
| 3 | SAMUEL OLADIPUPO DUROJAYE | OVERDRAFT | SERVING DIRECTOR | SAMUEL DUROJAIYE | 23,998,977.86 | - | LEGALMORTGAGE | PERFORMING |
| 4 | SAMUEL OLADIPUPO DUROJAYE | OVERDRAFT | SERVING DIRECTOR | SAMUEL DUROJAIYE | 20,137.88 | - | LEGALMORTGAGE | PERFORMING |
| 5 | MORUF ABIOLA OSENI | OVERDRAFT | SERVING DIRECTOR | MORUF OSENI | - | - | DOMICILIATION | PERFORMING |
| 6 | MORUF ABIOLA OSENI | OVERDRAFT | SERVING DIRECTOR | MORUF OSENI | - | - | DOMICILIATION | PERFORMING |
| 7 | MORUF ABIOLA OSENI | TERMLOAN | SERVING DIRECTOR | MORUF OSENI | 204,572,669.79 | - | LEGALMORTGAGE | PERFORMING |
| 8 | PREMIERHOTEL | OVERDRAFT | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUAGROUP | - | - | DOMICILIATION | PERFORMING |
| 9 | SOLOMON KESINGTON AGRO ALLIED LTD(OPERATIONS ACCOUNT) | OVERDRAFT | RELATED COY TO A PRINCIPALSHAREHOLDER | KESSINGTONADEBUTU | - | - | LEGALMORTGAGE | PERFORMING |
| 10 | OLUWOLE STEPHEN AKINLEYE | OVERDRAFT | SERVING DIRECTOR | OLUWOLEAKINLEYE | - | - | DOMICILIATION | PERFORMING |
| 11 | OLUWOLE STEPHEN AKINLEYE | TERMLOAN | SERVING DIRECTOR | OLUWOLEAKINLEYE | 204,572,669.79 | - | LEGALMORTGAGE | PERFORMING |
| 12 | ADEBODE ADEFIOYE | OVERDRAFT | SERVING DIRECTOR | ADEBODEADEFIOYE | 1,417,762.09 | - | LEGALMORTGAGE | PERFORMING |
| 13 | ADEBODE ADEFIOYE | OVERDRAFT | SERVING DIRECTOR | ADEBODEADEFIOYE | 7,441.97 | - | LEGALMORTGAGE | PERFORMING |
| 14 | LEASING PARTNERS LIMITED | TERMLOAN | SERVING DIRECTOR | ABUBAKARR. LAWAL | 299,527,582.20 | - | LEGALMORTGAGE/SHARES | PERFORMING |
| 15 | LEASING PARTNERS LIMITED | OVERDRAFT | SERVINGDIRECTOR | ABUBAKARR. LAWAL | - | - | LEGALMORTGAGE/SHARES | PERFORMING |
| 16 | SPECTRUM VENTURES LIMITED ACCOUNT2 | TERMLOAN | CROSS DIRECTORSHIP | ADEBODE ADEFIOYE | 91,165,544.31 | - | LEGALMORTGAGE | PERFORMING |
| 17 | ADEMOLA A ADEBISE | OVERDRAFT | SERVING DIRECTOR | ADEMOLA ABIMBOLAADEBISE | - | - | DOMICILIATION | PERFORMING |
| 18 | ADEMOLA A ADEBISE | TERMLOAN | SERVING DIRECTOR | ADEMOLA ABIMBOLA ADEBISE | 281,287,420.95 | - | LEGALMORTGAGE | PERFORMING |
| 19 | WEMABOD ESTATES LTD ACC1 | TERMLOAN | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUA GROUP | 772,227,767.78 | - | LEGALMORTGAGE | PERFORMING |
| 20 | WEMABOD ESTATES LTD ACC1 | TERMLOAN | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUA GROUP | - | - | LEGALMORTGAGE | PERFORMING |
| 21 | WEMABOD ESTATES LTD ACC1 | TERMLOAN | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUA GROUP | 95,050,689.37 | - | LEGALMORTGAGE | PERFORMING |
| 22 | ODUAINV COY LTD | OVERDRAFT | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUA GROUP | - | - | STOCKS&SHARES | PERFORMING |
| 23 | FOLAKE SANU | OVERDRAFT | SERVING DIRECTOR | FOLAKE SANU | - | - | DOMICILIATION | PERFORMING |
| 24 | FOLAKE SANU | TERMLOAN | SERVING DIRECTOR | FOLAKE SANU | 189,054,213.17 | - | DOMICILIATION | PERFORMING |
| 25 | NURUDEEN ADEYEMO FAGBENRO | OVERDRAFT | EX-DIRECTOR | NURUDEEN ADEYEMOFAGBENRO | 456.76 | - | DOMICILIATION | PERFORMING |
| 26 | FOLLY-YEMALLIED SERVICES LIMITED | OVERDRAFT | RELATED COY TO A MGT STAFF | OLUWOLE AJIMISINMI | - | - | BILLOFSALE-VEHICLES | PERFORMING |
| 27 | FOLLY-YEMALLIED SERVICES LIMITED | TERMLOAN | RELATED COY TO A MGT STAFF | OLUWOLE AJIMISINMI | 94,678,855.12 | - | LEGALMORTGAGE | PERFORMING |
| 28 | EANDOPOWER AND EQUIPMENT LEASING | OVERDRAFT | RELATED COY TO A PRINCIPALSHAREHOLDER | ODUA GROUP | 4,750,068.44 | - | DOMICILIATION | PERFORMING |
| 29 | SOLOMON KESINGTON AGRO ALLIED LTD(OPERATIONS ACCOUNT) | OVERDRAFT | RELATEDOBLIGORTOAPRINCIPALSHAREHOLDER | KESSINGTON ADEBUTU | - | - | LEGALMORTGAGE | PERFORMING |
| 30 | SAMUEL OLADIPUPO DUROJAYE | OVERDRAFT | SERVING DIRECTOR | SAMUEL DUROJAIYE | - | - | LEGALMORTGAGE | PERFORMING |
| 31 | OLADIRAN ENGINEERING AND TRADE LIMITED | OVERDRAFT | RELATEDOBLIGORTOAPRINCIPALSHAREHOLDER | KESSINGTON ADEBUTU | 921,134,096.23 | - | LEGALMORTGAGE | PERFORMING |
| 32 | THAMES VALLEY INTERNATIONAL SCHOOL LIMITED | TERMLOAN | EX-DIRECTOR | NURUDEEN ADEYEMO FAGBENRO | 76,714,751.17 | - | MORTGAGEDEBENTURE | PERFORMING |
| 33 | THAMES VALLEY INTERNATIONAL SCHOOL LIMITED | TERMLOAN | EX-DIRECTOR | NURUDEEN ADEYEMO FAGBENRO | 655,359,076.75 | - | MORTGAGEDEBENTURE | PERFORMING |
| 34 | THAMES VALLEY INTERNATIONAL SCHOOL LIMITED - DBN ACCOUNT | TERMLOAN | EX-DIRECTOR | NURUDEEN ADEYEMO FAGBENRO | 445,518,360.26 | - | MORTGAGEDEBENTURE | PERFORMING |
| 35 | THAMES VALLEY INTERNATIONAL SCHOOL LIMITED | OVERDRAFT | EX-DIRECTOR | NURUDEEN ADEYEMOFAGBENRO | 5,553.30 | - | MORTGAGEDEBENTURE | PERFORMING |
| | | | | | 5,275,664,365.40 | - | | |

## 33 Contraventions

The bank contravened the following legislations during the year and paid penalties to the tune of N2,000,000.00:

In thous ands of Nigeria Naira

| Particular | Nature of contravention | Penalties |
|---|---|---|
| CBN | Customer Complaint Resolution | 2,000 |

## 34 Events after reporting period

The outbreak of Corona Virus globally in December 2019 and in Nigeria in 2020 has led to disruption of business due to its effects on individuals and organization in various ways. The virus has taken its toll on not just human life, but businesses and financial markets too, the extent of which is currently indeterminate. While the outbreak has had an impact on almost all entities either directly or indirectly, some of the worst-hit sectors are aviation, hospitality and retail with more and more sectors coming under its radar with widespread lockdowns being enforced across the world. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. The Federal Government and Central Bank of Nigeria have responded with monetary and fiscal interventions to stabilise economic conditions. In response to this the Federal Government of Nigeria directed cessation of movements for initial period of 14days effective 30 March, 2020, this has now been extended by another 14 days until the end of the month of April, 2020. All businesses and offices are affected with exception of power distribution, oil and gas (petroleum) and retail companies. The bank has keyed in to the Central Bank of Nigeria policy measures and as part of its risk management action plan embarked on the following:

a. Branches located in key cities are open only for strategic business with corporate customers to provide service to customers in the identified companies that are not affected by the lockdown.
b. Any Central Bank of Nigeria intervention loans which are currently under moratorium are granted additional period of one year with new amortisation schedules for all beneficiaries.
c. All interest rates on CBN intervention facilities have been reduced from 9% to 5%
d. The bank has key in to providing credit support for health care industry to meet the need of the public and CBN intervention in that sector. This is in addition to the intervention in the agricultural and manufacturing sectors of the Nigerian economy.
e. The bank also considered temporary and time-limited restructuring of the tenor and loan terms for business and household affected by the outbreak of COVID-19 particularly Oil and gas, Agriculture and Manufacturing companies. The bank is working with Central Bank of Nigeria to ensure that the issue of forbearance is targeted, transparent and temporary which will not in anyway affect our business operation and will be in consonance with the apex bank policy measures.
f. Strategy has also been mapped out to beef up buffers in the bank through granting of credit facilities to individuals, households and business which good cash flows and good management structure.

The directors of the bank are of the opinion that these events are non-adjusting subsequent events. Hence, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect the impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Bank for future periods. However, we believe with the usual support of Central bank of Nigeria as banker of last resort, the commitment to risk management plan the bank will remain viable in business in the foreseeable future and will be able to meet its financial obligations as a commercial bank as at when due.

There are no other events beyond the scope of COVID-19 stated above that provide evidence that our banking business will not continue or that are material and require disclosure in these financial statements.

# Risk Overview

## Enterprise Risk Management

Enterprise Risk Management in Wema Bank is a process, effected by the Board of Directors, Management and other personnel, applied in strategy setting and across the Bank, designed to identify potential events that may affect the Bank, and manage risk to be within the Bank's risk appetite, to provide reasonable assurance regarding the achievement of the Bank's objectives.

It includes the methods and processes used by the Bank to manage risks and seize opportunities related to the achievement of set objectives. It also provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the bank's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, the Bank protects and creates value for their stakeholders, including owners, employees, customers, regulators, and society overall.

## Introduction

The business activities that Wema Bank engages in are, by their very nature, risky. The bank profits from the creation of risk assets and mitigates losses by the effective management of the risks it assumes. Consequently, risk management drives and encompasses all our activities and decisions.

The Bank's Enterprise Risk Management (ERM) framework is integrated with its Governance and Compliance framework. Effective Governance ensures that Risks are understood, managed and communicated in an appropriate manner. Ultimately, the purpose of the Bank's Enterprise Risk Management functions is to identify, measure, evaluate, monitor, report and control all material risks on a timely basis and to assess the adequacy of our capital and liquidity in relation to our risk profile and market/macroeconomic conditions.

The Board, either directly or acting through its committees sets the risk appetite of the Bank. The Board sets this risk appetite taking into cognizance the Bank's strategic objectives and the risks that the organization is willing to assume in the pursuit of these objectives. At all points, the Board is acutely aware of the fact that while risk appetites and tolerance levels are set individually for various risks, there is a strong correlation amongst several risks and often these risks reinforce each other. Our policies and processes are aligned with our risk management strategy and established risk appetite.

Our employees are encouraged to monitor, assess, report and actively manage risks within their operational spheres. Comprehensive risk registers are maintained, and an annual review is undertaken of all business units and process through the Risk and Control Self-Assessment exercise (RCSA). A culture of personal accountability and integrity is encouraged throughout the organization and employees are encouraged to report observed wrong doings anonymously through dedicated whistleblowing channels. Regular training in all aspects of our risk culture helps to reinforce expected behavior.

Risks are identified and documented through the Bank's risk map process which sets out the Bank's risk profile in relation to key risk categories in its component business units. Identified risks are regularly assessed through the bank's risk appetite framework, stress testing process and in terms of emerging risks. Using the Basel II Pillar 1 framework, our Credit, Operational and Market risks are regularly measured and monitored. Other Pillar 2 risks are measured and provided for through our Internal Capital Adequacy Assessment Process (ICAAP).

## Risk management framework and governance

The Bank's Risk Management Framework is set up on a distinct organizational structure and established policies to guide in the process of identifying, analyzing, managing and monitoring the various risks inherent in the business as well as setting appropriate risk limits and controls to align the risks with the strategic objectives.

The Bank's activities and processes involve the identification, measurement, evaluation, acceptance and management of risk or combinations of risks. The Board, advised by the various Board and Management Risk Committees, requires and encourages a strong risk governance culture which shapes the Bank's attitude to risk.

We believe that risk management encompasses the insights delivered by information which facilitate appropriate actions. Our annual risk cycle is designed to give management relevant and timely information from which trends can be observed and evaluated.

The governance structure supporting our risk cycle is designed to deliver the right information, at the right time, to the right people. The Bank adopts a holistic view of in the assessment and management all major risks. Wema remain vigilant regarding both known and emerging risks and ensure that we are strong enough to withstand any exogenous shocks. Our board risk committees play a critical role in providing oversight of risk management and ensuring that our risk appetite, risk culture and risk profile are consistent with and support our strategy to deliver long-term and sustainable growth.

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The management of risk is evolving and necessitate a regular review of the effectiveness of each enterprise risk management component. It is in the light of this that the Bank's ERM Framework is subject to continuous review to ensure effective and cutting-edge risk management. The review is done in the following ways:

- Through continuous self-evaluation and monitoring by the risk management and compliance functions in conjunction with internal audit;
- And through independent evaluation by external auditors, examiners and consultants.

Wema Bank runs an automated approach to managing, communicating, and implementing enterprise risk management policies and procedures across the Bank. This provides an integrated and dynamic platform for documenting and analyzing risks, developing mitigation plans, defining controls, and managing continuous risk assessments. It provides clear visibility on key risk indicators, assessment results, and compliance initiatives. We believe that understanding and managing our risks and continuously improving our controls are central to the delivery of our strategic objectives.

### Balancing Risk and Return

Striking a balance between risk and return aims is to minimize the downside, while optimizing the upside with a view to enhance shareholders' values and transmit confidence to our other capital providers and clients, as well as ensure the overall sustainability of our business. Every business activity requires the Bank to put capital at risk in exchange for the possibility of earning a return. In some activities, the level of return is quite predictable, whereas in others it can vary over a very wide spectrum, ranging from loss to profit.

Over the years we have continuously improved our ERM Framework, to focus on where we take risks. This helps us to:

- Understand the nature of the risks we are taking and the range of possible outcomes under various scenarios
- Understand the capital required to assume these risks
- Understand the range of returns that we can earn on the capital allocated to these risks; and
- Attempt to optimize the risk-adjusted return on investments

Our objective of balancing risk returns, and capital has led us to enhance substantially our risk management methodologies, to be able to identify threats, uncertainties and opportunities and in turn develop mitigation and management strategies to achieve a desired outcome.

### Enterprise-wide Scenario and Stress Testing

We use robust and appropriate scenario stress testing to assess the potential impact on the Group's capital adequacy and strategic plans. Our stress testing and scenario analysis programme is central to the monitoring of strategic and potential risks. It highlights the vulnerabilities.
The Bank has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

## Enterprise risk management report

The Bank's Enterprise Risk Management comprises five (5) functional departments, namely:

- Credit Risk Management
- Operational Risk Management
- Market and Liquidity Risk Management
- Loan Review and Monitoring
- Remedial Asset Management

The Bank's corporate vision, mission and objectives remain the fulcrum around which the risk management strategies revolve, these include:

- Definition of strategic objectives;
- Proactive portfolio planning;
- Proactive control over money and capital market activities;
- Proactive account planning;
- Conduct of consistent portfolio review;
- Regular conduct of macro-economic review;
- Institution of robust IT – driven operational process; and
- Definition of risk and return preferences.

The various risk management related committees and sub committees of the Board and Management improved substantially in the discharge of their statutory and oversight functions. The committees include:
Enterprise risk management report Testing (cont'd)

- The Board Risk Management Committee (BRMC);
- The Management Risk Committee (MRC);
- The Board Credit Committee (BCC);
- The Management Credit Committee (MCC);
- The Asset and Liability Committee (ALCO);
- The Executive Committee (EXCO);

## Credit Risk Management

### Overview

Credit risk refers to the probability of loss due to a borrower's failure to make payments on any type of debt. Credit risk management is the practice of mitigating losses by understanding the adequacy of a bank's capital and loan loss reserves at any given time. Credit risk arises anytime funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements through contingent liabilities.

Credit risk is governed by the Credit Committees which oversees the overall Credit Risk Management process. The Bank has established objectives for overall quality and diversification of its credit portfolio and criteria for the selection of obligors and counterparties. The Bank's policies establish exposure limits by single or connected borrowers, sectors, industry and geographic region.

The credit risk management of the Bank is mainly concerned with generation of profits, which are commensurate with the risks being undertaken to meet the Bank's target returns on assets and investment.

In line with best practice, the Bank implements an integrated and quantitative credit risk process aimed at reducing loan losses and ensuring that capital reserves appropriately reflect the risk profile. The process incorporates the following:

- Better model management that spans the entire modeling life cycle.
- Real-time scoring and limits monitoring.
- Robust stress-testing capabilities.
- Data visualization capabilities and business intelligence tools that get important information into the hands of those who need it, when they need it.

The credit risk management functions of the Bank involve credit analysis, credit administration and loan review to ensure that the quality of the aggregate risk asset portfolio is not compromised from disbursement to full payback.

The credit risk management function helps to guide lending officers in balancing the quality and quantity of the loan portfolio of the bank to achieve earnings objectives while also meeting appropriate credit needs, maintaining proper credit standards, holding risk to reasonable limits, minimizing losses, evaluating new business opportunities, adjusting to changes in the regulatory environment and providing adequate liquidity.

The Bank's credit risk management objective is to enable us to have a high quality and well diversified risk asset portfolio, which will:

- Generate profits which are commensurate with the risks and meet the bank's target Return on Assets;
- Enable the Bank to identify potential problem risk assets thus keeping non-performing assets and charge-offs to the barest possible;
- Adhere (as much as practicable) to directives concerning exposure to industries/sectors identified to be strategic.

To achieve these objectives, the Bank does the following:

- Identify target markets
- Determine its risk appetite and appropriate returns;
- Structure and develop products that will meet clients' requirements but with minimal risk to the bank;
- Manage the risk asset portfolio effectively and efficiently.

In Wema Bank, credit risk management is guided by the following;

### Trust and integrity

Individuals and companies place their funds with us trusting our integrity in managing these funds. This integrity flows through everything the Bank does. Any break in the chain of "continuous integrity, no matter how small and no matter where; will eventually lead to the decline of the Bank – if it is not checked." The Bank will not take any action that may compromise its integrity.

It is easy to forget the importance of integrity. In credit functions, you are far removed from the depositors who have entrusted their money to you. As the funds you lend come from so many sources, you often feel no specific responsibility. As Bankers, we make conscious efforts to continuously strengthen our integrity. The name; Wema Bank is a constant reminder of this need.

Two examples of the application of the integrity principle are, avoiding conflicts of interest (for instance loans to the Bank's auditors) and complying with Government regulations.

### Understanding risk

The bank's main activity is to manage risk. Risk, simply defined, is the variability of possible outcomes. It is also is the potential for uncontrolled loss of something of value. For every transaction, you must learn to identify and optimize returns from all risks undertaken. Risk in this sense is an opportunity once fully understood.

One method is to think through the transaction step by step. At each point ask what could go wrong and how can I:

- Alert myself to the event.
- Identify inherent risks and minimize unwanted risks/outcomes.
- Optimize returns from risks undertaken.

It is this principle that guides us to always have at least two separate ways out of a loan.

### Matching risk and return

For every risk the Bank takes we must have a matching return for taking that risk. All too often we take the interest and fees we charge as fixed and simply apply our efforts to structuring a credit. In many instances the return on the credit is far too low for the risk of lending. For instance, a 10% profit margin on a loan is a small compensation for losing the whole loan. It would take the profit of 10 good loans just to break even. In this situation, our success rate must be over 90% of all loans.

However, in special cases we might decide to have an exposure to a company at a low return with the expectation of getting other business accounts which will improve our profitability from the relationship.

Delinquent loans are costly to manage. From experience a bad loan takes more than ten times as much management effort as a good loan. For every bad loan, the opportunity cost in lost income from other activities is very high. Bad loans are a major drag on a bank's efficiency.

### Independent verification

For us in Wema Bank, a guiding principle of credit is that all information should be independently verified. This may involve an external expert or a skilled member of staff. Independently verified information helps to reduce risk considerably.

An important aspect of independent verification is the separation of controls. For instance, the person who prepares a credit should not be the one who approves it.

### Complying with government regulations

A key principle of credit policy is that the bank will always comply with all government regulations. This principle is based on several factors. The bank operates under a license. The terms of the license call for compliance with government regulations. By not complying, we not only breach our contract with the authorities, we also risk losing our license or incurring penalties.

Also, if we assume that government regulations are in the best interest of the country, then we work against this interest when we break them. If we break regulations and this information reaches the market, then our reputation will be diminished. The fall in reputation could result in lost business and reduced profit. Considering all the negative results of breaking regulations, we are much better off complying with them.

### Credit risk policy

The Bank's Credit Policy is the set of principles on the basis of which it determines who it will lend money to or give credit.

### Target market & client focus

Establishing a target market and focusing on clients, forms the basis of a strong business and credit relationship. At Wema Bank, we do not intend to meet all the finance needs of all customers. We thus focus our efforts on target markets, specifically chosen by us after detailed studies.

The target markets are the industries a credit team concentrates its marketing efforts on. Client focus identifies the specific customers within that target market for whom we wish to be the primary Bank. Lending to these customers will be dependent on their meeting our Risk Acceptance Criteria (RAC).

Building a profitable, high quality credit portfolio is the key aim of every Account Officer at Wema Bank. A good Account Officer is not one that aims at winning and retaining any client at all costs but the one that learns to say "no' not just to low quality credit proposals but also to those credit requests that do not fit into our corporate strategy.

### Credit concentration risk

Credit concentration risk refers to any single exposure or group of exposures with the potential to result in large losses which may impair the Bank's earnings or capital because of significant credit risk events affecting the single obligor or group of obligors with similar business or risk profile.

Basel II recognizes that credit risk concentrations are the single most important cause of major problems in Banks globally. Credit concentration risk is defined in the Basel II Accord as "any single exposure or group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations."

Regular monitoring and review of the credits within the various portfolios are undertaken with the objective of identifying changes to credit quality, credit concentration and where appropriate, taking corrective action. Swift identification of problematic credits and potential incidents of concentration is a key objective for the Bank.

## Gross loans and advances to customers and the non performing loan portion per industry sector as at 31 December , 2019

*Carrying amounts presented in the table below are determined as gross loans less impairment allowances.
The non-performing loans (NPL) is presented in accordance with Central Bank of Nigeria (CBN) prudential guidelines.

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| In thousands of naira | Loans and advances to customers | | | | Loans and advances to customers | | | |
| | Gross loans | NPL | Impairment allowance | Carrying amount | Gross loans | NPL | Impairment allowance | Carrying amount |
| ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES | 177,824 | 24,529 | 7,957 | 169,866 | 177,824 | 24,529 | 7,957 | 169,866 |
| AGRICULTURE, FORESTRY AND FISHING | 11,724,163 | 649,968 | 325,567 | 11,398,596 | 11,724,163 | 649,968 | 325,567 | 11,398,596 |
| ARTS, ENTERTAINMENT AND RECREATION | 25,492 | 18 | 583 | 24,909 | 25,492 | 18 | 583 | 24,909 |
| CAPITAL MARKET | 403,913 | - | 11,234 | 392,680 | 403,913 | - | 11,234 | 392,680 |
| CONSTRUCTION | 42,467,058 | 3,627,751 | 1,497,132 | 40,969,926 | 42,467,058 | 3,627,751 | 1,497,132 | 40,969,926 |
| EDUCATION | 2,459,085 | 233,594 | 88,856 | 2,370,230 | 2,459,085 | 233,594 | 88,856 | 2,370,230 |
| FINANCE AND INSURANCE | 3,159,685 | 137,159 | 102,677 | 3,057,008 | 3,159,685 | 137,159 | 102,677 | 3,057,008 |
| GENERAL | 26,280,174 | 3,943,939 | 3,073,667 | 23,206,507 | 26,280,174 | 3,943,939 | 3,073,667 | 23,206,507 |
| GENERAL COMMERCE | 49,940,660 | 7,449,894 | 2,856,401 | 47,084,259 | 49,940,660 | 7,449,894 | 2,856,401 | 47,084,259 |
| GOVERNMENT | 17,123,182 | 37,124 | 399,292 | 16,723,890 | 17,123,182 | 37,124 | 399,292 | 16,723,890 |
| HUMAN HEALTH AND SOCIAL WORK ACTIVITIES | 303,610 | - | 9,856 | 293,754 | 303,610 | - | 9,856 | 293,754 |
| INFORMATION AND COMMUNICATION | 1,371,261 | 15,206 | 47,796 | 1,323,466 | 1,371,261 | 15,206 | 47,796 | 1,323,466 |
| MANUFACTURING | 16,774,059 | 494,258 | 400,756 | 16,373,304 | 16,774,059 | 494,258 | 400,756 | 16,373,304 |
| OIL AND GAS | 57,729,752 | 1,078,548 | 1,336,906 | 56,392,846 | 57,729,752 | 1,078,548 | 1,336,906 | 56,392,846 |
| POWER AND ENERGY | 15,362,792 | - | 354,947 | 15,007,845 | 15,362,792 | - | 354,947 | 15,007,845 |
| PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | 8,823,410 | 1,497,640 | 359,121 | 8,464,288 | 8,823,410 | 1,497,640 | 359,121 | 8,464,288 |
| REAL ESTATE ACTIVITIES | 22,540,537 | 2,832,648 | 534,025 | 22,006,512 | 22,540,537 | 2,832,648 | 534,025 | 22,006,512 |
| TRANSPORTATION AND STORAGE | 24,139,290 | 221,978 | 708,811 | 23,430,479 | 24,139,290 | 221,978 | 708,811 | 23,430,479 |
| WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL | 562,354 | 4 | 12,848 | 549,506 | 562,354 | 4 | 12,848 | 549,506 |
| **Grand Total** | **301,368,302** | **22,244,259** | **12,128,432** | **289,239,870** | **301,368,302** | **22,244,259** | **12,128,432** | **289,239,870** |

## Gross loans and advances to customers-and the non performing loan portion per industry sector as at 31 December, 2018

| In thousands of naira | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| | Loans and advances to customers | | | | Loans and advances to customers | | | |
| | Gross loans | NPL | Impairment allowance | Carrying amount | Gross loans | NPL | Impairment allowance | Carrying amount |
| ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES | 179,254 | 16,851 | 12,811 | 166,444 | 179,254 | 16,851 | 12,811 | 166,444 |
| AGRICULTURE, FORESTRY AND FISHING | 9,038,888 | 539,570 | 879,643 | 8,159,245 | 9,038,888 | 539,570 | 879,643 | 8,159,245 |
| ARTS, ENTERTAINMENT AND RECREATION | 187,200 | 2,034 | 1,748 | 185,451 | 187,200 | 2,034 | 1,748 | 185,451 |
| CAPITAL MARKET | 2,418,413 | 0 | 5,165 | 2,413,248 | 2,418,413 | 0 | 5,165 | 2,413,248 |
| CONSTRUCTION | 38,452,338 | 3,440,035 | 1,169,400 | 37,282,939 | 38,452,338 | 3,440,035 | 1,169,400 | 37,282,939 |
| EDUCATION | 1,936,860 | 164,569 | 42,368 | 1,894,492 | 1,936,860 | 164,569 | 42,368 | 1,894,492 |
| FINANCE AND INSURANCE | 2,468,573 | 98,163 | 23,046 | 2,445,526 | 2,468,573 | 98,163 | 23,046 | 2,445,526 |
| GENERAL | 17,955,662 | 2,159,211 | 2,070,948 | 15,884,713 | 17,955,662 | 2,159,211 | 2,070,948 | 15,884,713 |
| GENERAL COMMERCE | 41,995,725 | 3,566,161 | 2,502,110 | 39,493,615 | 41,995,725 | 3,566,161 | 2,502,110 | 39,493,615 |
| GOVERNMENT | 12,079,134 | 2,150 | 2,326 | 12,076,809 | 12,079,134 | 2,150 | 2,326 | 12,076,809 |
| HUMAN HEALTH AND SOCIAL WORK ACTIVITIES | 325,136 | 0 | 2,654 | 322,482 | 325,136 | 0 | 2,654 | 322,482 |
| INFORMATION AND COMMUNICATION | 363,111 | 9,479 | 14,975 | 348,136 | 363,111 | 9,479 | 14,975 | 348,136 |
| MANUFACTURING | 10,703,353 | 290,584 | 270,115 | 10,433,237 | 10,703,353 | 290,584 | 270,115 | 10,433,237 |
| OIL AND GAS | 52,466,188 | 64,947 | 328,437 | 52,137,750 | 52,466,188 | 64,947 | 328,437 | 52,137,750 |
| POWER AND ENERGY | 15,216,560 | 502 | 1,223,052 | 13,993,508 | 15,216,560 | 502 | 1,223,052 | 13,993,508 |
| PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES | 15,162,821 | 1,162,906 | 654,334 | 14,508,488 | 15,162,821 | 1,162,906 | 654,334 | 14,508,488 |
| REAL ESTATE ACTIVITIES | 26,471,303 | 1,509,934 | 153,484 | 26,317,819 | 26,471,303 | 1,509,934 | 153,484 | 26,317,819 |
| TRANSPORTATION AND STORAGE | 13,037,967 | 0 | 33,658 | 13,004,309 | 13,037,967 | 0 | 33,658 | 13,004,309 |
| WATER SUPPLY; SEWAGE, WASTE MGT AND REMEDIAL | 1,125,239 | 0 | 3,835 | 1,121,403 | 1,125,239 | 0 | 3,835 | 1,121,403 |
| **Grand Total** | **261,583,723** | **13,027,095** | **9,394,109** | **252,189,614** | **261,583,723** | **13,027,095** | **9,394,109** | **252,189,614** |

### Responsibilities of business and credit risk management

In Wema Bank, Business units and Credit Risk Management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities. Business Relationship Managers will be responsible for deriving the ORR using approved methodologies as set out in the Bank's policy, however Credit Risk Management will validate such ratings.

Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current. In Wema Bank, Credit Risk Management has the final authority if there is a question about a specific rating.

### Credit process

Wema Bank's credit process starts with target market identification and portfolio planning. Credit requests are initiated by the Strategic Business Units, and the credit requests are subjected to review and approvals by applicable credit approving authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

Monitoring of facilities is undertaken by both the Strategic Business Units and the Bank's Loan Review and Monitoring Department. The process is centralized.

### Credit risk rating policy

A risk rating is a grade given to a loan (or a group of loans), reflecting its quality. Risk ratings are usually in numbers. For instance, risk ratings range from AAA to D, where AAA represents a loan of highest quality and D represents a loan of lowest quality. Risk classifications are in form of interpretation such as Extremely Low Risk, Average Risk, High Risk, Substandard or Lost. In many cases both ways of assessing risks are used together.

As the Bank manages a large number of loans, by giving each one a grade or risks rating, a number of processes can be performed more effectively.

### Risk rating methodology and process

The credit rating of the obligors plays a vital role in final credit decisions as well as in the terms offered for successful loan applications. Wema Bank employs a robust credit rating system in the determination of the Obligor and inherent risks and thus allows the bank to maintain its asset quality at a desired level.

As the Bank manages a large number of loans, by giving each one a grade or risks rating, a number of processes can be performed more effectively. These processes include:

1. Measuring the riskiness of the total portfolio of loans (for instance a weighted average).
2. Monitoring the trend in the quality of loans (for instance from January to December average risk rating fell 2 points from A toBBB).
3. Establishing guidelines for Risk Based Pricing (e.g. Rating A may be priced as prime while Rating C may be priced at prime + 3%).
4. Providing performance measures (for instance, recognition could be given to the team with the lowest average risk rating).
5. Providing criteria for taking action on loans (for instance all loans of risk rating CCC will be mentioned at MCC to ensure they do not deteriorate further).

| RISK CLASSIFICATION | RISK GRADE | RISK WEIGHT |
|---|---|---|
| Extremely Low Risk | AAA | 9.0 -10.0 |
| Very Low Risk | AA | 8.0 - 8.9 |
| Low Risk | A | 7.0 - 7.9 |
| Above Average Risk | BBB | 6.0 - 6.9 |
| Average Risk | BB | 5.5 - 5.9 |
| Below Average Risk | B | 5.0 - 5.4 |
| High Risk/ Watchlist | CCC | 4.5 - 4.9 |
| Very High Risk/ Substandard | CC | 4.0 - 4.4 |
| Extremely High Risk/Doubtful | C | 3.5 - 3.9 |
| Bad and Lost | D | Below 3.5 |

Credit risk rating models in Wema Bank
The following are the credit risk rating models deployed by the Bank.

Obligor Risk Rating Models have been developed for:

1. Retail exposures
2. Commercial exposures
3. Corporate exposures

Facility Risk Rating Models have been developed for:

1. Probability of Default
2. Loss Given Default
3. Exposure at Default

## Credit approval and lending authorities

The key objective of Wema Bank lending is to make profits. In making a credit decision a Relationship Manager must have sufficient information to evaluate a potential borrower's character, collateral, capital and capacity. They must also understand the external conditions, which will affect the borrower's ability to meet their financial obligations. To ensure that decisions to lend are made at levels that reflect the size and complexity of the loans, different loan amounts fall under special approval authorities. The proper lending authority must approve all facilities, loans and commitments to all clients.

The lending authority in the Bank shall flow through the management hierarchy with the final authority residing in the Board of Directors.

The Bank maintains internal credit approval limits for various levels of authority in the credit process. The current position as approved by the Board and Management is as shown in the table below:

| Authority level | Approval limit |
|---|---|
| Board | Above N1.5 billion |
| Board Credit Committee | N1.5 billion |
| Management Credit Committee | N500 million |
| Managing Director | N150 million |
| Other Approving Authorities | As approved & delegated by the Managing Director |

Some other specific control and mitigation measures are outlined below:
Collateral
In line with the Bank's credit policy, security is taken for all credits granted. In order to ensure adequacy of collateral in the event of default of principal loan and interest, the Bank's policy requires a minimum of 150% of the Forced Sale Value (FSV) of all non-cash collateral and 110% cover for cash collaterised loans.

Furthermore, in order to ensure credibility and integrity of security valuation, the Bank has limited acceptable security valuation to two (2) prominent accredited estate valuers in Nigeria.

The major types of collateral acceptable for loans and advances include:

I. Mortgages over residential properties;
II. Charges over business assets such as premises, inventory and accounts receivable;
III. Charges over financial instruments such as debt securities and equities.
IV. Cash

Longer-term finance and lending to corporate entities as well as individuals are generally secured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as loss indicators are noticed for the relevant loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset- backed securities and similar instruments, which are secured by portfolios of financial instruments.

## Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2019 are as follow

| In thousands of Naira | Group | | Bank | |
|---|---|---|---|---|
| | Total exposure | Value of colla teral | Total exposure | Value of collateral |
| Secured against property/real estate | 130,273,444 | 151,481,889 | 130,273,444 | 151,481,889 |
| Secured by equities | 56,321,829 | 15,771,330 | 56,321,829 | 15,771,330 |
| Secured by debenture on stock and companies' assets | 95,918,757 | 82,073,148 | 95,918,757 | 82,073,148 |
| Cash collateral, lien over fixed and floating assets | 17,853,647 | 26,905,632 | 17,853,647 | 26,905,632 |
| Unsecured | 1,000,626 | - | 1,000,626 | - |
| **Total Gross amount** | **301,368,302** | **276,231,999** | **301,368,302** | **276,231,999** |
| Impairment allowance | (12,128,432) | - | (12,128,432) | - |
| **Net carrying amount** | **289,239,870** | **276,231,999** | **289,239,870** | **276,231,999** |

Notes to the Consolidated and Separate Financial Statements for the Year Ended

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December, 2019

## Group

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Disclosure by Collateral | | | | | |
| Property/Real estate | 125,611,731 | 16,024,125 | 5,813,786 | 4,032,247 | 151,481,889 |
| Equities | 7,671,263 | 2,576,891 | 49,000 | 5,474,176 | 15,771,330 |
| Debenture on stock and companies' assets | 71,698,609 | 5,468,028 | 4,892,730 | 13,780 | 82,073,148 |
| Cash | 19,013,823 | 5,903,784 | 861,395 | 1,126,629 | 26,905,632 |
| Grand total: Fair value of collateral | 223,995,426 | 29,972,829 | 11,616,911 | 10,646,832 | 276,231,999 |
| Grand total: Gross loans | 257,650,183 | 27,436,741 | 12,012,346 | 4,269,031 | 301,368,302 |
| Grand total: Impairment | 10,160,173 | 1,404,912 | 416,843 | 146,504 | 12,128,432 |
| Grand total: Net amount | 247,490,011 | 26,031,829 | 11,595,503 | 4,122,527 | 289,239,870 |
| Grand total: Amount of over/(under) collaterization | (23,494,585) | 3,941,000 | 21,408 | 6,524,305 | (13,007,872) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against 12 months ECL loans and advances | | | | | |
| Property/Real estate | 121,727,530 | 14,381,859 | 5,813,786 | 3,880,837 | 145,804,012 |
| Equities | 7,669,863 | 1,032,124 | 49,000 | 5,469,261 | 14,220,248 |
| Debenture on stock and companies' assets | 61,680,150 | 2,316,999 | 4,892,730 | 13,780 | 68,903,658 |
| Cash | 18,923,823 | 5,890,447 | 861,395 | 1,126,629 | 26,802,294 |
| Fair value of collateral | 210,001,366 | 23,621,429 | 11,616,911 | 10,490,507 | 255,730,212 |
| Gross loans | 238,456,430 | 22,446,232 | 12,012,346 | 4,209,931 | 277,124,940 |
| Impairment | 5,799,210 | 786,322 | 416,843 | 102,375 | 7,104,750 |
| Net amount | 232,657,220 | 21,659,910 | 11,595,503 | 4,107,556 | 270,020,190 |
| Amount of over/(under) collaterization | (22,655,854) | 1,961,519 | 21,408 | 6,382,951 | (14,289,977) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL not credit -impaired loans and advances | | | | | |
| Property/Real estate | 926,427 | 3,054 | - | - | 929,481 |
| Equities | - | - | - | - | - |
| Debenture on stock and companies' assets | 9,377,721 | 49,886 | - | - | 9,427,607 |
| Cash | - | - | - | - | - |
| Fair value of collateral | 10,304,148 | 52,940 | - | - | 10,357,088 |
| Gross loans | 14,574,185 | 574,437 | - | - | 15,148,622 |
| Impairment | 355,760 | 21,812 | - | - | 377,572 |
| Net amount | 14,218,424 | 552,626 | - | - | 14,771,050 |
| Amount of over/(under) collaterization | (3,914,276) | (499,686) | | | (4,413,962) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL credit -impaired loans and advances | | | | | |
| Property/Real estate | 2,957,773 | 1,639,212 | - | 151,410 | 4,748,396 |
| Equities | 1,400 | 1,544,767 | - | 4,916 | 1,551,083 |
| Debenture on stock and companies' assets | 640,739 | 3,101,144 | - | - | 3,741,883 |
| Cash | 90,000 | 13,337 | - | - | 103,337 |
| Fair value of collateral | 3,689,912 | 6,298,461 | - | 156,326 | 10,144,698 |
| Gross loans | 4,619,568 | 4,416,071 | - | 59,100 | 9,094,740 |
| Impairment | 4,005,203 | 596,778 | - | 44,129 | 4,646,110 |
| Net amount | 614,365 | 3,819,294 | - | 14,972 | 4,448,630 |
| Amount of over/(under) collaterization | 3,075,547 | 2,479,167 | - | 141,354 | 5,696,068 |

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December, 2019

## Bank

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Disclosure by Collateral | | | | | |
| Property/Real estate | 125,611,731 | 16,024,125 | 5,813,786 | 4,032,247 | 151,481,889 |
| Equities | 7,671,263 | 2,576,891 | 49,000 | 5,474,176 | 15,771,330 |
| Debenture on stock and companies' assets | 71,698,609 | 5,468,028 | 4,892,730 | 13,780 | 82,073,148 |
| Cash | 19,013,823 | 5,903,784 | 861,395 | 1,126,629 | 26,905,632 |
| Grand total: Fair value of collateral | 223,995,426 | 29,972,829 | 11,616,911 | 10,646,832 | 276,231,999 |
| Grand total: Gross loans | 257,650,183 | 27,436,741 | 12,012,346 | 4,269,031 | 301,368,302 |
| Grand total: Impairment | 10,160,173 | 1,404,912 | 416,843 | 146,504 | 12,128,432 |
| Grand total: Net amount | 247,490,011 | 26,031,829 | 11,595,503 | 4,122,527 | 289,239,870 |
| Grand total: Amount of over/(under) collaterization | (23,494,585) | 3,941,000 | 21,408 | 6,524,305 | (13,007,872) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against 12 months ECL loans and advances | | | | | |
| Property/Real estate | 121,727,530 | 14,381,859 | 5,813,786 | 3,880,837 | 145,804,012 |
| Equities | 7,669,863 | 1,032,124 | 49,000 | 5,469,261 | 14,220,248 |
| Debenture on stock and companies' assets | 61,680,150 | 2,316,999 | 4,892,730 | 13,780 | 68,903,658 |
| Cash | 18,923,823 | 5,890,447 | 861,395 | 1,126,629 | 26,802,294 |
| Fair value of collateral | 210,001,366 | 23,621,429 | 11,616,911 | 10,490,507 | 255,730,212 |
| Gross loans | 238,456,430 | 22,446,232 | 12,012,346 | 4,209,931 | 277,124,940 |
| Impairment | 5,799,210 | 786,322 | 416,843 | 102,375 | 7,104,750 |
| Net amount | 232,657,220 | 21,659,910 | 11,595,503 | 4,107,556 | 270,020,190 |
| Amount of over/(under) collaterization | (22,655,854) | 1,961,519 | 21,408 | 6,382,951 | (14,289,977) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL not credit -impaired loans and advances | | | | | |
| Property/Real estate | 926,427 | 3,054 | - | - | 929,481 |
| Equities | - | - | - | - | - |
| Debenture on stock and companies' assets | 9,377,721 | 49,886 | - | - | 9,427,607 |
| Cash | - | - | - | - | - |
| Fair value of collateral | 10,304,148 | 52,940 | - | - | 10,357,088 |
| Gross loans | 14,574,185 | 574,437 | - | - | 15,148,622 |
| Impairment | 355,760 | 21,812 | - | - | 377,572 |
| Net amount | 14,218,424 | 552,626 | - | - | 14,771,050 |
| Amount of over/(under) collaterization | (3,914,276) | (499,686) | | | (4,413,962) |

| 31 December, 2019 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL credit -impaired loans and advances | | | | | |
| Property/Real estate | 2,957,773 | 1,639,212 | - | 151,410 | 4,748,396 |
| Equities | 1,400 | 1,544,767 | - | 4,916 | 1,551,083 |
| Debenture on stock and companies' assets | 640,739 | 3,101,144 | - | - | 3,741,883 |
| Cash | 90,000 | 13,337 | - | - | 103,337 |
| Fair value of collateral | 3,689,912 | 6,298,461 | - | 156,326 | 10,144,698 |
| Gross loans | 4,619,568 | 4,416,071 | - | 59,100 | 9,094,740 |
| Impairment | 4,005,203 | 596,778 | - | 44,129 | 4,646,110 |
| Net amount | 614,365 | 3,819,294 | - | 14,972 | 4,448,630 |
| Amount of over/(under) collaterization | 3,075,547 | 2,479,167 | - | 141,354 | 5,696,068 |

## Details of collateral pledged by customers against carrying amount of loans and advances as at 31 December 2018 are as follow

| In millions of Naira | Group | | Bank | |
|---|---|---|---|---|
| | Total exposure | Value of collateral | Total exposure | Value of collateral |
| Secured against property/real estate | 115,098,885 | 208,376,271 | 115,098,885 | 208,376,271 |
| Secured by equities | 81,818,205 | 137,859,953 | 81,818,205 | 137,859,953 |
| Secured by debenture on stock and companies' assets | 62,108,517 | 113,519,206 | 62,108,517 | 113,519,206 |
| Cash collateral, lien over fixed and floating assets | 1,557,709 | 3,497,389 | 1,557,709 | 3,497,389 |
| Unsecured | 1,000,407 | - | 1,000,407 | - |
| **Total Gross amount** | **261,583,723** | **463,252,819** | **261,583,723** | **463,252,819** |
| Impairment allowance | (9,394,109) | - | (9,394,109) | - |
| **Net carrying amount** | **252,189,614** | **463,252,819** | **252,189,614** | **463,252,819** |

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December, 2018

## Group

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Disclosure by Collateral | | | | | |
| Property/Real estate | 172,157,615 | 30,363,426 | 3,947,775 | 1,907,455 | 208,376,271 |
| Equities | 10,097,890 | 22,081,221 | 3,800,656 | 1,880,186 | 37,859,953 |
| Debenture on stock and companies' assets | 62,872,569 | 15,673,200 | 4,971,233 | 2,204 | 83,519,206 |
| Cash | 1,679,626 | 1,817,763 | - | - | 3,497,389 |
| Grand total: Fair value of collateral | 246,807,699 | 69,935,610 | 12,719,664 | 3,789,846 | 333,252,819 |
| Grand total: Gross loans | 226,292,857 | 28,517,756 | 4,871,029 | 1,902,080 | 261,583,723 |
| Grand total: Impairment | 3,066,915 | 2,036,729 | 49,507 | 34,598 | 5,187,749 |
| Grand total: Net amount | 223,225,942 | 26,481,027 | 4,821,522 | 1,867,483 | 256,395,974 |
| Grand total: Amount of over/( under ) collaterization | 23,581,757 | 43,454,583 | 7,898,142 | 1,922,363 | 76,856,845 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against 12 months ECL loans and advances | | | | | |
| Property/Real estate | 159,481,200 | 24,770,665 | 3,947,775 | 1,888,390 | 190,088,030 |
| Equities | 39,001 | 18,768,661 | 3,800,656 | 1,669,055 | 24,277,373 |
| Debenture on stock and companies' assets | 59,737,771 | 14,259,759 | 4,971,233 | 2,204 | 78,970,967 |
| Cash | 1,559,626 | 1,816,763 | - | - | 3,376,389 |
| Fair value of collateral | 220,817,598 | 59,615,847 | 12,719,664 | 3,559,649 | 296,712,759 |
| Gross loans | 209,381,268 | 26,539,080 | 4,871,029 | 1,861,882 | 242,653,259 |
| Impairment | 2,211,631 | 1,108,507 | 49,507 | 8,677 | 3,378,322 |
| Net amount | 207,169,636 | 25,430,573 | 4,821,522 | 1,853,206 | 239,274,936 |
| Amount of over/(under) collaterization | 13,647,962 | 34,185,274 | 7,898,142 | 1,706,444 | 57,437,822 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL not credit-impaired loans and advances | | | | | |
| Property/Real estate | 11,012,284 | 479,141 | - | - | 11,491,425 |
| Equities | 6,371,725 | 548,534 | - | - | 6,920,258 |
| Debenture on stock and companies' assets | 250,063 | - | - | - | 250,063 |
| Cash | - | - | - | - | - |
| Fair value of collateral | 17,634,071 | 1,027,674 | - | - | 18,661,746 |
| Gross loans | 14,353,400 | 436,592 | - | - | 14,789,993 |
| Impairment | 599,701 | 228,337 | - | - | 828,038 |
| Net amount | 13,753,700 | 208,255 | - | - | 13,961,955 |
| Amount of over/(under) collaterization | 3,880,372 | 819,419 | - | - | 4,699,791 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL credit impaired loans and advances | | | | | |
| Property/Real estate | 1,664,131 | 5,113,620 | - | 19,065 | 6,796,816 |
| Equities | 3,687,164 | 2,764,027 | - | 211,131 | 6,662,322 |
| Debenture on stock and companies' assets | 2,884,735 | 1,413,442 | - | - | 4,298,177 |
| Cash | 120,000 | 1,000 | - | - | 121,000 |
| Fair value of collateral | 8,356,030 | 9,292,089 | - | 230,196 | 17,878,315 |
| Gross loans | 2,558,189 | 1,542,084 | - | 40,198 | 4,140,471 |
| Impairment | 1,611,340 | 699,885 | - | 25,921 | 2,337,146 |
| Net amount | 946,849 | 842,199 | - | 14,277 | 1,803,325 |
| Amount of over/(under) collaterization | 7,409,181 | 8,449,889 | - | 215,919 | 16,074,989 |

## Bank

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Disclosure by Collateral | | | | | |
| Property/Real estate | 172,157,615 | 30,363,426 | 3,947,775 | 1,907,455 | 208,376,271 |
| Equities | 10,097,890 | 22,081,221 | 3,800,656 | 1,880,186 | 37,859,953 |
| Debenture on stock and companies' assets | 62,872,569 | 15,673,200 | 4,971,233 | 2,204 | 83,519,206 |
| Cash | 1,679,626 | 1,817,763 | - | - | 3,497,389 |
| Grand total: Fair value of collateral | 246,807,699 | 69,935,610 | 12, 719,664 | 3,789,846 | 333,252,819 |
| Grand total: Gross loans | 226,292,857 | 28,517,756 | 4,871,029 | 1,902,080 | 261,583,723 |
| Grand total: Impairment | 3,066,915 | 2,036,729 | 49,507 | 34,598 | 5,187,749 |
| Grand total: Net amount | 223,225,942 | 26,481,027 | 4,821,522 | 1,867,483 | 256,395,974 |
| Grand total: Amount of over/( under ) collaterization | 23,581,757 | 43,454,583 | 7,898,142 | 1,922,363 | 76,856,845 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against 12 months ECL loans and advances | | | | | |
| Property/Real estate | 159,481,200 | 24,770,665 | 3,947,775 | 1,888,390 | 190,088,030 |
| Equities | 39,001 | 18,768,661 | 3,800,656 | 1,669,055 | 24,277,373 |
| Debenture on stock and companies' assets | 59,737,771 | 14,259,759 | 4,971,233 | 2,204 | 78,970,967 |
| Cash | 1,559,626 | 1,816,763 | - | - | 3,376,389 |
| Fair value of collateral | 220,817,598 | 59,615,847 | 12,719,664 | 3,559,649 | 296,712,759 |
| Gross loans | 209,381,268 | 26,539,080 | 4,871,029 | 1,861,882 | 242,653,259 |
| Impairment | 2,211,631 | 1,108,507 | 49,507 | 8,677 | 3,378,322 |
| Net amount | 207,169,636 | 25,430,573 | 4,821,522 | 1,853,206 | 239,274,936 |
| Amount of over/(under) collaterization | 13,647,962 | 34,185,274 | 7,898,142 | 1,706,444 | 57,437,822 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL not credit -impaired loans and advances | | | | | |
| Pro perty/Real estate | 11,012,284 | 479,141 | - | - | 11,491,425 |
| Equities | 6,371,725 | 548,534 | - | - | 6,920,258 |
| Debenture on stock and companies' assets | 250,063 | - | - | - | 250,063 |
| Cash | - | - | - | - | - |
| Fair value of collateral | 17,634,071 | 1,027,674 | - | - | 18,661,746 |
| Gross loans | 14,353,400 | 436,592 | - | - | 14,789,993 |
| Impairment | 599,701 | 228,337 | - | - | 828,038 |
| Net amount | 13,753,700 | 208,255 | - | - | 13,961,955 |
| Amount of over/(under) collaterization | 3,880,372 | 819,419 | - | - | 4,699,791 |

| 31 December, 2018 | Term loan | Overdrafts | On lending | Finance lease | Total |
|---|---|---|---|---|---|
| Against lifetime ECL credit impaired loans and advances | | | | | |
| Property/Real estate | 1,664,131 | 5,113,620 | - | 19,065 | 6,796,816 |
| Equities | 3,687,164 | 2,764,027 | - | 211,131 | 6,662,322 |
| Debenture on stock and companies' assets | 2,884,735 | 1,413,442 | - | - | 4,29 8,177 |
| Cash | 120,000 | 1,000 | - | - | 121,000 |
| Fair value of collateral | 8,356,030 | 9,292,089 | - | 230,196 | 17,878,315 |
| Gross loans | 2,558,189 | 1,542,084 | - | 40,198 | 4,140,471 |
| Impairment | 1,611,340 | 699,885 | - | 25,921 | 2,337,146 |
| Net amount | 946,849 | 842,199 | - | 14,277 | 1,803,325 |
| Amount of over/(under) collaterization | 7,409,181 | 8,449,889 | - | 215,919 | 16,074,989 |

### Master netting arrangements

As a matter of policy and practice, the bank takes advantage of netting/set off arrangements to settle gaps emanating from outstanding balances in favour and/or against defaulting counter parties.

### Credit-related commitments

The Bank consistently deploys robust asset and liability management strategies to ensure its cash and contingent commitments are easily honored as and when due. Adequate steps are also taken to effectively optimize gaps deriving from undrawn commitments.
Credit concentration
The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

### Credit definitions

**(i) Impaired loans and investment securities**
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

These are loans and securities specifically impaired and are graded CC, C and D in the Bank's internal credit risk grading system.

**(ii) Allowances for impairment**
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

**(iii) Write-off policy**
The Bank writes off a loan / security balance (and any related allowances for impairment losses) when the Bank's Management Credit Committee determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balances standardised loans, charge off decisions are generally based on a product specific past due status.

# Market Risk Management

## Overview

Market risk is the risk of losses in on- and off-balance positions arising from movements in market prices. For Wema Bank, this means changes in interest rates and foreign exchange rates in particular.

**Exposure to market risk**

Exposure to market risk is separated into two portfolios:

- Trading portfolios comprise positions arising from market making.
- The models/tools used to measure and control traded market risk (interest rate and foreign exchange risk) include daily valuation of positions, limit monitoring, sensitivity analysis, value-at-risk, and stress testing analyses amongst others.
- Non-trading portfolios comprise positions that primarily arise from the interest rate management of our retail and commercial banking assets and liabilities, and non-traded financial instruments.
- The principal objective of market risk management of non-trading portfolios is to optimize net interest income.

Wema Bank is exposed to market risk arising from positions created in its trading and banking books. Where appropriate, we apply similar risk management policies and measurement techniques to both trading and non-trading portfolios.

One of the primary objectives of market risk management, as part of our independent risk function, is to ensure that our business units' risk exposure is within the approved appetite commensurate with its defined strategy. To achieve this objective, market risk management works closely with risk takers (“the business units”) and other control and support groups.

# Market Risk Management

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk between trading and non-trading portfolios:

| Group | At 31 December, 2019 | | | At 31 December, 2018 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Trading portfolios | Non-trading portfolios | Carrying amount | Trading portfolios | Non -trading portfolios |
| | NGN | NGN | NGN | NGN | NGN | NGN |
| **Assets subject to market risk** | | | | | | |
| Cash and cash equivalents | 20,706,980 | 0 | 20,706,980 | 17,079,011 | 0 | 17,079,011 |
| Cash and bank balances with Central Bank | 156,236,258 | 0 | 156,236,258 | 64,917,626 | 0 | 64,917,626 |
| Treasury Bills | 23,276,448 | 0 | 23,276,448 | 32,046,745 | 0 | 32,046,745 |
| Trading assets | 105,164,284 | 105,164,284 | 0 | 11,708,530 | 11,708,530 | 0 |
| Assets pledged as collateral | 26,925,527 | 0 | 26,925,527 | 20,583,433 | 0 | 20,583,433 |
| Due from other banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 30,609,230 | 0 | 30,609,230 | 18,180,366 | 0 | 18,180,366 |
| Loans and advances to customers | 289,239,870 | 0 | 289,239,870 | 252,189,613 | 0 | 252,189,613 |
| Investment securities | 22,562,525 | 0 | 22,562,525 | 27,862,510 | 0 | 27,862,510 |
| Other financial assets | 845,189 | 0 | 845,189 | 845,189 | 0 | 845,189 |
| | **675,566,311** | **105,164,284** | **570,402,027** | **445,413,023** | **11,708,530** | **433,704,494** |
| **Liabilities subject to market risk** | | | | | | |
| Trading liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits from banks | 3,638,400 | 0 | 3,638,400 | 0 | 0 | 0 |
| Deposits from customers | 577,283,469 | 0 | 577,283,469 | 369,199,768 | 0 | 369,199,768 |
| Debt securities issued | 48,770,306 | 0 | 48,770,306 | 45,448,718 | 0 | 45,448,718 |
| Other financial liabilities | 22,732,630 | 0 | 22,732,630 | 17,427,655 | 0 | 17,427,655 |
| | **652,424,805** | **0** | **652,424,805** | **432,076,141** | **0** | **432,076,141** |

# Market Risk Management

The following table sets out the allocation of the carrying value of assets and liabilities subject to market risk betweentrading and **non-trading portfolios:**

| Bank | At 31st December 2019 | | | At 31st December 2018 | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Trading portfolios | Non-trading portfolios | Carrying amount | Trading portfolios | Non-trading portfolios |
| | NGN | NGN | NGN | NGN | NGN | NGN |
| **Assets subject to market risk** | | | | | | |
| Cash and cash equivalents | 20,626,849 | 0 | 20,626,849 | 17,079,011 | 0 | 17,079,011 |
| Cash and bank balances with Central Bank | 156,236,258 | 0 | 156,236,258 | 64,917,626 | 0 | 64,917,626 |
| Treasury Bills | 23,276,448 | 0 | 23,276,448 | 32,046,745 | 0 | 32,046,745 |
| Trading assets | 105,164,284 | 105,164,284 | 0 | 11,708,530 | 11,708,530 | 0 |
| Assets pledged as collateral | 26,925,527 | 0 | 26,925,527 | 20,583,433 | 0 | 20,583,433 |
| Due from other banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 30,609,230 | 0 | 30,609,230 | 18,180,366 | 0 | 18,180,366 |
| Loans and advances to customers | 289,239,870 | 0 | 289,239,870 | 252,189,613 | 0 | 252,189,613 |
| Investment securities | 9,810,271 | 0 | 9,810,271 | 16,973,935 | 0 | 16,973,935 |
| Other financial assets | 845,189 | 0 | 845,189 | 845,189 | 0 | 845,189 |
| | **662,733,926** | **105,164,284** | **557,569,642** | **434,524,449** | **11,708,530** | **422,815,919** |
| **Liabilities subject to market risk** | | | | | | |
| Trading liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposits from banks | 3,638,400 | 0 | 3,638,400 | 0 | 0 | 0 |
| Deposits from customers | 577,283,469 | 0 | 577,283,469 | 369,314,164 | 0 | 369,314,164 |
| Debt securities issued | 37,702,326 | 0 | 37,702,326 | 34,401,024 | 0 | 34,401,024 |
| Other financial liabilities | 22,732,630 | 0 | 22,732,630 | 17,427,655 | 0 | 17,427,655 |
| Subordinated liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| | **641,356,825** | **0** | **641,356,825** | **421,142,843** | **0** | **421,142,843** |

## Market risk governance

Market risk management governance is designed and established to promote oversight of all market risks, effective decision-making and timely escalation to senior management and board.

Market risk management defines and implements a framework to systematically identify, assess, monitor and report our market risk vulnerabilities. Market risk managers identify market risks through active portfolio analysis and engagement with the business areas.

Market risk is managed and controlled in Wema Bank through policies and limits approved by the Board (BRMC). These policies and limits ensure that risks faced across business activities and on aggregate basis are within the stipulated risk appetite of the Bank, while taking cognizance of regulatory constraints.

The specific limits are proposed by the Head, Market Risk Management through the Chief Risk Officer (CRO) and approved by the relevant management committees, and ultimately by the Board (BRMC).

The risk reporting framework involves presentation of reports to the Asset and Liability Committee (ALCO), Management Risk Committee (MRC) and Board Risk Management Committee (BRMC). The management committees receive periodic market risk reports and recommendations, while relevant reports are presented to the Board Risk Management Committee (BRMC) on a quarterly basis.

Exposures to market risks are managed through various metrics/models such as re-pricing gap, ratio, value at risk, earning at risk (EaR), economic value of equity (EVE), sensitivity and scenario analyses amongst others. Also, the Bank regularly conduct stress testing to monitor its vulnerability to very extreme, but plausible shocks.

In line with the CBN circular on Basel II/III capital framework, the Bank adopts the standardized approach for market risk regulatory capital requirement. Also, the Bank has put in place a detailed plan for the full implementation of Basel II/III framework with timelines for migration to more advance capital computation methods in the future.

## Market risk measures

### Monitoring and limiting market risk exposures
We aim to accurately measure all types of market risks by a comprehensive set of risk metrics reflecting economic and regulatory requirements.

Quantification of market risks is based on some internally developed key risk metrics/tools as well as regulatory defined market risk approaches.

### Limits setting
Specific limits and triggers (regulatory and internal) have been set across the various market risk areas to prevent undue market risk exposures. Market risk management ensures that these limits and triggers are adhered to at all times by the Bank.

The following limits amongst others currently exist:
- Open position limits
- Interbank placement limits (DPLs):
- Management action triggers (MATs)
- Stop Loss limit
- Dealer limits
- Deal authorization limits
- Value-at-Risk limits

### Mark-to-Market (MTM)
The mark-to-market technique establishes unrealized profit/loss by revaluing open traded positions at prevailing market prices. When no market prices are available for a specific contract period, mark-to-model is used to derive the relevant market prices. It is the Bank's policy to revalue all exposures under the traded market risk portfolio on daily basis. As a general guide, marking to market is performed independently of the trading unit.

### Sensitivity analysis
Sensitivity analysis measures the impact of individual market factor movements on specific instruments or portfolios, including interest rates and foreign exchange rates, such as the effect of a one basis point change in yield. We use sensitivity measures to monitor the market risk positions within each risk type. Sensitivity limits are set for portfolios, products and risk types, with the depth of the market being a principal factor in determining the acceptable risk level.

### Value at risk
Value at risk ('VaR') is a technique for estimating potential losses on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The use of VaR is integrated into market risk management and

calculated for all trading positions. Where we do not calculate VaR explicitly, we use alternative tools as highlighted in the 'Stress testing' section below.

Our models are predominantly based on historical and parametric simulations which incorporate the following features:

- Historical market rates and prices are calculated with reference to foreign exchange rates, interest rates, and the associated volatilities;
- Potential market movements utilised for VaR are calculated with reference to data from at least the past five years; and
- VaR measures are calculated to a 99% confidence level and use a one-day holding period.

The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

The Group trading VaR for the year is shown in the table below:

In thousands of Nigerian Naira

| **Historical VaR (99%, one day) by risk type** | **Average** | | **Minimum** | | **Maximum** | | **Year end** | |
|---|---|---|---|---|---|---|---|---|
| | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| | NGN | NGN | NGN | NGN | NGN | NGN | NGN | NGN |
| Foreign exchange | 672 | 1,074 | 75 | 885 | 1,094 | 1,530 | 75 | 899 |
| Interest rate | 408,787 | 132,987 | 225,914 | 75,489 | 771,587 | 216,705 | 771,587 | 146,128 |
| **Total VaR exposure** | **409,459** | **134,061** | **225,988** | **76,374** | **772,680** | **218,235** | **771,662** | **147,027** |

The Group's VaR should be interpreted in light of the limitations of the methodologies used.

These limitations include the following:

- Historical data may not provide the best estimate of the joint distribution of risk factor changes in the future and may fail to capture the risk of possible extreme adverse market movements which have not occurred in the historical window used in the calculations.
- VaR using a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or hedged within one day.
- VaR using a 99 per cent confidence level does not reflect the extent of potential losses beyond that percentile.
- These limitations and the nature of the VaR measure mean that the Group can neither guarantee that losses will not exceed the VaR amounts indicated nor that losses in excess of the VaR amounts will not occur more frequently than once in 100 business days.
- While VaR captures the Group's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Group to assess its market risk exposures. Details of sensitivity analysis for foreign currency risk and for interest rate risk are set in the relevant disclosures.

### Stress testing

Stress testing is an important procedure that is integrated into our market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR modelling. Scenarios are tailored to capture the relevant potential events or market movements for risk factors. The risk appetite around potential stress losses for the Bank is set and monitored. Market risk reverse stress tests are undertaken on the premise that there is a fixed loss. The stress testing process identifies which scenarios lead to this loss. The rationale behind the reverse stress test is to understand scenarios beyond normal business settings that could have contagion and systemic implications.

Stressed VaR and stress testing, together with reverse stress testing and the management of gap risk, provide management with insights regarding the 'tail risk' beyond VaR, for which Wema Bank's appetite is limited.

### Back-testing

We routinely validate the accuracy of our VaR models by backtesting them against both actual and hypothetical profit and loss against the corresponding VaR numbers. Hypothetical profit and loss excludes non-modelled items such as fees, commissions and revenues of intra-day transactions. We would expect, on average, to see two or three losses in excess of VaR at the 99% confidence level over a one-year period. The actual number of losses in excess of VaR over this period can therefore be used to gauge how well the models are performing.

## Foreign Currency Risk Management

### Structural foreign exchange exposures

Foreign exchange risk is the current or prospective risk to earnings and capital that arises from adverse movements in foreign exchange rates.

Structural foreign exchange exposures represent net investments in currencies other than the Naira. Exchange differences on structural exposures are recognised in 'Other comprehensive income'. We use the Naira as our presentation currency in our consolidated financial statements. Our consolidated balance sheet is, therefore, affected by exchange differences between the Naira and all other currencies underlying our day to day operations. Our structural foreign exchange exposures are managed with the primary objective of ensuring, where practical, that our capital ratios are largely protected from the effect of changes in exchange rates

The foreign exchange position is monitored daily and discussed in the Asset and Liability Committee on a fortnightly. Limits are agreed by the ALCO.

**Group**

| *In thousands of Nigerian Naira* | US Dollar | Euro | Pound | Others | Total |
|---|---|---|---|---|---|
| *31 December 2019* | | | | | |
| Cash and cash equivalents | 32,292,048 | 621,783 | 957,105 | 114,545 | 33,985,482 |
| Pledged assets | - | - | - | - | 0 |
| Non-pledged trading assets | - | - | - | - | 0 |
| Loans and advances to customers | 28,265,640 | 137,467 | 5 | - | 28,403,112 |
| Investment securities | - | - | - | - | 0 |
| Other assets | - | - | - | - | 0 |
| Total financial assets | **60,557,689** | **759,251** | **957,110** | **114,545** | **62,388,594** |
| Deposits from banks | - | - | - | - | - |
| Deposit from customers | 27,330,873 | 324,592 | 301,419 | 3 | 27,956,887 |
| Other borrowed funds | 6,945,941 | | - | - | 6,945,941 |
| Other liabilities | 16,689,836 | 286,043 | 131,191 | 48,872 | 17,155,941 |
| Total financial liabilities | **50,966,649** | **610,635** | **432,610** | **48,874** | **52,058,768** |

**Bank**

| *In thousands of Nigerian Naira* | US Dollar | Euro | Pound | Others | Total |
|---|---|---|---|---|---|
| *31 December 2019* | | | | | |
| Cash and cash equivalents | 32,292,048 | 621,783 | 957,105 | 114,545 | 33,985,482 |
| Pledged assets | - | - | - | - | 0 |
| Non-pledged trading assets | - | - | - | - | 0 |
| Loans and advances to customers | 28,265,640 | 137,467 | 5 | - | 28,403,112 |
| Investment securities | - | - | - | - | 0 |
| Other assets | 0 | 0 | 0 | 0 | - |
| Total financial assets | **60,557,689** | **759,251** | **957,110** | **114,545** | **62,388,594** |
| Deposits from banks | - | - | - | - | - |
| Deposit from customers | 27,330,873 | 324,592 | 301,419 | 3 | 27,956,887 |
| Other borrowed funds | 6,945,941 | - | - | - | 6,945,941 |
| Other liabilities | 16,689,836 | 286,043 | 131,191 | 48,872 | 17,155,941 |
| Total financial liabilities | **50,966,649** | **610,635** | **432,610** | **48,874** | **52,058,768** |

**Foreign currency sensitivity analysis**

The Group is mainly exposed to the currencies of the United States of America (USD), the European Union (EUR) and the United Kingdom (GBP) respectively.

The following table details the Group's sensitivity to a per cent increase and decrease in currency units against the relevant foreign currencies. Per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a per cent change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where currency units weakens per cent against the relevant currency. For a per cent strengthening of currency units against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

In thousands of Nigerian Naira

| | [USD] impact | | [EUR] impact | | [GBP] impact | |
|---|---|---|---|---|---|---|
| | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 | 12/31/2019 | 12/31/2018 |
| Profit or loss | 95,910 | 65,207 | 1,486 | 1,563 | 5,245 | 4,367 |
| Other equity | (95,910) | (65,207) | (1,486) | (1,563) | (5,245) | (4,367) |

The Bank has prudently adopted the ruling I&E rate for the translation of financial assets and liabilities denominated in foreign currencies as at 2019 year end in response to the expected technical devaluation of the Naira in the short and medium terms.

In view of the current global and domestic macro-economic trends/outlooks amidst exit of foreign portfolio investors (FDIs) from the local market arising from increased political risks, the likely convergence of rates after the general elections is unexpected.

The sensitivity analysis shows that the Bank is positioned to record gain on its net financial assets denominated in foreign currencies in the short to medium term.

**Interest rate risk in the banking book**

A major component of market risk exposures in the Bank is the interest rate in the banking book as changes in prevailing interest rates will adversely affect the market value of assets versus that of liabilities and/or income versus expenses. The Bank is exposed to interest rate risk through the interest-bearing assets and liabilities in its trading and banking books.

Wema Bank identifies the following four main sources of IRRBB:

- Repricing risk, the risk of adverse consequences due to differences in timing of the impact of interest rate changes on the value of interest-sesetive assets and liabilities.
- Yield curve risk, the risk of adverse consequences which result from a change in the shape of the yield curve.
- Basis risk, the risk of adverse consequences which result from changes in the difference between two or more rates for different instruments with the same maturity.
- Option risk, the risk that changes in market interest rates prompt changes in the value or maturity of instruments

**Measurement of interest rate risk in the banking book**

Interest rate risk in the banking book is measured and controlled using three metrics:

- Re-pricing gap analysis
- Net interest income sensitivity; and
- Economic value of equity.

**Re-pricing gap analysis**

This allows the Bank to maintain a positive or negative gap depending upon the forecast of interest rate trend. The size of the gap is then adjusted to either hedge net interest income against changing interest rates or to anticipate increase net interest income, in line with market outlook

**Net interest income sensitivity**

A principal part of our management of non-traded interest rate risk is to monitor the sensitivity of expected net interest income under varying interest rate scenarios (simulation modelling), where all other economic variables are held constant. Projected net interest income sensitivity figures represent the effect of the pro forma movements in projected yield curves based on a static balance sheet size and structure assumption, other than instances where the size of the balances or repricing is deemed interest rate sensitive (non-interest bearing current account migration and fixed rate loan early prepayment). In reality, Wema Bank proactively seeks to change the interest rate risk profile to optimize net revenues.

## Economic value of equity (EVE)

An economic value of equity ('EVE value') represents the present value of future banking book cash flows that could be distributed to equity providers under a managed run-off scenario. This represents the current book value of equity plus the present value of future net interest income under a managed run-off scenario. The present value of net interest income under a managed run-off and under any interest rate scenario can therefore be assessed by deducting the book value of equity from the EVE value calculated. An EVE sensitivity is the extent to which the EVE value will change due to a pre-specified movement in interest rates, where all other economic variables are held constant. The EVE sensitivity represents the sensitivity of discounted net interest income plus the sensitivity of the net present value of any transactions used to hedge the interest income earned on equity. If the EVE sensitivity is adjusted to remove the sensitivity in net present value of any transactions used to hedge the interest income earned on equity, the resulting adjusted EVE sensitivity represents the extent to which, under a managed run-off scenario, discounted net interest income is sensitive to a pre-specified movement in interest rates When assessing the sensitivity of economic value of equity to interest rate movements, the timing of principal cash flows can vary but the amount remains constant.

EVE can also be used for assessing the economic capital required to support interest rate risk in the banking book ('IRRBB'):

- Where EVE under any scenario is higher than the current balance sheet carrying value of equity, the banking book income stream is positive (i.e. profit) and therefore capital accretive under that scenario and no economic capital for IRRBB is required.
- Where EVE of any scenario is lower than the current balance sheet carrying value of equity, the banking book income stream is negative (i.e. loss) and therefore capital deductive under that scenario and economic capital for IRRBB should be held against this loss.

The following table sets out the estimated impact on the Group's base case projected net interest income for 2019 due to shocks of 200 basis points (bps) to the current market-implied path of interest rates. The sensitivities shown represent the Group's assessment as to the change in expected base case net interest income under the two rate scenarios assuming that all other noninterest rate risk variables remain constant, and there are no management actions. In deriving the base case net interest income projections, the repricing rates of assets and liabilities used are derived from current yield curves, thereby reflecting current market expectations of the future path of interest rates. The scenarios therefore represent interest rate shocks to the current market implied path of rates.

In thousands of Nigerian Naira

| Sensitivity of projected net interest income | 200bps parallel increase NGN | 200bps parallel decrease NGN |
|---|---|---|
| **2019** | | |
| Year ended 31 December | (4,168,699) | 4,168,699 |
| **2018** | | |
| Year ended 31 December | (2,318,068) | 2,318,068 |

# Liquidity Risk Management

## Overview

Liquidity risk is the risk arising from our potential inability to meet all payment obligations when they come due or only being able to meet these obligations at excessive costs. The objective of the Bank's liquidity risk management framework is to ensure that the Bank can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. The framework considers relevant and significant drivers of liquidity risk, whether on-balance sheet or off-balance sheet

Liquidity risk management framework
Liquidity risk management governance is designed and established to promote oversight of all liquidity risks, effective decision-making and timely escalation to senior management and board.

The Bank has an internal liquidity and funding risk management framework which aims to allow it to withstand very severe liquidity stresses. It is designed to be adaptable to changing business models, markets and regulations. The management of liquidity and funding is primarily undertaken by the Asset and Lability Management Committee (ALCO) in compliance with the Bank's policy and international best practices.

The Board defines the liquidity and funding risk strategy for the Bank, as well as the risk appetite, based on recommendations made by the Chief Risk Officer (CRO) through the Asset and Liability Management Committee (ALCO). At least annually, the Board approves the Bank's Liquidity Policy and Contingency Funding Plan, including establishing liquidity risk tolerance levels which are used by the Bank to measure and control liquidity risks, as well as our long term funding plan.
Treasury is mandated to manage the overall liquidity and funding position of the Bank, with Market Risk acting as an independent control function, responsible for reviewing the liquidity risk framework, proposing the risk appetite through the Chief Risk Officer (CRO) and the validation of liquidity risk models which are used to measure and manage the Bank's liquidity risk profile.

In addition, dedicated business targets are allocated to ensure the Bank meets its overall liquidity and funding appetite.

The relevant management committees and Board is informed of performance against the risk appetite metrics via periodic Liquidity Scorecard. As part of the annual strategic planning process, we project the development of the key liquidity and funding metrics based on the underlying business plans to ensure that the plan is in compliance with our risk appetite.

The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

## Quantifications

The Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

(a) Funding and Liquidity plan;
(b) Gap Analysis; and
(c) Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and application of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The liquidity gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the 30-day and 1-year cumulative gaps as a +/- 20% and 10% of the total on/off balance sheet size.

The Gap Analysis tracks all contractual cash flows based on defined maturity buckets over a 12-month horizon. The Bank has implemented a set of approved limits to restrict the Bank's exposure to wholesale counterparties, which have historically shown to be the most susceptible to market stress.

## Limit management and monitoring

The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Treasury is responsible for maintaining sufficient liquidity by keeping optimal level of liquid assets and available funding for near-term liabilities. Increased withdrawals of short term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

## Contingency Funding Plan

The Bank has a contingency funding plan which incorporates early warning signals to monitor market conditions. The contingency funding plan covers the following considerations:

- available sources of secondary funding to supplement cash flow shortages
- the lead times to obtain such funding
- the roles and responsibilities of those involved in the contingency plans; and
- the communication and escalation plans when there are signs of deteriorating liquidity conditions.

The Bank monitors its liquidity position and funding strategies on an ongoing basis, while recognizing that unexpected and/or unplanned events which could be company specific or systemic could cause either a short or long-term liquidity crisis. It reviews its Contingency Funding Plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, the Bank's Treasury in collaboration with Market Risk prepares a liquidity worksheet that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and adverse crisis situations. The worksheet is an integral component of the Contingency Funding Plan. Although it is unlikely that a funding crisis of any significant degree could materialize, we consider it important to evaluate this risk and formulate contingency plans should one occur.

## Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. This measurement complies with the regulatory requirement guideline of the Central Bank of Nigeria.

The details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

| | Group | | Bank | |
|---|---|---|---|---|
| | **31-Dec-19** | **31-Dec-18** | **31-Dec-19** | **31-Dec-18** |
| At the end of the year | 32.37% | 34.64% | 32.37% | 34.64% |
| Average for the year | 31.68% | 34.87% | 31.68% | 34.87% |
| Maximum for the year | 36.11% | 38.14% | 36.11% | 38.14% |
| Minimum for the year | 23.47% | 30.87% | 23.47% | 30.87% |

The table below shows the undiscounted cash flows on the Bank's financial liabilities and on the basis of their earliest possible contractual maturity. The gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

# Residual contractual maturities of financial assets and liabilities

| Group<br>31 December 2019<br>In thousands of Nigerian Naira | Carrying amount | Gross nominal inflow/ (outflow) | Less than 3 months | 3 - 6 months | 6 - 12 months | 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Non-derivative assets: | | | | | | | |
| Cash and cash equivalents | 65,974,273 | 65,974,273 | 65,974,273 | - | - | - | - |
| Pledged assets | 26,925,527 | 24,325,423 | - | 3,893,180 | 3,925,071 | - | 19,107,276 |
| Non-pledged trading assets | 105,164,284 | 116,565,347 | 23,279,106 | 417,560 | 81,467,618 | - | - |
| Loans and advances to customers | 289,239,870 | 289,239,870 | 83,890,924 | 39,268,622 | 45,003,890 | 87,738,750 | 33,337,684 |
| Investment securities | 44,936,468 | 52,127,827 | 16,702,083 | 4,888,282 | 13,733,918 | 202,098 | 9,410,087 |
| | 532,240,422 | 548,232,740 | 189,846,386 | 48,467,644 | 144,130,497 | 87,940,848 | 61,855,047 |
| Non-derivative liabilities | | | | | | | |
| Deposits from banks | 3,638,400.00 | 3,638,400.00 | 3,638,400.00 | - | - | - | - |
| Deposits from customers | 577,283,469 | 577,283,469 | 379,727,360 | 125,241,809 | 34,980,628 | 37,333,672 | - |
| Other borrowed funds | 48,770,306 | 48,770,306 | 41,441 | - | 18,298 | 19,332,790 | 29,377,777 |
| Interest bearing financial liability | 22,244,902 | 22,244,902 | 7,539,216 | 4,985,381 | 9,720,305 | - | - |
| | 651,937,077 | 651,937,077 | 390,946,417 | 130,227,190 | 44,719,231 | 56,666,462 | 29,377,777 |
| Gap (asset- liabilities) | (119,696,655) | (103,704,337) | (201,100,031) | (81,759,546) | 99,411,266 | 31,274,386 | 32,477,270 |
| Cumulative liquidity gap | | | (201,100,031) | (282,859,577) | (183,448,311) | (152,173,925) | (119,696,655) |

# Residual contractual maturities of financial assets and liabilities

| **Bank**<br>**31 December 2019**<br>In thousands of Nigerian Naira | **Carrying amount** | **nominal inflow/ (outflow)** | **Less than 3 months** | **3 - 6 months** | **6 - 12 months** | **5 years** | **More than 5 years** |
|---|---|---|---|---|---|---|---|
| Non-derivative assets: | | | | | | | |
| Cash and cash equivalents | 65,967,028 | 65,967,028 | 65,967,028 | - | - | - | - |
| Pledged assets | 26,925,527 | 24,325,423 | - | 3,893,180 | 3,925,071 | - | 19,107,276 |
| Non-pledged trading assets | 105,164,284 | 116,565,347 | 23,279,106 | 417,560 | 81,467,618 | - | - |
| Loans and advances to customers | 289,239,870 | 289,239,870 | 83,890,924 | 39,268,622 | 45,003,890 | 87,738,750 | 33,337,684 |
| Investment securities | 34,029,503 | 32,903,244 | 16,926,989 | 4,888,282 | 2,602,047 | 202,098 | 9,410,087 |
| | 521,326,212 | 529,000,912 | 190,064,047 | 48,467,644 | 132,998,626 | 87,940,848 | 61,855,047 |
| Non-derivative liabilities | | | | | | | |
| Deposits from banks | 3,638,400.00 | 3,638,400.00 | 3,638,400.00 | - | - | - | - |
| Deposits from customers | 577,283,469 | 577,283,469 | 379,727,360 | 125,241,809 | 34,980,628 | 37,333,672 | - |
| Other borrowed funds | 37,702,326 | 37,702,326 | 41,441 | - | 18,298 | 8,504,249 | 29,138,338 |
| Interest bearing financial liability | 22,244,902 | 22,244,902 | 7,539,216 | 4,985,381 | 9,720,305 | - | - |
| | 640,869,097 | 640,869,097 | 390,946,417 | 130,227,190 | 44,719,231 | 45,837,921 | 29,138,338 |
| Gap (asset - liabilities) | (121,337,142) | (112,739,298) | (201,805,228) | (81,752,386) | 88,279,395 | 41,462,307 | 32,716,709 |
| Cumulative liquidity gap | | | (200,882,370) | (282,641,916) | (194,362,521) | (152,259,593) | (119,542,884) |

# Residual contractual maturities of financial assets and liabilities

| Bank<br>31 December 2018 | Carrying amount | Gross nominal inflow/ (outflow) | Less than 3 months | 3 - 6 months | 6 - 12 months | 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| In thousands of Nigerian Naira | | | | | | | |
| Non-derivative assets: | | | | | | | |
| Cash and cash equivalents | 42,122,799 | 42,122,799 | 42,122,799 | 0 | 0 | 0 | 0 |
| Pledged assets | 20,583,433 | 20,583,433 | 0 | 0 | 7,538,000 | 0 | 13,045,433 |
| Non-pledged trading assets | 11,708,530 | 11,708,530 | 0 | 0 | 11,708,530 | 0 | 0 |
| Loans and advances to customers | 252,189,613 | 252,189,613 | 103,965,964 | 31,072,750 | 24,706,089 | 69,384,775 | 23,060,035 |
| Investment securities | 49,901,754 | 49,901,754 | 21,922,700 | 116,332 | 11,267,167 | 2,475,754 | 14,119,802 |
| | 376,506,129 | 376,506,129 | 168,011,463 | 31,189,082 | 55,219,786 | 71,860,529 | 50,225,270 |
| Non-derivative liabilities | | | | | | | |
| Deposits from banks | - | - | 0 | 0 | 0 | 0 | 0 |
| Deposits from customers | 370,034,455 | 370,034,455 | 254,359,200 | 50,122,360 | 11,924,196 | 52,908,409 | 0 |
| Other borrowed funds | 42,855,033 | 42,855,033 | 7,673 | 0 | 332,142 | 15,767,979 | 26,747,238 |
| Interest bearing financial liability | 17,427,655 | 17,427,655 | 10,677,207 | 1,763,937 | 4,986,511 | 0 | 0 |
| | 430,317,143 | 430,317,143 | 265,044,081 | 51,886,296 | 17,242,849 | 68,676,388 | 26,747,238 |
| Gap (asset - liabilities) | (53,811,014) | (53,811,014) | (97,032,617) | (20,697,214) | 37,976,937 | 3,184,141 | 23,478,031 |
| Cumulative liquidity gap | | | (97,032,617) | (117,729,832) | (79,752,895) | (76,568,754) | (53,090,723) |

# Residual contractual maturities of financial assets and liabilities

| Group<br>31 December 2018<br>In thousands of Nigerian Naira | Carrying amount | Gross nominal inflow/ (outflow) | Less than 3 months | 3 - 6 months | 6 - 12 months | 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| Non-derivative assets: | | | | | | | |
| Cash and cash equivalents | 42,122,799 | 42,122,799 | 42,122,799 | 0 | 0 | 0 | 0 |
| Pledged assets | 20,583,433 | 20,583,433 | 0 | 0 | 7,538,000 | 0 | 13,045,433 |
| Non-pledged trading assets | 11,708,530 | 11,708,530 | 0 | 0 | 11,708,530 | 0 | 0 |
| Loans and advances to customers | 252,189,613 | 252,189,613 | 103,965,964 | 31,072,750 | 24,706,089 | 69,384,775 | 23,060,035 |
| Investment securities | 60,789,329 | 60,789,329 | 21,922,700 | 116,332 | 22,162,823 | 2,467,672 | 14,119,802 |
| | 387,393,704 | 387,393,704 | 168,011,463 | 31,189,082 | 66,115,442 | 71,852,447 | 50,225,270 |
| Non-derivative liabilities | | | | | | | |
| Deposits from banks | - | - | - | - | - | - | - |
| Deposits from customers | 369,199,768 | 369,199,768 | 254,333,031 | 50,122,360 | 11,924,196 | 52,908,409 | 0 |
| Other borrowed funds | 45,448,718 | 45,448,718 | 7,673 | 0 | 332,142 | 15,767,979 | 29,340,923 |
| Interest bearing financial liability | 17,427,655 | 17,427,655 | 10,677,207 | 1,763,937 | 4,986,510 | 0 | 0 |
| | 432,076,141 | 432,076,141 | 265,017,912 | 51,886,296 | 17,242,848 | 68,676,388 | 29,340,923 |
| Gap (asset - liabilities) | (44,682,437) | (44,682,437) | (97,006,448) | (20,697,214) | 48,872,594 | 3,176,059 | 20,884,346 |
| Cumulative liquidity gap | | | (97,006,448) | (117,703,663) | (68,831,069) | (65,655,010) | (44,770,664) |

# Operational Risk Management

To achieve business objectives, organisations carry out different activities. These activities are exposed to risks, and this may hinder the achievement of set goals. The management of risk becomes inevitable for the realisation of objectives. Risk management ensures risks are identified, analysed and evaluated to determine how to respond to the risk. Once risk response options are decided, plan for implementation of the response is documented and implemented. All through the risk management process stakeholders are involved to ensure the risk is adequately responded to and where this is not the case additional risk response can be implemented.

Operational risks are risks arising from the execution of the bank's business functions and activities. It focuses on risk arising from people, process, systems and external events, all of which are required to carry out business activities.

### People Risk

People risks are risk associated with failures/inadequacies of staff of the bank such as; lack of experience and knowledge, insufficient resources, inadequate supervision and lack of integrity.

### Process Risk

Process risks are risks associated inadequate/process failures such as; process complexity, inadequate process documentation and process flaws.

### System Risk

System risks are associated with system/IT failures such as security breaches, programming errors, system failures, and system suitability.

### External Event Risk

External risks arise from events outside the bank's control, such as natural disasters, terrorism, public utility outages, and other human-made forces.

In Wema Bank, we understand that there are inherent risks in all of the Bank's products, activities, processes and systems. Also, that sound operational risk management is a reflection of the effectiveness of the Board of Directors and Senior Management in administering its portfolio of products, activities, processes and systems; creating value for all stakeholders and entrenching a competitive advantage for the Bank. The Enterprise Risk Management division of the Bank carries out operational Risk management function.

### Operational Risk Management Philosophy

The Bank's operational risk management philosophy is driven by the eleven (11) Operational Risk Management Principles as defined by the Basel Committee on Banking Supervision.

The adoption of these principles has the advantage of strategically creating and driving a robust risk management culture in the Bank and allows for the achievement of greater sophistication and consistency in operational risk management.

### Operational Risk Management Framework

To ensures that all principal risks in Wema bank are proactively identified, assessed, measured, adequately mitigated, monitored and reported to Senior Management to aid effective decision making the Operational Risk Management framework guides the following:

- Governance structures, including reporting lines and accountabilities;
- Operational risk management tools and how their usage;
- Operational risk profile, permissible thresholds or tolerances for inherent and residual risk, and approved risk mitigation strategies;
- Approach to establishing and monitoring limits or tolerances for inherent and residual risk exposure;
- Management risk reporting;
- Independent review and assessment of operational risk; and
- Revision of policies whenever a material change in the operational risk profile of the bank occurs.

### Operational Risk Management Policies and Procedures

Operational risk management policies and procedures that clearly define how all aspects of operational risk are manaement. These policies and procedures are aligned with the overall business strategy and support the continuous improvement of the risk management function.

Wema Bank's Operational risk management policies and procedures address the process for review and approval of new products, activities, processes, and systems. The review and approval process consider: -

- Inherent risks in the new product, service, or activity;
- Resulting changes to the bank's operational risk profile and appetite and tolerance, including the risk of existing products or activities;
- The necessary controls, risk management processes, and risk mitigation strategies;
- The residual risk;
- Changes to relevant risk limits;
- The procedures and metrics to measure, monitor, and manage the risk of the new product or activity; and
- Availability of the required human resources and technology infrastructure before the introduction of new products.

## Operational Risk Exposure

Operational risk exposures are managed through a robust and consistent set of management processes that drives risk identification, assessment, control, reporting, and monitoring. This keeps operational risk at considerable levels relative to the nature of our businesses and the markets in which Wema Bank plays, our capital and liquidity, and the competitive, economic and regulatory environment. With the array controls, operational losses are inevitable. Our operational risk strategy seeks to minimise the impact that operational risk and losses can have on the bank.

The Bank's promotes operational risk management culture that reduces the probability of occurrence of expected events and cost implication by managing the risk profile and implementing loss prevention techniques to minimise erosion of the organisation's earnings. Also, to reduce the impact of unexpected and catastrophic events and related costs through sound Business Continuity Management that will support the Bank's long-term growth. These are further being managed by:

- Implementing global Standards into the operational risk management framework to ensure that we abide by global best practices in managing operational risks
- Frequently Increased monitoring and enhanced preventive/detective controls to manage risks associated with new technologies and new/emerging banking terrain;
- Promote a culture that strengthens internal security controls to prevent cyber/technologically related attacks;
- Improved controls and security to protect customers when using digital channels;
- Enhanced third-party risk management capability to enable the consistent risk assessment of any third-party service.

## Operational Risk Management Tools

The key risk management tools used for managing Operational Risk in Wema Bank are Business Process Mapping, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Internal and external Loss Data Collection and Analysis.

## Information/Cyber Security Risk Management

The safety and soundness of the financial industry require that banks operate in a safe and secure environment. Hence, the platform on which information is processed and transmitted must be adequately safeguarded to ensure the confidentiality, integrity, and availability of information as well as the avoidance of financial loss and reputation risk, amongst others.

Information security aims to protect information and information assets and ensure business continuity by preventing and minimising the impact of information security incidents. Information security provides a trusted environment that the bank needs to be confident in adopting efficient new ways of doing business. Information security deals with all aspects of information (spoken, written, printed, electronic or any other medium) and information handling (created, viewed, transported, stored or destroyed).

To adequately manage information/cyber risk in Wema Bank, an Information Security Office led by the Chief Information Security Officer (CISO) was established. The CISO is responsible for developing and implementing an information security program, which includes framework, policies and procedures, designed to protect enterprise communications, systems and information assets from both internal and external threats.

The bank obtained globally recognised Information Security and Information Technology Standards – ISO27001 (Information Security Management System) and ISO 20000 (IT Service Management Systems) in 2015 has consistently met all the requirements for maintaining the certifications.

## Information /Cyber Security Risk Management Framework

In line with best practice, the Bank has developed and implemented an Information Security Risk Management framework. Wema Bank's Information Security framework defines the requirements for information security within the bank, assign roles and responsibilities, provides direction for the board and senior management and establishes a high-level guiding principle for information security by business requirements, relevant laws and regulations, and contractual requirements. The framework is reviewed and enhanced regularly to address emerging threats.

## Information Security Policy

To ensure the Information Security policy achieves the following, more detailed security policies, processes, and standards were developed and put to use.

- Information assets and information processing facilities are protected against unauthorised access.
- Information is protected from unauthorised disclosure.
- Confidentiality of information assets is given a high priority.
- The integrity of data is maintained.
- The Bank's requirements, as identified by information owners, for the availability of information assets and information processing facilities required for operational activities, are met.
- Statutory, and expressed and implied legal obligations are achieved.
- Business continuity plans are produced, maintained and tested.
- Unauthorised use of information assets and information processing facilities is prohibited.
- Other policies published by the Bank addresses Obscene, offensive or damaging statements.
- This Information Security Policy is communicated to all users.
- All users are trained in information security.
- All breaches of information security, actual or suspected, are reported and investigated in line with the Bank's published policies.
- Controls are commensurate with the risks faced by the Bank.

### Business Continuity Management

In recent years several natural and human-made events have had a significant effect on the financial industry, which has resulted in a rise in business continuity planning. By integrating business continuity management into an overall Enterprise Risk Management Framework, banks can ensure they are prepared for future challenges.

Wema Bank provides a governance framework for crisis management and orderly restoration of business activities upon the occurrence of an adverse event (e.g. a natural disaster or human-made disaster or technological failures).

The Bank promotes a culture that describes the methodologies to be used by the Business for risk assessment, risk analysis, risk mitigation, monitoring and reporting while providing for consistent program administration, senior management oversight with clearly defined roles and responsibilities. Sound business continuity management helps to:

- Ensure business continuity in a cost-effective manner
- Provide safety for staff in a crisis
- Provide a methodology for analysing the business impacts of adverse events
- Comply with statutory and regulatory provisions.

The Bank mitigates business continuity risks by reviewing and testing recovery procedures. Regular bank-wide awareness campaigns are also used to drive a business continuity culture in the bank.

## COVID-19 Business Continuity Plan

### Credit Risk

Most households and businesses in Nigeria will be adversely affected by the Covid-19 pandemic especially as several states have been forced into lock down.

- **Businesses**: The impact on the business sector varies by industry with some industries significantly impacted by the pandemic including the airline, oil & gas, general commerce and trade industries while some others are seeing significant uptick like the food delivery industries, the pharmaceutical industries etc. Companies that have supply chains coming from Asia has seen significant disruptions. Industries that cannot shift to remote working have also seen significant disruptions though some like restaurants are picking up the slack by using food delivery firms to reach customers.

In Nigeria, the bank have been able to mitigate the impact of disruption on businesses by working closely with customers to offer loan repayment moratoriums where possible and especially to highly impacted industries. Banks have also keyed into the Federal Government fiscal and monetary incentives to mitigate the disruptive impact of the pandemic including some loan moratorium and interest reduction schemes.

From a credit perspective, the bank have identified most affected sectors and customers within our loan book to understand how we can be supportive. Initiatives include proactively engaging with the customers to understand their situation, developing an internal view of where support measures will be the most effective, segmenting portfolios based on expected needs, and adjusting risk-mitigation actions for early delinquencies and for nonperforming exposures. We are aware that closely supporting our customers during this crunch period will deepen our relationships with them.

Regulators around the globe understand the challenge and are already relaxing rules for banks. The same has happened in Nigeria with the Central Bank of Nigeria leading the charge with the following initiatives

The Central Bank of Nigeria (CBN) announced six policy responses to fight the negative impact of COVID-19 on the Nigerian economy, given the material weakness in oil prices and risk to government revenues. These include;

- Extension of moratorium on loans from CBN's c.N5tn intervention fund,
- Enterest rate reduction on the intervention funds to 5% from 9% over the next year,
- Creation of a N50bn targeted credit facility,
- Credit support for the healthcare sector,
- Regulatory forbearance in sectors such as O&G, agriculture and manufacturing and
- Strengthening of loan to deposit rate (LDR) policy.

Nigeria's CBN decisions focus on preserving asset quality, giving the banks forbearance to restructure affected loans, reducing interest rates on CBN intervention loans, extending principal moratorium on these CBN facilities among others.
Overall regulatory response remains strong; however, the challenge requires strong fiscal reform which, in our view, has remained inadequate.

The Banking industry in Nigeria and our Bank has started to engage the international community and the correspondent banks to assure them that all outstanding obligations will be met in an orderly manner. Letters of Credit will continue to be opened for essential sectors like healthcare for raw materials to run the manufacturing companies. The list of 43 items (these are items banned from accessing dollars from the formal sector) will increase, the regulator will in addition introduce stimulus to the sectors considered essential to encourage import substitution
It is also clear that the bank regulator will not give approval to banks who may want to export dollars. Penalties will be stiffer going forward for any act deemed to be injurious to the economy. We need to be very careful as a bank. The CBN has given directives to the oil companies both local and international that FX will now be sold to the CBN and not the NNPC

We have taken the followings steps to strengthen our business and better prepare for the impact of the pandemic:

- Wema Bank is simulating the impact of various scenarios on the bank across key performance metrics. We are doing this on a continuous basis.
- The Bank identified the sectors in our loan book most exposed to the economic downturn caused by the Covid-19 pandemic and reviewed our loan book to identify at risk customers within this portfolio. We are also working on reducing exposure to the above sectors while engaging at risk customers to ensure that the bank is able to continue getting repayments
- The bank has also taken steps to align with the Federal Government and CBN mandate to prioritize the Healthcare & Pharmaceuticals sector for access to credit.
- We have also reviewed our foreign currency exposure around our trade and letters of credit business to ensure that we are sufficiently able to manage our exposure. The Bank is also working on our liquidity especially with regards to being able to meet customers' over the counter demand for cash.

### Workforce and Customers' Protection

The Bank took the following steps to educate and protect staff and customers:

- Creation of Covid19 awareness through emails, notices, wall posters, desktop wallpaper, and detailed illustrations on how the virus spreads, precautions to take and the emergency numbers to call.
- Staff and customers were advised to:

  i. Wash hands regularly with soap and water or clean them with alcohol-based hand rub.
  ii. Maintain at least 1-metre distance with people coughing or sneezing.
  iii. Avoid touching the face.
  iv. Cover mouth and nose when coughing or sneezing.
  v. Stay home if feeling unwell.
  vi. Refrain from smoking and other activities that weaken the lungs.
  vii. Practice physical distancing by avoiding unnecessary travel and staying away from large groups of people.

- All customer-facing staff, including cleaners and security officers, were instructed to use face masks and protective gloves always when carrying out their duties.
- The cleaning staff were educated on the need to carry out proper cleaning and disinfecting of surfaces.
- The security staff were trained on how to use the infrared thermometer and what to do if an individual's temperature is outside the acceptable range.
- Sanitizer dispensers, sanitizers, cleaning and disinfecting agents, Infrared thermometer, face masks and hand gloves were deployed for use to all branches.
- Temperature screening was implemented for all customers, staff, and visitors entering bank premises and branches.

- All customers, staff, and visitors entering bank premises and branches were also required to use the hand sanitizer provided at the entrance.
- A communication on travel restriction and procedure for resumption if a staff or close family member travelled to locations where there is a widespread of the virus.
- Customers are to be apprised on the precautions the Bank has taken to prevent the spread of the virus.
- Suspension of marketing calls that require physical interaction customer engagement to be done virtually.
- Physical training activities were suspended; all training was moved to the Bank's E-Learning platform
- Recruitment activities (Interviews and on-boarding) was suspended
- Cancellation of all events initially through to 15th of April 2020
- Meetings to be conducted via Microsoft Teams and telephone/video conferencing
- Customers were advised to use our secure and convenient online and mobile banking platforms to get remote access to banking services 24/7. Those not currently signed up on ALAT/ USSD were encouraged to get started.
- Monitoring of the effectiveness of the physical access measures and response plan in place at our locations
- Commencement of remote working for all non-essential functions.

## Maintainance of Operations

The requirements for maintaining essential business services under the two scenarios of partial lockdown and total lockdown were identified. The following actions were also carried out to provide service to customers:

- **Identification of Critical employees and critical inputs**
  i. Essential employees and critical inputs required under each scenario were identified, and actions put in place to ensure the availability of these critical staff and inputs.
  ii. Identification of critical staff, the alternate locations they can work from and the resources required to work from those locations.
  iii. Accommodation of critical staff of IT, Contact Centre, ALAT Tech Support and ALAT Back Office who have to work from the head office and ALAT building.

- **Optimization of the IT infrastructure**
  i. The IT infrastructure was optimized to support high availability and remote access.
  ii. Management actions such as keeping significant changes that could negatively impair performance and stability to a minimum were implemented to maintaining system stability.
  iii. CISCO Umbrella and Two-Factor Authentication were implemented to allow staff to have secure remote access to critical IT Infrastructure.
  iv. Measures to ensure continued availability of services and supplies such as Internet Connectivity and diesel required to continue operating at an acceptable level were put in place.

- **Branch Operations**

In line with the directive of the government to institute social distancing measures by minimizing the number of people that should attend public gatherings as part of the attempts to limit the spread of COVID-19. The Bank took the following precautionary measures:

i. Banking hours were shortened, and a shift system was implemented to reduce the number of staff in branches.
ii. Only ten customers were allowed into the banking hall at a time (consideration should be hinged on a maximum of 20 people in branches at a time including the staff).
iii. The security officers were instructed to monitor and maintain the overflow of customers outside and direct them inside one at a time after checking their temperature and making sure they use the hand sanitizer.
iv. Supervisors were instructed to ensure the highest level of security adherence in line with the provisions made by the Bank in each location.
v. Branches in affected states were shutdown while branches in unaffected states continued operations as usual with strict adherence to the precautionary measures in place.
vi. CMU operations continued with the respective CBN branches.
vii. ATM operations except at offsite locations continued despite the closure of physical branches.

## Migration to Digital Channels

Our channels are essential to serving our customers especially during a crisis like the Covid-19 pandemic. We have instituted measures to ensure maximum uptime on all our alternative channels – Mobile App, Internet Banking, USSD Banking, ATMs and PoS Terminals will be available and reliable at this time. All the relevant teams managing these services have a clear mandate to ensure that our customers do not suffer from any service outages across all these platforms. Through our communications platforms, we will also be encouraging customers to adopt these channels in the interest of their safety during this period.

Increasingly institutions are able to remotely monitor customer demand for our tech platforms and adjust capacity and reduce risks, we have been able to utilize this concept as our monitoring of our remote channels have shown an initial spike and then a fall in demand across most of our physical locations as the lock down in Lagos and Abuja has commenced. Physical branches in those states have been closed but electronic channels are still available to serve our customers.

A plan has been instituted to engage customers during the period and ensure that we continually provide a channel for them to ask questions and receive clarifications for issues that they are facing within the financial services space. We continue to encourage customers to use existing platforms and digital products while also providing tutorials online and by phone and increasing remote support options. We also continue to enhance our current digital offerings, identifying key functionalities that can be improved quickly; for example, they can increase the limit for online activities, and they can simplify the procedure to reset passwords.

Unfortunately, as our customers increasingly move to the digital space within this period, we have started to see increase cyber security attacks, attempted fraud and information security intrusion attempts. Opportunists seeking to exploit confusion and vulnerabilities stemming from changes in ways of working and serving customers are trying to find ways into the bank. The bank in response has ramped up its deterrence capabilities and are fully focused on

Provision of COVID-19 related updates to the workforce and customers.
Apart from the initial communication and awareness materials shared and subsequent updates provided, staff and customers were advised to stay informed on the latest developments about COVID-19 through official channels on TV and Radio, the Social Media, including the Lagos State Ministry of Health, NCDC and Federal Ministry.

The following were also done:

- Sensitization of customers on the use of alternate channels.
- Provision of relevant updates as at when due.
- Provision of the required information to staff and customers on branch operations and closures.
- Creation of awareness on remote working and how to work effectively and productive while working from home.

### Strategic Risk Management

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It could significantly impact on the achievement of the bank's vision and strategic objectives as documented in the strategic plan.

Strategic risk management is the process of identifying, assessing, measuring, monitoring and managing the risk in the bank's business strategy. Strategic risk management involves evaluating how a wide range of possible events and scenarios will affect the strategy and its execution and the ultimate impact on the bank's value.

### Strategic Risk Management Policies and Procedures

To effectively manage strategic risk, the bank has established policies, procedures and limits which ensure that the responsiveness to the business environment is objectively evaluated. The business segments that the bank focuses on short term and long term are clearly defined in the bank's business strategy document. There are clear guidelines on how the business strategy will be reviewed and the frequency of review. This is to ensure that critical aspects such as inherent strengths, identified weaknesses, external opportunities and threats are adequately considered. Limits are also set to define sectoral exposures, business growth and staff strength and branch expansion.

### Strategic Risk Management Process

To adequately manage the strategic risks faced by Wema bank, the Board and senior management are involved in the strategic risk management process includes:

- Formulating strategic goals and objectives, consistent with the bank's corporate mission and values and translating the goals and objectives into a well-structured strategic plan for delivery and measurement of desired outcomes;
- Personnel, technology, funding and capital resources allocation, prioritisation compatible with implementation strategies;
- Communication, implementation and modification of strategies;
- Performance evaluation and feedback mechanism, and
- Design of a strategic risk management framework to the bank's risk profile and level of sophistication to ensure that strategic risk is consistently and comprehensively identified, assessed, monitored, controlled and reported.

### Reputational Risk Management

Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation, or revenue reductions. This risk may result from an institution's failure to effectively manage, any or all of the other risk types.

Wema bank recognises that managing reputational risk begins with acknowledging that reputation is a matter of perception. Management understands that the bank's overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, non-governmental organisations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues). A strong positive reputation among stakeholders across multiple categories will result in a strong positive reputation for Wema Bank.

Wema Bank has put processes in place to articulate, analyse and manage reputational risk factors properly, in response to reputational risk challenges.

The bank has recognised the following potential factors as having an impact on the bank's reputation:

- A highly regulated financial services industry with high visibility and vulnerability to regulatory actions that may adversely affect its reputation (e.g. corporate governance crises);
- Consolidation activities ignited by the Central Bank of Nigeria (CBN), resulting in a fusion of different cultures;
- Keen competition and largely homogeneous products and services lead customers not to perceive significant differences between financial service providers;
- The financing nature of products and services banks provide puts both the reputation of the bank and the customers at stake;
- Banks operate and compete in a global environment; risks emerge from a host of different sources and locations this makes it is difficult to keep up with potential risks and to know how best to respond if they occur, and
- Negative news.

### Reputational Risk Management Philosophy

Reputational risk management involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. The following principles govern the Bank's Reputational Risk Management Philosophy:

The Board of Directors of Wema Bank has set the tone for reputational risk management by defining and demanding adherence to a code of conduct for the Board, officers and staff of the Bank. Reputational risk is both an individual and collective responsibility of the Board and all employees. To enhance its reputation in the market, the Bank ensures the following:

- Zero tolerance for non-compliance with laws and regulatory guidelines in all the Bank's locations
- Full compliance with the Bank's code of conduct and other internal policies
- Strict ethical behaviour by board members and executive management
- Transparency and probity in the management of resources
- Professionalism, ethics and corporate social responsibility
- Effective communication of the Bank's vision and strategy to all key stakeholders

## Capital management

**(i) Regulatory capital**

The Bank's lead regulator, the Central Bank of Nigeria sets and monitors capital requirements for the Bank. The banking operations are directly supervised by the Central Bank of Nigeria.
The Bank, in 2008 took a proactive step of commencing the process of disencumbering the books of doubtful and classified assets so as to lay a solid foundation for a more virile and prosperous Bank.

In the aftermath of this our capital management objectives have been to:

- Stop further erosion of shareholders' wealth;
- Take all necessary measures to bring the Bank's capital to the level set by the regulatory authorities; and
- Sustain the Bank's capability to continue as a going concern.

The Bank has instituted effective mechanisms for the daily monitoring of movement in our capital base and measurement of our capital adequacy ratio by deploying techniques stipulated by the Central Bank of Nigeria (CBN) banks' supervisory guidelines. Throughout the reporting year, the Bank complied strictly with the requirement of monthly rendition of report on same to the CBN. The Auditors are also required to comply with the Nigeria Deposit Insurance Corporation (NDIC) requirement of submitting an annual certificate that consist the computed capital adequacy ratio of the Bank.

To align with the CBN current reforms, we are taking a multiple approach to raising the Bank capital base to the required level through:

- Increasing the Bank's revenue base while ensuring efficient management of operating expenses.
- Vigorously implementing debt recovery strategies.

Our Bank's regulatory capital as managed by the Financial Control and Treasury Units is divided into two tiers.

- Tier 1 capital, which includes share capital, share premium, other reserves and retained earnings.
- Tier 2 capital, which includes revaluation reserves and other borrowings

The risk weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of and reflecting an estimate of credit, capital market and other risks associated with each asset and counterparty, taking into consideration any eligible collateral guarantee. A similar treatment is accorded to off-balance sheet transactions with adjustments in line with the contingent nature of the underlining potential losses.

### (ii) Capital Adequacy Ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% is to be maintained.

| In thousands of Nigeria naira | 31-Dec 2019 | 31-Dec 2018 |
|---|---|---|
| **Tier 1 capital** | | |
| Ordinary share capital | 19,287,233 | 19,287,233 |
| Share premium | 8,698,230 | 8,698,230 |
| Statutory reserves | 13,597,317 | 12,034,093 |
| SMEIES | 526,908 | 526,908 |
| RRR applied for IFRS 9 Impact | - | - |
| Retained earnings | 3,450,262 | 6,102,353 |
| **Total qualifying Tier 1 capital** | **45,559,950** | **46,648,817** |
| Deferred tax assets | 19,195,906 | 20,206,217 |
| Intangible assets | 974,069 | 927,391 |
| Investment in capital of financial subsidiaries | - | - |
| | 20,169,975 | 21,133,607 |
| Adjusted Total qualifying Tier 1 capital | 25,389,976 | 25,515,210 |
| **Tier 2 capital** | | |
| Other comprehensive income (OCI) | 1,437,590 | 965,169 |
| Sub-ordinated debts | 13,637,957 | 13,051,704 |
| Total qualifying Tier 2capital | 15,075,547 | 14,016,873 |
| Investment in capital and financial subsidiaries | - | - |
| Net Tier 2 Capital | 8,463,325 | 8,621,728 |
| Total regulatory capital | 33,853,301 | 34,136,938 |
| **Risk -weighted assets** | | |
| Credit risk | 173,736,142 | 130,736,338 |
| Market risk | 12,895,985 | 5,787,771 |
| Operational risk | 62,317,731 | 52,997,548 |
| Total risk-weighted assets | 248,949,858 | 189,521,657 |
| **Risk-weighted Capital Adequacy Ratio (CAR)** | 13.60% | 18.01% |
| Total tier 1 capital expressed as a percentage of risk-weighted assets | 10.20% | 13.46% |

(iii) **Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the Bank's longer term strategic objective

reporting while providing for consistent program administration, senior management oversight with clearly defined roles and responsibilities. Sound business continuity management helps to:

i. Ensure business continuity in a cost-effective manner
ii. Provide safety for staff in crisis situations
iii. Provide methodology for analysing business impacts of adverse events
iv. Comply with statutory and regulatory provisions.

The Bank has developed and implemented an Information Security Risk Management framework that is in line with best practice. The framework is reviewed and enhanced regularly to address emerging threats to customers' information. The Bank mitigates business continuity risks by reviewing and testing recovery procedures. The Bank obtained ISO certification in information Security (ISO27001) and Service Management (ISO20000) since 2015. Regular bank wide awareness campaigns are also used to drive information security and business continuity culture in the bank.

# Other National Disclosures Statements of Value Added

| | Group | | | | Bank | | | |
|---|---|---|---|---|---|---|---|---|
| In thousands of Nigerian Naira | **2019** | **%** | **2018** | **%** | **2019** | **%** | **2018** | **%** |
| Gross Income | 94,890,127 | | 71,529,938 | | 93,389,811 | | 70,907,759 | |
| Interest paid | (44,696,360) | | (30,642,651) | | (43,197,658) | | (29,997,631) | |
| | 50,193,767 | | 40,887,287 | | 50,192,153 | | 40,910,128 | |
| Write back/(Impairment) charge on financial assets | (6,130,600) | | (3,510,537) | | (6,130,600) | | (3,510,537) | |
| Bought-in materials and services | (19,115,311) | | (17,619,656) | | (19,102,890) | | (17,609,656) | |
| **Value added** | **24,947,856** | **100** | **19,757,095** | **100** | **24,958,663** | **100** | **19,789,935** | **100** |
| **Distribution** | | | | | | | | |
| **Employees** | | | | | | | | |
| Salaries and benefits | 14,870,989 | 60 | 12,336,818 | 62 | 14,870,989 | 59 | 12,336,818 | 62 |
| **Government** | | | | | | | | |
| Income tax | 549,771 | 2 | 407,805 | 3 | 549,770 | 2 | 407,805 | 3 |
| **Retained in the Bank** | | | | | | | | |
| Deferred Tax | 1,010,310 | 4 | 1,063,485 | 5 | 1,010,310 | 4 | 1,063,485 | 5 |
| Assets replacement (depreciation & amortisation) | 3,316,846 | 13 | 2,622,568 | 13 | 3,316,846 | 13 | 2,622,568 | 13 |
| Profit transferred to reserve | 5,199,940 | 21 | 3,326,420 | 17 | 5,210,748 | 21 | 3,359,259 | 17 |
| | **24,947,856** | **100** | **19,757,096** | **100** | **24,958,663** | **100** | **19,789,935** | **100** |

# Other National Disclosures Financial Summary

| In thousands of Nigerian Naira | Group 31-Dec-19 | Bank 31-Dec-19 | Group 31-Dec-18 | Bank 31-Dec-18 | Group 31-Dec-17 | Bank 31-Dec-17 | Group 31-Dec-16 | Bank 31-Dec-16 | Bank 31-Dec-15 |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Cash and cash equivalents | 65,974,273 | 65,967,028 | 42,122,799 | 42,122,799 | 22,427,586 | 22,425,891 | 27,623,945 | 27,608,708 | 56,583,610 |
| Restricted Deposit with CBN | 137,392,701 | 137,392,701 | 58,054,204 | 58,054,204 | 26,495,664 | 26,495,664 | | | |
| Pledged assets | 26,925,527 | 26,925,527 | 20,583,433 | 20,583,433 | 25,420,137 | 25,420,137 | 16,419,725 | 16,419,725 | 16,455,942 |
| Investment securities | 150,100,752 | 139,193,787 | 71,617,784 | 60,729,210 | 44,467,181 | 41,647,599 | 62,075,906 | 59,268,598 | 41,107,271 |
| Loans and advances to customers | 289,239,870 | 289,239,870 | 252,189,613 | 252,189,613 | 215,840,031 | 215,840,031 | 227,008,550 | 227,008,550 | 185,596,590 |
| Investment property | 39,330 | 39,330 | 40,273 | 40,273 | 45,671 | 45,671 | 361,798 | 361,798 | 393,547 |
| Right of use | 509,963 | 509,963 | - | - | - | - | - | - | - |
| Property Plant and equipment | 20,637,634 | 20,637,634 | 18,602,696 | 18,602,696 | 17,078,789 | 17,078,789 | 16,614,465 | 16,614,465 | 15,967,711 |
| Intangible assets | 974,069 | 974,069 | 927,391 | 927,391 | 759,072 | 759,092 | 400,017 | 400,017 | 488,110 |
| Other assets | 4,879,789 | 4,879,789 | 4,459,906 | 4,459,906 | 13,797,233 | 13,797,233 | 51,369,473 | 51,369,473 | 57,580,831 |
| Deferred tax assets | 19,195,906 | 19,195,906 | 20,206,217 | 20,206,217 | 21,269,702 | 21,169,702 | 22,169,702 | 22,169,702 | 22,569,702 |
| | **715,869,814** | **704,955,604** | **488,804,317** | **477,915,742** | **387,545,031** | **384,779,809** | **424,043,581** | **421,221,036** | **396,743,314** |
| **Finance by:** | | | | | | | | | |
| Share capital | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 | 19,287,233 |
| Share premium | 8,698,230 | 8,698,230 | 8,698,230 | 8,698,230 | 8,698,230 | 8,698,230 | 48,870,107 | 48,870,107 | 48,870,107 |
| Retained earnings | 3,254,018 | 3,450,262 | 5,992,622 | 6,102,353 | 4,089,570 | 4,166,460 | (39,158,766) | (39,127,546) | (36,017,406) |
| Other reserve | 23,921,126 | 23,921,126 | 16,911,064 | 16,911,064 | 17,540,217 | 17,540,217 | 19,472,160 | 19,472,160 | 13,924,176 |
| Deposits from banks | 3,638,400 | 3,638,400 | - | - | 26,575,260 | 26,575,260 | 37,433,906 | 37,433,906 | - |
| Deposits from customers | 577,283,469 | 577,283,469 | 369,199,768 | 369,314,164 | 254,460,881 | 254,487,050 | 283,302,604 | 283,328,215 | 284,977,836 |
| Lease liabilities | 72,584 | 72,584 | - | - | - | - | - | - | - |
| Current tax liabilities | 905,364 | 905,364 | 429,079 | 429,079 | 359,878 | 359,878 | 349,245 | 349,245 | 382,694 |
| Other liabilities | 30,039,084 | 29,996,610 | 22,837,603 | 22,772,597 | 17,074,250 | 17,037,720 | 22,392,756 | 22,324,495 | 12,949,273 |
| Obligations under finance lease | - | - | - | - | - | - | 932 | 932 | 79,485 |
| Other borrowed funds | 48,770,306 | 37,702,326 | 45,448,718 | 34,401,024 | 39,459,512 | 36,627,761 | 32,093,404 | 29,282,289 | 52,289,916 |
| | **715,869,814** | **704,955,604** | **488,804,317** | **477,915,742** | **387,545,031** | **384,779,809** | **424,043,581** | **421,221,036** | **396,743,314** |
| **Guarantees and other commitments** | **83,915,869** | **83,915,869** | **62,872,234** | **62,872,234** | **48,300,503** | **48,300,503** | **37,556,469** | **37,556,469** | **19,056,528** |

| | Group 31-Dec-19 | Bank 31-Dec-19 | Group 31-Dec-18 | Bank 31-Dec-18 | Group 31-Dec-17 | Bank 31-Dec-17 | Group 31-Dec-16 | Bank 31-Dec-16 | Bank 31-Dec-15 |
|---|---|---|---|---|---|---|---|---|---|
| Gross earnings | 94,890,127 | 93,389,811 | 71,529,938 | 70,907,759 | 65,268,831 | 62,678,571 | 53,948,848 | 53,834,407 | 45,869,441 |
| Profit before taxations | 6,760,021 | 6,770,828 | 4,797,709 | 4,830,549 | 3,009,203 | 3,054,873 | 3,245,145 | 3,276,365 | 2,991,458 |
| Income tax | (1,560,081) | (1,560,080) | (1,471,290) | (1,471,290) | (753,715) | (753,715) | (684,565) | (684,565) | (718,253) |
| Profit after taxation | **5,199,940** | **5,210,748** | **3,326,419** | **3,359,259** | **2,255,488** | **2,301,158** | **2,560,580** | **2,591,800** | **2,273,205** |

# SHAREHOLDERS' KIT

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# Proxy Form

WEMA BANK
RC 575

Annual General Meeting to be held at Wema Towers, 54, Marina, Lagos on Monday, 18 May, 2020 at 11:00am

I/We* ______________________________________________

being member/members of Wema Bank Plc hereby appoint** ______________________ or failing him the Chairman of the meeting

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on Monday, 18 May, 2020 and at any adjournment thereof.

SHAREHOLDER'S SIGNATURE & DATE

SHAREHOLDER'S NAME

Please indicate with an "X" in the appropriate box how you wish your votes to be cast on the resolutions set above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

| | ORDINARY RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To lay before the meeting the Audited Financial Statements for the year ended 31st December, 2019 together with the reports of the Directors, Auditors and Audit Committee thereon; | | |
| 2 | To declare a dividend | | |
| 3. | To re-elect the following Directors as Independent Non-Executive Director / Non-Executive Directors;<br>Mrs. Omobosola Ojo ☐ Mrs. Abolanle Matel-Okoh ☐ | | |
| 4. | To authorize the Directors to fix the remuneration of the Auditors; | | |
| 5. | To elect members of the Audit Committee; | | |

## ADMISSION CARD

ANNUAL GENERAL MEETING to be held at Wema Towers, 54, Marina, Lagos on Monday, 18 May, 2020 at 11:00am

Shareholder's Name (Surname & Other Names) ______________________________

Shareholder's Account No. ____________ No. of Shares ____________

## IMPORTANT

(a) Before posting the proxy form, please tear off this part and retain it. A person attending the Annual General Meeting of the Company of his proxy should produce this card to secure admission to the meeting.

(b) Write your name in Block Letters on the proxy form where marked (*) and the name of your proxy where marked (**) and ensure the proxy form is dated and signed.

(c) Write your name in Block Letters on the proxy form where marked (*), and the name of your proxy where marked (**) and ensure the proxy form is dated and signed.

(d) It is a requirement of the Stamp Duties Act, Cap 411, Laws of the Federation of Nigeria, 1990 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear a stamp duty.

(e) The proxy form when completed must be deposited at the office of the Registrars, Greenwich Registrars & Data Solutions Limited, 274, Murtala Muhammed Way, Yaba, Lagos not less than 48 hours before the time fixed for the meeting.

(f) If proxy form is executed by a company, it should be sealed under its common seal or under the hand and seal of its Attorney.

SIGNATURE OF PERSON ATTENDING

DATE SIGNED.

D D / M M / Y Y Y Y

PLEASE AFFIX
POSTAGE STAMP
HERE

THE REGISTRAR
**GREENWICH REGISTRARS & DATA SOLUTIONS**
274, MURTALA MUHAMMED WAY
YABA,LAGOS.

Affix
Current
Passport Photograph

# E-DIVIDEND MANDATE ACTIVATION FORM

**Only Clearing Banks are acceptable**

Instruction

Please complete all sections of this form to make it eligible for processing and return to the address below

The Registrar
**GREENWICH REGISTRARS & DATA SOLUTIONS**
274 Murtala Muhammed Way, Yaba, Lagos

I\We hereby request that henceforth, all my\our Dividend Payment(s) due to me\us from my\our holdings in all the companies ticked at the right hand column be credited directly to my\our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

**Shareholder Account Information**

| **Surname/Company Name** | **First Name** | **Other Names** |
|---|---|---|
| | | |

**Address**

| City | State | Country |
|---|---|---|
| | | |

**Previous Address (if any)**

**CSCS Clearing House Number**

**Mobile Number 1** **Mobile Number 2**

**Email Address**

**Shareholder's Signature** **Company Seal (If applicable)**

**2nd Signatory (Joint/Company Accounts)**

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: +234-(0)1-2917747, +234-(0)1-2793160-2.

| Tick | Company Name | Shareholders Account No. |
|---|---|---|
| | 11 PLC | |
| | Abplast Products PLC | |
| | Allianz Nigeria Plc (erstwhile Union Assurance Company Limited; Ensure Insurance) | |
| | Aluminium Extrusion PLC | |
| | Cashchew Nut Processing Industries PLC | |
| | Chellarams PLC | |
| | Christlieb PLC | |
| | DANA Group of Companies PLC Series 1 & 2 | |
| | DN Tyre & Rubber PLC | |
| | Ecobank Transnational Incorporated (Naira) | |
| | Ecobank Transnational Incorporated (USD) | |
| | Ekiti State Bond Tranche 2 | |
| | EKOCORP PLC | |
| | Eterna PLC | |
| | FAN Milk PLC | |
| | General Telecoms PLC | |
| | GlaxoSmithKline Nigeria PLC | |
| | Global Biofuel Nigeria Limited | |
| | Great Nigeria Insurance PLC | |
| | Ikeja Hotels PLC | |
| | Impresit Bakolori PLC | |
| | Industrial & General Insurance PLC | |
| | IPWA PLC | |
| | John Holts PLC | |
| | Julius Berger Nigeria PLC | |
| | Kajola Integrated & Investment Company PLC | |
| | Lennard Nigeria PLC | |
| | Meyer PLC | |
| | Municipality Waste Management Contractors Limited Series I,II & III | |
| | Nestle Nigeria PLC | |
| | Nigeria Cement Company PLC | |
| | Nigeria Reinsurance | |
| | Nigerian Enamelware Company PLC | |
| | Nigerian Lamp & Industries | |
| | Nigerian Wire & Cable PLC | |
| | Okitipupa Oil Palm PLC | |
| | Oluwa Glass Company | |
| | The Tourist Company of Nigeria PLC | |
| | Tripple Gee & Company PLC | |
| | UBA Fixed N20 Billion Bond Series 1 Bond | |
| | UBN Property Company PLC | |
| | Unilever Nigeria PLC | |
| | Union Bank of Nigeria PLC | |
| | Union Homes REITS | |
| | Union Homes Savings & Loans PLC | |
| | University Press PLC | |
| | WEMA Bank PLC | |
| | Wema Funding SPV Plc Bond Series I & II | |

# Branch Network

## Lagos

ABULE EGBA BRANCH
1 5, Lagos/Abeokuta
Express Way, Abule- Egba,
01 2779906

AGEGE BRANCH
185, Old Abeokuta Motor
Road, Agege
01 2779897

ALABA BRANCH
3a, Ojo-Igbede Road,
Alaba International Market, Ojo
01 2779876

AWOLOWO ROAD BRANCH
35 Awolowo Road
Ikoyi ,
01 2779863

BELLS BRANCH
Bells University of Technology,
Otta.
01 2779904

DOPEMU BRANCH
60, Lagos/Abeokuta
Express Road, Dopemu
01 2779899

IDOWU TAYLOR BRANCH
8, Idowu Taylor Street, Victoria
Island Lagos
01 2779861

OBA AKRAN BRANCH
24, Oba Akran Avenue,
Ikeja
01 2779907

ILUPEJU BRANCH
48A, Town Planning Way I
lupeju, Lagos
012779789

JIBOWU BRANCH
33, Ikorodu Road,
Jibowu
01 2779890

LAPAL BRANCH
241, Igbosere
Road, Lagos Island
01 2779867

ADENIJI ADELE BRANCH
184, Adeniji Adele Road
Lagos Island
01 2779868

AJAH BRANCH
KM 23, Lagos Epe Express
Road, Ajah
012778605

ALLEN BRANCH
33, Allen Avenue,
Ikeja
01 2779902

BADAGRY BRANCH
Joseph Dosu Road,
Badagry
01 2779881

BROAD STREET BRANCH
41/45, Broad Street,
Lagos Island
01 2779860

EBUTE META BRANCH
52/54, Murtala Muhammed way.
Ebute-Metta
01 2779889

IJEDE BRANCH
60, Ikorodu Road,
Ijede
01 2779888

IKORODU BRANCH 1
23/24, Sagamu Road.
Ikorodu.
01 2779883

IPONRI BRANCH
Iponri Shopping Centre,
Iponri, Surulere
01 2779873

KAFI BRANCH
Omatsola mall, 4 Kafi street,
Behind Shoprite Mall, Ikeja
01 2779931

LASU BRANCH
LASU Lagos State Univeristy Main
Campus, Lagos-Badagry Exp. Ojo
01 2779879

ADMIRALTY BRANCH
Admiralty 26, Obafemi Anibaba Street,
Off Admiralty Road Lekki Phase 1
01 2779868

AJAO ESTATE BRANCH
Ajao Estate 2, Rasmon Close,
Off Osolo Road, Ajao Estate
01 2779882

ASPAMDA BRANCH
Blk 9, (Zone D) Aspamda Mkt.,
Int'l Trade Fair Complex,
01 2779875

BARIGA BRANCH
60, Jagunmolu Street,
Bariga
01 2779884

COMMERCIAL ROAD BRANCH
2, Commercial Road,
Apapa
01 2779874

EGBEDA BRANCH
117, Idimu Road, Orelope Bus
stop, Egbeda
01 2779900

IJORA BRANCH
Ijora Fisheries Terminal Behind Nepa
workshop. Ijora, Lagos,
01 2779871

IKORODU BRANCH 2
100, Lagos Road (Aruna bus stop)
Ikorodu Lagos
012779873

ISOLO BRANCH
24, Abimbola Street,
Isolo
01 2779895

LAGOS AIRPORT HOTEL BRANCH
111, Obafemi Awolowo Road,
Ikeja
01 2779905

LAWANSON BRANCH
89, Itire Road,
Lawanson, Surulere
01 2779885

# Branch Network

LEKKI BRANCH

2nd Roundabout, Beside,Texaco Filling Station, Lekki.

01 2779866

MAMMAN KONTAGORA BRANCH

23, Broad Street, Mamman Kontagora House, Lagos Island

01 2779864

MARINA BRANCH

Wema Tower, 54, Marina, Lagos Island

01 2779862

MARYLAND BRANCH

2, Mobolaji Bank-Anthony Way, Maryland, Ikeja

01 2779892

MUSHIN BRANCH

236, Agege Motor Road Mushin ,

01 2779887

OBA AKRAN BRANCH

Plot 30, Oba Akran Avenue, Ikeja

01 2779896

OGBA BRANCH

Plot 45, Omole Industrial Estate Ogba

01 2779898

OJOTA BRANCH

Odu'a Int'l Model Market Complex, Ojota

01 2779893

OJUELEGBA BRANCH

4, Ajoke Dosumu Street Ojuelegba, Barracks. Lagos

012779448

OKE-ARIN BRANCH

104, Alakoro Street, Oke Aarin Market, Lagos Island

01 2779865

OKOKOMAIKO BRANCH

29, Badagry Express Way Okoko ,

01 2779877

ONIRU BRANCH

Odyssey Plaza, Plot 4,T.F. Kuboye Road, Oniru, Lekki

01 2779841

ORILE IGANMU BRANCH

34, Opere Street,off Lagos/Badagry Exp. Orile-Iganmu,

01 2779872

OPEBI BRANCH

65A, Opebi Road, Ikeja Lagos

01 2779840

OSHODI BRANCH

455, Agege Motor Road, Oshodi

01 2779886

OTTA BRANCH

Idi Iroko Road, Opp Slot/MTN Building, Otta

01 2779901

SANGOTEDO BRANCH

Klm 48 ,Opposite FRSC Office on Lagos-Epe Expressway, After Lagos Business School, Olokonla

TINUBU BRANCH

27 Nnamdi Azikwe Street, Lagos Island.

01 2779869

UNILAG BRANCH

University of Lagos, Akoka, Yaba

01 2779891

WAREHOUSE ROAD BRANCH

32, Warehouse Road, Apapa.

01 2779878

## Abuja

AMINU KANO BRANCH

81, Aminu Kano Way Wuse II FCT ,

01 2779913

CBD BRANCH

Area, Abuja FCT
464, Central Business

01 2779908

GARKI BRANCH

Garki, Abuja FCT
Dunukofia Street, Area 11.

01 2779908

LUGBE BRANCH

House 168, 1st Avenue, Lugbe FHA, Lugbe FCT

01 2779908

NATIONAL ASSEMBLY BRANCH

NASS Complex, Three Arm Zone Abuja FCT

01 2779911

RALPH SODEINDE BRANCH

Oyo House, Ralph Shodeinde Street, Abuja FCT

01 2779912

WUSE BRANCH

36, Herbert Macaulay Way, Wuse Zone 5

01 2779913

## Akwa Ibom

EKET BRANCH

78, Eket-Oron Road, Eket

01 2779978

UYO BRANCH

Plot 179, Aka Road, Uyo

01 2779986

## Bauchi

BAUCHI BRANCH

Opposite Bauchi State Library

01 2779986

# Branch Network

## Bayelsa

YENOGOA BRANCH

Mbiama Road, Opposite
INEC Office

## Cross River

CALABAR BRANCH

39 /113, Murtala Mohammed Highway,
Calabar (Former Crossline Park)

01 2779979

## Delta

ASABA BRANCH

407, Nnebisi Road, Asaba
Delta

01 2779981

WARRI BRANCH

33, Effurun/Sapele Road,
Warri

01 2779982

## Edo

AKPAKPAVA BRANCH

12, Akpakpava Street,
Benin City

01 2779984

MISSION ROAD BRANCH

39, Mission Road,
Benin City

01 2779985

UNIBEN BRANCH

University of Benin,
Benin City

01 2779980

## Ekiti

ABUAD BRANCH

Sport Complex Opp, Afe
Babalola University, Ado Ekiti

01 2777851

AIYEDUN BRANCH

Omuo Road,
Aiyedun Ekiti

01 2779963

ARAMOKO BRANCH

Ilao Quarters, Aramoko
Roundabout Aramoko

01 2779965

IKERE EKITI BRANCH

Oke–Aodu Street, Beside Ikere
Central Mosque, Ado-Ekiti Road, i

01 2779967

IYIN EKITI BRANCH

46, Oba Owolabi Road,
Iyin-Ekiti

012777859

OKESHA BRANCH

2, Adekunle Fajuyi Road.
Ado Ekiti.

01 2777850

OMUO EKITI BRANCH

Kota, Omuo Oke
Road, Omuo-Ekiti

01 2779968

OREREOWU BRANCH

2, Orereowu Street, Old Garage,
Ado-Ekiti

01 2779961

UNAD BRANCH

Ekiti State University,
Iworoko Rd, Ado Ekiti

01 2779966

## Kaduna

KADUNA BRANCH

22, bida road, kaduna
Kaduna

012778636

## Kano

KANO BRANCH

Murtala Muhammed way, Beside
Fedex, Kano state

01 2779832

## Kogi

LOKOJA BRANCH

IBB Way, Lokoja Opposite
Kogi State Radio, Lokoja

01 2778955

## Kwara

ILORIN BRANCH

371, Ibrahim Taiwo Road,
Ilorin, Kwara State

01 2779921

## Nasarawa

MARARABA BRANCH

Kabai junction, along Abuja-
Nasarawa Expressway,

012777707

## Niger

MINNA BRANCH

Minna 35, Bosso Road,
Minna

01 2779870

# Branch Network

## Ogun

AGO IWOYE BRANCH
Fibigbade Street, Ago-Iwoye
01 2779955

AIYETORO BRANCH
Ayetoro Road. Ayetoro
01 2779952

BABCOCK BRANCH
Babcock University Ilishan Remo
01 2779959

IDI IROKO BRANCH
Lagos Road, Idi-Iroko
01 2779948

IFO BRANCH
Abeokuta Motor Road Ifo
01 2779951

IJEBU IGBO BRANCH
Adeboye Road, Ijebu Igbo
01 2779954

IJEBU ODE BRANCH
201, Folagbade Street, Ijebu Ode
01 2779953

ILARO BRANCH
Leslie Street, Ilaro.
01 2779943

IPERU ROAD BRANCH
KAAF Building, Old Ibadan Exp Road, Iperu Remo
01 2779950.

LAFENWA BRANCH
2, Lagos/Abeokuta Road, Lafenwa, Abeokuta
01 2779946

OKE ILEWO BRANCH
IBB Boulevard, Opp. CBN, Oke-Ilewo, Abeokuta
01 2779949

OOU BRANCH
OOU, Ago Iwoye Olabisi Onabanjo University, Ago Iwoye Ogun
01 2779956

OWODE BRANCH
Fashina Square, Idiroko Road, Owode-Yewa
01 2779947

PANSEKE BRANCH
GNI Building Panseke, Abeokuta ,
01 2779944

SAGAMU BRANCH
Akarigbo Road, Sabo.
01 2779957

WAPCO BRANCH
Lafarge Cement Factory, Sagamu
01 2779958

## Ondo

ELIZADE BRANCH
Elizade university , ilara-mokin, ondo state.
01 2779940

FUTA BRANCH
Federal University of Technology (FUTA), Akure
01 2779972

IKARE BRANCH
34,Jubilee Road, Ikare Akoko
01 2779974

IRUN AKOKO BRANCH
Opposite Anglican Church,Ado Road, Irun Akoko
012779830

OBA ADESIDA BRANCH
54A, Oba Adesida Road, Akure
01 2779969

ONDO BRANCH
4 Yaba Street, Ondo
01 2779975

ORE BRANCH
1, Off Ondo Road, Opp. FRSC Office Behind Sabo Market, Ore
01 2779973

OWO BRANCH
Idimisas Road, Opposite Olowo's Palace, Owo
01 2779976

OYEMEKUN BRANCH
34, Oyemekun Road, Akure
01 2779974

## Osun

EDE BRANCH
1, Owode Market Road, Ede Osun
01 2779939

IGBONA BRANCH
10b Awolowo Way, Igbona Osogbo
01 2779932

IWO BRANCH
6 Station Road, Iwo
01 2779936

ILESA BRANCH
Ereguru Palace Square, Imo Roundabout, Ilesha
01 2779941

MODAKEKE BRANCH
Ondo Road, Modakeke
01 2779930

OKUKU BRANCH
Offa-Osogbo Road,Beside King Palace, Okuku
01 2779933

# Branch Network

OAU BRANCH
OAU Campus,
Ile-Ife
01 2779942

IRAGBIJI BRANCH
Market Square Palace
area, Iragbiji,
01 2779932

STATION ROAD BRANCH
106 Station Road
Osogbo
01 2779935

## Oyo

AGODI GATE BRANCH
Opposite Agodi Police Sattion,
Agodi Gate, Ibadan,
01 2779914

APATA GANGA BRANCH
Abeokuta Road, Apata,
Ibadan
01 2779915

BODIJA BRANCH
Oba Akinbiyi Shopping
Centre, Bodija, Ibadan
01 2779916

COCOA MALL BRANCH
Beside Shoprite Cocoa House,
Oba Adedipe Road, Dugbe.
01 2779989

DUGBE BRANCH
Sijuwola House, Plot 5,
Old Dugbe Layout, Ibadan
01 2779917

IGBETI BRANCH
Market Square,
Igbeti
01 2779919

IGBOHO BRANCH
Behind Oyo State General Hospital
Oke Afin, Igboho
01 2779920

IGBO-0RA BRANCH
Opposite Methodist Church,
Shagaun-Un, Igboora
01 2779928

KISHI BRANCH
Kishi/Igbeti, Ajegunle Kishi II,
Kishi
01 2779922

MOKOLA BRANCH
Mokola Roundabout,
Ibadan
01 2779923

NEW GBAGI BRANCH
New Gbagi Market, New Ife Road,
Gbagi, Ibadan
01 2779918

OGBOMOSO BRANCH
Ibadan-Ilorin Road,
Apake, Ogbomosho
01 2779924

OLUBADAN BRANCH
New Ife Road, Opp New Garage,
Ibadan
01 2779925

POLYTECHNIC BRANCH
Polytechnic South Campus,
The Polytechnic, Ibadan
01 2779926

SANGO BRANCH
Elewure Bus Stop,
Sango Road, Ibadan
01 2779927

SECRETARIAT BRANCH
Secretariat
Roundabout, Ibadan
01 2779929

## Rivers

ABA ROAD BRANCH
76, Aba Road,
Porthacourt
01 2778624

OLU OBASANJO BRANCH
66, Olu Obasanjo Road, BICS
Mall, Porthacourt
012779987

TRANS AMADI BRANCH
PLOT 32, Trans Amadi Industrial
Layout, Porthacourt
012779988

## Cash Centers

ABEERE CASH CENTRE.
OSUN
Osun State Government
Secretariat, Abeere, Osogbo,
Osun State.

ALABA CASH CENTRE
LAGOS
D452 Opposite Block 13, Ojo Alaba
Electrical, Lagos State

ABEERE CASH CENTRE
EKITI
Osun State Government Secretariat,
Abeere, Osogbo,

IYE EKITI ATM PLUS.
EKITI
Ilejemeje Local Government
Secretariat, Isan-oye Road,
Iye Ekiti, Ekiti State

JEBBA ATM PLUS.
NIGER
Life-camp By Ts Junction Before
Jebba Bridge, Jebba, Niger State

ODUDUWA UNIVERSITY ATM
PLUS. OSUN
Oduduwa University,
Ipetumodu, Ile Ife, Osun State.

# Branch Network

OOU ATM PLUS
OGUN

OOU ATM Plus Center Permanent Site Ago Iwoye

OYE EKITI ATM PLUS.
EKITI

Behind Faculty Of Law, University Of Oye, Ekiti

0 7000 PURPLE, 0803 900 3700
0705 111 2111

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