

# Coronation MB Funding SPV Plc

*#25 billion Five-year 6.25% Fixed Rate Series 1 Subordinated Unsecured Bond Due 2025*

---

## 2021 Bond Rating Review Report

---

 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# Coronation MB Funding SPV Plc

₦25 billion 5-Year 6.25% Fixed Rate Series 1 Subordinated Unsecured Bond Due 2025

## Rating Assigned:

**A**

**Outlook:** Stable

**Issue Date:** 9 June 2021

**Expiry Date:** 30 June 2022

**Previous Rating:** A

*The rating is valid throughout the life of the instrument but will be subject to annual monitoring and review.*

**Bond Tenor:** 5 years

**Industry:** Banking

**Analysts:**

**Mariam Dabiri, CFA**

mariamdabiri@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. hereby affirms the 'A' rating assigned to Coronation MB Funding SPV Plc's ('the Issuer') ₦25 billion Five-Year Fixed Rate Series 1 Subordinated Unsecured Bond ('the Issue' or 'the Bond') due in 2025. The Bond is guaranteed by Coronation Merchant Bank Limited ('Coronation MB', 'the Sponsor' or 'the Bank'). The rating assigned to the Issue is a notch lower than the Sponsor's standalone rating of 'A+' by Agusto & Co, given its subordinated status. Coronation MB's rating reflects its good capitalisation, good liquidity profile, good asset quality and the experienced management team. The rating is however constrained by the weak economic recovery following the easing of COVID-19 restrictions as well as concentration in its loan and deposit portfolios.

The Sponsor has retained its leading position in the merchant banking segment, accounting for the segment's largest balance sheet size with total assets and contingents of ₦475.8 billion as at FYE 2020. Gross loans and advances stood at ₦122.9 billion as at the same date, with the entire portfolio classified under the stage 1 category. However, the concentration in the loan book lingers. As at FYE 2020, the manufacturing and agriculture sectors together accounted for a marked 82% of the loan book while the top 20 obligors represented 85% of the portfolio. The risk of concentration is however lessened to an extent by the Bank's conservative risk acceptance criteria, which focuses on blue chip corporates while most of the loans are short tenured facilities.

While the low interest rate environment drove a sharp dip in the yield on earning assets, Coronation MB's profitability in FY 2020 improved on the back of ancillary activities – securities trading and investment banking, which accounted for a higher 62.5% (FY 2019: 58.2%) of net earnings. In this vein, pre-tax profits increased by 15.1% to ₦5.8 billion, translating to a pre-tax return on average equity (ROE) of 16.3% (FY 2019: 15.4%). The Bank's ROE was higher than the average inflation rate of 13.2%. However, due to the lower corresponding growth in pre-tax profits vis-à-vis the asset base, the Sponsor's

pre-tax return on average assets and contingents (ROA) declined to 1.4% (FY 2019: 1.7%). We believe that underpinned by its strong treasury function and a growing share of capital market transactions, profitability will remain acceptable by industry standards in the near term.

Despite the Bond issuance, the Bank's Basel II computed capital adequacy ratio increased slightly to 19.9% and remained well above the 10% regulatory minimum for merchant banks. Liquidity also remained good, with liquid assets to local currency deposits of 51.1% as at FYE 2020, higher than the regulatory minimum of 20% for merchant banks.

Based on the aforementioned, we hereby attach a **stable** outlook to the rating of Coronation MB Funding SPV Plc's ₦25 billion Five-year Fixed Rate Series 1 Subordinated Unsecured Bond. The outlook reflects our expectation that the Bank's financial condition will remain adequate to meet the Bond's obligations as and when they fall due.

#### Strengths

- Good capitalisation
- Good asset quality
- Good liquidity profile

#### Weaknesses

- Obligor concentration in the loan book
- High dependence on interest rate sensitive funds

#### Challenges

- Growing quality risk assets given the fragile recovery of the economy
- Repricing risk assets within the competitive and interest rate sensitive corporate lending segment
- Regulatory impediments

**Table 1: Financial Information**

	31 December 2019	31 December 2020	31 March 2021*
<b>Total Assets &amp; Contingents</b>	₦352.3 billion	₦475.8 billion	₦580.7 billion
<b>Net Earnings</b>	₦10.4 billion	₦11.9 billion	₦2.7 billion
<b>Pre-tax Return on Average Assets &amp; Contingents (ROA)</b>	1.7%	1.4%	1.0%**
<b>Pre-tax Return on Average Equity (ROE)</b>	15.4%	16.3%	14.3%**

\*Unaudited, \*\*Annualised

## PROFILE

Coronation MB Funding SPV Plc (‘the Issuer’) was incorporated under the laws of the Federal Republic of Nigeria as a non-operating vessel for bond issuance programmes with Coronation Merchant Bank Limited listed as the Sponsor.

Coronation Merchant Bank Limited (‘Coronation MB’, ‘the Sponsor’ or ‘the Bank’) was incorporated in 1992 as Associated Discount House Limited (ADHL), a limited liability company. ADHL obtained a discount house licence in July 1993 and commenced operations in August of the same year. Following structural changes in the financial services sector and declining customer confidence in discount houses, ADHL obtained a merchant banking licence from the Central Bank of Nigeria (CBN) in April 2015 and was renamed Coronation Merchant Bank Limited in July 2015. The transition to merchant banking prompted changes in the shareholding structure. Access Bank Plc, Wema Bank Plc and Sterling Bank Plc (formerly significant shareholders) divested from Coronation MB, due to regulations prohibiting banks from having ownership interests in other deposit money banks. In 2019, the Bank fully divested from its erstwhile subsidiaries: Coronation Asset Management Limited and Coronation Securities Limited. Coronation Asset Management was sold to Coronation Capital (Mauritius) in return for cash and transfer of assets to the Bank.

As at 31 December 2020, the Bank had a total of 14 institutional shareholders who held 5.1 billion issued shares. As at the same date, six shareholders with substantial equity stake were WAPIC Insurance Plc (22.8%), Marina Securities Limited (22.7%), Coronation Capital Mauritius Limited 13.3%), Coronation Registrars Limited (8.1%), Regali Estates Limited (7.5%) and Mikeade Investment Co Limited (5.6%).

**Table 2: Substantial Shareholding Interests (FYE 2020)**

Shareholder	% of Shareholding
WAPIC Insurance Plc	22.8%
Marina Mars Proprietary Investments Limited	22.7%
Coronation Capital (Mauritius) Limited	13.3%
Coronation Registrars Limited	8.1%
Regali Estates Limited	7.5%
Mikeade Investment Company Limited	5.6%
<b>Total</b>	<b>80%</b>

Coronation Merchant Bank Limited engages in corporate banking, private wealth management, treasury and investment banking activities. These activities are carried out through the Bank’s four business units: Corporate Banking, Investment Banking, Private Wealth and Global Markets & Treasury. Coronation MB operates from a head office located at 10 Amodu Ojikutu Street, Victoria Island, Lagos and two branches in Port Harcourt, Rivers State and the Federal Capital Territory (FCT).

The Bank is governed by a ten-member Board of Directors comprising eight Non-Executive Directors (including three Independent Non-Executive Directors) and two Executive Directors. During the year under review, the pioneer Managing Director (Mr. Abubakar Jimoh) retired, effective April 2020. Consecutively, the erstwhile

Deputy Managing Director, Mr Banjo Adegbohunge was appointed as Managing Director/CEO. In November 2020, Mrs Funke Feyisitan-Ladimeji was appointed Executive Director, Executive Compliance Officer.

Other members of Coronation MB's senior management team include:

Magnus Nnoka	<i>Chief Risk Officer</i>
Cornelia Utuk	<i>Head, Legal Services/Company Secretary</i>
Ademola Adekoya	<i>Group Head, Corporate Banking</i>
Abiola Quadri	<i>Group Head, Private Banking</i>
Dele Dopemu	<i>Chief Audit Executive</i>
Ibrahim Bello	<i>Chief Compliance Officer</i>
Chukwukadibia Okoye	<i>Chief Financial Officer</i>
Iyobosa Sorae	<i>Head, Treasury and Global Markets</i>
Eshiovaze Momoh	<i>Chief Technology Officer</i>
Akinyemi Oluwadare	<i>Head, Group Operations</i>
Ayodele Odufuye	<i>Head, Human Resources</i>

### Correspondent Banks

As at 31 December 2020, Coronation MB had correspondent banking relationships with the following 17 banks:

1.	Access Bank Plc	10.	FCMB UK Limited
2.	Access Bank UK	11.	First Rand Bank Africa
3.	Africa Finance Corporation	12.	Guaranty Trust Bank Plc
4.	Africa Export-Import Bank (AFREXIM)	13.	ODDO BHF
5.	Bank of Beirut	14.	Standard Bank South Africa
6.	British Arab Commercial Bank UK	14.	United Bank for Africa (UBA) New York
7.	Commerzbank	16.	Union Bank UK Limited
8.	Crown Agent Bank	17.	International Finance Corporation
9.	FBN UK Limited		

## THE ISSUE

The Issue is a ₦25 billion five-year 6.25% fixed rate subordinated unsecured bond under Coronation MB Funding SPV Plc's (the Issuer) ₦100 billion bond issuance programme registered in 2018. The Issue represents Coronation MB Funding SPV Plc's first bond issuance. The Bond constitutes direct and subordinated obligation of the Issuer and shall at all times rank *pari passu* without any preference amongst themselves and equally with all unsecured subordinated obligations of the Issuer and the Sponsor as provided in the programme's trust deed.

### ***Purpose of the Issue***

Net proceeds of the Issue were used to fund Coronation MB's loan portfolio. Given that the Issue qualifies as tier 2 capital, it also provides support to the Sponsor's capitalisation.

### ***Source of Repayment***

The payment of the coupons and the principal are from the Bank's operating cash flows. The principal amount of the Bond will be repaid at par, with any outstanding interest accrued thereon as a single and complete repayment on the maturity date. Interest (coupon) payments are due and payable on the last day of May and November in each year up to (and including) the maturity date.

### ***Covenants and Guarantees***

For as long as the Issue is outstanding, the Issuer and Sponsor shall not create (without the consent of the Trustee) any mortgage, charge, pledge, lien or any encumbrance upon the whole or any part of its present or future undertaking, business assets or revenue to secure any indebtedness, unless the Bank's obligations under the Bond are secured equally and rated with the other obligations.

**A performance report provided by the Trustees in April 2021 indicates that no covenants by the Sponsor have been breached. The first bi-annual coupon payment is expected on 31 May 2021.**

### ***Trustees to the Issue***

Coronation Trustees Limited, Custodian Trustees Limited, DLM Trust Company Limited and UTL Trust Management Services Limited are the appointed Joint Trustees to the Issue.

**Coronation Trustees Limited** was incorporated in 2016 as one of the erstwhile subsidiaries of the Bank. The company provides public, corporate and private trusteeship services to both local and international clients. Coronation Trustees currently acts as a joint trustee to some debt issuances including Mixta Real Estate Plc's ₦1.8 billion senior secured fixed rate bond and UPDC's ₦4.3 billion senior guaranteed fixed-rate bond.

**Custodian Trustees Limited (CTL)** was incorporated in 1994 and is a subsidiary of Custodian Investment Plc, one of the listed financial holding companies in Nigeria. The company is licensed by the Securities and Exchange Commission (SEC) to provide several private, corporate and public trust services.

**DLM Trust Company Limited** is a subsidiary of Dunn Loren Merrifield Group, an integrated financial services provider. The company provides a wide range of directed and discretionary trustee services to individuals and corporates. The company was appointed Trustees to Nigeria's first future flow securitisation (the CERPAC Receivables Funding SPV notes).

**UTL Trust Management Services Limited** was incorporated in 1966 as Barclays (Nigeria) Nominees Limited. UTL is registered with the Securities and Exchange Commission (SEC) and offers services such as portfolio/fund management, trust of consortium finance, property management & family trust, nominee services, custodian trusteeship, corporate trusteeship for debt instruments and estate & will administration. UTL Trust Management has been appointed trustees to several debt offerings including Viathan Funding Plc's ₦10 billion bond.

*In line with the Trustee Investment Act of 1962, trust assets held are duly separated from the accounts of the Trustees such that trust continues to exist should the Trustees go into liquidation.* The Securities and Exchange Commission is also empowered to periodically monitor the activities of Coronation Trustees Limited, Custodian Trustees Limited, DLM Trust Company Limited and UTL Trust Management, hence providing an independent check on these entities.

## REVIEW OF THE SPONSOR'S FINANCIAL CONDITION

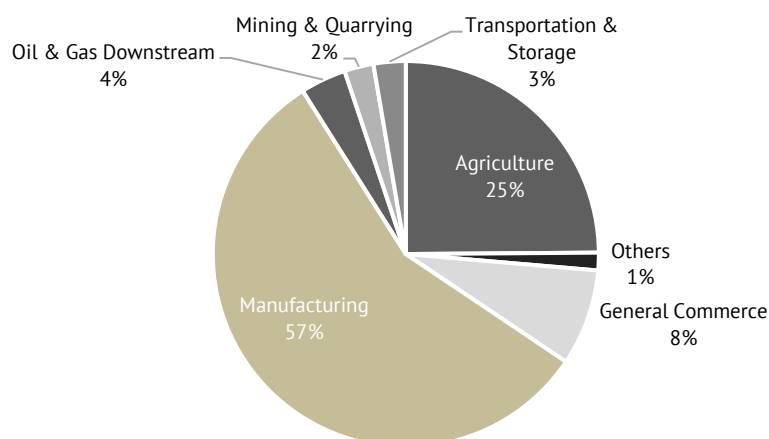
### ***An expanded asset base, with non-earning restricted cash reserves recording the most prominent growth***

As at 31 December 2020, Coronation MB's total assets and contingents stood at ₦475.8 billion, a year-on-year increase of 35.1%. The growth was backed by an expanded base of deposit liabilities and the maiden bond issued in November 2020. Driven by the upward review of the cash reserve ratio to 27.5% from 2% in January 2020, in addition to arbitrary deductions, the Sponsor's restricted cash reserves spiked eight times to ₦72.3 billion as at FYE 2020. These reserves accounted for two times of core capital and 15.2% (FYE 2019: 3.5%) of total assets and contingents. The Bank's performance during the year under review was adversely impacted by this substantial amount of non-earning assets. These assets would have earned the Bank an additional ₦1.4 billion, translating to a 44% growth in profit before tax compared to the 15.1% growth reported during the year, if placed in one-year government securities. However, the portfolio of liquid assets and loans remained the predominant asset classes, each accounting for 25.8% of total assets and contingents as at FYE 2020.

### ***The loan book remains characterised by sectorial and obligor concentration***

Coronation MB's gross loans and advances stood at ₦122.9 billion as at FYE 2020, reflecting a 69% year-on-year growth. The largest exposure, which was to the manufacturing sector, increased by 97.4%, year-on-year, to account for 57% of gross loans as at FYE 2020. These are trade finance loans extended to manufacturers in various industries with different business fundamentals. We believe the high dependence on imported inputs and the weak state of the naira increases the vulnerabilities of these obligors. However, the low-risk profile of the obligors and short-term nature of the exposures moderate our concerns.

**Figure 1: Breakdown of the Loan Book by Sector (FYE 2020)**



Driven by export-oriented agribusinesses, the Sponsor maintained a good lending appetite in the agriculture sector, with the exposure to the sector growing by 15% to account for 25% of the loan book as at FYE 2020. Although the downstream sector accounted for only 4% of gross loans as at FYE 2020, it increased by approximately 100 times (year-on-year). The exposure to the downstream sector represents local purchasing orders by operators from the Nigerian National Petroleum Corporation (NNPC), which largely handles the

importation of refined products into the country. Coronation MB targets loan growth of 16.8% in the near term, with a focus on the agriculture, oil and gas, manufacturing and information and communication sectors. We consider this level of growth to be feasible.

Similar to the sectorial distribution, the obligor concentration in the loan book persists, with the top 20 obligors accounting for 85% (FYE 2019: 97%) of the gross loans as at FYE 2020. The largest obligor singly accounted for 13% of the loan portfolio and 42.6% of shareholders' funds, albeit lower than the regulatory threshold of 50%. The level of obligor concentration in the loan book makes the Bank vulnerable to adverse changes in the performance of any of the obligors. Nevertheless, we take some comfort in Coronation MB's conservative risk acceptance criteria which prohibit lending to speculative-grade obligors. In addition, the bulk of the Sponsor's loans are typically short tenured trade-related facilities.

#### ***Asset quality remains good***

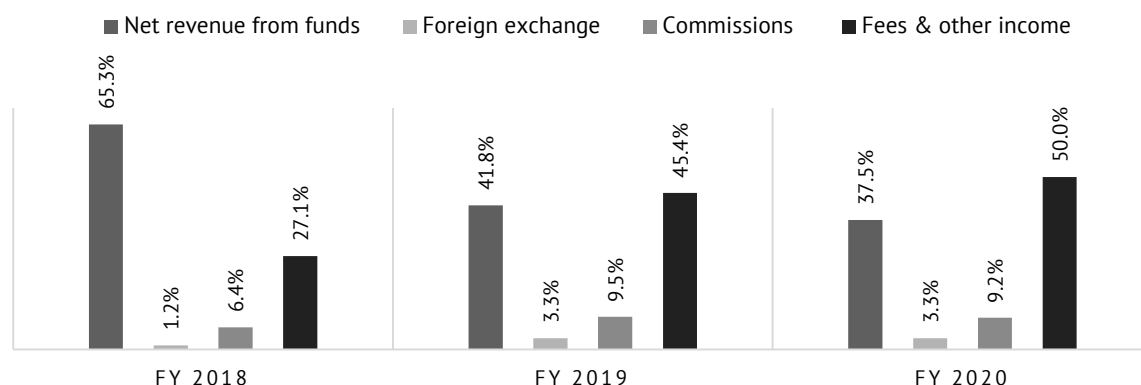
As at 31 December 2020, Coronation MB had no stage 2 or impaired loans. This compared well with its selected peers: FBNQuest Merchant Bank Limited (FBNQuest MB) and FSDH Merchant Bank Limited (FSDH MB) who reported non-performing loan ratios of 2.6% and 5.6% respectively. As at 31 March 2021, the entire loan book remained classified under the stage 1 category, reflecting loans with relatively low default risk. We consider Coronation MB's asset quality to be good, underpinned by the conservative risk management framework and the composition of top-tier corporates in the loan book.

#### ***Net interest spread improves moderately but remains comparably low***

During the year ended 31 December 2020, Coronation MB's interest income declined by 20.5% to ₦20 billion. The decline was driven by the prevailing low interest rate environment, despite the marked 69% growth in the loan book and the enlarged pool of investment securities. However, due to a higher decline of 26.1% in interest expense, the Sponsor's net interest spread (NIS) improved to 23.5% (FY 2019: 17.6%). However, Coronation MB's NIS was lower than FBNQuest MB's 41.3%, FSDH MB's 36.1% and the merchant banking average of 38.4%. The Sponsor plans to reduce costly funding by leveraging synergies (such as collection services) with current customers and also explore opportunities within its clients' value chain. We believe that with rising treasury yields in FY 2021, the Bank's NIS should improve slightly given the interest rate sensitive of its core clients. We also expect it to remain lower than that of its peers.

Due to prevailing macroeconomic headwinds occasioned by the COVID-19 pandemic, Coronation MB's impairment allowance increased by 152.1% to ₦228.2 million, absorbing 1.1% of interest income (FY 2019: 0.4%). Fund-based income grew by a marginal 2.7% to ₦4.5 billion, representing a lower 35.7% of net earnings (FY 2019: 41.8%) in FY 2020. We expect higher fund-based income in the near term on the back of rising treasury yields albeit marginally considering the interest rate sensitive nature of top-tier corporates (the Bank's core lending segment).

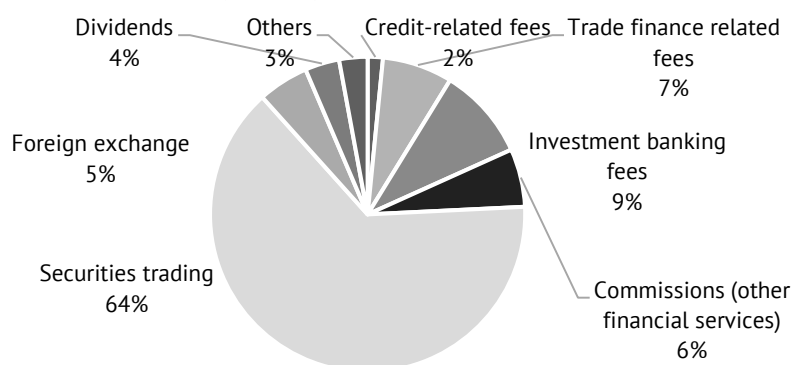
**Figure 2: Composition of Net Earnings (FY 2018 – FY 2020)**



**Securities trading income underpins growth in net earnings**

During the year under review, Coronation MB’s non-interest income grew by 22.7% to ₦7.4 billion, accounting for 62.5% (FY 2019: 58.2%) of net earnings. Reflecting the Bank’s strong treasury function, securities trading income grew by 18.4% and accounted for 64% (FY 2019: 66%) of ancillary income. Driven by the positive impact of the low interest rate environment on capital market activities, the Sponsor’s investment banking fees increased by a marked 121% to ₦703.1 million, representing 9% of non-interest income. Coronation MB also recorded a 23% growth in income from foreign currency derivatives, which made up 5% of ancillary earnings. Overall, we expect the Sponsor’s treasury capabilities to sustain non-interest income in the near term.

**Figure 3: Breakdown of Non-Interest Income (FY 2020)**



**The Issuer records good profitability**

In FY 2020, Coronation MB’s operating expenses (OPEX) grew by 13.6% to ₦6.1 billion. The increase in OPEX was largely due to higher staff, administrative and marketing expenses as the Sponsor increased its workforce and engaged in rebranding activities during the year under review. Nonetheless, backed by the boost in ancillary income, the Sponsor’s cost-to-income ratio declined marginally to 51.2%, better than FBNQuest MB’s 60.1% and FSDH MB’s 57%. In FY 2021, we expect CIR to be pressured by prevailing inflationary pressures and therefore believe the Bank’s projected 260 basis points decline in CIR may be difficult to achieve. However, we

believe that it will remain relatively stable on account of the anticipated growth in earnings from the recovery of the economy and the resultant increase in lending and other financial services.

During FY 2020, Coronation MB reported profit before tax (PBT) of ₦5.8 billion, 15.1% higher than the prior-year and translating to a higher pre-tax return on average equity (ROE) of 16.3% (FY 2019: 15.4%). However, due to the lower growth in PBT compared to the asset base, the Sponsor's pre-tax return on average assets and contingents (ROA) declined to 1.4% (FY 2019: 1.7%). Coronation MB's ROE was higher than the average inflation rate of 13.2% in 2020 and FSDH MB's 13.3% but lower than FBNQuest MB's 17%. We consider the Sponsor's profitability to be good despite the impact of the pandemic and unfavourable regulations. While we expect profitability to improve in FY 2021, we consider Coronation MB's projected 38.4% growth in PBT to be high given the low loan pricing flexibilities in its corporate lending space. Subsequent to year-end, in the three months ended 31 March 2021, annualised ROA and ROE declined to 1% and 14.3% respectively.

***Good capitalisation for the current level of business risks undertaken***

As at 31 December 2020, Coronation MB's tier 1 (core capital) stood at ₦37.1 billion, 10% higher than the prior-year and well above the ₦15 billion minimum for merchant banks. The increase in the capital base was driven by higher appropriation to non-distributable reserves and the accretion to retained earnings. The Bank's tier 2 capital stood at ₦27.9 billion as at FYE 2020, owing to the issue of the ₦25 billion five-year subordinated bond during the year. As a result, Coronation MB's capital adequacy ratio (CAR) increased slightly to 19.9% but was lower than FBNQuest MB's 25.4% and FSDH MB's 42.7%. Nevertheless, the Sponsor's CAR's was higher than the 10% required for merchant banks. In our opinion, the Sponsor's capitalisation is good for the level of business risk undertaken. As at 31 March 2021, Coronation MB's CAR stood at 17.2%.

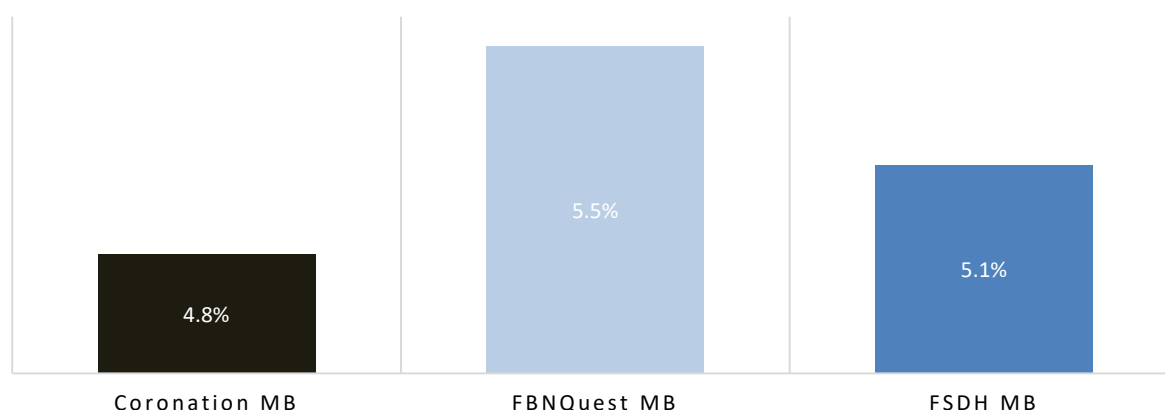
***An improved local currency deposit mix and the low interest rate environment drives a sharp decline in funding costs***

The Sponsor's activities are funded by liabilities sourced from customers, the inter-bank market and the debt capital market, in addition to shareholders' funds. Considering that the merchant banking model limits minimum deposits to ₦50 million per tranche, the Bank largely relies on purchased funds. To significantly reduce its reliance on costly funding, Coronation MB has expanded its scope of collection services to new customers.

As at 31 December 2020, Coronation MB's customer deposits stood at ₦195.2 billion, a marked growth of 41.3% compared to the prior year. The growth was attributable to an approximately 4 times jump in low-cost demand deposits, which accounted for a higher 31% (FYE 2019: 15%) of local currency (LCY) deposits as at FYE 2020. On the back of the improved LCY deposit mix amid the low interest rate environment, the Bank's weighted average cost of funds (WACF) improved to 4.8% (FY 2019: 9.9%). The Sponsor's WACF was better than FSDH MB's 5.1% and FBNQuest MB's estimated 5.5%. Coronation MB's WACF is better than its peers despite lower interest spread, which we believe is due to a higher focus on interest rate sensitive top-tier corporates relative to peers. Subsequent to year-end, in the three months ended 31 March 2021, Coronation MB's WACF dipped further to 3.5%. However, we believe that funding costs will increase in FY 2021 owing to rising treasury

yields and the commencement of coupon payments to Bondholders in May 2021. However, we believe that funding costs will remain below 10% in the near term.

**Figure 4: Weighted Average Cost of Funds (FY 2020)**



***The Bond issuance expands the Sponsor’s debt stock***

As at 31 December 2020, Coronation MB’s outstanding borrowings increased by approximately 3 times (year-on-year) to stand at ₦33.7 billion. The growth was attributable to the ₦25 billion five-year subordinated bond (the Sponsor’s maiden bond) issued at 6.25% coupon rate in November 2020, which accounted for 74% of outstanding borrowings as at FYE 2020. Commercial papers, with an outstanding balance of ₦8.9 billion represent the other component of the Bank’s debt stock. We consider the Sponsor’s ability to refinance to be good as evidenced by the successful bond issuance and access to the debt capital market for short-term funding needs.

***Good liquidity profile***

The Bank’s liquidity profile remained good, with liquid assets accounting for 51.1% of LCY deposits as at 31 December 2020. At this level, the liquidity ratio was well above the regulatory benchmark of 20% for merchant banks.

---

## OUTLOOK

Coronation Merchant Bank Limited intends to continually pursue its objective of building a well-established array of financial services including trade finance and investment banking. While the COVID-19 pandemic amidst unfavourable regulations adversely impacted the operating terrain, the Bank leveraged its strong treasury competence to sustain performance in FY 2020. With the easing of COVID-19 restrictions across the globe as the administration of vaccines improves, the economic outlook has gradually migrated from negative to stable. Considering the malleability the merchant banking licence provides, Coronation MB intends to further build on its securities trading strengths and significantly grow its share of capital market transactions to boost investment banking income. The Bank also intends to improve efficiency by keeping operating costs relatively low and drive higher growth in low-cost deposits through several ancillary services including collections. Most importantly, the Bank is expected to sustain its growth strategy within the trade finance segment and expand its bouquet of financial services to value chain operators. Agosto & Co. believes the aforementioned initiatives should enable profitability to remain acceptable by industry standards. We also expect that capitalisation and the liquidity profile should remain good. Based on this, we hereby attach a **stable** outlook to the rating of Coronation MB Funding SPV Plc's ₹25 billion Five-year Fixed Rate Series 1 Subordinated Unsecured Bond.

***For more comprehensive information, please refer to Coronation Merchant Bank Limited's credit rating report.***

## FINANCIAL SUMMARY

### CORONATION MERCHANT BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-2020		31-Dec-2019		31-Dec-2018	
	₦'000		₦'000		₦'000	
<b>ASSETS</b>						
1 Cash & equivalents	12,773,734	2.7%	8,956,378	2.5%	3,211,035	1.3%
2 Government securities	49,111,115	10.3%	64,647,172	18.3%	64,415,994	25.2%
3 Special treasury bills	58,214,571	12.2%				
4 Quoted investments	23,226	0.0%	47,529	0.0%	63,637	0.0%
5 Placements with discount houses						
6 LIQUID ASSETS	<u>120,122,646</u>	25.2%	<u>73,651,079</u>	20.9%	<u>67,690,666</u>	26.5%
7 BALANCES WITH NIGERIAN BANKS			17,560,844	5.0%	36,905,586	14.5%
8 BALANCES WITH BANKS OUTSIDE NIGERIA	35,806,050	7.5%	39,913,047	11.3%	8,970	0.0%
9 Direct loans and advances - Gross	122,915,486	25.8%	72,742,231	20.6%	54,340,867	21.3%
10 Less: Cumulative loan loss provision	(232,989)	0.0%	(58,282)	0.0%	(28,408)	0.0%
11 Direct loans & advances - net	<u>122,682,497</u>	25.8%	<u>72,683,949</u>	20.6%	<u>54,312,459</u>	21.3%
12 Advances under finance leases - net						
13 TOTAL LOANS & LEASES - NET	<u>122,682,497</u>	25.8%	<u>72,683,949</u>	20.6%	<u>54,312,459</u>	21.3%
14 INTEREST RECEIVABLE						
15 OTHER ASSETS	21,126,249	4.4%	4,397,231	1.2%	2,657,644	1.0%
16 DEFERRED LOSSES	5,216,566	1.1%	5,777,715	1.6%	4,998,887	2.0%
17 RESTRICTED FUNDS	72,327,019	15.2%	8,757,976	2.5%	5,188,052	2.0%
18 UNCONSOLIDATED SUBSIDIARIES & ASSOCIATES					4,614,711	1.8%
19 OTHER LONG-TERM INVESTMENTS	27,318,631	5.7%	23,429,903	6.6%	42,805,119	16.8%
20 FIXED ASSETS & INTANGIBLES	<u>7,757,172</u>	1.6%	<u>7,178,645</u>	2.0%	<u>3,596,755</u>	1.4%
21 TOTAL ASSETS	<u>412,356,830</u>	86.7%	<u>253,350,389</u>	71.9%	<u>222,778,849</u>	87.3%
22 TOTAL CONTINGENT ASSETS	63,490,663	13.3%	98,996,446	28.1%	32,382,378	12.7%
23 TOTAL ASSETS & CONTINGENTS	<u>475,847,493</u>	100%	<u>352,346,835</u>	100%	<u>255,161,227</u>	100%
<b>CAPITAL &amp; LIABILITIES</b>						
24 TIER 1 CAPITAL (CORE CAPITAL)	37,060,403	7.8%	33,698,683	9.6%	31,693,532	12.4%
25 TIER 2 CAPITAL	27,857,913	5.9%	870,146	0.2%	(545,267)	-0.2%
26 Medium to long-term borrowings	8,887,242	1.9%	12,610,440	3.6%	18,053,345	7.1%
27 Demand deposits	56,237,756	11.8%	15,730,463	4.5%	13,034,480	5.1%
28 Savings deposits						
29 Time deposits	126,539,624	26.6%	89,509,438	25.4%	113,804,855	44.6%
30 Inter-bank takings	<u>52,319,291</u>	11.0%	<u>25,978,923</u>	7.4%	<u>12,159,545</u>	4.8%
31 TOTAL DEPOSIT LIABILITIES - LCY	<u>235,096,671</u>	49.4%	<u>131,218,824</u>	37.2%	<u>138,998,880</u>	54.5%
32 Customers' foreign currency balances	12,384,085	2.6%	32,847,991	9.3%	57,532	0.0%
33 TOTAL DEPOSIT LIABILITIES	<u>247,480,756</u>	52.0%	<u>164,066,815</u>	46.6%	<u>139,056,412</u>	54.5%
34 INTEREST PAYABLE						
35 OTHER LIABILITIES	<u>91,070,516</u>	19.1%	<u>42,104,305</u>	11.9%	<u>34,520,827</u>	13.5%
36 TOTAL CAPITAL & LIABILITIES	<u>412,356,830</u>	86.7%	<u>253,350,389</u>	71.9%	<u>222,778,849</u>	87.3%
37 TOTAL CONTINGENT LIABILITIES	63,490,663	13.3%	98,996,446	28.1%	32,382,378	12.7%
38 TOTAL CAPITAL, LIABILITIES & CONTINGENTS	<u>475,847,493</u>	100%	<u>352,346,835</u>	100%	<u>255,161,227</u>	100%
(0)						
<b>BREAKDOWN OF CONTINGENTS</b>						
39 Acceptances & direct credit substitutes	63,490,663	13.3%	89,014,318	25.3%	31,759,378	12.4%
40 Guarantees, bonds etc.			9,982,128	0	623,000	0.2%
41 Short-term self liquidating contingencies						

**CORONATION MERCHANT BANK LIMITED**

<u>STATEMENT OF COMPREHENSIVE INCOME</u>	<u>31-Dec-2020</u>		<u>31-Dec-2019</u>		<u>31-Dec-2018</u>	
	<u>N'000</u>		<u>N'000</u>		<u>N'000</u>	
42 Interest income	19,950,522	72.9%	25,093,015	80.6%	24,286,820	86.9%
43 Interest expense	(15,269,476)	-55.8%	(20,664,692)	-66.4%	(17,291,460)	-61.8%
44 Loan loss expense	(228,240)	-0.8%	(90,521)	-0.3%	(85,559)	-0.3%
45 NET REVENUE FROM FUNDS	4,452,806	16.3%	4,337,802	13.9%	6,909,801	24.7%
46 ALL OTHER INCOME	7,407,004	27.1%	6,035,800	19.4%	3,670,580	13.1%
<b>47 NET EARNINGS</b>	<b>11,859,810</b>	<b>43.4%</b>	<b>10,373,602</b>	<b>33.3%</b>	<b>10,580,381</b>	<b>37.8%</b>
48 Staff costs	(1,833,629)	-6.7%	(1,404,905)	-4.5%	(1,433,036)	-5.1%
49 Depreciation expense	(728,543)	-2.7%	(615,692)	-2.0%	(592,516)	-2.1%
50 Other operating expenses	(3,513,216)	-12.8%	(3,329,121)	-10.7%	(3,359,082)	-12.0%
51 TOTAL OPERATING EXPENSES	(6,075,388)	-22.2%	(5,349,718)	-17.2%	(5,384,634)	-19.3%
52 PROFIT (LOSS) BEFORE TAXATION	5,784,422	21.1%	5,023,884	16.1%	5,195,747	18.6%
53 TAX (EXPENSE) BENEFIT	(743,758)	-2.7%	(257,172)	-0.8%	(711,375)	-2.5%
<b>54 PROFIT (LOSS) AFTER TAXATION</b>	<b>5,040,664</b>	<b>18.4%</b>	<b>4,766,712</b>	<b>15.3%</b>	<b>4,484,372</b>	<b>16.0%</b>
55 NON-RECURRING INCOME (EXPENSE) - NET						
56 PROPOSED DIVIDEND	(1,680,000)	-6.1%	(3,092,680)	-9.9%	(1,515,164)	-5.4%
<b>57 GROSS EARNINGS</b>	<b>27,357,526</b>	<b>100%</b>	<b>31,128,815</b>	<b>100%</b>	<b>27,957,400</b>	<b>100%</b>
58 AUDITORS	PWC		PWC		PWC	
59 OPINION	CLEAN		CLEAN		CLEAN	

<u>KEY RATIOS</u>	<u>31-Dec-2020</u>		<u>31-Dec-2019</u>		<u>31-Dec-2018</u>	
<b>EARNINGS</b>						
60 Net interest margin	23.5%		17.6%		28.8%	
61 Loan loss expense/Interest income	1.1%		0.4%		0.4%	
62 Return on average assets (Pre - tax)	1.4%		1.7%		2.5%	
63 Return on average equity (Pre - tax)	16.3%		15.4%		17.2%	
64 Operating Expenses/Net earnings	51.2%		51.6%		50.9%	
65 Gross earnings/Total assets&contingents-avg.	6.6%		10.2%		13.4%	
<b>EARNINGS MIX</b>						
66 Net revenue from funds	37.5%		41.8%		65.3%	
67 All other income	62.5%		58.2%		34.7%	
<b>LIQUIDITY</b>						
68 Total loans & leases - net/Total lcy deposits	52.2%		55.4%		39.1%	
69 Liquid assets/Total lcy deposits	51.1%		56.1%		48.7%	
70 Demand deposits/Total lcy deposits	23.9%		12.0%		9.4%	
71 Savings deposits/Total lcy deposits						
72 Time deposits/Total lcy deposits	53.8%		68.2%		81.9%	
73 Inter-bank borrowings/Total lcy deposits	22.3%		19.8%		8.7%	
74 Interest expense - banks/Interest expense	51.8%		74.9%		57.2%	
<b>75 NET FOREIGN CURRENCY ASSETS (LIABILITIES)</b>	<b>23,421,965</b>		<b>7,065,056</b>		<b>(48,562)</b>	

**CORONATION MERCHANT BANK LIMITED**

<b>KEY RATIOS CONT'D</b>	<b>31-Dec-2020</b>	<b>31-Dec-2019</b>	<b>31-Dec-2018</b>
<b>ASSET QUALITY</b>			
76 Performing loans (N'000)	122,915,486	72,742,231	54,340,867
77 Non-performing loans (N'000)			
78 Non-performing loans/Total loans - Gross			
79 Loan loss provision/Total loans - Gross	0.2%	0.1%	0.1%
80 Loan loss provision/Non-performing loans			
81 Risk-weighted assets/Total assets & contingents	46.5%	56.8%	50.5%
<b>CAPITAL ADEQUACY</b>			
82 Adjusted capital/risk weighted assets (Basel II)	26.5%	14.0%	12.7%
83 Tier 1 capital/Adjusted capital	52%	97%	132%
84 Total loans - net/Adjusted capital	0.48	0.39	0.30
85 Capital unimpaired by losses (N'000)	31,843,837	27,920,968	26,694,645
<b>STAFF INFORMATION</b>			
86 Net earnings per staff (N'000)	83,520	85,732	84,643
87 Staff cost per employee (N'000)	12,913	11,611	11,464
88 Staff costs/Operating expenses	30.2%	26.3%	26.6%
89 Average number of employees	142	121	125
90 Average staff per branch	47	40	42
<b>OTHER KEY INFORMATION</b>			
91 Legal lending limit(N'000)	15,921,919	13,960,484	13,347,323
92 Number of branches	3	3	3
93 Age (in years)	5	4	3
94 Government stake in equity (Indirect)	Nil	Nil	Nil
	<b>Estimates</b>	<b>Actual</b>	<b>Actual</b>
<b>MARKET SHARE OF INDUSTRY TOTAL</b>			
	2020	2019	2018
95 Lcy deposits (excluding interbank takings)	0.84%	0.54%	0.79%
96 Total assets & contingents	0.93%	0.76%	0.67%
97 Total loans & leases - net	0.71%	0.47%	0.43%
98 Net earnings	0.44%	0.39%	0.46%
99 Profit before tax	0.74%	0.54%	0.67%
100 Cash dividend	0.77%	1.11%	0.55%

\*Net loans not funded by free capital as a % of local currency deposits

\*\* Liquid assets adjusted for inter-bank takings

## 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 inadequate 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 realized only on reorganization or liquidation.

**The first four categories of ratings are investment grade while the last four ratings are speculative grade. The ratings from Aa to C may be modified by the addition of a plus or minus sign to show relative standing within the category.**





[www.agusto.com](http://www.agusto.com)

© Agosto&Co.  
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](mailto:info@agusto.com)