Wema Funding SPV Plc

Series II ₦17.7 billion 7-year 16.5% Fixed Rate Bond

2021 Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Wema Funding SPV Plc

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

Rating Assigned:
Bbb

Outlook: Stable
Issue Date: 29 Sept 2021
Expiry Date: 10 Sept 2022
The rating is valid throughout the life of the instrument but will be subject to periodic monitoring and review.

Previous Rating: **Bbb**

Bond Tenor: 7 years

Industry: Banking

Analysts:

Tobi Adebuwa
tobiadebuwa@agusto.com

Ayokunle Olubunmi, CFA
kunleolubunmi@agusto.com

Agusto & Co. Limited
UBA House (5th Floor)
57, Marina
Lagos
Nigeria

www.agusto.com

Rating Rationale

Agusto & Co. affirms the **'Bbb'** rating assigned to the Series II ₦17.7 billion 7-year fixed rate bond ('the Issue' or 'the Bond') issued by Wema Funding SPV Plc ("the Issuer" or "the SPV"). The Issuer is a Special Purpose Vehicle (SPV) set up by Wema Bank Plc ("the Bank", "Wema Bank" or "the Sponsor") for the issuance of debt securities. The rating assigned to the Bond is a notch higher than the Sponsor's stand-alone rating of **'Bbb-'** by Agusto & Co., given its structure which comprises a 13.53% 7-year Federal Government of Nigeria (FGN) bond investment of ₦7.8 billion in the custody of the Joint Trustees. This provides a good recovery prospect in the unlikely event of a default. Wema Bank Plc's rating reflects its improving profitability metrics, satisfactory asset quality, good liquidity profile and experienced management team. However, the rating is constrained by the obligor concentration in the loan book, high operating cost profile, the harsh regulatory environment and slow macroeconomic recovery.

In the half-year ended 30 June 2021, Wema Bank's loan portfolio stood at ₦383.3 billion and was lent to players in general commerce, oil and gas, construction and manufacturing sectors in addition to individuals and SMEs. We believe these segments are vulnerable to the prevailing weak macroeconomic climate. Obligor concentration in the loan book remains high with the Sponsor's largest exposure representing 21.7% of the shareholders' funds, exceeding the regulatory single obligor limit of 20% as at 30 June 2021. The Bank's impaired loan ratio moderated to 3.5% from 5.3% recorded as at FYE 2020 due to the gradual economic recovery. At this level, the impaired loan ratio stood below the regulatory threshold of 5%. Cumulative loan loss provisioning (excluding regulatory risk reserves) fully covered the impaired loans by 113% as at 30 June 2021, which we view positively. With the gradual economic recovery (although sluggish) and intensified loan monitoring, we expect the Sponsor's asset quality to remain satisfactory in the near term, although we take note of the loan book concentration to vulnerable sectors.

Wema Bank's performance in the first half of 2021 reflects the 22.3% year on year decrease in funding costs owing to the improved deposit mix and downward repricing of some expensive deposit liabilities. Consequently, the Sponsor's Net Interest Spread (NIS) stood better at 56.9% (June 2020: 39.8%) as at 30 June 2021. However, the Bank's profitability was moderated by a high operating cost profile. This is evidenced by the Sponsor's cost-to-income ratio (CIR) which stood at 82.9% as at 30 June 2021, higher than the banking industry average of 66.3%. Overall, pre-tax profits (PBT) rose significantly by 148.8% to ₦4.3 billion when compared to H1 2020. Thus, profitability ratios strengthened with annualised pre-tax return on average assets (ROA) of 0.8% (H1 2020: 0.4%) and annualised pre-tax return on average equity (ROE) of 14.7% (H1 2020: 6.4%). While we anticipate an improvement in profitability in the near term underpinned by the expected growth in the loan book with better yields, we believe concerted efforts should be made to moderate the Bank's operating and funding cost profile. We also note that the arbitrary cash reserve requirement by the apex bank will pressure the Industry wide profitability in the near term.

Wema Bank leverages ALAT, a digital banking platform with about 600,000 customers and its growing agency banking partners, to drive low-cost deposits from the retail and SME segment. Thus, low-cost deposits (demand and savings) accounted for a higher 47.1% (FYE 2020: 43.6%) of the deposit base as at half-year 2021. However, we note that the relatively pricier term deposits continued to dominate the Bank's LCY deposit base, translating to a less favourable low cost to high cost deposit mix compared to the banking industry average (76:24). The improved deposit mix and downward repricing of expensive term deposits led to a dip in the Bank's weighted average cost of funds (WACF) to 3.1% in H1 2021 from 6.4% in H1 2020. In view of the rising interest rate environment and persistent devaluation of the local currency which continues to bloat the Bank's FCY borrowings, we expect WACF to trend upwards in the near term. Furthermore, Wema Bank's liquidity ratio decreased slightly to 35.1% (FYE 2020: 38.8%) as at 30 June 2021 due to the higher sterile restricted funds but remained above the 30% regulatory minimum. In our view, the Sponsor's liquidity position is good upheld by a sizeable holding of government securities while its ability to refinance is satisfactory.

As at 30 June 2021, Wema Bank's core capital stood at ₦59.4 billion, higher than the ₦25 billion regulatory minimum. However, the 5.5% expansion in risk-weighted assets suppressed the Bank's capital adequacy ratio (CAR) to 13.2% as at half-year 2021 from the 15% recorded as at FYE 2020. Although the CAR remained above the 10% regulatory threshold for commercial banks with a national authorisation, we believe that an additional capital buffer is needed to support its growth plans. The Bank intends to raise an additional ₦40 billion to support the capital base in the near term. In our view, the capital raising exercise might be constrained by the prevailing weak macroeconomic headwinds.

In the near term, we expect the Sponsor's asset quality to remain satisfactory although we believe careful monitoring of the loan book is required given the exposures to vulnerable sectors. We also anticipate further improvement in performance; however, we take cognisance that this might be moderated by discretionary cash reserves, higher funding costs given the rising interest rates and inflationary pressures. Furthermore, we believe the liquidity profile will remain good while capitalisation ratios should remain above the regulatory minimum. Based on the aforementioned, we attach a '***stable'*** outlook to the rating.

Strengths

- Strong brand in the South West region of Nigeria
- Good liquidity profile
- Experienced management team

Weaknesses

- Obligor concentration in the loan book
- High cost-to-income ratio
- Concentration in the funding base

Challenges

- The impact of the fragile economic recovery on creating quality risk assets
- Unfavourable regulatory policies

Table 1: Background Information

	31 December 2019	31 December 2020	30 June 2021**
Total Assets & Contingents	₦789.6 billion	₦1 trillion	₦1.1 trillion
Local Currency Deposits (excluding interbank takings)	₦559.5 billion	₦762.2 billion	₦749 billion
Net Earnings	₦44.1 billion	₦42.1 billion	₦25.1 billion
Pre-tax Return on Average Assets & Contingents (ROA)	1.0%	0.6%	0.8%*
Pre-tax Return on Average Equity (ROE)	13.0%	10.7%	14.7%*

**Annualised*

THE ISSUE

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

The performance report from the Joint Trustees as at 6 September 2021 indicates that the fifth coupon payment amounting to ₦1.5 billion was made in April 2021, in line with the trust deed. The report also reveals that no covenant was breached by the Issuer during the period under review.

Use of Proceeds

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

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

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

Source of Repayment

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

Wema Bank Plc has a **"Bbb-"** rating by Agusto & Co. Limited which expires on 30 June 2022 and is subject to annual reviews. The rating assigned to the Sponsor is reflective of an institution with a satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due. The investment in the 7-year fixed-rate Treasury bond was also factored in assigning the rating.

AN OVERVIEW OF SPONSOR'S FINANCIAL CONDITION

Asset quality metrics remain satisfactory despite the weak macroeconomic fundamentals

Wema Bank Plc's asset base (including contingents) maintained its upward trajectory in the first six months of 2021, growing by approximately 7% to ₦1.1 trillion as at 30 June 2021. The Sponsor's loan book reflected a marginal 3.7% to ₦383.3 billion and constituted the largest asset class (34.1% of the asset base) as at 30 June 2021. Liquid assets remained stagnant at approximately ₦298 billion but represented the second-largest asset class (at 26.6% of total assets and contingents) while sterile restricted funds grew by 10.9% and accounted for 24.2% of the asset base as at the same date.

As at 30 June 2021, Wema Bank's loan book remained predominantly in the general commerce (17.7%), oil and gas (17.1%), construction (10.4%) and manufacturing (9.2%) sectors in addition to individuals and SMEs exposures (14.9%). Agusto & Co. considers these sectors to be vulnerable to the prevailing macroeconomic headwind and the performance of the oil and gas upstream segment in particular remains susceptible to volatile crude oil prices.

Wema Bank's loan book is concentrated by obligors. The Sponsor's top 20 obligors accounted for approximately 35% (FYE 2020: 38.4%) of gross loans and advances as at 30 June 2021. Furthermore, the Bank's largest exposure which was a syndicated facility to an obligor in the oil and gas sector breached the single obligor limit as at 30 June 2021, accounting for 21.7% of the Sponsor's shareholders' funds unimpaired by losses. We view this as a negative rating factor.

As at 30 June 2021, the Bank's stage 1 loans (facilities with low default risk) accounted for a higher 91.5% (FYE 2020: 85.1%) of the loan book, upheld by the gradual economic recovery (albeit sluggish) from the COVID-19 pandemic while stage 2 loans as a percentage of the loan portfolio decreased to 5% (FYE 2020 9.7%). Wema Bank's stage 3 loans (impaired loans) declined by 21.7% to ₦13.8 billion given the increased economic activities which strengthened the financial conditions of some previously classified obligors. In addition, the ₦386.7 million write-offs by the Bank also supported the decrease in stage 3 loans to a lesser extent. Thus, the Bank's impaired loan ratio stood at 3.5% (FYE 2020: 5.3%) as at 30 June 2021, lower than the regulatory threshold of 5%. Furthermore, cumulative loss provisions (excluding regulatory risk reserves) fully covered the impaired loans by 113% which we view positively.

Overall, we consider Wema Bank's asset quality to be satisfactory. However, we recognise that the Sponsor is exposed to sectors that are vulnerable to the economic downturn and believe that these segments should be closely monitored to forestall any future deterioration in asset quality.

Rising profitability metrics amidst a rising yield climate and inflationary pressures

In H1 2021, Wema Bank's interest income strengthened on the back of the rising yield climate to stand at ₦32.2 billion, 8.5% higher than H1 2020. The Bank's performance during the review period was also supported by the 22.3% year-on-year decline in interest expense to ₦13.9 billion, driven by the repricing of expensive liabilities and better deposit mix. Thus, the Net Interest Spread (NIS) improved to 56.9% (June 2020: 39.8%). We believe the growth in Bank's NIS should be sustained in the near term on the back of the rising yield climate and expected growth in the Sponsor's earning assets. Nonetheless, we note that higher sterile restricted funds in addition to the anticipated increase in funding costs might be constraints.

Wema Bank's non-interest income dipped by 7.9% to ₦7.6 billion during the first half of 2021 compared to H1 2020. This decline was elicited by the 85% year-on-year decline in fair value gains on treasury securities based on the gradual uptick in prevailing interest rates. Nevertheless, the expanded digital products offering, increased economic activities and border openings resulted in 71.7% year-on-year growth in fees and commission income and moderated the overall decline in ancillary earnings. We believe the upscale of the Bank's digital capacity which has bolstered virtual channel uptime would continue to strengthen e-banking fees in the near term.

During the six months ended 30 June 2021, the Sponsor's operating expenses (OPEX) increased year-on-year by 18.1% to ₦20.7 billion, largely driven by inflationary pressures and a higher regulatory cost; AMCON and NDIC levy during the period due to an enlarged asset base. However, cost-to-income ratio (CIR) declined to 82.9% (H1 2020: 91.1%) due to improved earnings but still higher than the industry average of 66.3%.

Wema Bank's recorded a strong 148.8% year-on-year growth in pre-tax profits to ₦4.3 billion in the six months ended 30 June 2020. This resulted in an improved annualised pre-tax return on average assets (ROA) of 0.8% (H1 2020: 0.4%) and annualised pre-tax return on average equity (ROE) of 14.7% (H1 2020: 6.4%). Although we view positively the marked growth in profitability, we believe the Sponsor's performance could be further improved upon. In our view, the Bank's ability to maintain growth in profitability indicators in the near term will be hinged on moderating its operating and funding cost profile which we believe will be pressured by inflationary pressures and rising interest rates. The anticipated expansion of the loan book with better yields and improved non-interest income should support performance in the near term. However, we recognise that the rising sterile restricted funds which are non-earning and unavailable for operations would moderate the Sponsor's earnings and indeed the entire banking industry in the near term.

Satisfactory Capitalisation Ratios

As at 30 June 2021, Wema Bank's core capital stood at ₦59.4 billion, higher than the ₦25 billion regulatory minimum. The Sponsor's tier II capital comprising revaluation surpluses and subordinated debt instruments amounted to ₦15.5 billion as at the same date. Notwithstanding, Wema Bank's Capital Adequacy Ratio declined to 13.2% (FYE 2020: 15%) owing to the 5.5% expansion of risk-weighted assets. At this level, the Bank's CAR was slightly above the prescribed minimum of 10% for commercial banks operating with national authorisation.

We consider the Sponsor's capitalisation levels to be adequate for the current level of risks undertaken. However, we believe the Bank would require an additional capital buffer to support its growth plans. We recognise that the Bank has initiated discussions with existing shareholders to raise additional tier 1 capital, however, we believe this might be constrained by the prevailing macroeconomic headwind.

With the gradual rise in interest rates, the dominance of tenured deposits may pressure WACF in the near term

The Sponsor's liability generating capacity is upheld by its 158 branches, located in the south-western states, south-southern states, Abuja and some states in the northern region. The Bank also leverages ALAT, a digital banking platform with about 600,000 customers and its growing agency banking partners, to drive deposits mobilisation from the retail and SME segment - the target market for Wema Bank.

In the period ended 30 June 2021, Wema Bank's customer deposits (excluding interbank takings) grew slightly by 50 basis points to ₦808.9 billion compared to FYE 2020's position. The customer deposits were predominantly local currency-denominated (LCY) which accounted for 92.7% of total deposits as at the same date. Although the Bank's LCY deposit mix improved with low-cost demand and savings deposits constituting a higher 47.1% (FYE 2020: 43.6%) we note that relatively pricier term deposits accounted for a predominant 52.9% (FYE 2020: 56.4%) of the LCY deposit base as at H1 2021. At this level, the Bank's LCY deposit mix compared unfavorably with the banking industry average (76:24). Nevertheless, we recognise the Owing to the slightly better deposit mix and pro-active repricing of expensive liabilities, the Bank's Weighted Average Cost of Funds (WACF) dipped to 3.1% and stood better compared to the 6.4% recorded in H1 2020. Nevertheless, given the predominance of relatively pricier term deposits in the Bank's deposit mix during a rising interest rate environment, we expect WACF to inch upwards in the near term.

In view of the arbitrary CRR debits by the CBN which continues to expand mandatory cash reserves which are non-earning and unavailable for operations, Wema Bank's liquidity ratios declined slightly to 35.1% (FYE 2020: 38.8%) as at H1 2021. Nevertheless, this remained higher than the regulatory threshold of 30% prescribed by the CBN. Overall, we consider Wema Bank's liquidity position to be good and its refinancing capacity to be acceptable.

For more comprehensive information, please refer to the 2021 credit rating report of Wema Bank Plc.

FINANCIAL SUMMARY

WEMA BANK PLC

	STATEMENT OF FINANCIAL POSITION AS AT	30-Jun-21		31-Dec-20		31-Dec-19	
		N'000		N'000		N'000	
	ASSETS						
1	Cash & equivalents	48,631,898	4.8%	68,653,862	6.5%	35,285,484	4.5%
2	Government securities	209,315,043	20.6%	198,469,083	18.9%	164,818,339	20.9%
3	Money market placements	40,635,832	4.0%	28,873,996	2.8%	30,681,544	3.9%
4	Quoted investments						
5	Placements with discount houses						
6	LIQUID ASSETS	298,582,773	29.4%	295,996,941	28.2%	230,785,367	29.2%
7	BALANCES WITH NIGERIAN BANKS						
8	BALANCES WITH BANKS OUTSIDE NIGERIA						
9	Direct loans and advances - Gross	383,278,783	37.8%	369,509,979	35.2%	297,099,270	37.6%
10	Less: Cumulative loan loss provision	(15,617,992)	-1.5%	(14,963,578)	-1.4%	(12,128,432)	-1.5%
11	Direct loans & advances - net	367,660,791	36.2%	354,546,401	33.8%	284,970,838	36.1%
12	Advances under finance leases - net	5,486,536	0.5%	5,529,679	0.5%	4,269,032	0.5%
13	TOTAL LOANS & LEASES - NET	373,147,327	36.8%	360,076,080	34.3%	289,239,870	36.6%
14	INTEREST RECEIVABLE						
15	OTHER ASSETS	25,181,684	2.5%	21,883,615	2.1%	4,879,789	0.6%
16	DEFERRED LOSSES	18,236,111	1.8%	18,236,111	1.7%	19,195,906	2.4%
17	RESTRICTED FUNDS	273,870,981	27.0%	246,974,959	23.6%	137,392,701	17.4%
18	UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES						
19	OTHER LONG-TERM INVESTMENTS	1,883,513	0.2%	1,883,979	0.2%	1,340,305	0.2%
20	FIXED ASSETS & INTANGIBLES	24,286,636	2.4%	23,530,399	2.2%	22,121,666	2.8%
21	**TOTAL ASSETS**	**1,015,189,025**	**100.0%**	**968,582,084**	**92.4%**	**704,955,604**	**89.3%**
22	TOTAL CONTINGENT ASSETS			80,093,635	7.6%	84,658,750	10.7%
23	**TOTAL ASSETS & CONTINGENTS**	**1,015,189,025**	**100%**	**1,048,675,719**	**100%**	**789,614,354**	**100%**
	CAPITAL & LIABILITIES						
24	TIER 1 CAPITAL (CORE CAPITAL)	59,443,245	5.9%	57,266,051	5.5%	53,919,261	6.8%
25	TIER 2 CAPITAL	15,450,875	1.5%	15,729,100	1.5%	15,075,547	1.9%
26	Medium to Long Term Borrowings	47,203,409	4.6%	48,774,057	4.7%	24,064,369	3.0%
27	Demand deposits	225,664,555	22.2%	212,314,116	20.2%	131,591,519	16.7%
28	Savings deposits	127,661,733	12.6%	120,103,127	11.5%	75,740,488	9.6%
29	Time deposits	396,295,964	39.0%	429,811,619	41.0%	352,155,600	44.6%
30	Inter-bank takings	35,500,000	3.5%			3,638,400	0.5%
31	TOTAL DEPOSIT LIABILITIES - LCY	785,122,252	77.3%	762,228,862	72.7%	563,126,007	71.3%
32	Customers' foreign currency balances	59,251,268	5.8%	42,644,530	4.1%	17,795,862	2.3%
33	TOTAL DEPOSIT LIABILITIES	891,576,929	87.8%	853,647,449	81.4%	580,921,869	73.6%
34	INTEREST PAYABLE						
35	OTHER LIABILITIES	48,717,976	4.8%	41,939,484	4.0%	30,974,558	3.9%
36	**TOTAL CAPITAL & LIABILITIES**	**1,015,189,025**	**100.0%**	**968,582,084**	**92.4%**	**704,955,604**	**89.3%**
37	TOTAL CONTINGENT LIABILITIES			80,093,635	7.6%	84,658,750	10.7%
38	**TOTAL CAPITAL, LIABILITIES & CONTINGENTS**	**1,015,189,025**	**100%**	**1,048,675,719**	**100%**	**789,614,354**	**100%**
	BREAKDOWN OF CONTINGENTS						
39	Acceptances & direct credit substitutes			13,939,976	1.3%	13,076,960	1.7%
40	Guarantees, bonds etc..			66,153,659	6.3%	71,581,790	9.1%
41	Short-term self liquidating contingencies						

	STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED	30-Jun-21 N'000		31-Dec-20 N'000		31-Dec-19 N'000	
42	Interest income	32,186,301	80.8%	63,046,722	78.9%	69,181,727	74.1%
43	Interest expense	(13,873,613)	-34.8%	(32,189,452)	-40.3%	(43,197,658)	-46.3%
44	Loan loss expense	(861,612)	-2.2%	(5,635,165)	-7.1%	(6,130,600)	-6.6%
45	NET REVENUE FROM FUNDS	17,451,076	43.8%	25,222,105	31.6%	19,853,469	21.3%
46	ALL OTHER INCOME	7,638,646	19.2%	16,830,273	21.1%	24,208,084	25.9%
47	**NET EARNINGS**	**25,089,722**	**63.0%**	**42,052,378**	**52.6%**	**44,061,553**	**47.2%**
48	Staff costs	(8,016,251)	-20.1%	(14,082,228)	-17.6%	(14,870,989)	-15.9%
49	Depreciation expense	(1,622,053)	-4.1%	(3,136,273)	-3.9%	(3,316,846)	-3.6%
50	Other operating expenses	(11,150,640)	-28.0%	(18,887,354)	-23.6%	(19,102,890)	-20.5%
51	TOTAL OPERATING EXPENSES	(20,788,944)	-52.2%	(36,105,855)	-45.2%	(37,290,725)	-39.9%
52	PROFIT (LOSS) BEFORE TAXATION	4,300,778	10.8%	5,946,523	7.4%	6,770,828	7.3%
53	TAX (EXPENSE) BENEFIT	(580,605)	-1.5%	(1,354,306)	-1.7%	(1,560,080)	-1.7%
54	**PROFIT (LOSS) AFTER TAXATION**	**3,720,173**	**9.3%**	**4,592,217**	**5.7%**	**5,210,748**	**5.6%**
55	NON-OPERATING INCOME (EXPENSE) - NET						
56	PROPOSED DIVIDEND						
57	**GROSS EARNINGS**	**39,824,947**	**100%**	**79,876,995**	**100%**	**93,389,811**	**100%**
58	AUDITORS	UNAUDITED		DELOITTE		DELOITTE	
59	OPINION			CLEAN		CLEAN	

	KEY RATIOS	30-Jun-21	31-Dec-20	31-Dec-19
	EARNINGS			
60	Net interest margin	56.9%	48.9%	37.6%
61	Loan loss expense/Interest income	2.7%	8.9%	8.9%
62	Return on average assets (Pre - tax)	0.8%	0.6%	1.0%
63	Return on average equity (Pre - tax)	14.7%	10.7%	13.0%
64	Operating Expenses/Net earnings	82.9%	85.9%	84.6%
65	Gross earnings/Total assets & contingents	7.7%	8.7%	14.0%
	EARNINGS MIX			
66	Net revenue from funds	69.6%	60.0%	45.1%
67	All other income	30.4%	40.0%	54.9%
	LIQUIDITY			
68	Total loans & leases - net/Total lcy deposits	41.3%	41.0%	43.3%
69	Liquid assets/Total lcy deposits	35.1%	38.8%	40.6%
70	Demand deposits/Total lcy deposits	28.7%	27.9%	23.4%
71	Savings deposits/Total lcy deposits	16.3%	15.8%	13.5%
72	Time deposits/Total lcy deposits	50.5%	56.4%	62.5%
73	Inter-bank borrowings/Total lcy deposits	4.5%		0.6%
74	Interest expense - banks/Interest expense	13.5%	1.3%	11.6%
75	**NET FOREIGN CURRENCY ASSETS (LIABILITIES)**	(59,251,268)	(42,644,530)	(17,795,862)

	KEY RATIOS CONT'D	30-Jun-21	31-Dec-20	31-Dec-19
	ASSET QUALITY			
76	Performing loans (N'000)	369,493,519	351,911,677	274,859,270
77	Non-performing loans (N'000)	13,785,264	17,598,302	22,240,000
78	Non-performing loans/Total loans - Gross	3.5%	4.7%	7.4%
79	Loan loss provision/Total loans - Gross	4.1%	4.0%	4.1%
80	Loan loss provision/Non-performing loans	113.3%	85.0%	54.5%
81	Risk-weighted assets/Total assets & contingents	41.4%	41.1%	43.4%
	CAPITAL ADEQUACY			
82	Adjusted capital/risk weighted assets	13.0%	12.4%	14.2%
83	Tier 1 capital/Adjusted capital	72%	71%	69%
84	Adjusted capital/Total loans - net	683%	675%	592%
85	Capital unimpaired by losses (N'000)	41,207,134	39,029,940	34,723,355
	STAFF INFORMATION			
86	Net earnings per staff (N'000)	20,515	34,385	37,951
87	Staff cost per employee (N'000)	6555	11514	12809
88	Staff costs/Operating expenses	38.6%	39.0%	39.9%
89	Average number of employees	1,223	1,223	1,161
90	Average staff per branch	8	8	8
	OTHER KEY INFORMATION			
91	Legal lending limit(N'000)	8,241,427	7,805,988	6,944,671
92	Number of branches	157	157	147
93	Age (in years)	77	76	75
94	Government stake in equity (Indirect)	10%	10%	10%

		Estimates	Actual	Actual
	MARKET SHARE OF INDUSTRY TOTAL	H1 2021	2020	2019
95	Lcy deposits (excluding interbank takings)	3.4%	3.5%	2.9%
96	Total assets & contingents	2.0%	2.0%	1.7%
97	Total loans & leases - net	2.2%	2.1%	1.9%
98	Net earnings	0.9%	1.6%	1.7%
99	Profit before tax	0.6%	0.8%	0.7%
100	Core capital	1.3%	1.2%	1.3%

Rating Definitions

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

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

www.agusto.com

UBA House (5th Floor)
57 Marina Lagos
Nigeria.
P.O Box 56136 Ikoyi
+234 (1) 2707222-4
+234 (1) 2713808
Fax: 234 (1) 2643576
Email: info@agusto.com