CORONATION

# ADVANCING IN THE FACE OF ADVERSITY

CORONATION MERCHANT BANK || **2020 ANNUAL REPORTS AND ACCOUNTS**


CORONATION

# **Welcome** to our World

As a platform for improving lives, our aim is to drive the growth that enables businesses to thrive, economies to grow, and ultimately, helps people fulfil their hopes and realise their ambitions

**Want to know more?**
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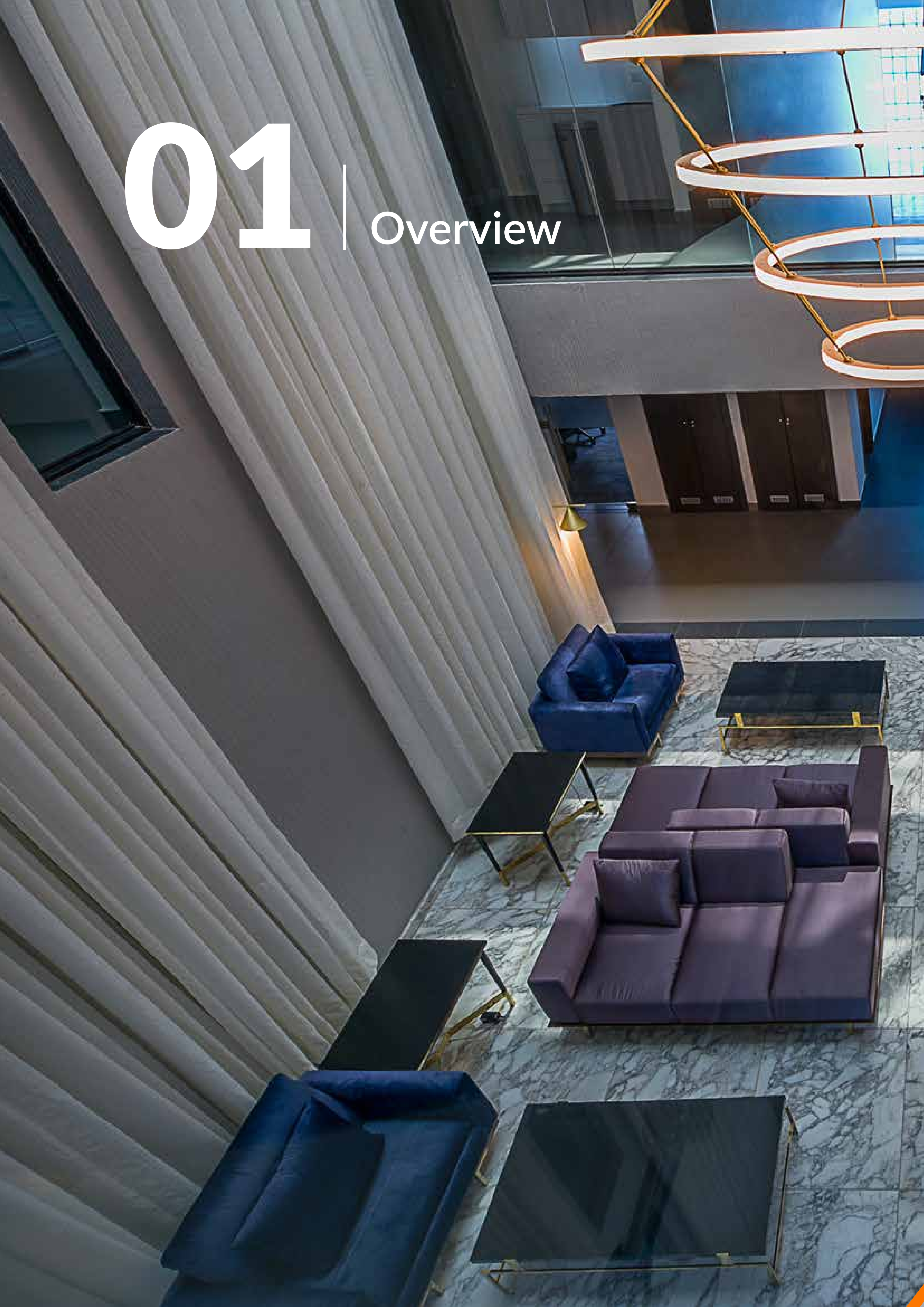


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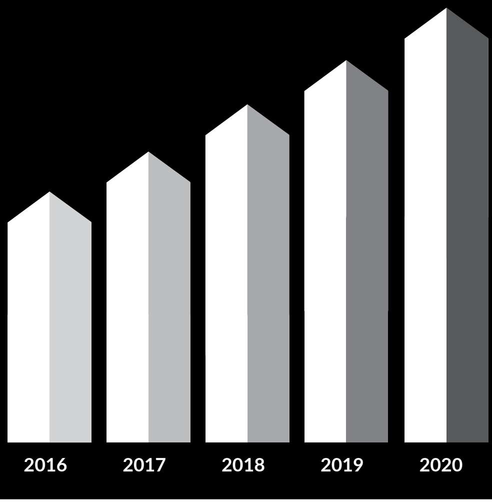
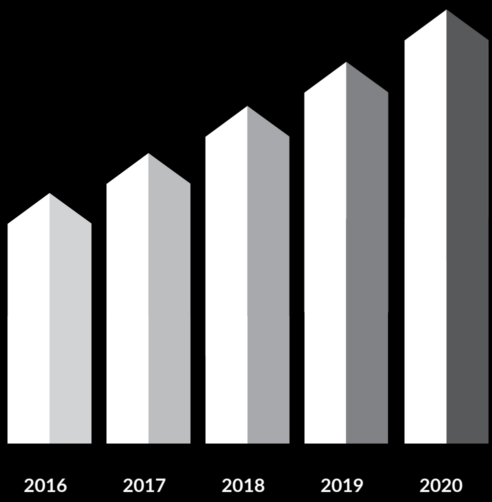


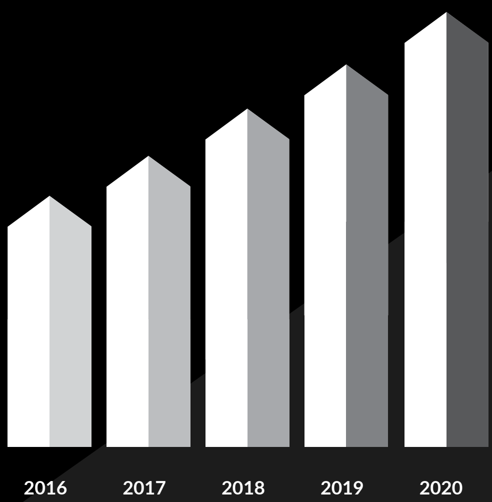

# 31%

TOTAL ASSETS
(N'MILLION)



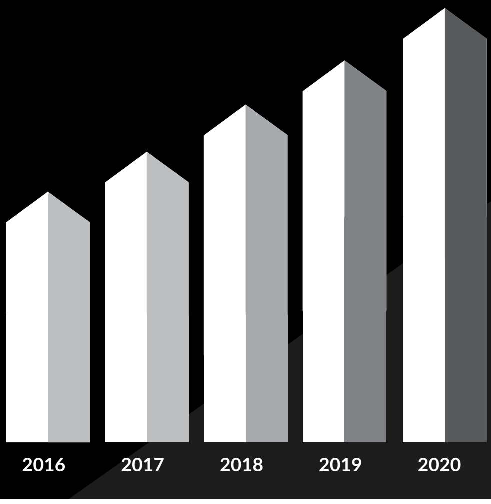

# 40%

TOTAL RISK ASSETS




# 9%

SHAREHOLDERS'
FUNDS

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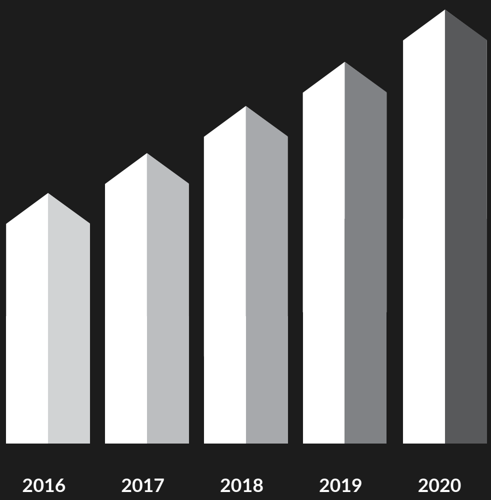


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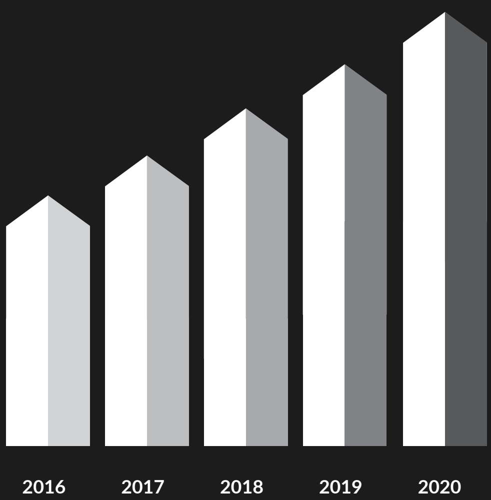



# 9%

SHAREHOLDERS'
FUNDS

# OVERVIEW

## Coronation Merchant Bank

Coronation Merchant Bank is a fast-paced, result-driven and innovative organization boldly setting standards of excellence in the Nigerian Banking sector and beyond.

We have a clear strategy based on our competitive advantage: exceptional local knowledge combined with world-class financial solutions.

The Bank was established to fill the gap in a long-underserved market segment, seeking to address the need for long term capital across key sectors of the economy. The Bank offers investment and corporate banking, private banking/ wealth management and global markets/ treasury services to its diverse clients.

Driven by its vision of becoming Africa's premier Investment Bank and with an asset base of over N412bn, the Bank is certain to leverage its team of excellent individuals who have taken it to the top of the merchant banking sector and made it the industry model for risk management, corporate governance and responsible business practices.

Going into the next five years, Coronation Merchant Bank plans to attain industry leadership across specific areas of product focus. The Bank will leverage its robust distribution network and strategic alliances both regional and international to provide high quality services across West Africa and beyond. Our comprehensive service offering is based on end-to-end synergies created within the Bank.

> Our business philosophy is hinged on integrity, transparency and high ethical standards. This philosophy which guides our day-to-day operational decisions is anchored on three key elements: customers, sustainability and talent. We will continue to leverage our superior technology platforms to drive operational excellence across the Bank. Going into the next five years, Coronation Merchant Bank plans to rank top 3 position across specific areas of product focus.

Coronation Merchant Bank has two branches located in Abuja and Port Harcourt with its Head Office in Lagos, Nigeria.


## OUR LOCATIONS

**Lagos Office**
Coronation House
10, Amodu Ojikutu Street, Victoria Island, Lagos
T: +234 (0)1 279 7640 - 43

**Abuja Office**
Coronation House
Plot 158, Aminu Kano Crescent, Wuse 2, Abuja
T: +234 (0)1-2797640-43

**Port Harcourt Office**
77, Woji Road, GRA, Phase II, Port Harcourt, River State, Nigeria.
T: +234 (0)1-2797640-43

# Chairman's Statement

**Babatunde Folawiyo**
Chairman,
Coronation Merchant Bank

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, welcome to the 6th Annual General Meeting of our Bank.

In accordance with the mandate of my office as Chairman, I am pleased to present an overview of the 2020 macroeconomic environment, a review of our performance for the year and our outlook for 2021.

> "Without a doubt, 2020 was a difficult year and like most organisations around the world, we had to adapt our business to cope with the changes brought by the pandemic."

What a year we have just had!

From the novel coronavirus disease pandemic ("COVID-19 pandemic" or "the Pandemic") that was undoubtedly the greatest health challenge of our generation to the subsequent global economic crash that ensued, 2020 was one for the books.

Before I proceed, I would like to extend my most sincere wishes to every family, organisation and nation that is dealing with the impact of the COVID-19 pandemic. My gratitude goes out to healthcare professionals and government agencies around the world that are at the forefront of combating the virus.

Without a doubt, 2020 was a difficult year and like most organisations around the world, we had to adapt our business to cope with the changes brought by the Pandemic. Despite these challenges especially when viewed against the backdrop of weak oil earnings, Naira devaluation, amidst other regulatory headwinds that characterized the year, I am happy to announce that our Bank recorded significant financial success. The progress we recorded in our profitability and capital position is a testament to the strength of our business model and the commitment of our people.

**Operating Environment**

Every economy in the world was affected by the Pandemic in 2020. The trend in the global economy changed from positive 2.3% in 2019 to a global economic recession of 4.3% in 2020. The United States of America (US) economy, which had grown by 2.2% in 2019, contracted by 3.6% in 2020. The Eurozone, which had grown by 1.3% in 2019, contracted by 7.4% in 2020. These adjustments were not evenly distributed, and it was noticeable that China, which had grown by 6.1% in 2019, grew by 2.0% in 2020.

The reaction of the world's monetary and fiscal authorities to the Pandemic was to introduce a raft of rate-cutting and stimulus measures, and in many cases direct financial supports for industries and individuals. These were designed to counteract, as much as possible, the effects of disruptions to travel and international trade and, a little later, lockdowns. The US Federal Funds rate was cut from 1.75% to 0.25%. Throughout the developed world, governments introduced furlough schemes (furlough being a word almost unknown before 2020) to support employees and gave financial support to employers.

As is always the case in times of crisis, markets proved volatile. The initial reaction to restrictions on travel was to sell off the listed shares of international airlines, but it was soon realised that the implications went much deeper than this. As trade supply lines were cut and economic recession loomed, commodity and equity markets corrected. Prices of hard commodities, including copper, iron ore and oil, fell. The price of Brent crude, which had averaged US$65.0 per barrel in 2019 fell as low as US$20.0 per barrel in early April 2020, and the price of oil in the US was actually negative for a brief period. From April onwards, however, the price of Brent crude made a slow recovery and ended the year at comfortably over US$50.0 per barrel. These acute fluctuations posed difficulties for oil producers such as Nigeria.

Global politics in 2020 were dominated by the presidential election in the US where the incumbent Donald Trump was eventually unseated by the Democratic Party challenger, and former Vice-President, Joe Biden. According to Bloomberg, at least 161 million Americans voted in the 2020 election, the largest number of voters in a US presidential election in history. The election was not without rancour and brought out a record number of US voters. From an African perspective, many things were at stake, notably America's commitment to multi-lateral institutions and to climate change. To some extent, the victory of Joe Biden marked the restoration of US foreign policy to what many would consider normality.

At the same time, it cannot be doubted that China expanded its role in the world during 2020. As already mentioned, its economy grew while others shrank, accelerating the rebalancing of global economic power that has been evident for many years. In November, it was co-signatory to the Regional Comprehensive Economic Partnership between fifteen Asian and Australasian nations, which is seen as the largest trade deal in history. In December, it signed a trade deal with the European Union. These advances were accompanied by an increasingly assertive foreign policy.

Closer to home, the Nigerian economy started 2020 on a positive note. Most of the key economic indicators at the beginning of January pointed to another year of growth. Indeed, the economy did grow, by 1.9% year-on-year, in the first quarter. However, the effects of the Pandemic and the associated plunge in oil prices, soon took their toll. The government announced a lockdown at the end of March. The economy went into recession and gross domestic product fell by 6.2% year-on-year in the second quarter. The trade and manufacturing sectors were particularly badly hit, though it is important to note that the large agricultural sector and the telecoms sector both continued to grow. By the third quarter the negative impact had softened and the economy contracted by 3.6% year-on-year. In the fourth quarter, the economy returned to growth of 0.11% year-on-year.

It is as well to note that Nigerian interest rates were already declining quite quickly at the beginning of the year, due to policies implemented by the Central Bank of Nigeria which were designed to stimulate the growth of private-sector credit. Interest rates continued to fall during the year. Rates on government treasury bills fell from 5.4% in January to 0.2% by early December. At the same time, the monetary authorities cut the policy rate from 13.5% to 11.5% over the year, signalling that its principal concern was with growth. Commercial bank credit grew significantly. Inflation rose from 12.13% year-on-year in January to 15.75% year-on-year in December.

It is not surprising that, under conditions of economic stress, the foreign exchange value of the Naira came under pressure. The rate in the Nigerian Autonomous Foreign Exchange market fell from N364.7 to the US dollar to N395 to the US dollar during the year. As the regulated foreign exchange markets declined in liquidity, a parallel market in foreign exchange re-emerged, for the first time since mid-2017.

The effects of declining market interest rates on Nigerian financial markets were profound. The mutual fund industry recorded record growth, receiving money that otherwise would have been held in bank savings accounts. The fixed income market, which is to say the market for Naira-denominated bonds, enjoyed record price performance. And the Nigerian Stock Exchange All-Share Index recorded a gain of 50.0%.

**Performance Review**

2020 has been a remarkable year for Coronation Merchant Bank in the face of severe environmental headwinds. We made significant progress on our journey towards becoming Africa's Premier Investment Bank, despite the impacts of the Pandemic, macro-economic challenges, and an unstable regulatory environment.

> "Recognising the impact of remote working on our operations, we improved our technology and digital infrastructure to adapt more readily to emerging trends and protect the Bank against cyber-attacks."

In spite of the challenging environment in 2020, we achieved a profit before tax (PBT) of N5.78 billion, increasing by 15% from N5.024 billion in 2019, while Total Assets grew by 63% from N253.35 billion in 2019 to N412.36 billion in 2020. Earning assets reached N269billion, representing a 62% rise from the 2019 position. Customers' deposits and funds grew by 41%, from N138billion in 2019 to N195billion in 2020. Loans to customers also increased from N72.2billion in 2019 to N122billion in 2020. Non-interest income grew by 23% to N7.4billion and net interest income closed at N4.68billion.

Overall, the Bank maintained healthy prudential ratios above regulatory thresholds, with loan to funding ratio of 67.86%, capital adequacy ratio of 19.87% and liquidity ratio of 50.93% as at December 2020. We also continued to record 0% non-performing loans while maintaining our credit discipline and a fortified balance sheet.

> "At Coronation, our focus is on results and how we deliver them. One of the things we can all be proud of is how we delivered for our shareholders, customers, our people, and how we delivered for the broader society at the same time. In a year that proved very difficult for many organisations, we advanced in the face of adversity to deliver a strong result."

Our performance in 2020 could not have been possible without the hard work and dedication of the men and women who work tirelessly every day to serve our customers well and deliver sustainable returns for our shareholders. They are led by a talented management team and I would like to thank them all for the work they do in making our Bank a great institution.

Recognising the impact of remote working on our operations, we improved our technology and digital infrastructure to adapt more readily to emerging trends and protect the Bank against cyber-attacks. Also, we remodelled our business model to adapt to the "new normal" by proactively protecting and equipping our people to work remotely and deliver superior banking services to our customers.

At Coronation, our focus is on results and how we deliver them. One of the things we can all be proud of is how we delivered for our shareholders, customers, our people, and how we delivered for the broader society at the same time. In a year that proved very difficult for many organisations, we advanced in the face of adversity to deliver a strong result.

Given the performance, the Board of Directors has proposed a final dividend payment of 33 Kobo per share to shareholders whose names are registered in the register of members at the close of business on the 5th of April, 2021 subject to approval at the annual general meeting.

**Board Developments**

As a Bank committed to strong corporate governance standards, we ensure all our Board appointments are in line with international best practices and global standards. This year, in accordance with the Bank's Articles of Association, a third of our Non-Executive Directors will stand for re-election.

In line with the above requirement, Ms. Evelyn Oputu, Mr Adamu Atta and I shall retire by rotation and, being eligible for re-election, will submit ourselves for re-election. The Board is convinced that the directors standing for approval and re-election will continue to add value to the Bank. The Board believes that they are required to maintain the balance of skill, knowledge, and experience on the Board. The biographical details of the directors standing for election are contained in this Annual Report.

Furthermore, in the course of the year, the Bank's pioneer Managing Director/CEO, Mr. Abubakar A. Jimoh retired from the Bank to pursue other personal endeavours. His retirement from the Board of the Bank took effect from April 30, 2020. During his time as the MD/CEO, Mr. Jimoh gave himself to the growth of the Bank and led a team that turned around a nearly-extinct Associated Discount House Limited into an "A+ rated" merchant bank. We will always be grateful to Abu for his years of selfless service to the bank and the strong values he instituted in the organisation. The Board commends him for his outstanding contributions to our organisation's progress and wishes him success in his future endeavours.

Consequently, Banjo Adegbohungbe, the erstwhile Deputy Managing Director was appointed as the substantive Managing Director of the Bank. His appointment as the Managing Director reflects the bank's commitment to strong corporate governance and succession planning. We are confident that his appointment will further strengthen and position the Bank for improved performance.

With the elevation of Mr Banjo Adegbohungbe to the position of MD/CEO, the Central Bank of Nigeria approved the appointment of Mrs. Funke Feyisitan-Ladimeji as the Executive Director/Chief Operating Officer as well as the Executive Compliance Officer of the Bank.

**Macro- Economic Outlook**

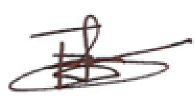
At the end of 2020 the global economy is dealing with the second wave of the COVID-19 pandemic. As new variants of the virus spread through populations, the devastation of the second wave appears to surpass that of the first. Yet there are substantive grounds for optimism as several pharmaceutical companies have developed effective vaccines and these are being rolled out, at least among developed nations. Nations without the resources of developed nations must be patient for the time being.

International commodity and financial markets are pricing in the end of the Pandemic. In the United States, the S&P 500 Index stands close to an all-time high: some consider it overvalued as such levels. Commodity prices are strong, reflecting both the renewal of economic growth already evident in China and the expectation that growth would resume throughout the rest of the world. The World Bank forecasts the global economy to grow by 4.0% in 2021.
The price of oil has been supported by the Organization of the Petroleum Exporting Countries determination to regulate the supply of oil, a position generally supported by Russia. It therefore seems possible that the extreme volatility in oil prices seen during 2020 will be avoided during 2021.

Nigeria will begin 2021 with very low interest rates and with the government requiring a high degree of deficit financing. At the same time inflation will prove difficult to contain as the pressure on the foreign exchange value of the Naira has not abated. There are, therefore, several difficult questions facing policymakers. Yet, it is likely that economic growth will resume in 2021 and this gives businesses a positive and optimistic outlook that was very much lacking for most of 2020.

We enter 2021 with strength and momentum after what has been the greatest health crisis of our generation. Our capital, liquidity and capacity to serve clients are excellent, and we are delivering strong earnings. Our products are best-in-class, and we continue to improve them. Our team gets stronger every day as we continue to invest heavily to ensure we are the best place to work.

Thank you for your continued support



**Babatunde Folawiyo**
Chairman,
Coronation Merchant Bank Limited
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# CEO's Statement

**Banjo Adegbohungbe**
Managing Director/CEO
Coronation Merchant Bank

Distinguished Shareholders,

I am delighted to welcome you to the 6th Annual General Meeting of Coronation Merchant Bank and to present our scorecard for the 2020 financial year.

Earlier this year, I commenced my tenure as the MD/CEO of this great institution. My most sincere appreciation goes to my predecessor, Abubakar Jimoh who successfully steered the affairs of this organisation over the last nine years.

> **As bankers we have a special responsibility to ensure continuity of financial services, to help our corporate customers to overcome the crisis and to enable our individual clients adapt to sudden and unexpected difficulties.**

Coincidentally, my appointment came at a time when Nigeria and the rest of the world, battled the invisible enemy that shut down schools, businesses, and several aspects of life as we knew it. Even at this moment, families, organisations, and nations all over the world continue to grapple with the debilitating effects of the coronavirus pandemic. While we have started seeing some glimmer of hope in terms of vaccines, my thoughts and prayers go out to those whose loved ones have been directly affected by COVID-19.

As bankers we have a special responsibility to ensure continuity of financial services, to help our corporate customers to overcome the crisis and to enable our individual clients adapt to sudden and unexpected difficulties. Banking remains an essential service during this difficult period and we have a duty to ensure its continuity and in the long term to support the recovery of the Nigeran economy.

This year marks the 2nd year of the 5-year horizon of our strategic plan. The plan which we announced in 2019 outlines how we intend to create the best customer experience, become one of the leading financial institutions in trade finance, investment banking, corporate banking and treasury and deliver sustainable growth for our shareholders.

In a year in which we faced significant headwinds; COVID-19, escalation in cash reserve ratio, FX illiquidity and significant drop in oil prices, I am happy to announce to the glory of God that we recorded significant financial and non-financial achievements.

During the year, we became the first and only merchant Bank in Nigeria to have an international risk rating – a rating of B- with a stable outlook from Fitch. We obtained a $60million Trade Finance Guarantee facility from the IFC, becoming the first bank in Nigeria to receive such a facility in the last five years. We became the first and only merchant bank in Nigeria to be licensed by the International Air Transport Association (IATA) to offer bank guarantees to travel agents. We also became the first merchant bank to implement the NEFT platform for payments and collections.

Given the substantial progress and the consistency we have recorded in our financial performance, we are on course to continue delivering on our 5-year strategic plan. We are well placed to support and benefit from the Nigerian economy whilst becoming the best bank for our customers and shareholders.

As part of our digital strategy implementation, we deployed our mobile app to enable our customers bank-on-the-go using their mobile devices. Our performance in our Treasury saw our industry ranking improve from 9th to 7th out of 29 banks on the FMDQ Treasury league table. We improved our industry ranking for trade finance from 14th to 13th out of 29 banks. Furthermore, our commitment to operational excellence saw our customer satisfaction index increase from 58% in 2018 to 81% in 2020. We were also accredited by the Nigerian National Petroleum Corporation and the Nigerian Customs Service to issue export LCs for crude oil and collect import/ excise duties respectively.

> “This year marks the 2nd year of the 5-year horizon of our strategic plan. The plan which we announced in 2019 outlines how we intend to create the best customer experience, become one of the leading financial institutions in trade finance, investment banking, corporate banking and treasury and deliver sustainable growth for our shareholders.”

Lastly, our strategy of differentiating ourselves through innovative solutions, service quality and strong corporate governance did not only yield strong financial performance; it also led to numerous awards from reputable local and international organizations. Worthy of mention is the Best Investment Bank in Nigeria by Global Finance, Best Investment Bank in Nigeria by World Finance and Best Investment Bank in Nigeria by Global Banking & Finance Review. These awards reinforce the progress we have made in positioning ourselves as a financial services platform dedicated to helping customers grow, businesses thrive, and communities prosper. With our dynamic and purpose-driven team, we are determined to achieve more and to create enduring legacies for all our stakeholders.

**Macroeconomic Review**

2020 was an extraordinary year; extraordinary in the challenges brought by Covid-19 and extraordinary in its unprecedented uncertainty. A key feature, both internationally and in Nigeria, was the sharp reduction in interest rates. Even before the pandemic struck, the US had reduced its Federal Funds rate from 2.50% to 1.75% the previous year, and then cut to 0.25% early in 2020. The Nigerian monetary authorities had also reduced market interest rates during 2019, and then the yield of Nigerian Government Treasury bills fell from 5.4% in January 2020 to 0.2% by early December.

Pressure mounted on the Naira and familiar signs of stress were seen. Liquidity in one of the principal authorised markets, the Nigerian Autonomous Foreign Exchange market (NAFEX) dropped significantly at the end of March. The value of the Naira in the NAFEX market fell by 8.2% to end the year at Naira 395 to the US dollar. The differential between the official and parallel market exchange rates re-emerged. Portfolio inflows from foreign investors, who had enthusiastically bought Naira-denominated fixed income securities in January and February dried up from March.

The uncertainty in the markets had many consequences. The fixed income market, the market for Naira-denominated bonds, rallied sharply, drawing investors’ money into fixed income mutual funds. The level of private sector credit rose dramatically as banks followed a directive to match 65.0% of their customer deposits with loans. The stock market fell heavily early in the year but the effect of falling interest rates was ultimately to make investors appreciate the equity market again. The Nigerian Stock Exchange All-Share Index rallied by 50.0% over the year. Investors in Naira-denominated bonds and equities profited, and borrowers benefited from falling interest rates.

However, economic and business conditions were difficult. The economy contracted by 1.92% in 2020. Although this was a better result than the 4.1% contraction estimated by the World Bank, it nevertheless comes hard on the heels of the recession suffered during 2016 and once again demonstrates Nigeria's over-reliance on oil and gas revenues for foreign exchange flows and Government revenues. Inflation rose from 12.13% year-on-year in January to 15.75% year-on-year in December, further eroding consumer purchasing power.

**Financial Performance**

Coronation Merchant Bank is pleased to report another successful year, despite the uncertainty in our operating environment both globally and specifically in Nigeria. During the year, the world grappled with the novel COVID-19 pandemic, which resulted in several lockdowns in a bid to manage the spread of the virus. This and other global factors affected oil prices. Nigeria faced volatile exchange rates, low-interest rates, increased insecurity, political and civil unrest marked by protests and the destruction of lives and property. In the face of these challenges, the bank achieved gross earnings of N27.4bn and profit before tax of N5.8bn, a growth of 15% over 2019. Our non-interest income grew by 23% from 2019 to N7.4bn.

Cash Reserve Ratio (CRR) increased further within the year from 2% to 27.5% for Merchant Banks, with effective CRR well over 60%. Despite all these, we continued to maintain healthy prudential ratios above regulatory benchmarks. Loan to funding ratio stood at 67.86%, capital adequacy ratio stood at 19.87%, liquidity ratio closed at 50.93% and NPL remained at 0% as at December 2020.

Our loan book grew by 69% from N72.2billion in 2019 to N122billion in 2020. We expanded our sector focus to include telecommunications and services. Overall, our balance sheet grew from N253billion in 2019 to N412billion.

**Product & Service Channel Improvements**

Becoming the best bank for our customers is at the heart of our strategy. In support of this, we have continued to invest in our value proposition, our online platforms and mobile channels, with key customer benefits ranging from reduced processing times, improved ease of access and convenience, and greater efficiency.

During the year, the Bank continued to improve on our technology. Our goal is to fully utilize technology to enhance value for our customers and to gain competitive advantage. As we transform into a more digitally enabled and customer-centric financial organisation, we will continue to maintain our leadership position in the Merchant Banking space.

If we learned anything during the COVID-19 crisis, it would be the increasing relevance of digital platforms as drivers of economic sustainability. Recognizing the impact of the COVID-19 pandemic on our business operations, we proactively adapted our business model to enable us to provide banking services through digital channels. This was achieved through the investments made in the prior year in technology infrastructure and information security.

These investments enabled us to enhance our customer touchpoints and the Bank's capability for sales through the delivery of an improved corporate website; onboarding of the Bank on several industry payment platforms to drive collections; enhancement of our capacity to detect and manage suspicious transactions; and improved effectiveness of risk management and lending decisions.

Furthermore, our drive to improve operational efficiency led to regular health checks on our Core Banking platform, which resulted in over 100 remediations.

As cybersecurity threats increased in the wake the pandemic, key enhancements were made to our infrastructure to support remote working and the mitigation of information security risks. In addition to this, the Bank also made significant investments in capabilities for analytics, such as the implementation of an analytics datastore/warehouse and an upgrade to our financial reporting solution.

Going into 2021, our focus remains the same – to leverage digital solutions in driving the customer experience journey, managing the entire customer business value chain and creating a focused user experience that drives conversions and revenue. We will achieve this by leveraging on partnerships and collaborations with indigenous and global Fintech platforms.

**Our People**

Becoming a great place to work is another critical pillar in our 5-year strategic plan and a prerequisite for ensuring sustainable growth. Our people are always at the centre of everything we do. Their ability to deliver as a team remains the driving force for our sustained growth and is at the core of driving business value.

To provide the best service to our clients and support the communities we operate in, we must continue to attract and retain the best talent. Being a great place to work includes our ongoing commitment to developing and managing talent and promoting core values anchored on our commitment to leadership, trust and innovation.

Recognising the importance of culture and employee engagement, several initiatives aimed at promoting our core values were implemented in the year. We consciously drove

"We have demonstrated in 2020 that together, we can advance in the face of adversity and we will continue to build the institution of our dreams."

employee engagement by holding several rounds of town hall meetings. This provided a platform for employees to express themselves and give feedback on policies and practices within the Bank. Leveraging the insights garnered from the engagements, we enacted an Employee Engagement Road Map and also used the forum to provide updates on the implementation status of the Roadmap.

We commenced the Culture Transformation Initiative, which is expected to run from October 2020 – July 2021. This initiative aims to define a culture that reflects our aspirations and sustains our strategic objectives. We leveraged employee recognition programmes to recognise individuals and teams that delivered outstanding results and contributed to the organisation's overall success.

In addition to this, we strengthened the skills and competencies of our people by implementing capacity building initiatives, deploying our Learning Management System and providing virtual courses specifically targeted at the core segments of our business. Our Mentoring Programme was also launched in 2020 to provide a platform for senior colleagues to mentor and learn from their younger colleagues.

Indeed 2020 was a challenging year. Throughout the crisis, employees made sacrifices to guarantee the continuity of banking services in various functions. To support our staff, we put in place preventive measures to ensure their safety and well being. We actively promoted employees' wellness – physical and psychological - by introducing quarterly wellness sessions and launching our Employee Assistance Programme, which provided psychological support for employees. All these led to a 30% increase in our employee satisfaction levels and a 50% reduction in attrition levels. Our Bank today is stronger and better positioned to deliver long term value to our shareholders.

All of this is made possible by more than 200 teammates who strive every day to serve customers and to improve our communities. Through our recruitment programmes and partnerships, we are investing in Nigeria's future by bringing the best and brightest to work at Coronation Merchant Bank. Together, we will continue to advance in spite of adversity and deliver more value to those we serve and to you, our esteemed shareholders.

**Macro-Economic Outlook**

Economic indicators are still mixed for Nigeria. The price of Brent crude oil has risen to above US$60.0 per barrel, a level that in recent years has been associated with healthy foreign exchange reserves and viable government finances. Nigeria barely exited recession in Q4 2020 and market interest rates have begun to improve.

However, other challenges persist. The rate of inflation, as already mentioned, was 15.75% year-on-year in December. Foreign exchange liquidity in the NAFEX market remains at levels far lower than a year ago, implying difficulties for importers of raw materials and goods. International portfolio investors remain largely on the side lines for Naira-denominated securities. There are a number of policy options available to deal with these issues, and therefore a number of different outcomes for which businesses need to strategise going into 2021.

As we look ahead in 2021 and beyond, we will maintain our focus on delivering responsible growth through disciplined adherence to the principles outlined in our 5-year strategic plan.

We have demonstrated in 2020 that together, we can advance in the face of adversity and we will continue to build the institution of our dreams. We will focus on innovation, satisfying our customers, effective mitigation of risk and charting a path to industry leadership. We are also committed to investing in our people and becoming a great place to work.

Thank you for your loyalty and continued support

**Banjo Adegbohungbe**
Managing Director/CEO
Coronation Merchant Bank Lkimited
FRC/2019/CIBN/00000019814

# 02 | Business Overview

Corporate Philosophy
Business Overview

# Corporate Philosophy

## Our Vision

To be Africa's premier Investment Bank

We are a fast-paced, result-driven and innovative organization boldly setting standards of excellence in the Nigerian Banking sector and beyond. Although the Bank is still young, we are embarking on a remarkable ongoing transformation journey that will see us emerge from an obscure position to become Africa's leading Investment Bank. The Bank's vision requires committed and dedicated people who are willing to make sacrifices to bring the vision to fruition.

***We are constantly looking to set new and higher benchmarks by which to assess ourselves and we are constantly improving and seeking superior platforms from which to practise the business of Banking & Finance. It is the DNA that drives us forward.***

***A guide to understanding the elements of our vision:***

# A guide to understanding the elements of our vision

## a. Top People

Our human capital is one of our most important assets. Each employee is treated with dignity and fairness. Our recruitment model and brand essence are designed to attract the best talents for each role within our organization. We will continue to provide a stimulating and challenging environment which drives superior performance and career development.

We will recruit and develop skilled and talented individuals who have a track record of academic and professional excellence.

Our people will possess strong academic credentials, affirming their intelligence and ability to learn quickly. They will have a capacity for demonstrable hard work and superior output.

Overall, our employees are best when it comes to professional aspects of merchant banking. We operate a system of participative management that allows each employee to pursue their own career development while contributing to the growth of the Company. We strive to become the best place to work within the West African region.

## b. Global Recognition

We strive to attain worldwide recognition for high performance, service delivery excellence and innovation. Our aspiration is to be recognized globally as the reference point for investment Banking transactions in Africa.

The world is our stage. In the longer term, we shall seek to excel not only within Nigeria but regionally and also gain global recognition that will give us presence in all major markets in the world. In this context, we see the world as all major markets on all continents of the earth.

The transformation we will introduce will make global industry players reckon with Coronation Merchant Bank and acknowledge our intervention in the areas of:

- Innovation
- Safety and stability (as qualified by various ratings agencies)
- Service delivery

Our accolades will call the world's attention to the potentials of Nigeria.

## c. Service and Solution Innovations

We will be the number one service provider, leveraging on best-in-class human capital to deliver creative and value enriching solutions to our clients, with the ultimate aim of creating sustainable value for the firm.

## d. Strong Risk Management/ Governance

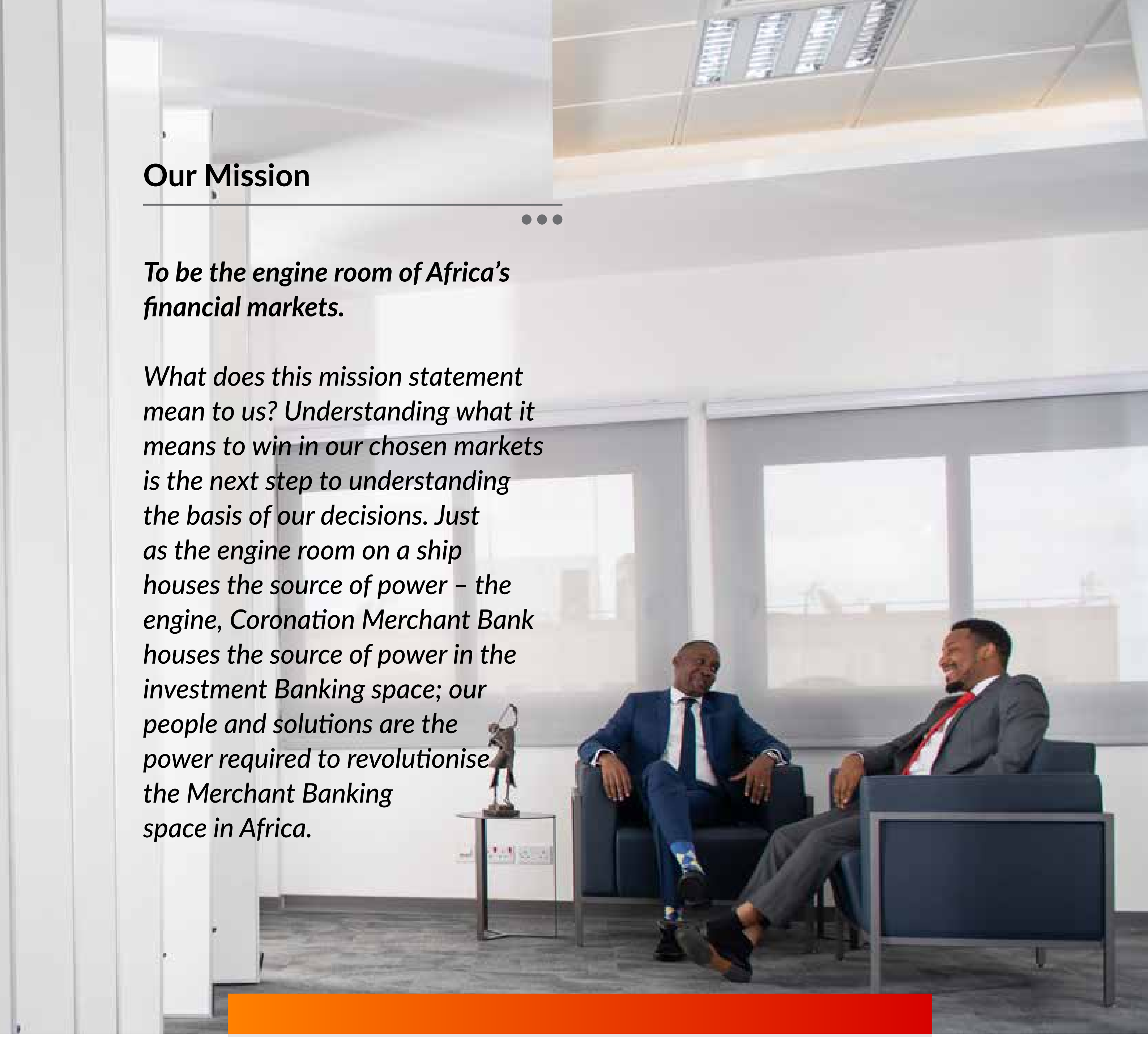
We will continuously employ World-class risk management capabilities that balance risk and return We will employ high corporate governance standards that become the benchmark in the industry

At Coronation Merchant Bank we will not under any circumstance compromise on sustainable long term growth and reputation for short term gains.

## e. Market Leadership

We are committed to being the first among peers. We will be the first to develop innovative products and become an industry leader in our chosen markets and segments. We will constantly strive to set the pace for others to follow. Coronation Merchant Bank hopes to be known publicly for pioneering industry redefining initiatives.

The Bank's innovativeness and creativity will earn it the confidence of regulatory authorities and the attention of international financial organizations for credible partnerships and collaborations.



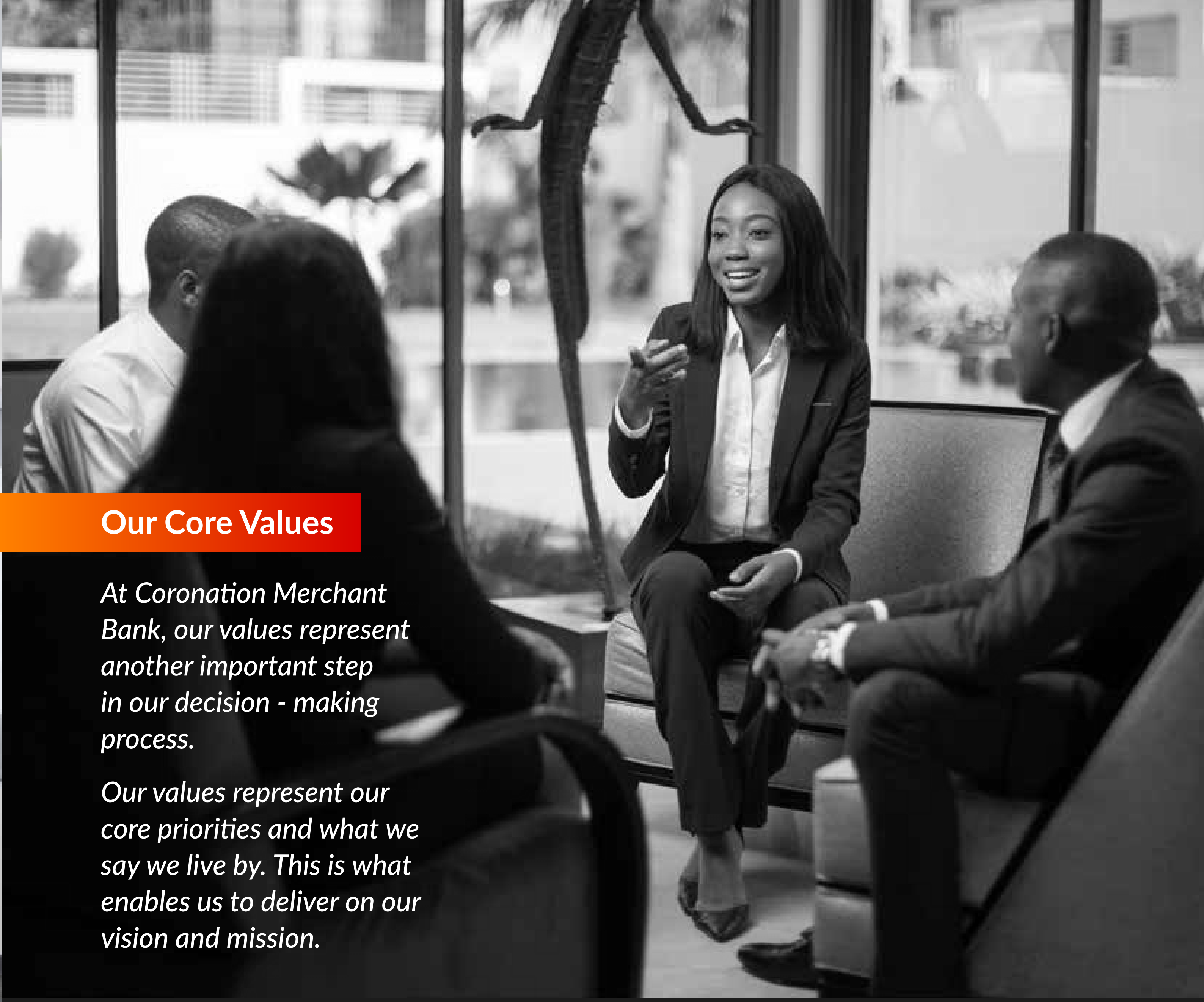
## Our Mission

***To be the engine room of Africa's financial markets.***

*What does this mission statement mean to us? Understanding what it means to win in our chosen markets is the next step to understanding the basis of our decisions. Just as the engine room on a ship houses the source of power – the engine, Coronation Merchant Bank houses the source of power in the investment Banking space; our people and solutions are the power required to revolutionise the Merchant Banking space in Africa.*

Coronation Merchant Bank will therefore be an influential player in the market, setting the pace for transactions and all external stakeholders will seek to be recognised with us. This implies that WE must strive at ALL times to EXCEED our customers' expectations through continuous learning, innovation and development while we continue to gain customer insight, and seek solutions to diverse customer problems.

Just as yesterday's products, services and solutions are not compatible with today's market challenges, we are determined to raise our game and secure our place as a dominant player in Africa. We will exceed our customers' expectations by surpassing industry standards in everything we do.



## Our Core Values

*At Coronation Merchant Bank, our values represent another important step in our decision - making process.*

*Our values represent our core priorities and what we say we live by. This is what enables us to deliver on our vision and mission.*

### INNOVATION

We will demonstrate innovation by developing solutions to diverse customer problems, differentiating ourselves from competition with creative products and service offerings and proactively initiating change and improvement measures.

### EXCELLENCE

We are tenaciously determined and disciplined in ensuring that the customer agenda is achieved, striving to achieve the highest possible standards. We strive to attain and exceed the highest possible standards through our passionate and painstaking attention to details.

### INTEGRITY

We demonstrate a high level of integrity by being ethically unyielding and honest, inspiring trust by unambiguous communication, matching behaviors to words and taking responsibility for actions. Our operations are transparent and always comply with all regulations and applicable laws.

### DEVELOPING PEOPLE

We are committed to continuous growth and career development, equipping our people with the right tools and experience that enable them to provide solutions. This principle is applied at all levels and across all functions.

### TEAMWORK

Through teamwork we build corporate intelligence, increase efficiency and enhance performance and bring diverse capabilities to bear from the wide range of professional capabilities. We hold the interest of the team above those of the individual while showing mutual respect for all employees and sharing information throughout the organisation. Being part of the team is what makes the whole more than the sum of the parts and provides the needed synergy.

### LEADERSHIP

We achieve clear market leadership by challenging the status quo. We are the catalyst for change industry wide. We will be the first to embrace all things worthy and sometimes the only.


CORONATION
NAVIGATE GLOBAL MARKETS WITH OUR INTERNATIONAL TRADE EXPERTISE
When it comes to global trade, you can count on us to provide you with the skills and resources you need to succeed.
Think Coronation Merchant Bank,
call 01 279 7640-43
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# Report of External Consultants on the Board Performance Evaluation of Coronation Merchant Bank

We have performed the evaluation of the Board of Coronation Merchant Bank Limited (Coronation Merchant Bank) for the year ended 31st December 2020 in accordance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Goverance (CCG) 2014 and Federal Reporting Council (FRC) Nigerian Code of Corporate Governance 2018.

The CBN CCG 2014 and FRC NCCG 2018 mandates an annual evaluation of the Board and individual directors of Financial Institutions with specific focus on the Board structure and composition, responsibilities, processes, relationships, individual director's competences and respective roles in the performance of the Board. Subsection 2.8.2 & 3 of the CCG 2014 code requires each Board to "identify and adopt in the light of the company's future strategy, critical success factors or key strategy objectives" and while subsection 2.8.3 requires that such evaluation should be conducted by an independent consultant.

Our approach included the review of Coronation Merchant Bank's Corporate Governance framework, and all relevant Board policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one on one interviews with the directors and key personnel of the Bank. The evaluation is limited in nature, and as such may not necessarily disclose all significant matters about the company or reveal irregularities, in the underlying information.

On the basic of our work, the Board of Coronation Merchant Bank has compiled with the requirements of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance 2014 for Banks and Discount Houses and Financial Reporting Council of Nigerian (FRCN) Code of Corporate Governance 2018 during the year ended 31st December 2020. Specific recommendations for the further improvement of Coronation Merchant Bank's Corporate Governance practices have been articulated and included in our detailed report to the Board. This report should be read in conjunction with the Corporate Governance section of the Coronation Merchant Bank Annual Report.

For: Ernst & Young

**Benson Uwheru**
Partner, Advisory Services
FRC/2013/CIBN/00000001554

# Corporate Overview

**How we are structured**

The sustainability of our business performance is driven by our structure, people and processes. Coronation Merchant Bank delivers value through its breadth of tested products that are relevant throughout the customer life-cycle and business products across the entire value chain.

**Coronation Merchant Bank**

| | Global Markets and Treasury | Trade and Corporate Services | Investment Banking |
|---|---|---|---|
| Overall Aspiration | Providing great service and execution to its clients at competitive prices | A trade finance led provider of financing solutions to large medium sized corporates, providing flexible, customized solutions as quickly and conveniently | A nimble and agile team that delivers personalized services and strong execution |
| Our Products | Tenured Deposits<br>Fixed Income (Bonds, T-Bills & CPs)<br>Foreign Exchange (FX)<br>Derivatives | Trade Finance<br>Working capital<br>Corporate Lending<br>Asset Financing<br>Trade Finance<br>Liquidity Management<br>Corporate Current Account<br>Payment & Collections | Mergers and Acquisition<br>Debt Capital Market<br>Equity Capital Market<br>Project Finance<br>Structured Finance<br>Financial Advisory |

| Enablers | | | | | |
|---|---|---|---|---|---|
| Research | Compliance | Finance & Strategy | Human Resources | Risk Management | Operations and Information Technology |

# Investment Banking

The Investment Banking business of Coronation Merchant Bank offers integrated advisory and financing solutions to help our clients achieve their strategic aspirations. We focus on building long-term relationships with a broad range of corporations, governmental departments and other institutions by offering our best-in-class strategic financial advisory capabilities, bespoke financing solutions and innovative project financing structures whilst leveraging our solid foundation built on scale, deep sector knowledge and the reach of our global network.

Through our Investment Banking division, we offer a complete range of services to fulfil our clients' needs including capital raising services, advise on mergers and acquisitions as well as project finance & product structuring advise toward the provision of hedging and liquidity solutions.

Coronation Merchant Bank's Investment Banking Division operates three (3) product groups: Capital Markets (Debt and Equity); Financial Advisory and Mergers & Acquisitions (M&A); and Project & Structured Finance, with each product group providing distinctive value adding services to our clients.

## Product & Service Offerings

### Capital Markets

We provide our clients with access to various forms of equity and debt capital by offering best-in-class capital raising advisory and bespoke financing solutions. We combine the deep sector and financial market knowledge of our investment banking team with the robust capabilities of our distribution team, the unrivalled execution of our securities trading business and our insightful research, to ensure that our clients have access to the most optimal funding solutions required to drive their strategic business objectives.

### Financial Advisory and Mergers & Acquisitions

Through our M&A practice, we provide deep insights towards identifying and consummating business combinations and divestitures. With a robust understanding of the diligence and valuation dynamics of the transaction, we help our clients identify and harness synergies across various parameters.

We support this with our wealth of advisory competence to provide our clients with solutions that are bespoke, relevant and pragmatic.

**Project & Structured Finance**

Our comprehensive project and structured finance advisory services cover the entire lifecycle of a project, from early development to completion. This includes project equity structuring, mezzanine, bridge financing, bank guarantees, debt syndications and public-private partnerships (PPP). We provide innovative and transformational solutions beyond conventional forms of lending, including asset-based financing structures, off-balance-sheet financing, securitizations and multilateral funding. We are continuously developing product solutions to meet emerging need areas of our various markets.

| **Products Coverage** | | | | | |
|---|---|---|---|---|---|
| **Capital Markets** | | **Mergers & Acquisitions and Financial Advisory** | | **Project & Structured Finance** | |
| Equity Capital Markets | Debt Capital Markets | M&A | Financial Advisory | Project Finance | Structured Finance |
| • Initial Public Offerings ("IPOs")<br>• Follow-on Offerings<br>• Private Placements<br>• Rights Issues<br>• Equity-Linked Instruments – Convertibles, Mezzanine, etc. | • Government Bonds (Federal, State & Municipals)<br>• Commercial Papers<br>• Corporate Bonds<br>• High-Yield Bonds<br>• Sukuk | • Buy Side M&A Advisory<br>• Sell Side M&A Advisory<br>• Take Privates<br>• Takeovers<br>• Tender offerings<br>• Management Buy Outs / Buy Ins<br>• Distressed Sales | • Corporate Finance Advisory<br>• Privatisation Advisory<br>• Restructurings | • Project Finance Advisory & Structuring<br>• Project Equity/ Mezz/Debt Syndications<br>• Public Private Partnerships ("PPP") | • Syndicated Loans and Bridge Financing<br>• Asset Based Financing & Securitisations<br>• Capital Restructuring<br>• Derivatives<br>• Facility Agency & Intermedi-ation |

**Sector Focus**

| Secctor | Industry |
|---|---|
| **Consumer** | • Food & Beverage<br>• Household and Personal Care Products<br>• Consumer Electronics<br>• Distribution & Logistics |
| **Financial Institutions** | • Banks<br>• Insurance<br>• Pensions<br>• Fund Management<br>• Non-Depository Financial Institutions<br>• Financial Technology |
| **Oil & Gas** | • Upstream<br>• Midstream<br>• Downstream<br>• Services |
| **Industrials** | • Heavy Industries<br>• Construction<br>• Steel & othe fabrications<br>• Tool & Machinery |
| **Telecoms** | • Mobile Operatorss<br>• Data Service Providers<br>• Infrastructure and Services |
| **Agriculture** | • Inputs i.e. seeds, fertilisers<br>• Farming, Plantation<br>• Processing and Trade |

| | |
|---|---|
| **Infrastructure** | • Power<br>• Transport<br>• Mining<br>• Health |
| **Real Estate** | • Commercial<br>• Retail<br>• Hospitality<br>• Residential<br>• Industrial |

### Achievements in 2020

Our performance demonstrates our extensive experience, bespoke execution of holistic end-to-end transactions, increasingly robust distribution capabilities and increased Investment Banking coverage. The Division further deepened its market presence by participating in some landmark transactions in the course of 2020.

The success of various transactions and deals executed by the Coronation Merchant Bank's Investment Banking franchise in 2020 further demonstrates the progress we have made on our journey towards becoming Africa's Premier Investment Bank.

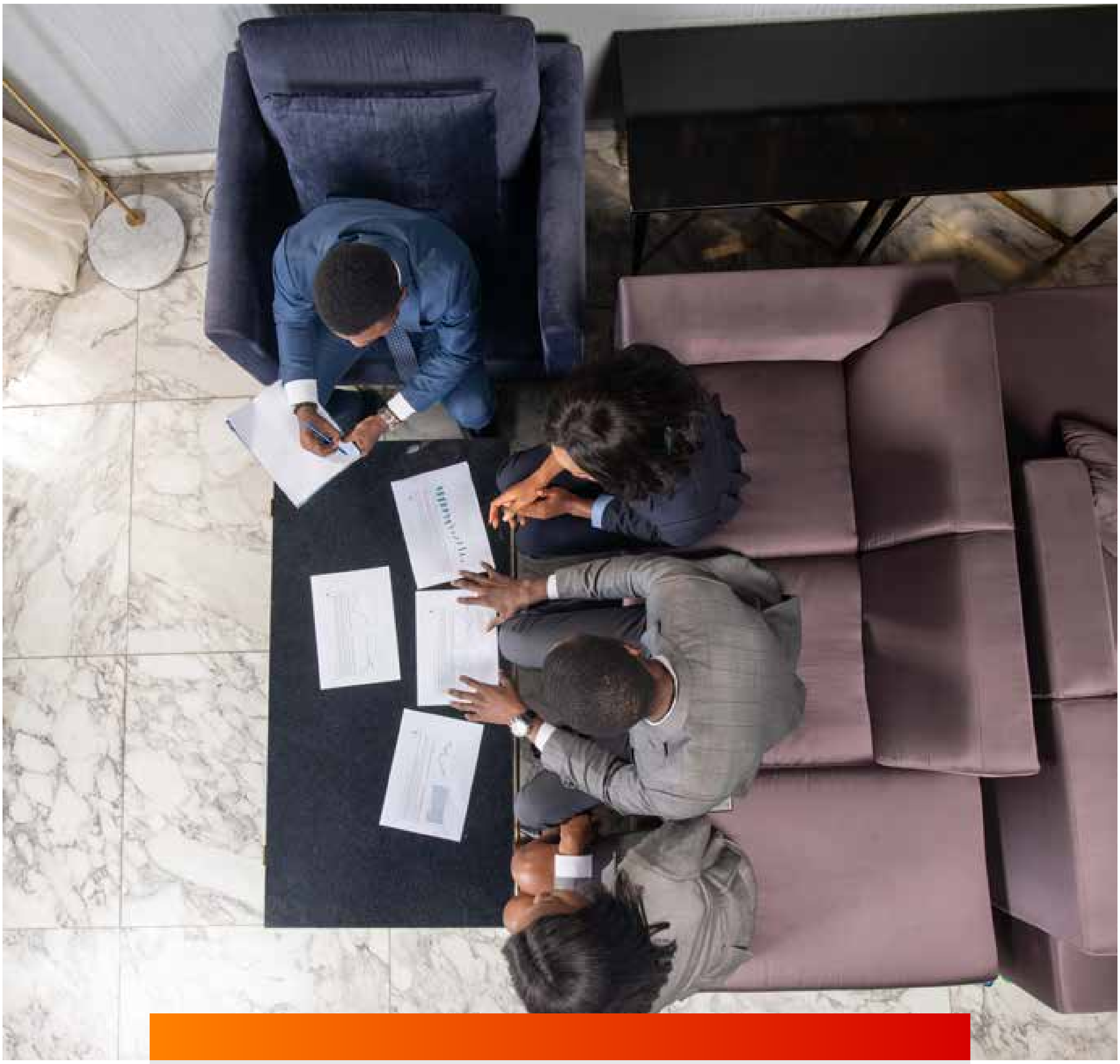
| Client | Product | Transaction | Transaction Size | Role |
|---|---|---|---|---|
| River Jamieson SPV Ltd (Sponsored by Edo State Govt) | Capital Markets | Naira Bond Issuance | NGN24.5 billion | Lead Issuing House |
| FBNQuest Merchant Bank Ltd | Capital Markets | Series 1 Naira Bond Issuance | NGN5 billion | Lead Issuing House |
| FBNQuest Merchant Bank Ltd | Capital Markets | Series 2 Naira Bond Issuance | NGN8 billion | Lead Issuing House |
| Flour Mills of Nigeria Plc | Capital Markets | Commercial Paper Issuance: Series 13 & 14 | NGN30 billion | Joint Issuing House |
| Lagos State Govt. | Capital Markets | Naira Bond Issuance | NGN100 billion | Joint Issuing House |
| Lapo Microfinance Bank Ltd | Capital Markets | Naira Bond Issuance | NGN6.2 billion | Joint Issuing House |
| Flour Mills of Nigeria Plc | Capital Markets | Naira Bond Issuance | NGN29.89 billion | Joint Issuing House |
| Dangote Cement Plc | Capital Markets | Naira Bond Issuance | NGN100 billion | Joint Issuing House |
| C&I Leasing Plc | Capital Markets | Rights Issue | NGN3.23 billion | Joint Issuing House |
| Coronation Insurance Plc | Capital Markets | Rights Issue | NGN6 billion | Joint Issuing House |
| One Terminals Limited | Project & Structured Finance | Bank Guarantee | NGN1 billion | Sole Arranger |
| Pure Flour Mills Limited | Project & Structured Finance | DCRR Facility | NGN2.7 billion | Sole Arranger |
| African Natural Resources & Mines Limited | Project & Structured Finance | DCRR Facility | NGN3 billion | Joint Arranger |
| Vitafoam Nigeria PLC | Financial Advisory | Subsidiary Valuation Service | Not Applicable | Financial Adviser |

### Strategic Business Opportunities, Outlook & Priorities in 2021

The Nigerian economy will continue to be driven by some of the factors that shaped the year 2020 - notably, the COVID-19 pandemic, the devaluation of the Naira and low interest rates. We expect to do more debt capital issuances as a lot of corporates and municipals would like to take advantage of the low interest rate environment to improve on their capital structure and engage in acquisitions and business expansions. As a result of this, we anticipate that the access to capital may lead to opportunistic activities in the M&A and Project & Structured Finance space.

We are optimistic that this will increase investor confidence, further reinforce the growth in the real sector and the financial system and positively affect overall economic performance. These factors will provide us with opportunities to further augment our growing bottom line as we continue to expand our spheres of influence in the various sectors we serve.

The strategic priorities of Coronation Merchant Bank's Investment Bank in 2021 are to continue to deliver uncompromised excellent services that further deepen our existing client relationships, enhance our distribution and transaction execution capabilities, expand sector coverage and grow market share by targeting sectors in which opportunities abound.



# Corporate Banking

The Corporate Banking Division is responsible for Coronation Merchant Bank's largest clients with unique and often complex banking needs. The Division focuses on delivering best in class service leveraging our industry expertise to provide an array of wholesale financial services covering: Treasury, Structured Trade Solutions and efficient Working Capital Management in meeting these needs.

We aim to deliver the best possible products and services, at the lowest possible costs, and with minimal risk to our client.

**Strategic Intent**

To position Coronation Merchant Bank Limited as one of the leading Corporate Banking Institutions in Nigeria. This will be driven by excellent customer satisfaction facilitated through an effective financial service platform. Our strategic intent is guided by Coronation Merchant Bank's Vision, and Mission, reinforced by the ultimate aim to epitomize excellence in corporate banking.

We create an efficient pricing structure that ensures that our clients achieve maximum benefits from our products & services

**Resource Efficiency**

We maximize our resources to the benefit of our clients. Our people, products and networks are at your disposal at all times

**Product Platforms**

We will adopt the most up to date technology. Our technology architecture is robust and will meet all your needs in a cost effective manner

**International Partnerships**

We leverage our networks for best-in-class solutions to your banking needs across geographies

**Service Automation**

We ensure that through the automation and digitisation of our product offerings, we provide our clients with a seamless customer experience

**Product & Services Offering**

| **Trade Solutions:**<br><br>We offer a range of trade solutions, expertly designed to enhance your trade operations and get you on a global scale | | **Cash Management**<br><br>We aid your efficiency in working capital management with our tailored financial products and services aimed to optimize your funds and streamlining operational processes | | **Corporate Lending**<br><br>We provide access to financing to support working capital, Capex, and other financing needs with products and services tailored to your organization's needs | |
|---|---|---|---|---|---|
| Import Finance | – Letter of Credits<br>– Documentary collections<br>– Guarantees<br>– End to end solutions that help to manage import & FCY payment needs | Liquidity Management | – Money Market Currency Deposits Derivatives & Swaps Currency Hedges | Working Capital | – Overdraft<br>– Invoice Discounting<br>– Supplier and Value Chain Finance |
| Export Finance | – Export Financing<br>– Forfaiting | Corporate Accounts | – Current Accounts<br>– Call Accounts<br>– Investment Accounts | CAPEX/ Acquisition/ Expansion Finance | – Revolving Credit Facility<br>– Time / Term Loans<br>– Guarantees & Bonds<br>– Syndication |
| | – Provide a solution to challenges and helps reap you benefits of Export | | – Domiciliary Accounts<br>– Escrow Account Arrangements | | – On-Lending and Intermediation |
| Trade Settlements & Finance Solutions | – Trade Loans Trade Collections<br>- The future is to provide fast, efficient, secure applications covering the full range in international trade finance | Payments & Collections | – Collections Payments (Domestic & International) Internet Banking | | |

**Sector Focus**

Leveraging our unique expertise and high-quality resources to deliver a unique value proposition to key players and market leaders in our primary focus areas. Our sectorial coverage currently includes the following:

- **Agriculture & Commodities**

  The sector covers a complete agricultural value chain ranging from large-scale plantations, agro-processing, commodities trading, livestock farming and processing, agro-based trading.

- **Fast Moving Consumer Goods**

  This Unit focuses on Food & Beverages, Breweries, Personal Care, Household & Utilities, Pharmaceuticals

- **Industrials**

  This unit focuses on Chemical Processing, Building Materials, Metals, Steel Sectors of the economy.

- **Energy, Oil & Gas and Natural Resources**

  This Business Unit covers all the segments of the Energy (Power – Generation, Transmission & Distribution), Oil & Gas (Upstream, Midstream, Downstream, and Services)

- **Information and Communications Technology**

  The business unit covers Mobile Operators, Fixed & Data Service Providers, and Services.

- **Services**

  The unit focuses on providing banking services to transportation, shipping, maritime, and logistics subsectors.

With the above, our Clients will be better served enabling us to deliver on our promise of being Africa's Premier Investment Bank.

**Achievements so far**

Coming into operation in September 2015, the Corporate Banking Division swiftly established itself as one of the leading Corporate Banks within the Merchant Banking space. We strategically grew a portfolio of high quality and selected Risk Assets to over N122 billion with zero non-performing loans from N72billion in 2019.

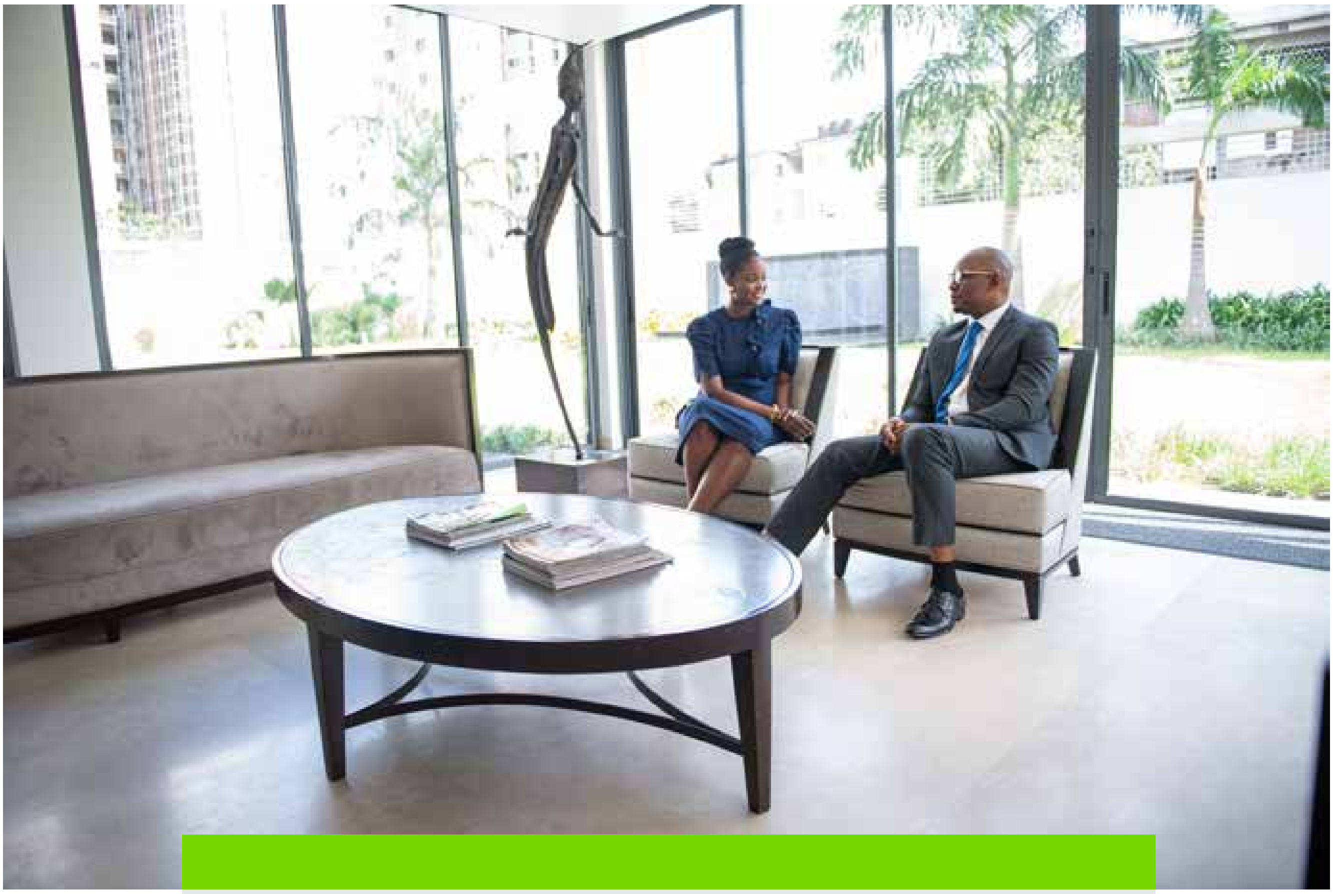
Given the operating landscape, the massive strides made by the Bank have been laudable. These gains have been possible due to the partnership and support of our clients who continue to drive us to greater heights. This is a major feat given the tight operating landscape and lean resources available in the past year. This is only possible due to the commitment and support of our esteemed clients who continue to motivate and propel us to new heights.

Additionally, we have established partnerships with IATA and NNPC to provide risk assurance during the year.

**Outlook & 2021 Priorities**

2020 was a challenging year for Nigeria. The drop in oil prices and the Covid-19 epidemic had an impact on the economy with Q3, 2020 YoY GDP -3.62%. the downturn has now begun to slow down and is projected to reverse during 2021.

We expect that key viable sectors of the economy will drive growth as they attract investment and create jobs when the economy starts to turn around. To fully maximize opportunities, we have aligned our priorities to envisaged growth areas and we are positioned to grow our market share and our client base as we support the recovery of the economy in 2021.



# Private Banking

Private Banking offers a full suite of banking, investment and wealth planning solutions to grow and protect the wealth of high-net worth individuals and their families based on their investment objectives and risk profile.

Our mission is focused on assisting our distinguished clientele grow, sustain, maximize, protect and preserve their wealth

Through our Private Banking Division, clients can also leverage our Corporate Banking, Investment banking and Treasury capabilities to support their business needs.

**Product and Services:**

Current Accounts

Call Accounts

Domiciliary Accounts

Investment Accounts – Fixed deposit, Treasury bills and High Yield Notes

**Target Market**

We focus on the provision of financial and wealth services to a niche clientele, a select or exquisite target audience who enjoy tailor made or bespoke traditional and non-traditional banking services e.g Captains of industries ,accomplished entrepreneurs, retirees, top executives of blue-chip companies, entertainers, wealthy Families, affluent Professionals, Family Offices etc.

**Achievements in 2020**

In 2020, Private Banking expanded its client base and grew deposits by 90% from ₦5.8bn to ₦11bn. We provided our clients access to structured investments as well as the capital market investments by leveraging on the expertise of the Investment Banking and Global Markets businesses. This way, our clients were able to enjoy high yields on investments despite the low interest environment occasioned by the combined effects of reduced crude oil prices, COVID-19 and regulatory controls.

**Outlook for 2021**

2020 was a peculiar year, as most economic activities came to a halt in Q2 and most of Q3-2020. In 2021, we project recovery and increasing opportunities, mainly due to the development of the COVID-19 vaccines and on going roll out plans by all countries.

We also see opportunities in growing our market share by introducing more products offerings that are tailored to the needs of our clients and leveraging technology to enhance customer experience.


CORONATION

# Global Markets & Treasury

Global Markets and Treasury is primarily responsible for managing the Bank's balance sheet, specifically the investment securities portfolio and liquidity position. The core function also includes active trading of money market instruments, debt securities and foreign exchange.

**The division is made up of two broad units:**

**Asset and Liability Management (ALM)**

The ALM has an oversight function on the Bank's Local and Foreign currency exposures and ensures efficient and optimal management of the balance sheet to ensure liquidity and drive profitability.

**Sales and Trading**

The unit maintains responsibility for securities trading as market makers in the fixed income and foreign exchange markets. Global Markets and Treasury also leverages its wide range of institutional and corporate clients to effectively distribute fixed income products and foreign exchange solutions.

The Global Market & Treasury Division consists of qualified professionals with the objective of achieving market dominance in sales and trading of financial instruments across various asset classes as well as utilizing the bank's liquidity in the most efficient manner that maximizes return in a risk-controlled environment.

**Product and Service Offerings**

Global Markets and Treasury's wide range of products includes:

| S/N | Products | Description |
|---|---|---|
| 1 | Money Market | Tenured deposits, Treasury bills and Bond Notes, REPOs, Open Buy-back, Reverse REPOs and Reverse Open Buy-back |

| | | |
|---|---|---|
| 2 | Fixed Income | Treasury Bills, Local currency Bonds (Sovereign, Sub-national, Corporate) and Eurobonds, Commercial Papers, Promissory Notes, and Securities Settlement. |
| 3 | Foreign Exchange | High Yield Notes, Currency Swaps, Forward Discounting, FX Spot & Forwards, and Export proceed-linked Forwards. |
| 4 | Structured Products | FX Forward Contracts, Total return Swaps, FX Derivatives, Credit-backed Notes, Treasury-Linked Notes, and FCY-Linked Notes |

**Key Focus Areas**

Global markets and treasury covers the following sectors;

- Pension Funds/Asset Managers
- Insurance
- Brokerage
- Institutional Clients
- Corporates

**Notable Achievements in 2020**

In 2020, the Global Market and Treasury division expanded its Foreign Exchange (FX) franchise with the launch of two products; Export Proceed Linked (NXP) forwards and FCY linked Notes. This enabled our clients to source for more FX supply in a very tight market and enhance returns on their FCY investments.

Furthermore, fixed income volatility surged during the year largely due to the Covid-19 induced sell-off and the ensuing global rush for high yielding securities. Our strong balance sheet and market making abilities provided liquidity to our clients during the market turmoil. This enabled us to improve our Fixed Income ranking on the FMDQ league table from 4th in 2019 to 3rd in 2020. In addition, we expanded our institutional client base and built a structured Repo book to maximize spreads from low interbank rates. Overall, we improved our position on the FMDQ league table from 9th in 2019 to 7th in 2020.

**Outlook for 2021**

We expect the Nigerian economy to exit recession this year as the rebound in oil prices and an uptick in global economy activities boosts growth. We expect crude prices to continue to rise with a slight improvement in the Nigerian current account.

In the near team, the Central Bank remains under pressure to keep its policy rate low to aid the recovery of the Nigerian economy. Therefore, we expect monetary policy decisions this year will depend on the pace of economic growth and inflationary pressure. We expect the CBN to use the recently introduced special bills and frequent CRR debits as monetary policy tools to control short term interest rates. In addition, the significant drop in maturities of OMO bills in the second quarter should tighten interbank liquidity and boost fixed income yields.

The Naira devaluations that occurred in 2020 will present opportunities to grow our FX derivatives business in 2021 while an expected volatile Fixed Income market is expected to further boost fixed income trading revenues.


CORONATION


CORONATION
GET AHEAD WITH THE CORONATION HIGH YIELD NOTE
Are you building for the long term or a seeking a quick return on your investment?
Then, our capital protected financial solution will provide you with premium returns on your dollar denominated investement.
For more information,
Call Abby on 07047174019
or email theprivatebank@coronationmb.com
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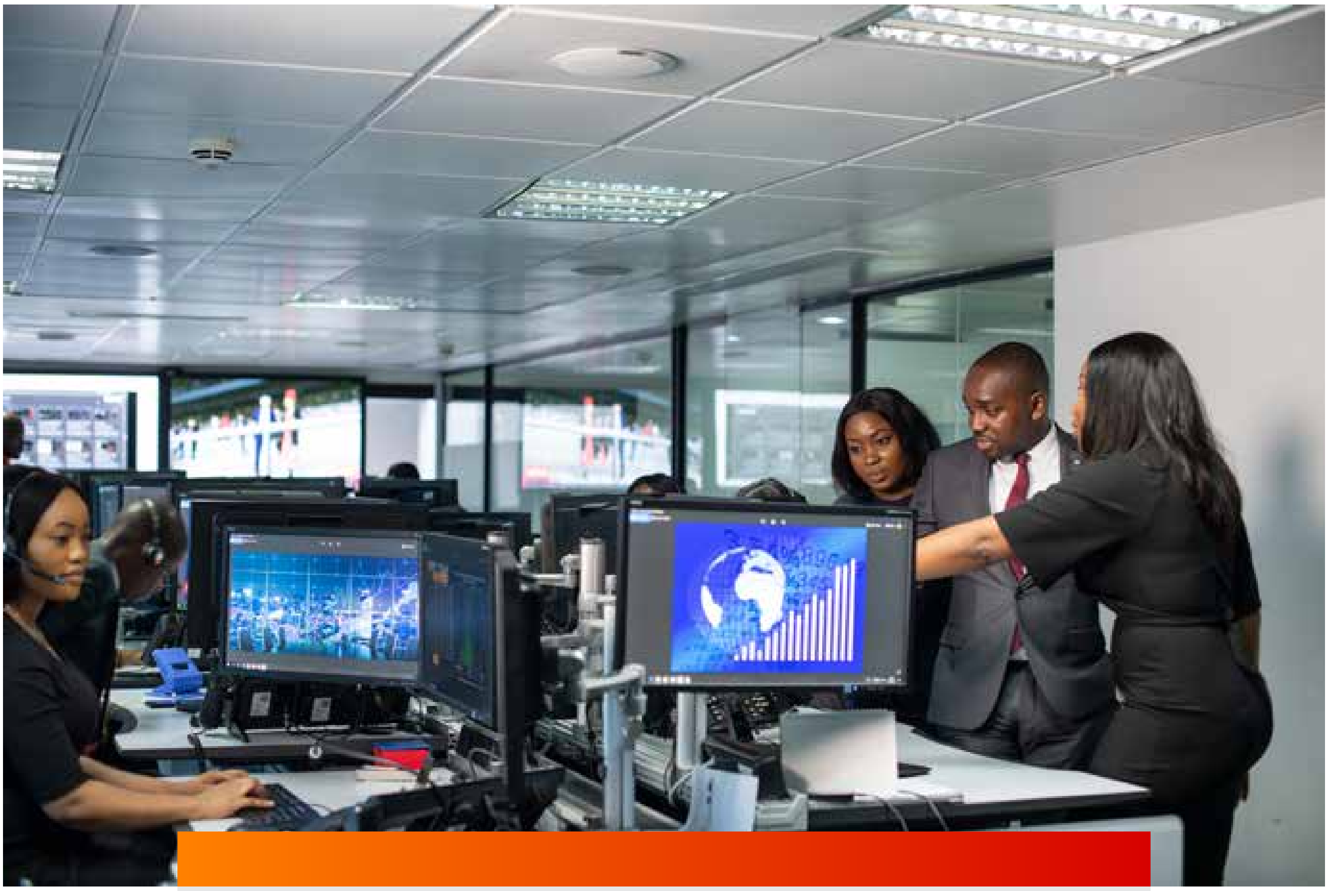
www.coronationmb.com



# Operations & Information Technology

The Operations and Information Technology division of the Bank, popularly referred to as the engine room of banking, is a strategic division that ensures necessary support is provided to the business units and other departments in the Bank. The goal of the division is to always provide technological and process support that will ensure the strategic objectives of the Bank are achieved. Over the years, the success stories recorded by the bank have been as a result of the active support of and partnership with this division. We continue to stregthen these engagement to ensure the division remains business-driven and proactively delivers on initiatives required to promote the aspirations of our customers.

**Operations: Review of 2020**

In 2020 we consolidated on our various initiatives. During the year, we implemented solutions and processes that positioned us to respond swiftly and efficiently to the ongoing pandemic. Given that we began a transformation journey in 2018, the operations group of the Bank was strategically positioned to provide adequate support and proactively meet the demands of our customers.

During the year, we implemented additional solutions and process improvement initiatives that further reduced our manual processing by about 50%. We also put in place strategic alliances that ensured we responded to the diverse requirements of our customers. The Bank completed the implementation of the NIBSS Electronic Funds Transfer system (NEFT). This further enhanced the collections strategy of the Bank as it provided an additional platform for collections.

The Bank also commenced a strategy of centrally monitoring the improvements in processes by establishing a Process Improvement Management Committee (PIMC). This committee is responsible for monitoring and implementing improvements and ensuring we track maturity of such processes. The objective is enhancing customer satisfaction by ensuring efficient and effective processes.

We also continued to harness our efficient operations model.

Despite a 150% increase in transaction volume, our headcount remained relatively flat, compared to 2019. This is in line with our strategic focus of implementing operational efficiencies across the bank. Our assessment of the Target Operating Model of the bank, (in respect of Operations) showed a hundred percent (100%) implementation. This positions the Operations group on a path of continuing improvement in years to come.

**Customer Experience:**

Customer experience is at the core of all we do; we are clear on the quality of the experience required by our customers from all touch points. In order to achieve this, we prioritized training and retraining of staff in the bank to empower them with the right knowledge to meet the expected standard. All functions of the bank were covered in these training and awareness sessions.

We established a Customer Experience Management unit, to centrally monitor and ensure compliance with our service charter and commitments. We also ensured adequate governance, policies, procedures and processes were in place to guarantee the improved experience we wanted for our customers.

We have continued to expand the positive experiences of both internal and external customers. Our Coronation Resolution Centre has increasingly taken on more of our after sales service, which hitherto was the responsibility of other teams. This is to ensure that these internal units have enough time to focus on their core mandates. The impact of this is about 40% increase in the Sales teams' engagement with customers.

We introduced Mobile Banking as an additional transaction platform. Customers can now process their transactions at their convenience on their mobile devices. As more customers download and use the platform, transaction processing will become more efficient.

In striving for excellence, we decided to perform an independent assessment of our customer satisfaction for the year, in partnership with KPMG Professional services. The outcome of the survey put our satisfaction rating at 80.95%. This outcome exceeds our customer satisfaction rating for 2018 which was 59.94%. Our 2020 rating also surpassed that of the top-ranking banks also rated during the 2020 Banking Industry Customer Satisfaction Survey.

With a sustained focus on improving Customer Experience across all touch points, our customers will continue to enjoy best-in-class services.

**Information Technology**

At Coronation Merchant Bank, Technology will continue to play a pivotal role in business growth and the transformation of our business models for sustainable advantage.

Over the past year, the Bank continued to expand on the adoption of technology. This remains a strong catalyst for success in the financial services industry. Our goal continues to be the utilization of technology to provide unique propositions to our customers as well as for competitive advantage. Furthermore, following our transformation into a more digital, integrated and customer-centric financial organization, technology has been at the core of our business model, empowering our customers to achieve their objectives.

The past year was quite challenging considering the global pandemic. However, it created more opportunities for the bank to strategically position to provide more financial services to customers through our digital channels. This was achieved through the actualization of benefits from technology investments made in the previous year, coupled with continuous improvements and reinvestments.

A number of initiatives were delivered in response to the needs of our esteemed customers including the following:

- Enhancements to our customer touchpoints and the Bank's capability for sales through the delivery of an improved corporate website.
- Enabling key capabilities for collections by onboarding the Bank on a number of industry payment platforms including Quickteller and the NIBSS Electronic Funds Transfer System.
- Delivery of a Mobile App with capabilities to handle funds transfer and accounts management.
- Capabilities for effective financial risk management, profitability and improved lending decisions via a globally acclaimed analytics platform.
- Improved engagements via automated communications to customers, based on their financial engagements with the Bank - investment and deal confirmation letters, account management etc.
- Delivery of capabilities for automatic detection and management of suspicious transactions.
- Optimization of our transaction processing capabilities via a health check exercise conducted on our Core Banking platform which resulted in wholistic remediations.
- Instituted a framework for continuous process
- Achieved significant reduction in funds transfer processing errors via the implementation of reconciliation measures on our payment integration layer.
- Implementation of key enhancements to manual and semi-automated processes

Key enhancements were also made to our infrastructure to support remote working; including the deployment of enhancement to our security tools, following increased levels of cyber security threats, in the face of the pandemic.

We also made significant investments in capabilities for analytics; including the implementation of an analytics datastore/ warehouse and an upgrade to our financial reporting solution. This is as a result of key partnerships with specialist organizations, to develop analytics capabilities within Technology and business functions.

**Priorities for 2021**

We will be focusing on increased efficiency within the operations space. We will deliver additional solutions, automated processes and self-service platforms to our customers. We will ensure our processes are automated and seamless to allow ease of transaction processing for our customers, while also ensuring transactional security and safety.

In 2021, extending digital remains a key objective. In our bid to complement the Bank's business objectives and establish a clear digital footprint in the Banking industry, we intend to leverage digital solutions, to take full control of the customer experience ecosystem; by managing the business value chain from the customers' perspective, and by creating a focused user experience which drives conversions and revenue. This will be driven in partnership with digital partners including Fintechs.

We will also continue to extract value from key investments made in the previous year, including our digital capabilities for Trade Processing. Other focus areas will include:

- Enhancements to operational processes with continous improvement in response to customer and regulatory demands and faster resolution of issues.
- Continuous re-alignment of our IT architecture with key improvements in infrastructure, and business objectives; for increased reliability and business continuity.
- Continous monitoring for the health and performance of systems and processes in light of current realities.

It remains our commitment to continue to be a business enabler, a driver of innovation and a powerhouse to drive the Bank to greater achievements in financial services.

Customer experience remains a vital focus of all functions within the Bank, and our Customer Experience management team will drive the agenda centrally, to ensure the realization of our target customer satisfaction ratings.

# 03 | Governance

CORONATION

# THE BOARD

**Babatunde Folawiyo**
Non-Executive Director (Chairman)

**BSc, Economics**
London School of Economics

**LL.B, Law**
London School of Economics Masters in Law, University College, London

Tijani Babatunde Folawiyo is the Chairman/Chief Executive Officer of the Yinka Folawiyo Group, a conglomerate with interests in energy, agriculture, shipping and real estate. The Group consists of many companies such as:

- Yinka Folawiyo Petroleum with interest in an oil producing field outside of the Niger-Delta in Nigeria.
- Folawiyo Energy Limited, a subsidiary of the Yinka Folawiyo Group in partnership with Glencore Energy. The Company runs a World Class petroleum storage facility.
- Enyo Retail & Supply Limited, a downstream oil and gas company.

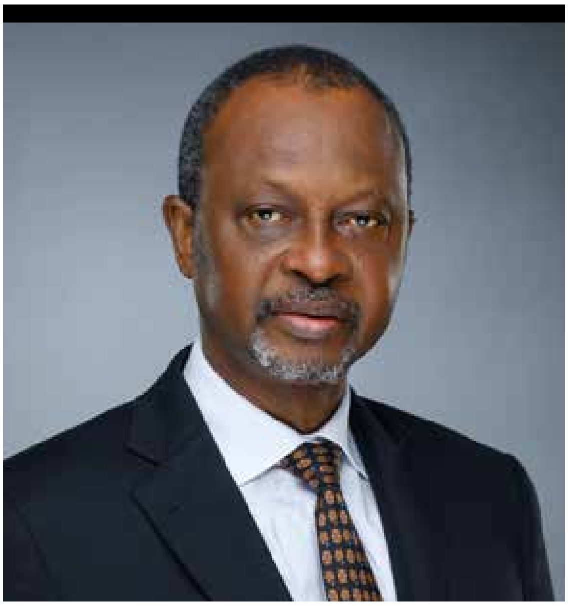
His entrepreneurial and Board experience are also evident in his current stewardship at La Vallee Energy Services Limited, an indigenous subsea company; Temple Management Company, a full-service creative talent and event management firm; T1 Marine Services Limited, a marine support service provider to the Nigerian offshore oil and gas industry; Pave Investments Limited, a private equity and venture capital provider to companies in the technology space.

Mr. Folawiyo did serve in the past as a Non-Executive Director in MTN Nigeria (2001-2019), Ecobank Mali (2000 -2005) and Access Bank Plc where he retired meritoriously after his statutory 12-year term.

As a consummate international businessman, his acumen for strategic alliances led to his appointment as the Honorary Consul of Barbados in Nigeria. In addition, he serves as a Director of Inaugure Hospitality Group which aims to redefine the hospitality business in West and Central Africa. He is a fellow of the Duke of Edinburgh's World Fellowship and a member of the Global Advisory Board of the African Leadership Academy, a Pan-African institute dedicated to developing and mentoring new generations of African leaders. He is also Chairman of Global Citizens Nigeria, an international movement dedicated to eliminating extreme poverty in the world.

Mr. Folawiyo is a Barrister of the Inner Temple of England and Wales and has been a member of the Nigerian Bar Association since 1986.

# THE BOARD



**Babatunde Dabiri**
Non-Executive Director (Independent)

**BSc, Economics**
University of Ibadan

**MBA**
Columbia University, New York

Mr. Dabiri's banking career spanned over three decades. He started his career at Chase Merchant Bank Ltd (later known as Continental Bank) where he spent over 10 years before moving to Prime Merchant Bank Ltd as the founding Deputy Managing Director/Chief Executive Officer. During this period, he gained outstanding competence in all facets of relationship and portfolio management, financial advisory services and banking products marketing.

As a Chief Executive Officer of several banks for a period spanning up to 20 years, he set up and managed 2 merchant banks and 1 commercial bank and coordinated and led the merger of 5 financial institutions. At different times, he was the Managing Director/Chief Executive Officer of Fountain Trust Bank Ltd, Magnum Trust Bank Plc, and until his retirement from paid employment in 2008, the founding Group Managing Director/CEO of Sterling Bank Plc.

Mr. Dabiri's vast experience is now being deployed towards building educational and corporate institutions at the Board level. He is a Non-Executive Director at First Marina Trust Limited, the Chairman of Capetex Industries Limited, Lawson Thomas and Colleagues Ltd, Bullrum Resources Ltd and Academy Press Limited as well as a Council member of Nigerian-Indian Chamber of Commerce and Industries.

Mr Dabiri is a member of the Advancement Board of the University of Ibadan, a Trustee of Summit University Offa, Council Member of the Corona Schools Trust Council and was a Director at the University of Lagos Holding Company Ltd and a Board Member of LEAP Africa, an organization committed to developing dynamic, innovative and principled youth leaders.

He was the founding Chairman of the Lagos State Pensions Commission (LASPEC), a position he held for 6 years. Between 2003 and 2005, he was the Alumni President of the Lagos Business School, and from 2004 to 2007, the National President of the Igbobi College Old Boys Association (ICOBA). He also, served on the Governing Council of the Lagos State University for 8 years.

Mr. Dabiri is a member of the following Board Committees of Coronation Merchant Bank:

- Board Credit and Investment Committee (Chairman)
- Board Risk Management Committee
- Board Governance and Nominations Committee
- Board Audit Committee

# THE BOARD

**Larry Ettah**
Non-Executive Director

**BSc, Industrial Chemistry**
University of Benin

**MBA, Finance/Marketing**
University of Benin

Mr. Ettah is the Executive Chairman of Barracuda Capital Partners Limited, a firm he formed in 2018 after his retirement in 2017 as the Group Managing Director/Chief Executive Officer of UAC of Nigeria Plc (UACN).

He holds a B.Sc. degree in Industrial Chemistry (1985); MBA (1988) both from the University of Benin. He is a graduate of the renowned Executive Programme of Ross School of Business, University of Michigan. He also has attended Executive Education Programmes at the Graduate School of Business, Stanford University, Harvard Business School, USA, IMD Lausanne, Switzerland, University of Oxford, United Kingdom and Institut Européen d'Administration des Affaires, Fontainbleau, France ("INSEAD"). He began his career as a Management Trainee at UACN in 1988 and ascended to the board of UACN in 2004. Before his promotion to the position of Group Managing Director, he held several senior management positions in UACN. While still in UACN, he chaired the following companies: UAC Property Development Company Plc (UPDC), Chemical & Allied Products Plc (CAP), Portland Paints & Products Nigeria Plc, Livestock Feeds Plc and UNICO CPFA. He was also a Non-Executive Director of Grand Cereals Limited.

Some of his numerous achievements include election as the President of the Nigeria Employers' Consultative Association (NECA), as well as Vice President (Multinationals) of Manufacturers Association of Nigeria (MAN). Also, he is a past council member of the Lagos Chamber of Commerce & Industry (LCCI). Mr. Ettah currently serves as a Non-Executive Director on the Board of Chi Limited.

Mr Ettah is a member of the following Board Committees of Coronation Merchant Bank Limited:

- Board Governance and Nominations Committee (Chairman)
- Board Audit Committee
- Board Credit and Investment Committee

**Evelyn Oputu**
Non-Executive Director

**National Diploma, Secretarial**
Temple School, Washington D.C, USA

**BSc, Business Administration**
University of Lagos

**PGD, Mass General Management**
Harvard Business School

Ms. Oputu is a retired and accomplished banker with over 38 years of banking experience. Before her retirement in 2014 as the Managing Director of Bank of Industry, Ms. Oputu had worked in several banks in Nigeria (commercial, merchant and industrial) including Icon Merchant Bank, International Merchant Bank and First Bank of Nigeria PLC where she left as executive director. Within the period, she gained significant experience while traversing the entire spectrum of banking operations in the areas of credit and marketing, corporate finance, corporate banking, investment banking amongst others.

She served in the public service as the Chairperson of the Committee on the Financial Management of Aviation Parastatals and as a member of the National Directorate of Employment between 1987 and 1989.

She is currently pursuing her entrepreneurial interests in insurance, mining, consultancy, manufacturing, oil and gas, agriculture and real estate developments through companies she promoted namely; Kes Products Limited, Ese Farms Limited, Chalot Properties Limited, and Ndali Consultants.

Ms. Oputu is a member of the following Board Committees of Coronation merchant Bank Limited:

- Board Risk Management Committee (Chairperson)
- Board Audit Committee
- Board Credit and Investment Committee

# THE BOARD

**Mrs. Suzanne Iroche**
Non-Executive Director (Independent)

**BSc, Economics**
University of Lagos

**Master of Management**
J. L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, USA.

Mrs. Suzanne Iroche has several years of broad-based experience in the Financial Services Sector in Merchant and Commercial Banking spanning the areas of Corporate & Institutional Banking, Correspondent & International Banking and Treasury.

She began her career at First Bank of Nigeria, after which she advanced to different positions at the International Merchant Bank and later moved to Chartered Bank Plc as a pioneer member of staff to set up the Treasury Division. She later joined United Bank for Africa (UBA) PLC where she rose to the position of Executive Director Wealth Management and was responsible for Treasury and Correspondent Banking/Multilateral Agency business and UBA subsidiaries in Asset Management, Trustees and Pension Custody. Her next assignment was as Executive Director Global Banking where she was responsible for the Bank's African regional expansion and establishment of subsidiaries across the continent, and supervision of existing global offshore operations of the Bank.

In 2009, she was appointed by the Central Bank of Nigeria as turnaround CEO of Finbank Plc as part of its financial sector reform programmes to ensure financial system stability and served the bank meritoriously until her retirement in 2012. She currently has interests in Financial Consultancy, Governance and Art.

Mrs. Iroche currently sits as an Independent Director on the Boards of Travelex Nigeria Business Solutions Ltd, Union Bank UK and UAC of Nigeria Plc. She is also a member of The University of Lagos Advancement Board and Women in Successful Careers (WISCAR) Advisory Board – an organisation dedicated to women empowerment.

Mrs. Iroche is a member of the following Board Committees of Coronation Merchant Bank Limited:

- Board Audit Committee (Chairperson)
- Board Governance and Nominations Committee
- Board Credit and Investment Committee
- Board Risk Management Committee

# THE BOARD

**Mr Idaere Gogo Ogan**
Non-Executive Director

**BSc, Economics**
University of Port-Harcourt

**MBA, International Finance**
Middlesex University, London

Mr. Idaere Ogan is a graduate of Economics from the University of Port Harcourt, Nigeria and holds an MBA degree in International Finance from Middlesex University, London (1993).

He has more than 28 years' experience across crucial areas of Banking, Insurance and Oil and Gas. He is currently the Group Chairman of Calvary Group which includes BECCA Petroleum and Gas Limited, Cordero Engineering Services Limited and Calvary Travels and Logistics Limited, a position he has held for twenty (20) years. In this role, he has gained expansive experience in Oil and Gas management, Engineering services, and Logistics. Prior to this he was the Head, Corporate Bank/ Pharmaceutical Group at Guaranty Trust Bank PLC.

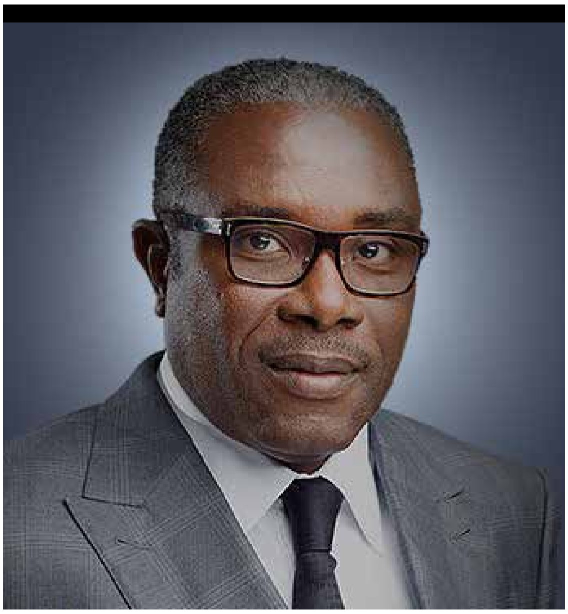
Mr. Ogan is a member of the Institute of Directors of Nigeria which is an affiliate of Institute of Directors United Kingdom. He sits on several Boards as Director and Chairman. He is a Non-Executive Director in Coronation Merchant Bank Limited (Coronation Merchant Bank). Mr. Ogan is a Ranking Member, Shareholders' Audit Committee of Access Bank PLC; Director of Eastern Bulkcem Company Limited (Eagle Cement) and Chairman Board of Directors of Coronation Registrars Limited.

Mr. Ogan has attended several Executive Management Programs in Harvard, Yale, Columbia, MIT, University of Chicago Booths Business School, Sloan Management School amongst others, to develop and execute organizational strategies for improved performance and growth.

Mr Ogan is member of the following Board Committees of Coronation Merchant Bank Limited:

- Board Audit Committee
- Board Risk Management Committee
- Board Governance and Nominations Committee
- Board Credit and Investment Committee

# THE BOARD



**Adamu Atta**
Non-Executive Director

**B.A. (Honours) International Relations/International Economics**
United State International University (USIU), San Diego

**M.A. International Development Economics**
University of California (UCLA), Los Angeles

**MSc. Political Science**
Ahmadu Bello University, Zaria

Mr. Atta founded and heads the consultancy firm of, Matad Group Nigeria Limited ("Matad"), and through this, he has gained over twenty years' experience consulting for various businesses in areas such as socio-economic and feasibility studies, analysis, and diagnostic reviews. Under his leadership, Matad continues to evolve, having provided consulting services funded by the World Bank, African Development Bank, Department for International Developments, and the United Nations Development Programme, amongst others.

He has several years of experience chairing and serving on many boards, including Coronation Insurance Plc, Coronation Merchant Bank, Cinafindev Nigeria Limited, UNITEK Modular Builders Nigeria Limited, Inter Foods Limited, Workwell Engineering & Tractor Nigeria Limited, Supertex Limited, Nigerian Tourism Development Corporation, Nigerian Industrial and Competitiveness Advisory Council amongst others.

Mr. Atta has been appointed to various committees in the oil, gas and textile industries and to the Nigerian Business Forum by the Federal Government of Nigeria. He also played a role in the work of the Nigerian Extractive Industry Transparency Initiative (N-EITI) and was involved in the creation of the accounting model which tracks development in oil and gas industries. He is also a member of the Nigeria Business Forum.
Mr. Atta is a member of the following Board Committees of Coronation Merchant Bank:

- Board Risk Management Committee
- Board Governance and Nominations Committee
- Board Credit and Investment Committee

Mr. Atta has attended several courses in Finance and Human development at Harvard and IMD Global Board Center.

# THE BOARD

**Olubunmi Fayokun**
Non-Executive Director (Independent)

**Bachelor of Laws (LL.B)**
Admitted to the Nigerian Bar - 1985

Ms. Fayokun is a Senior Partner in the law firm of Aluko & Oyebode, a member of the firm's Management Board and heads the firm's Capital Markets' and Mergers and Acquisitions (M&A) practice groups. Prior to joining the firm, Ms. Fayokun was the Legal Adviser/Company Secretary of Denham Management Limited.
Ms. Fayokun's career spans over three decades during which she has represented a highly diversified clientele of top-tier indigenous, international and multinational companies in various sectors including banking, oil and gas, FMCG, power, aviation, and insurance.

Ms. Fayokun is recognized in Who's Who Legal as one of the world's leading lawyers in M&A, Capital Markets and Energy & Natural Resources and has consistently been ranked a Leading Lawyer in IFLR1000 - The Guide to the World's Leading Financial Law Firms. She is also recognised by IFLR1000 as one of 300 Women Leaders considered to be among the best global transactional specialists in their markets and practice areas.

Ms. Fayokun has served on various committees established by the Securities and Exchange Commission to promote the development of the Nigerian capital market, including the Capital Market Committee (CMC) Rules and Compliance Sub-committee, the CMC Sub-committee for the rejuvenation of the Nigerian Bond Market and the CMC Market Infrastructure Sub-committee.

Ms. Fayokun is a member of the BusinessDay Legal Business Advisory Board and was previously a Council Member of the Nigerian Bar Association Section on Business Law. She was a Director of the Association of Issuing Houses of Nigeria, a former Treasurer of the Capital Markets Solicitors' Association and played a pivotal role in the establishment of the Nigerian Association of Securities Dealers (NASD) OTC market.

Ms. Fayokun is a member of the following Board Committees of Coronation Merchant Bank Limited:

- Board Governance and Nominations Committee
- Board Audit Committee
- Board Credit and Investment Committee
- Board Risk Management Committee.

# MANAGEMENT TEAM

**Banjo Adegbohungbe**
Managing Director / Chief Executive Officer

**BSc, Mechanical Engineering** -
Obafemi Awolowo University Ile-Ife

**MBA**
International Institute for Management Development (IMD) Lausanne, Switzerland

Banjo has over 28 years of banking experience in operations, technology, product management, relationship management and treasury.

He spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Ltd) in various functions including technology, business process improvement, and trade operations, rising to become the Head, Trade Operations in 2005 prior to joining Access Bank in March 2007. He was at various times Group Head, Global Trade, Group Head, Global Payments, and Group Head, Corporate Operations before joining Coronation Merchant Bank as Executive Director and Chief Operating Officer in charge of charting a strategic direction for the back office, technology and electronic/digital channels for the Bank.

In July 2019, the CBN approved the appointment of Banjo as the Deputy Managing Director of the Bank in line with the Bank's succession plan for the office of the Managing Director/CEO.

Banjo is also an honourary senior member of the Chartered Institute of Bankers of Nigeria.

Banjo is a member of the Board Credit and Investment Committee and Board Risk Management Committee of Coronation Merchant Bank Limited. He is also a member of the Governing Council of the Chartered Institute of Bankers of Nigeria and a member of the Audit Committee of FMDQ Holdings Plc.

**Funke Feyisitan Ladimeji**
Executive Director

**BSc, Economics**
Brunel University, London

**MSc Geography**
Queen Mary University, London

**FCA**
Chartered Institute of Accountants of England & Wales

Funke is a uniquely skilled and experienced Investment Banking Executive, with a global career spanning both Markets and Corporate Finance businesses, across multiple regions, financial products, and functional areas. She has an unparalleled track record in driving wallet share and revenue growth, as well as restructuring businesses and leading businesses to new levels of success. She has expertise across a broad range of functions including Business Transformation (organic and inorganic), Business Strategy and Planning, People Leadership, Digital and Technology Innovation, Banking Operations and Accounting.

Funke was at JPMorgan Chase for fifteen years where she was an Executive Director responsible for several Investment Banking and Markets businesses and her remit spanned EMEA, Americas and Asia Pacific regions. Thereafter, she moved to FBN Quest Group as Director and Chief Operating Officer. She was at FBN Quest Group for seven years during which her responsibilities spanned Technology, Operations, Finance, Human Capital, General Services, while she championed and drove multiple strategic initiatives. She also served on several FBN Quest Group entity Boards and on several Governance Committees.

Funke believes in giving back by developing and empowering women. She is a member and first vice chairman of the Association of Women Bankers of Nigeria, a member of WIMBIZ (Women in Management and Business), she set up the QuestWin (Women Network of FBNQuest Group), and she is a member of Amazon Professionals, a network of cross-sector professional women in Nigeria. Funke mentors new entrants and incumbents in the Financial Services and in other sectors. Funke is a member of the Board Credit and Investment Committee and Board Risk Management Committee of Coronation Merchant Bank Limited.

**Magnus Nnoka**
Chief Risk Officer

**BSc. Economics,**
**MBA, Marketing**
**MSc. Risk Management**

Magnus Nnoka is the Chief Risk Officer (CRO)of Coronation Merchant Bank Limited. In his role as the CRO, he oversees the enterprise risk management and control responsibilities in the Bank. Prior to joining Coronation Merchant Bank 2017, he was a member of the Transformation Team at Union Bank Plc in the capacity of Deputy General Manager/Head Business Support and Recovery Group. He was also the Country Head, Group Special Asset Management at Standard Chartered Bank Nigeria Limited. Between 2001 and 2011, Magnus held various senior management positions at Diamond Bank Plc and played pivotal roles in risk management He has also been involved in different risk management initiatives and process re-engineering projects at the various banks.

In over 24 years in the banking sector, Magnus has garnered experience that cuts across banks and core areas of Treasury, Branch Management/ operations and enterprise risk management. Magnus holds a first degree in Economics, a Masters Degree in Risk Management and an MBA in Marketing.

He has attended various executive strategy and leadership education/ training programs at prominent institutions including the Lagos Business School, Pan Atlantic university, Wharton Business School, University of Pennsylvania and University of Wisconsin, both in U.S.A. Magnus is a Certified Risk Manager/Trainer and belong to some professional bodies. He is currently the National President, Risk Management Association of Nigeria.

**Cornelia Utuk**
Company Secretary / Legal Adviser

**LLB, BL, MBA, FCIA, AICSAN**

Cornelia is a corporate governance expert and a provider of legal advice and support on loan documentation and disbursement, negotiation of contractual terms and conditions, employee relations, litigation, law and regulatory issues amongst others.

Cornelia began her career in the Credit Office of Standard Trust Bank in 1999 (which later merged with UBA PLC in 2005) and she honed her competencies in credit risk management (analysis, control, administration and monitoring). Her move to Marina Securities Limited as the Group Company Secretary and Head of Corporate Services in 2007 marked a career change that exposed her to capital market regulations and operations, strategic leadership and corporate governance.

She joined the defunct Associated Discount House Limited in 2014 as the Company Secretary/Head of Corporate Services and upon conversion to Coronation Merchant Bank in 2015, she became the Group Company Secretary/Legal Adviser of the Bank and its subsidiaries.

She holds a Certificate in Leadership from Dale Carnegie Nigeria/ University of Central of Missouri U.S.A and had been trained in the past in international business law, leadership and corporate governance by Euromoney, McGill University and Harvard Business School respectively.
Cornelia serves as the Secretary General of the Association of Bank Legal Advisers and Company Secretaries.

**Ademola Adekoya**
Head, Corporate Banking

**BSc Estate Management**
**MBA**

Demola is an experienced banker whose core banking experience has covered financial and business advisory, wealth management, corporate finance, and credit and marketing. As the Group Head of Corporate Banking at Coronation Merchant Bank, he is responsible for the development of marketing and sales strategies, as well as products and services for the Division; originating and managing the bank's relationships within the corporate market.

Demola began his banking career in August 2002 at Guaranty Trust Bank Plc (GTB) as an Executive Trainee in the Energy Unit of the Credit and Marketing Group. Prior to joining GTB, he worked as Head of Property Management at Leke Sanni & Associates.

In May 2003, Demola joined Access Bank Plc as Senior Banking Officer, Global Financial Markets. He joined Coronation Merchant Bank in August 2015 as Assistant General Manager of Corporate Banking after spending 8 years in Marina Securities Limited as Group Head of Financial Advisory Services.

His achievements include participating in quasi-equity for Access Bank via long term convertible debenture, which is the first of such investment in a Nigerian Bank by a development finance institution. He also participated in promoting Gender Empowerment at Access Bank, by raising funds from the International Finance Corporation.

**Ibrahim Bello**
Chief Compliance Officer

**BSc Accounting,**
**FCA, MBA, ACAMS.**

As Head of Compliance at Coronation Merchant Bank, Ibrahim's responsibilities include the provision of operational and advisory support in the development and implementation of all compliance strategies
and concerns. He is also charged with establishing strong compliance standards in line with industry and global best practices and acting as a liaison between the Bank and all regulatory bodies.

He has gained over a decade's experience in financial control, fund management, relationship management, compliance and risk management. He commenced his career at Saro Agro Sciences Limited in 2004 as an Accountant, and then progressed to the role of Financial Controller at Stanbic IBTC Pension Managers Ltd., gaining a mass of expertise in risk and compliance, stockbroking, and fund management, in a variety of positions.

In 2009, he became the Head of the Relationship Management Desk for Foreign Stockbroking clients. Before he joined Coronation Merchant Bank, he served as a Compliance Manager at Citibank Nigeria. He is an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN), as well as an Associate Certified Anti-Money Laundering Specialist (ACAMS).

**Dele Dopemu**
Chief Audit Executive

**BSc Zoology (Science),**
**FCA, CISA, ACIN, IIA**

Dele has acquired over two decades of professional Audit and Banking experience spanning across, Internal Control, Compliance, External & Internal Audit, and Banking Operations. Before his current role as the Chief Audit Executive, he was the Head, Quality Assurance Internal Audit Group in Access Bank where he was responsible for aligning the processes and procedures defined by the Board and Top Management in line with the best practice. As the Country Operating Officer in Access Bank Zambia, he was responsible for the Bank's Operations and Information Technology. He also worked in Diamond Bank Plc, Union Bank Plc and Deloitte (Audit) and was involved in some mergers and acquisitions of Banks. As the Chief Audit Executive, Dele provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank internal control, risk management, governance systems, and processes.

He has attended a series of management courses both Local and international including Wharton Business School.

**Abby Quadri**
Group Head, Private Banking

**BA (Hons.) Degree in French,**
Universite du Benin in Togo

**MBA. Marketing Management and International Business**
University of Hull UK

Abby is a veteran private banker, having begun her private banking career in Citibank's Manilla Gold. She has since moved on to set up private bank departments in other banks. She is bilingual, with fluency in English and French. She has a BA (Hons.) degree in French - the Universite du Benin in Togo and the University of Ilorin, Nigeria. Abby also has an MBA from the University of Hull UK with specilaisation on Marketing Management and International Business. She is an Associate of the Chartered Institute of Bankers (ACIB) and is currently undergoing a Masters in Law (LLM) from the Queen Mary College - University London.

Abby is extremely passionate about Private Banking, Service Excellence, Business and Human capital development. She is a change agent who also believes in a green environment and sustainable growth and development. She has an entrepreneurial nature which helps her succeed. With 28 years of experience under her belt, having started out as a Private Banker with Citibank's Manilla Gold., she recently left Standard Chartered Bank where she had worked as a Branch Manager, Campaign Specialist and a Corporate Banker. Her hobbies include the theatre, classical music, baking, travelling and meeting people.

**Chukwukadibia Okoye**
Chief Financial Officer

**MBA (Finance),**
**ACA, FCCA, ACMA, CGMA, ACTI**

Chuks is a treasury and credit accounting expert, with expertise in financial and management reporting, risk assessments and controls, equity valuations and corporate finance, and financial assurance and analysis. As the Group Head of Financial Control at Coronation Merchant Bank, his responsibilities include directing the fiscal functions of the Bank; overseeing the preparation of its budget and implementation; anticipating and controlling financial risks; and ensuring the development and implementation of accounting policies and procedures, in line with leading practices and standards.

Chuks's accounting experience began at PricewaterhouseCoopers (PwC) Nigeria, where he trained in Assurance and Advisory Services.

He was involved in several IFRS Conversion Engagements for the firm's clients. After his time in consulting, he joined United Bank for Africa as a Team Lead of Financial Control and Head of Financial and Technical Analysis, where he was responsible for IFRS Compliance and Financial Reporting.

In November 2015, he joined Coronation Merchant Bank as Head of Financial Control. He is a member of Nigeria Institute of Management. He is a member of the Association of Chartered Certified Accountants UK and Associate member of Institute of Chartered Accountant of Nigeria.

**Iyobosa Sorae**
Head, Securities Dealing

**BSc Business Administration,**
**MBA**

Iyobosa is a Fixed Income expert with experience in Fixed Income Trading, Portfolio Management, and Operational Management. As the Group Head of Securities Dealing at Coronation Merchant Bank since August 2015, Iyobosa's responsibilities include ensuring and managing the solvency of the bank, market and liquidity risks, profitable investments, and facilitating the development and implementation of activities to contribute to the business's market share, annual revenue and growth targets.

She commenced her career after participating in the traineeship Programme at the Access Bank School of Banking Excellence in May 2006. Iyobosa became Assistant Head, Branch Operations. In April 2007, she was appointed to lead the Fixed Income Department of the Bank and later transferred to the Corporate Finance Unit of the Bank. In April 2007, she was appointed to lead the Fixed Income Department of Access Bank Plc. From there, she was transferred to the Corporate Finance Unit of the Bank in January 2011. Iyobosa joined Dunn Loren Merrifield in March 2011 as Head of Fixed Income Sales and Trading, where
she was responsible for setting up the fixed income unit, as it was a start-up investment banking firm at the time.

She has, at various times, participated in the Wharton Executive Education Programme undertaking courses on Investment Strategies and Portfolio Management. One of her notable achievements includes generating net income more than USD2.0 million within the first year of Dunn Loren Merrifield operations, despite operating with limited balance sheet support and relatively low name recognition. Iyobosa is also ACI certified (Association Cambiste Internationale).

**Kesiena Olamire Esievo**
Head, Global Trade

**BSc Accounting,**
**FCA**

Kesiena Esievo is a fellow of the Institute of Chartered Accountant of Nigeria with over 24 years of work experience across accountancy and banking with specialty in audit and control, trade operation, trade sales/relationship management, and trade finance and product development.

Kes is a Global Trade specialist with over 15 years of experience in Access Bank Plc and First Bank of Nigeria (the defunct MBC International Bank) in various functions including trade finance, trade sale specialist, trade operations, audit. In 2016, Kes joined Coronation Merchant Bank as Head, Global Trade from First Bank of Nigeria PLC where he was a pioneer member of the Strategic Trade Transaction Banking team. While at First Bank of Nigeria, Kes worked with other team mates, to create a trade sale/finance model and developed trade products that improved First Bank's market share.

He is a natural leader and won the Leader of the Year for two consecutive years in Coronation Merchant Bank. Kes specializes in helping client resolve complicated trade situations given strict regulatory and risk challenges.

**Akinyemi Oluwadare**
Group Head, Operations

**HND Banking and Finance,**
**BSc Accounting,**
**MBA**
**M.Sc. Finance**
**FCIB, ACA, ACI, FFMDA, FIMC**

Akinyemi has over 15 years of banking experience in Operations, Risk Management, Customer Experience Management and Capital Market Operations.

He started his banking career in Access Bank Plc having gone through the Access Bank school of banking excellence, coming top of the class in 2006. He proceeded to the Treasury Operations unit of the bank where he rose to become the Team Lead, of the Reconciliation Unit. He joined Standard Chartered Bank (Nigeria) Ltd in 2013 as the Operational Risk Manager of Financial Market Operations Unit. While in Standard Chartered Bank, his role was expanded to include peer oversight function for other branches of the bank in West African countries such as Gambia, Cote-D'Ivoire and Cameroon.

Akinyemi joined Coronation Merchant Bank in 2015 as the Head of Transaction Support and was responsible for setting up a functional operations department for the bank. He is currently the Group Head of Operations with direct responsibility over Treasury Operations, Credit Operations, Domestic Operations, E-channels Operations, Customer Service and Customer Experience Management.

Akinyemi had served on the Governing Council of the Financial Market Dealers Association (FMDA) from 2018-2019 and currently represents Coronation Merchant Bank in the Committee of Heads of Banking Operations (CHBO) and Nigeria SWIFT User Group (NISUG).

**Eshiovaze Momoh**
Chief Technology Officer

**BSc. Electronic and Electrical Engineering**
**TOGAF, PRINCE II**

Eshiovaze Momoh is a certified enterprise IT architect and technology program manager with years of varied experience in Information technology advisory/ management consulting services. He has key competencies in solution delivery, IT governance and strategy design, operations technology transformation, business process optimization and solution architecture design.

Eshi was responsible for several enterprise projects in the financial services space under KPMG prior to joining Coronation Merchant Bank in 2018 as Chief Technology Officer. Upon joining the Bank, Eshi leveraged his experience in articulating the Bank's IT strategy which formed the basis for turnkey initiatives which have been implemented to date while ensuring proper oversight of the IT function and continuity of relevant projects.

Eshiovaze's role, in addition to ensuring smooth business operations and processing efficiency using technology, has been focused on creating business value and providing an enabling environment for the Bank to take advantage of new opportunities by embracing new digital channels and technologies. As a Solution Design specialist and technology strategist, he is currently co-facilitating the Bank's transformation journey towards achieving digital.

**Ayodele Odufuye**
Head, Human Resources

**BSc (Actuarial Science),**
**SPHR**

Ayo is a versatile Human Resource professional with Business Development and Human Resource consulting background; spending over ten years working in the Financial Services Industry. As the Head, Human Resources, he is responsible for the Bank's people strategy and driving the Bank towards becoming the employer of choice for Africa's best and brightest minds.

He joined the Bank in January 2020, having spent over 6 years at FBNQuest Merchant Bank and over 3 years at Stanbic IBTC Bank. Prior to that, he had brief stints at an employability development firm – Afterschool Graduate Development Centre and an Audit Consulting firm.

Ayo is a graduate of Actuarial Science from the University of Lagos and holds the SPHR (Senior Professional in Human Resources) from the Human Resources Certification Institute (HRCI).

# Corporate Information as at 31 December 2020

## OUR BOARD

**Board Composition and Role**

The Board had ten (10) members, which include the Chairman, eight (8) Non-Executive Directors and two (2) Executive Directors. The Board can reach impartial and independent decisions as it is comprised of a blend of independent and non-independent directors with no shadow or alternate directors.

The list of Directors who served in the entity during the year and up to the date of this report is:

**Chairman**
**Mr. Babatunde Folawiyo**

**Directors**

| | |
|---|---|
| **Mr. Banjo Adegbohungbe** | - Chief Executive |
| **Mrs. Funke Feyisitan Ladimeji** | - Executive Director |
| **Ms. Evelyn Oputu** | - Non-Executive Director |
| **Mr. Larry Ettah** | - Non-Executive Director |
| **Mr. Adamu Atta** | - Non-Executive Director |
| **Mr. Idaere Gogo Ogan** | - Non-Executive Director |
| **Mr. Babatunde Dabiri** | - Non-Executive/Independent Director |
| **Mrs. Suzanne Iroche** | - Non-Executive/Independent Director |
| **Mrs. Olubunmi Fayokun** | - Non-Executive/Independent Director |

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**Company Secretary**
**Mrs. Cornelia Utuk**

**Registered Office**
Coronation House
10 Amodu Ojikutu Street
Victoria Island
Lagos, Nigeria
E: cmb@coronationmb.com
W: https//www.coronationmb.com

**Auditors**
PricewaterhouseCoopers
Landmark Towers
5B Water Corporation Drive
Victoria Island, Lagos
Tel: +234(0)1 271 1700
W: www.pwc.com/ng

RC No. 207138
FRC Registrar No.
FRC/2012/0000000000246

# DIRECTORS' REPORT

The Directors have the pleasure in presenting their report on the affairs of Coronation Merchant Bank Limited and the Bank's Audited Financial Statements with the External Auditors' Report for the financial year ended December 31, 2020.

**1. Legal Form**

The Bank was incorporated in Nigeria as a Private Limited Liability Bank on October 22, 1992. It was granted license by the Central Bank of Nigeria on July 30, 1993 to operate as a discount house and commenced business on the next working day, August 2, 1993. However, due to regulatory imperative, Associated Discounted House Limited sought for and obtained a Merchant Banking license on the 30th of April 2015 but commenced operation on 1st of July 2015.

**2. Strategic Direction**

a. To be the most efficient and profitable bank in the merchant banking space with a lean and highly productive workforce
b. To leverage technology to drive operational excellence
c. To develop specialist capabilities required to become an investment bank of reference
d. To maintain strong corporate governance and high ethical business practices.

**3. Principal Activities and Business Review**

The Bank is primarily engaged in the following activities:
- Corporate Banking
- Investment Banking
- Private Banking and Wealth Management
- Global Markets and Treasury

**4. Ownership of the Bank**

As at 31 December 2020, the shareholding structure of the Bank consisted of 14 institutional investors as shown below:

| SN | Shareholder | Current Holding | % Holding | Current Holding | % Holding |
|---|---|---|---|---|---|
| 1 | *Coronation Insurance Plc | 1,151,522,548 | 22.80 | 1,151,522,548 | 22.80 |
| 2 | **Marina Mars Proprietary Investments Limited | 1,146,884,889 | 22.71 | 1,146,884,889 | 22.71 |
| 3 | Coronation Capital (Mauritius) Limited | 672,530,308 | 13.32 | 672,530,308 | 13.32 |
| 4 | ***Coronation Registrars Limited | 407,836,646 | 8.08 | 407,836,646 | 8.08 |
| 5 | ****Coastal Properties Limited | 377,358,491 | 7.47 | 377,358,491 | 7.47 |
| 6 | Mikeade Investment Company Limited | 283,018,868 | 5.60 | 283,018,868 | 5.60 |
| 7 | DTD Holdings Limited | 226,415,094 | 4.48 | 226,415,094 | 4.48 |
| 8 | Afdin Construction Limited | 188,679,245 | 3.74 | 188,679,245 | 3.74 |
| 9 | *****UNICO (CPFA) Limited | 186,718,491 | 3.70 | 186,718,491 | 3.70 |
| 10 | Cream Cowry Links Limited | 169,811,321 | 3.36 | 169,811,321 | 3.36 |
| 11 | ******Trustbanc Holdings Limited | 103,773,585 | 2.05 | 103,773,585 | 2.05 |
| 12 | Tropics Finance & Investment Limited | 68,449,624 | 1.36 | 68,449,624 | 1.36 |
| 13 | *****UNICO (CPFA) Gratuity Fund | 48,679,250 | 0.96 | 48,679,250 | 0.96 |
| 14 | Tonibso Limited | 18,867,925 | 0.37 | 18,867,925 | 0.37 |
| | **Total** | **5,050,546,285** | **100** | **5,050,546,285** | **100** |

**Notes**

* Wapic Insurance PLC has changed its name to Coronation Insurance PLC
** Marina Securities Limited changed its name at the Corporate Affairs Commission to Marina Mars Proprietary Investments Limited in the course of the year.
*** United Securities Limited changed its name to Coronation Registrar Limited
**** The Board of Directors and the CBN approved the transfer of shares from Regali Estates Limited to Coastal Properties Limited.
***** In 2019, the Bank received a notification of a share sale transaction involving UNICO (CPFA) Limited, UNICO (CPFA) Gratuity and a new investor, Barracuda Capital Partners Limited. The transaction is being reviewed by the CBN and transfer of ownership to the new investor is contingent on the receipt of the CBN's approval.
****** The Board of Directors and the CBN approved the transfer of shares from Mr. Abubakar Jimoh to Trustbanc Holdings Limited.

**5. Analysis of the Shareholding Structure**

The shareholding pattern of the Bank as at 31 December 2020 was as follows:

| Range | Number of Share holders | % of Share holders | Number of shares held | % of Shareholding |
|---|---|---|---|---|
| 10,000,000 – 50,000,000 | 1 | 7.69 | 18,867,925 | 0.37 |
| 50,000,001 – 100,000,000 | 1 | 7.69 | 68,449,624 | 1.36 |
| 100,000,001 – 150,000,000 | 1 | 7.69 | 103,773,585 | 2.05 |
| 150,000,001 – 200,000,000 | 2 | 15.38 | 358,490,566 | 7.10 |
| 200,000,001 – 250,000,000 | 2 | 15.38 | 461,812,835 | 9.14 |
| 250,000,001 – 300,000,000 | 1 | 7.69 | 283,018,868 | 5.60 |
| 300,000,001-400,000,000 | 1 | 7.69 | 377,358,491 | 7.47 |
| 400,000,001 and above | 4 | 30.77 | 3,378,774,391 | 66.90 |
| | 13 | 100 | 5,050,546,285 | 100 |

## 6. Substantial Interest in Shares

According to the register of members at 31 December 2020, the following shareholders held more than 5% of the issued share capital of the Bank:

| Shareholder | Number of shares held | % of Shareholders | Number of shares held | % of Shareholders |
|---|---|---|---|---|
| | 31-Dec-20 | | 31-Dec-19 | |
| Coronation Insurance Plc | 1,151,522,548 | 23.00 | 1,151,522,548 | 23.00 |
| Marina Mars Proprietary Investments Limited | 1,146,884,889 | 23.00 | 1,146,884,889 | 23.00 |
| Coronation Capital (Mauritius) Ltd | 672,530,308 | 13.00 | 672,530,308 | 13.00 |
| Coronation Registrars Limited | 407,836,646 | 8.00 | 407,836,646 | 8.00 |
| *Coastal Properties Ltd | 377,358,491 | 7.00 | 377,358,491 | 7.00 |
| Mikeade Investment Co. Ltd | 283,018,868 | 6.00 | 283,018,868 | 6.00 |

* The Board of Directors and the CBN approved the transfer of shares from Regali Estates Limited to Coastal Properties Limited

## 7. Directors and Their Interests

The Directors who served during the year, together with their direct and indirect interests in the issued share capital of the Bank are recorded in the Register of Directors' Shareholding and as notified by the Directors for the purpose of Sections 277 of the Companies and Allied Matters Act 2020 is noted below:

| | 31-Dec-20 | | 31-Dec-19 | |
|---|---|---|---|---|
| Director | Direct | Indirect | Direct | Indirect |
| B. Folawiyo (Chairman) | - | 226,415,094 | - | 226,415,094 |
| I. Ogan (Non-ED) | - | - | - | - |
| L. Ettah (Non-ED) | - | - | - | 235,397,741 |
| A. Atta (Non-ED) | - | - | - | - |
| E. Oputu (Non-ED) | - | - | - | - |
| B. Dabiri (Independent) | - | - | - | - |
| S. Iroche (Independent) | - | - | - | - |
| O. Fayokun (Independent) | - | - | - | - |
| A. Adegbohungbe (GMD/CEO) | - | - | - | - |
| Feyisitan F. (ED) | - | - | - | - |

* The direct shareholding of 103,773,585 units of shares which was reported in 2019 belonged to Mr. Abubakar Jimoh, the MD/CEO who retired from the Board in April 30, 2020.

## 8. Details of Indirect Holdings

The indirect holdings relate to the holdings of the under-listed companies:

| SN | Name | Companies | Indirect Holdings | Total Indirect Holdings |
|---|---|---|---|---|
| 1 | Babatunde Folawiyo | DTD Holdings Ltd | 226,415,094 | 226,415,094 |

## 9. Directors' Remuneration

The Bank ensures that remuneration paid to its Directors complies with the provisions of the Code of Corporate Governance issued by its regulators. In compliance with S.5.3.6 and S. 5.3.9 the CBN Code of Corporate Governance for Banks and Discount Houses, the Bank makes disclosure of the remuneration paid to its directors as follows:

| Type of Remuneration | Description | Timing of Payment |
|---|---|---|
| Fixed Pay | The Executive Directors receive fixed pay which is made up of basic salary and other salary components that are part of the gross salary package for Executive Directors. The pay structure reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year. | Paid monthly during the financial year |
| Other Allowances and Benefits -in - Kind. | Part of gross salary package for Executive Directors only. It reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year. | Paid at periodic intervals during the financial year |
| Productivity Bonus | Paid to executive directors only and tied to performance of the line report. It is also a function of the extent to which the Bank's objectives have been met for the financial year | |
| Equity | Up to 1% issued equity at the net asset value approved by the Board. For 2020, this would represent % of the growth in net asset value for the period May 1, to December 2020. This would be payable to the MD/CEO in line with his contract of employment. | Cash payment for 2020 only. Thereafter, to be treated in line with the Bank's Long-term Incentive Policy. |
| Directors' Fees | Paid to Non-Executive Directors only. | Paid Annually |
| Sitting Allowances | Allowances paid to Non-Executive Directors only, for attending Board and Board Committee Meetings. | Paid after each Meeting. |

## 10. Retiring Directors

Abubakar A. Jimoh, the ex-Managing Director/CEO retired from the Bank effective April 30, 2020.

## 11. Directors Retiring by Rotation

The Directors to retire every period shall be those who have been longest in office since their last appointment. In accordance with the provisions of Section 285 of the Companies and Allied Matters 2020 and the Memorandum and Articles of Association of the Company, Ms. Evelyn Oputu, Mr. Adamu Atta and Mr. Babatunde Folawiyo shall retire by rotation and being eligible have offered themselves for re-election.

## 12. Directors' Interests in Contracts

For the purpose of Section 303 of the Companies and Allied Matters Act 2020, the Board did not receive a declaration of interest from any Director in respect of any contractor to the Bank.

## 13. Property and Equipment

Information relating to changes in property and equipment is given in the notes to the Financial Statements. In the Directors' opinion, the net realizable value of the Bank's property and equipment are not less than the carrying value shown in the Financial Statements.

## 14. Donations

The Bank identifies with the aspiration of the community and the environment in which it operates. To this end, the Bank made donations to the following organisations.

| s/n | Beneficiary | Value (N) | Category |
|---|---|---|---|
| 1 | CBN CACOVID Initiative | 100,000,000 | Donation |
| 2 | Capital Market Support On COVID-19 by the AIHN | 250,000 | Donation |
| | **Total** | **100,250,000** | |

## 15. Post Balance Sheet Events

There were no significant events after the balance sheet date.

## 16. Human Resources

### i. Diversity in Employment

The Bank operates a non-discriminatory policy in the consideration of applications for employment. The Bank's policy is that the most qualified and experienced persons are recruited for appropriate job levels, irrespective of applicant's state of origin, ethnicity, religion, gender or physical condition.

As part of our commitment to gender diversity, the Board has approved Gender Diversity Policy which is targeted at addressing gender equality within the Bank and to actively facilitate a more diverse and representative workforce across management structure.

### ii. Composition of Employees by Gender

| Gender | Number |
|---|---|
| Female | 67 (47%) |
| Male | 75 (53%) |
| Total | 142 (100%) |

### iii. Senior Management Composition by Gender

The Bank's senior management refers to employees in the positions of Assistant General Manager and above. As at 31 December 2020, the Bank had 8 top management employees broken down as follows:

| Level | Female | Male | Total | % Female | % Male |
|---|---|---|---|---|---|
| AGM - GM | 2 | 4 | 6 | 33.33 | 66.67 |
| ED – MD/CEO | 1 | 1 | 2 | 50 | 50 |
| Total | 3 | 5 | 8 | 37.5 | 62.5 |

iv. Composition of Board Members by Gender

| Gender | Number | % |
|---|---|---|
| Female | 4 | 40 |
| Male | 6 | 60 |
| Total | 10 | 100 |

The Bank achieved a 37.5% female representation at Senior Management level and 40% female representation on the Board.

### v. Employment of Disabled Persons

In the event of any employee becoming disabled in the course of employment, the Bank will endeavour to arrange appropriate training to ensure the continuous employment of such a person without subjecting the employee to any disadvantage in career development.

As at 31 December 2020, the Bank had no physically disabled person in its employment.

**vi. Health, Safety and Welfare of Employees**

The Bank enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The COVID-19 pandemic also presented an opportunity for the Bank to enhance its health and safety protocols in all its operating locations.

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike.

Employees are adequately insured against occupational and other hazards. In addition, the Bank retains top-class hospitals for the provision of medical services for its employees and their immediate families under its Health Insurance Scheme.

Fire prevention and fire-fighting equipment are installed in strategic locations within the office premises. The Bank operates both a Group Personal Accident and the Workmen's Compensation Insurance for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2014 for its employees.

**vii. Training of Employees**

The Bank ensures the participation of employees in training programmes as this is critical to employees' growth and development as well as key to long-term sustainability of the Bank. Performance gaps and competency gaps assessments are carried out to ensure that the programmes meet employees' needs. The Bank therefore sponsors its employees for various training courses, both locally and overseas. However, in 2020 because of the COVID-19 pandemic, employees attended both internal and external trainings virtually. The internal trainings were administered through the Bank's Learning Management System.

**viii. Statement of Commitment to Maintain Positive Work Environment**

The Bank shall strive to maintain a positive work environment that is consistent with best practices to ensure that business is conducted in a positive and professional manner as follows:

a. Equal opportunity is given to all qualified members of the Bank's operating environment
b. The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike.
c. Employees are adequately insured against occupational and other hazards. In addition, the Bank retains top-class hospitals for provision of medical services for its employees and their immediate families under its Health Insurance Scheme.
d. Fire prevention and fire-fighting equipment are installed in strategic locations within the office premises.
e. The Bank operates both a Group Personal Accident and the Workmen's Compensation Insurance for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2014 for its employees – contributing 50% more than the statutory requirement.

**ix. Staff Remuneration Policy**

The Bank has established a remuneration policy that seeks to attract and retain the best talent in the industry. To achieve this, the Bank seeks to position itself among the best performing and best employee rewarding companies in its industry. The objective of the policy is to ensure that salary structures, including short and long-term incentives, motivate sustained high performance and are linked to corporate performance.

**x. Managers' Remuneration**

S.238 and S.257 of CAMA 2020 requires the Bank to disclose the remuneration of Managers to members at Annual General Meeting as an ordinary business. For the purpose of this disclosure, the Managers include employees on the grade of Assistant General Managers and above.

In line with the provisions, the Bank's Managers were paid a total of N268.3m in 2020 excluding other benefits, bonuses and allowances. The entire package was reflective of the banking industry's competitive salary package and the extent to which the Bank's objectives have been met for the financial year.

### 17. Credit Ratings

The prudential guidelines, as released by the CBN, requires that banks should have themselves credit rated by a credit rating agency on a regular basis. It is also required that the credit rating should be updated on a continuous basis from year to year. Furthermore, it is required that banks should disclose this credit rating prominently in their published annual reports periodically.

The Bank had an international rating exercise with Fitch in the year having, been the first merchant bank to be rated by an international rating agency in Nigeria. The Bank's outlook on Long-Term Issuer Default Rating (IDR) of 'B-' was revised to a Stable Outlook from Negative Outlook, a Viability Rating (VR) of ('b-') and a Long-Term Rating of 'BBB' (nga)

In assessment of the Company's compliance with Corporate Governance Best Practice, Augusto & Co, Nigeria's foremost rating agency maintained Coronation MB rating at' 'A'. This rating connotes the existence of strong corporate governance processes, a strong ability to meet financial obligation and stakeholder expectations and a strong governance process for risk management. Below are the credit ratings that Coronation Merchant Bank has been assigned by the various credit rating agencies that have rated the Bank:

| Rating Agency | Rating | Outlook | Issue Date | Previous Rating |
|---|---|---|---|---|
| Fitch (International) | B- | Stable | Dec 2020 | B-(Negative Outlook) |
| Augusto & Co | A+ | Stable | May 2020 | A+(Stable Outlook) |
| Global Credit Rating | A- | Stable | July 2020 | A- (Stable Outlook) |

### 18. Disclosure of customer complaints in financial statements for the year ended 31 December 2020

In line with the Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved seven (2019: six) customer complaints during the period. Refer to the report on customer complaints

### 19. Dividends

The Board of Directors has proposed a final dividend of 33kobo per ordinary share of N1 each payable to shareholders on the register of shareholding at the closure date upon approval at the Annual General Meeting. Withholding tax shall be applicable to dividend at the time of payment

### 20. Auditors

The Auditors, PricewaterhouseCoopers, shall not continue in office pursuant to section 4.2 of CBN prudential guidelines and the requirement of section 20.2 of the Nigerian Code of Corporate Governance 2018 which provides that external audit firms should not be retained for a continuous period of more than 10 years. A resolution will be passed at the Annual General Meeting to authorize the Directors to fix the remuneration of the incoming auditor.

**BY ODER OF THE BOARD**

**CORNELIA UTUK**
Company Secretary & Legal Adviser
FRC/2014/NBA/00000007492

# CORPORATE GOVERNANCE REPORT

Coronation Merchant Bank ("Coronation Merchant Bank" or "the Bank") recognizes that good corporate governance is fundamental to earning and retaining the confidence and trust of its stakeholders. It provides the structure on which the objectives of the Company are set and the means of attaining those objectives.

The Board recognizes that effective corporate governance is a key imperative to achieving sustainable growth of the business and ensures a careful implementation of high standards of corporate governance across the Bank. Accordingly, the Bank's governance framework is designed to ensure an on-going compliance with the Codes of Corporate Governance for Banks in Nigeria issued by the Central Bank of Nigeria, other relevant CBN Circulars (Ref: BSD/GCA/CON/CMB/02/071 dated 15 October 2014, the Securities and Exchange Commission's Codes of Best Practice and the most recently enacted Nigerian Code of Corporate Governance 2019 ("the NCCG") which have all been incorporated as part of Coronation Merchant Bank Limited's corporate governance practices. These collectively provide the basis for promoting sound corporate governance in the Company.

The Bank conducted a gap analysis of the corporate governance structures applicable in the Bank against the requirements of the NCCG and the areas requiring remediation were collated and responsibilities for remediating them were assigned to the respective responsible officers. The gaps are being regularized to ensure the Bank complies with the NCCG ahead of the Bank's filing with the Financial Reporting Council of Nigeria.

Guided by our core values of excellence, innovation, leadership, passion for customers, professionalism and empowered employees, we strive to demonstrate transparency, accountability, high ethical standards, and discipline in our dealings with our various stakeholders. These values continually define our corporate behavior.

The Bank had an international rating exercise with Fitch in the year having, been the first merchant bank to be rated by an international rating agency in Nigeria. The Bank's outlook on Long-Term Issuer Default Rating (IDR) of 'B-' was revised to a Stable Outlook from Negative Outlook, a Viability Rating (VR) of ('b-') and a Long-Term Rating of 'BBB' (nga)

In assessment of the Company's compliance with Corporate Governance Best Practice, Augusto & Co, Nigeria's foremost rating agency maintained Coronation MB rating at' 'A'. This rating connotes the existence of strong corporate governance processes, a strong ability to meet financial obligation and stakeholder expectations and a strong governance process for risk management.

Coronation Merchant Bank is committed to best practice in all other areas of corporate governance which include strict performance monitoring, the careful appointment of experienced and capable Directors, and outlining the roles of Board Committees.

The Bank is governed under a framework that enables the Board to discharge its oversight functions while providing strategic direction to the Bank in balance with its responsibility to ensure regulatory compliance.

The Directors have the pleasure in presenting their report on the affairs of Coronation Merchant Bank Limited (the Bank) and the Audited Financial Statements with the external Auditors' Report for the financial year ended 31 December 2020.

**Developments on the Board in 2020**

There is no doubt that effective boards are made possible by directors with appropriate skills, qualifications, and experience who are guided by integrity in their private and public behavior. In recognition of this imperative, the Board has established a formal process for the selection of new directors to ensure the transparency of the nomination process. The appointment process for directors is done by the Board Governance and Nomination Committee in line with the Bank's Framework for Appointment of Directors.

The Committee identifies candidates for appointment as directors in consultation with the key stakeholders amongst the shareholders, Chairman, the Managing Director and other directors or other methods as the Committee deems necessary. Once candidates have been identified, the Committee will confirm that they meet the criteria contained in the policy and relevant statutes and regulations. The Committee may gather information about the candidates through interviews, questionnaires, enhanced due diligence checks or any other means that the Committee deems necessary. The Committee meets to discuss and evaluate the qualities and skills of each candidate, considering the overall composition and needs of the Board.

Based on the outcome of the evaluation, the Committee recommends candidates to the Board for appointment as directors subject to the approval of shareholders and the Central Bank of Nigeria.

The Bank's pioneer Managing Director/CEO, Mr. Abubakar A. Jimoh retired from the Bank to pursue other personal endeavors. The retirement took effect from April 30, 2020. During his time as the MD/CEO, Mr. Jimoh gave himself to the growth of the Bank, having led a team that turned around a nearly-extinct Associated Discount House Limited and transformed it to an "A+ rated" merchant bank in Nigeria within five years of its existence.

Under his leadership, the Bank recorded several landmark achievements and earned global recognition for product innovation, sound corporate governance and commendable financial performance. The Board commends him for his outstanding contributions to the progress of the Bank and wishes him success in his future endeavors.

The Central Bank of Nigeria also approved the appointment of Mr. Banjo Adegbohungbe as the substantive Managing Director/CEO following the retirement of Mr. Abubakar Jimoh. The seamless transition in the Bank's leadership was a result of deliberate succession planning by the Board, in line with its commitment to strong corporate governance standards. With the elevation of Mr Banjo Adegbohungbe to the position of MD/CEO, the Central Bank of Nigeria approved the appointment of Mrs. Funke Feyisitan-Ladimeji as the Executive Director/Chief Operating Officer as well as the Executive Compliance Officer of the Bank.

**Retirement and Re-election of Directors**

In accordance with the Bank's Articles of Association, one-third of all Non-Executive Directors (rounded down) are offered for re-election every year (depending on their tenure on the Board) together with directors appointed by the Board since the last Annual General Meeting. The Directors to retire every year shall be those who have been longest in office since their last appointment.

In line with the above requirement, Mr. Tunde Folawiyo, Ms Evelyn Oputu and Mr. Adamu Atta shall retire by rotation and being eligible for re-election will submit themselves for re-election. The Board is convinced that the directors standing for approval and re-election will continue to add value to the Bank. The Board believes that they are required to maintain the balance of skill, knowledge, and experience on the Board. The biographical details of the directors standing for election are contained in this Annual Report.

**Board Effectiveness**

The limits of traditional, informal board recruitment are becoming apparent necessitating deliberate actions towards building a board with the right skills, relevant knowledge and experience diversity, and culture. As the expectations for governance accountability and effectiveness have increased, the need to refresh the Board positions in pursuit of board effectiveness, board diversity and succession planning becomes necessary. Our approach towards ensuring its effectiveness is achieved through composition, training and a rigorous evaluation process.

**Board Composition–Guiding Principles**

The Bank's Framework for Appointment of Directors is designed to ensure that the Bank is managed and overseen by competent, capable and trustworthy individuals. The Governance and Nomination Committee is responsible for both Executive and Non-Executive Director succession planning and recommends new appointments to the Board. The Committee takes cognizance of the existing range of skills, experience, background, and diversity on the Board in the context of the strategic direction of the Bank before articulating the specifications for the candidate sought. The Committee also considers the need for appropriate demographic and gender balance in recommending candidates for Board appointments. Candidates who meet the criteria set by the Committee are subjected to enhanced due diligence inquiries.

We are comfortable that the Board is sufficiently diversified to optimize its performance and deliver sustainable value to stakeholders. The Board's composition is aligned with global best practice on the parity of Non-Executive Directors to Executive Directors. In 2020, the Board had more Non-Executive Directors than Executive Directors, with three Non-Executive Directors being Independent as against two required by the CBN Code. Non-Executive Directors are appointed to the Board to bring independent, specialist knowledge and impartiality to strategy development and execution monitoring.

**Training and Induction**

The Board ensures the regular domestic and international training and education of Board members to improve their decision-making capacity, thereby contributing to the overall effectiveness of the Board. Based on the recommendation of the Governance and Nomination Committee, the Board approves the annual training plan and budget for directors while the Company Secretary ensures the implementation of the plan with regular reports to the Board. During the period under review, the Directors attended the training programmes shown below.

**Individual Trainings**

In view of the impact of the Corona Virus Disease 19 pandemic (the Pandemic), the training policy and training plan for the year 2020 was not followed as movements and meetings were prohibited for a prolonged period.

**General Training**

All Directors attended the following trainings in 2020:

| s/n | Training Topic | Organizer/Trainers | Date |
|---|---|---|---|
| 1 | The Future of Board & Governance Reporting, Supervising and Risk Management. | CBN-FITC | 12th and 13th December 2020 |
| 2 | Annual AML Training: Covid-19 Additional Risk Areas – Cyber Security and Fraud; what Board members need to know. | Deloitte & Touché | 11th December 2020 |
| 3 | Finance and Business Valuation Masterclass | Professor Aswath Damodaran of the Stern School of Business, New York University | July 20th-21st and 27th-28th 2020 |

**Performance Monitoring and Evaluation**

The Board, in the discharge of its oversight function, continuously engages with Management and contributes ideas to the planning and execution of the Bank's strategy. In line with the Bank's annual calendar, the Board had its annual retreat on December 11, 2020, where the strategy for the coming year was rigorously debated and agreed between Management and the Board.

After the retreat, Management provides the Board with a quarterly update on implementation of the strategy, affording the Board the opportunity to critique the Management and assess significant issues, risks or challenges encountered in the course of strategy implementation and the steps taken to mitigate the risks. Also, Management's report on the Bank's actual financial performance is presented relative to the planned budget to enable the Board to assess the level of achievement. Peer comparison is also a crucial component of Management reporting to the Board to benchmark performance against that of our competitors.

The Bank's performance on Corporate Governance is continuously being monitored and reported. We carry out quarterly and annual reviews of our compliance with the CBN and the SEC Codes respectively and render reports to the regulators.

The Board has also established a system of independent annual evaluation of its performance, that of its committees and individual directors. The evaluation is done by an independent consultant approved by the Board. In the 2020 financial year, the Bank engaged the services of Ernst and Young Professional Services to review and evaluate the performance of the Board. The exercise covered the Directors' self-assessment and peer assessment in addition to the assessment of the Board Standing Committees.

An assessment was also done against the CBN Guidelines on Independent Directors of Banks and the result confirmed that the Board is highly effective.

The choice of an independent consultant is to encourage the Directors to be open in the discussions during the review since the independent consultant does not have any connection with the Bank or any of its Directors. It also enhances the objectivity and transparency of the evaluation process.

The evaluation was a 360-degree online survey covering directors' self-assessment, peer assessment and evaluation of the Board and the Committees. The effectiveness of the Independent Directors vis-à-vis the CBN Guidelines on Independent Directors of Banks was also evaluated. The appraisal covered the Board's structure and composition, processes, relationships, competencies, roles, and responsibilities. The result confirmed that the individual directors and the Board continue to operate at a high level of effectiveness and efficiency. The result showed that the Bank's corporate governance practices were in compliance with the provisions of the CBN Code of Corporate Governance for Banks and Discount Houses. The summary result of the independent evaluation will be presented by Ernst & Young at this meeting.

**Shareholders and Regulatory Engagement**

The Board recognizes the importance of ensuring the flow of complete, adequate and timely information to existing and potential shareholders and regulators to enable them to make informed decisions about the Bank. The Board is therefore committed to maintaining high standards of corporate disclosure.

The implementation of our robust investors and regulatory engagement strategies enables us to understand stakeholders' views about the Bank and respond effectively.

Shareholders meetings are held in the open as required by the Bank's Articles of Association and extant laws and regulations, to deliberate on issues affecting the Bank. In 2020, the Bank had its first virtual Annual General Meeting. In compliance with the COVID-19 safety protocols, less than 25 people were physically present at the venue of the meeting, while some board members, shareholders and representatives of regulatory bodies joined the meeting virtually.

The Annual General Meeting continues to be a medium for promoting interaction between the Board, management, and shareholders. Attendance at the Annual General Meeting is open to shareholders or their proxies, while members of the press usually monitor proceedings at such meetings, representatives of the Central Bank of Nigeria and the Securities and Exchange Commission. The Board ensures that the Bank provides shareholders with adequate notice of meetings.

An Extraordinary General Meeting may also be convened at the request of the Board or shareholders holding not less than 10% of the Bank's paid-up Capital. No extraordinary general meeting took place in 2020.

The Bank has a comprehensive Investors Engagement Policy. As provided by the policy, the Board and Management ensure that the Bank's communication with shareholders is timely, factual, broadly disseminated and accurate and following all applicable legal and regulatory requirements. The Bank's reports and communications to shareholders and other stakeholders are in plain, readable and understandable formats.

The Bank updates its website www.coronationmb.com with both financial and non-financial information regularly.

The Board ensures that shareholders' statutory and general rights are protected at all times, particularly their right to vote at general meetings. The Board also ensures that all shareholders are treated equally regardless of the size of their shareholding and social conditions. Our shareholders are encouraged to share in the responsibility of sustaining the Bank's corporate values by exercising their rights as protected by law.

**Access to Information and Resources**

Management recognizes the importance of the free flow of complete, adequate and timely information to the Directors to enable them to make informed decisions in the discharge of their responsibilities. There is ongoing engagement between Executive Management and the Board. The Heads of Strategic Business Units attend Board meetings to make presentations. The Bank's External Auditors attend the Board Audit Committee to make presentations on the audit of the Bank's Financial Statements.

Directors have unrestricted access to Management and company information in addition to the necessary resources to carry out their responsibilities. Directors have access to external professional advice at the Bank's expense as provided by the Board and Committees' charters.

**Board Responsibilities**

The primary responsibility of the Board is to provide effective leadership and direction to enhance the long-term value of the Bank to its shareholders and other stakeholders. It has the overall responsibility for reviewing the strategic plan and performance objectives, financial plans and annual budget, vital operational initiatives, significant funding and investment proposals, financial performance, and corporate governance practices. The Board is the Bank's highest decision-making body responsible for governance. It operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustainable growth.

**Directors' Remuneration Policy**

**Objectives**

This policy reflects Coronation Merchant Bank's desire to sustain long-term value creation for shareholders and aims to:

a. Promote excellence and balance between short term and long-term performance such that Coronation Merchant

Bank's financial goals and shareholders' expected returns are met and sustained.

b. Enable Coronation Merchant Bank to attract, motivate and retain people of proven ability, experience and skills in the market in which it competes for talent and impact the Bank's present and future goals.

c. Align the compensation for Directors with the volume of work, risks associated with decisions taken by the Board and the complexity of the merchant banking business.

d. Boost the level of commitment expected of the directors and enhance the quality of Board decisions, effectiveness and accountability.

e. To ensure that both internally and externally, remuneration policies and programs are transparent, well communicated, easily understood and aligned with the interest of shareholders and leading corporate governance practices.

**Remuneration Structure**

The Board Governance and Nominations Committee ("the Committee") shall recommend the remuneration for the Board and the remuneration packages of Executive Directors in all its forms. Executive Directors shall play no part in deciding their remuneration.

The compensation of the Managing Director (MD) and the Executive Directors' shall include incentive schemes to encourage continued improvement in performance against the criteria set and agreed by the Board.

The remuneration of the Managing Director and other Executive Directors shall consist of both fixed and variable remuneration components as may be contained in their contracts of employment.

The Board Governance and Nominations Committee will set operational targets including Key Performance Indicators (KPI's) covering both financial and non-financial measures for the executives at the beginning of each year. The performances of the Executives Directors shall be measured against these criteria at the end of the financial year and their evaluation results shall be used in determining the variable element of their remuneration.

Executive Directors will not be paid sitting allowances for attendance at meetings of the Board and Board Committees.

**Components of Non-Executive Directors Remuneration**

Non-Executive Directors' fees shall reflect the extent of the Director's responsibilities, expected contributions and liabilities. The remuneration of the Non-Executive Directors shall consist of sitting allowances (payable for each Board and Board Committee meetings attended) and Directors' fees as may be reviewed and approved by members in Annual General Meeting from time to time.

Non-Executive Directors will be reimbursed expenses necessarily and reasonably incurred in the course of their roles as Board members. Reimbursable expenses include; travel expenses, hotel expenses, meals, communication costs e.g. telephone, internet subscription, etc.

**Roles and Responsibilities**

The Board Governance and Nominations Committee shall be responsible for:

**1. Ensuring that the compensation package for the Managing Director and other Executive Officers serves to:**

a. Attract, retain and motivate outstanding management staff who add value to Coronation Merchant Bank;

b. Ensure that remuneration to Executive Directors is performance driven;

c. Provide a highly competitive base salary structure for Executive Directors;

d. Link annual variable pay opportunities to attainment of pre-defined performance measures.

**2. Making recommendations to the Board:**

a. on the remuneration packages of Executive Directors and Non-Executive Directors;

b. on the salary and service conditions of senior management staff;

c. on the remuneration policy.

**3. Ensuring proper disclosure of Directors' remuneration to stakeholders.**

**Compensation Review**

To ensure that Coronation Merchant Bank's compensation structure remains competitive, this Policy shall be reviewed by the Committee once every three years or as the need arises. The Committee's review should consider the Board's performance and Coronation Merchant Bank's remuneration vis-à-vis the industry's peer group. The peers should be selected based on Coronation Merchant Bank's business lines, size, scope, geographic coverage and any other criteria as may be set by the Committee.

In determining the level and make-up of the remuneration for Directors, the Committee may obtain independent advice on the appropriateness of the remuneration package based on compensation benchmarks of the peers. The Committee may engage the services of an external consultant to carry out this compensation benchmark.

**Approval**

Directors' remuneration should be recommended by the Board Governance and Nominations Committee to the full

Board for approval and presented to the shareholders at the Annual General Meeting for ratification.

### Disclosure

Coronation Merchant Bank will make appropriate disclosures on the details of its Remuneration Policy in its Annual Reports and to shareholders as may be required.

### Review of this Policy

The Board shall, through the Committee review this Policy once every two (2) years or as may be deemed necessary. The Policy shall be reviewed in 2021.

### Governance Structure

The Board is made up of a Non-Executive Chairman, seven (7) Non-Executive Directors and two (2) Executive Directors including the MD/CEO. Three (3) of the Non-Executive Directors are Independent Directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

The Coronation Merchant Bank Limited is committed to upholding the tenets of good governance as enshrined in the various Regulators' Codes. The Board opines that it has effectively and efficiently discharged its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committee Charters, and the above Codes during the 2020 financial year.

In line with best practice, the Chairman and Chief Executive Officer's roles are separated and assumed by different individuals; this ensures the balance of power and authority. The Chairman is primarily responsible for the working of the Board while the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises of an Executive Director and Group Heads from Assistant General Managers level. The Board can reach impartial decisions as its Non-Executive Directors are a blend of Independent and Non-Independent Directors with no Shadow or Alternate Directors, which ensures that independent thought is brought to bear on decisions of the Board.

The principal responsibility of the Board is to promote the long-term success of the Bank by creating and delivering sustainable shareholder value. The Board leads and provides direction for the Management by setting policy directions and strategy, and by overseeing their implementation. The Board seeks to ensure that Management delivers on both its long-term growth and short-term objectives, striking the right balance between both goals. In setting and monitoring the execution of our strategy, the Board considers the impact of its decisions on the company's obligations to various stakeholders such as; shareholders, employees, suppliers and the community in which the Bank operates as a whole.

The Board is responsible for the maintenance of a robust system of internal controls and effective risk management oversight across the Bank for sustainable growth. Also, the Board is responsible for determining and promoting the collective vision of the Bank's purpose, values, culture, and behaviors.

In carrying out its oversight functions, matters reserved for the Board include but are not limited to:

1. Setting annual Board goals/plans
2. Defining the Bank's annual strategy/objectives and monitoring delivery of the strategy and performance against plan.
3. Overseeing the Bank's capacity to identify and respond to changes in its economic and operating environment.
4. Approval of significant projects including corporate restructuring/re-organizations, major capital expenditure, capital management, acquisitions, and divestitures.
5. Performance evaluation and compensation of Board members and Senior Executives.
6. Attend to matters of succession planning, appointments, remunerations and removal of board members, senior executive members including the Company Secretary and the Chief Audit Executive.
7. Ensuring the maintenance of a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values.
8. Definition of the Bank's risk appetite, approve and oversee the operation of the Bank's risk management framework and assess its effectiveness.
9. Oversee, review and monitor the operation, adequacy, and effectiveness of the Bank's reporting systems and theoverall framework of internal controls including operational, accounting and financial reporting controls.
10. Ensuring effective communication with shareholders and other stakeholders on the financial performance and other significant developments of the Bank.
11. Approval of internal ratios and target rates of return on capital and assets and accounting policies to ensure accurate assessment of the financial health of the Bank.
12. Approval of quarterly, half-yearly and full year financial statements of the Bank.
13. Review, approve and monitor implementation, compliance with, and effectiveness of all Policies, Guidelines and Operational and Procedural Manuals in the Bank.

The Board has a Charter which regulates its operations. The Charter has been forwarded to the Central Bank of Nigeria in line with the CBN Code of Corporate Governance.

**The Role of the Chairman**

The principal role is to provide leadership and direction to the Board. The Chairman is accountable to the Board and shareholders and liaises directly with the Board and the Management of the Company, through the Managing Director/Chief Executive Officer ('MD/CEO'). Separate individuals hold the positions of the Chairman and the MD/CEO. The duties and responsibilities of the Chairman are as follows:

1. Primarily responsible for the effective operation of the Board and ensures that the Board works towards achieving the Bank's strategic objectives.
2. Setting the agenda for board meetings in conjunction with the MD/CEO and the Company Secretary.
3. Approval of the Annual Board Activities Calendar.
4. Playing a leading role in ensuring that the Board and its Committees have the relevant skills, competencies for their job roles.
5. Ensuring proper conduct of Board meetings and efficiency and cohesiveness of the Board.
6. Ensuring that the Directors receive accurate and clear information about the affairs of the Bank timeously for sound decisions.
7. Acting as the main link between the Board and the MD/CEO as well as advising the MD/CEO on the effective discharge of his duties.
8. Ensuring that all directors focus on their key responsibilities and play constructive roles in the affairs of the Bank.
9. Organizing induction programmes for new directors and continuing education programmes are in place for all directors.
10. Ensuring effective communication with the Bank's institutional shareholders and strategic stakeholders.
11. Taking a leading role in the assessment, improvement, and development of the Board.
12. Presiding over General Meetings of shareholders.

**The Role of Managing Director/Chief Executive Officer**

The (MD/CEO) has the overall responsibility for leading the development and execution of the Bank's long-term strategy, with a view to creating sustainable shareholder value. He manages the day-to-day operations of the Bank and ensures that operations are consistent with the policies approved by the Board. Specifically, the duties and responsibilities of the MD/CEO include the following:

1. Acts as head of the Management team and is answerable to the Board.
2. Responsible for ensuring that a culture of integrity and legal compliance is imbibed by personnel at all levels of the Bank.
3. Responsible for consistent achievement of the Bank's financial objectives and goals.
4. Ensures that the Bank's philosophy, vision, mission, and values are disseminated and practiced throughout the Bank.
5. Ensures that the allocation of capital reflects the Bank's risk management philosophy.
6. Ensures that the Bank's risks are controlled and managed effectively, optimally and in line with the Bank's strategies and objectives.
7. Supervision of the Executive Director.
8. Ensures that the Directors are provided with sufficient information to support their decision making.

**The Role of the Company Secretary**

1. Directors have separate and independent access to the Company Secretary.
2. The Company Secretary is responsible for, among other things, ensuring the observance of Board procedures, the Company's Memorandum and Articles of Association, relevant rules, and regulations. He also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.
3. The Company Secretary assists the Chairman in ensuring good information flow within the Board and its committees and between Management and Non-Executive Directors.
4. The Company Secretary also facilitates the orientation of new directors and coordinates their professional development.
5. The Company Secretary attends and prepares the minutes for all Board meetings. As secretary for all Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the Board Committees and Management.
6. The Company Secretary also assists in the development of the agenda for the various Board and Board Committee meetings.

The appointment and the removal of the Company Secretary are subject to the approval of the Board.

**Delegation of Authority**

The ultimate responsibility for the Bank's operations rests with the Board. The Board retains effective control through a well-developed Committee structure that provides in-depth focus on the Board's responsibilities. Each Board Committee has written terms of reference and presents regular reports to the Board on its activities. The Board delegates authority to the MD/CEO to manage the affairs of the Bank within the parameters established by the Board from time to time.

**Board Meetings**

The Board opines that it has effectively and efficiently discharged its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committee Charters, and the above Codes during the 2020 financial year. The Coronation Merchant Bank Board was able to achieve this due to the existence of the following Governance structures:

- Shareholders' Meeting
- Board of Directors
- Board Committees
- Executive Management Committees

The Board meets every quarter but can convene emergency meetings as may be required. The Annual Board Calendar is approved in advance during the last quarter of the preceding year. Material decisions may be taken between meetings through written resolutions in line with the Bank's Articles of Association. The Board holds an annual retreat to consider strategic matters and review the opportunities and challenges facing the institution.

All directors are provided with notices, agenda and meeting papers in advance of each meeting to prepare them adequately for the meeting. A director who is unable to attend a meeting is still entitled to Board papers for the meeting. Such a director reserves the right to discuss with the Chairman any matter he/she may wish to raise at the meeting. Management also provides the directors with regular updates on developments in the regulatory and business environment.

The Board operates a secure electronic portal, Board Effect, for the circulation of board papers to members. The use of an electronic portal underscores the Board's commitment to environmental sustainability by reducing paper usage.

The Board channeled considerable time and efforts in discussing the following issues in 2020 amongst others:

- Review of Board Committee charters/policies.
- Reconstitution of Board Committees.
- Consideration and approval of the 2021 budget.
- Approval of credit facilities.
- Consideration of top management and board appointments.
- Consideration of updates on the implementation of Board Retreat outcomes.
- Approval of the funding plan and asset plan
- Approval of capital projects
- Approval of interim and full-year audited financial statements.

The attendance at the Board meetings by members is as shown below:

| | Names of Directors | 2019 AGM | Board Meeting | Strategy |
|---|---|---|---|---|
| 1 | Babatunde Folawiyo (Chairman) | 1 | 4 | 1 |
| 2 | Suzanne Iroche | 1 | 4 | 1 |
| 3 | Evelyn Oputu | 1 | 4 | 1 |
| 4 | Babatunde Dabiri | 1 | 4 | 1 |
| 5 | Adamu Atta | 1 | 4 | 1 |
| 6 | Larry Ettah | 1 | 4 | 1 |
| 7 | *Funke Feyisitan Ladimeji | - | 1 | 1 |
| 8 | Olubunmi Fayokun | 1 | 4 | 1 |
| 9 | Idaere Gogo Ogan | 1 | 4 | 1 |
| 10 | **Abubakar A. Jimoh | 1 | 1 | - |
| 11 | Banjo Adegbohungbe | 1 | 4 | 1 |

*Funke joined the Board in November 2020.

**Abubakar A. Jimoh retired from the Board on April 30, 2020

Meetings of the Board and Board Committees in 2020

The Board and its Committees held the following meetings in the year ended 31 December 2020:

| TYPE OF MEETING | DAY / DATE |
|---|---|
| Board Credit & Investment Committee | Monday, 13th Jan 2020 |
| Board Credit & Investment Committee | Thursday, 5th March 2020 |
| Board Credit & Investment Committee | Monday, 20th April 2020 |
| Board Credit & Investment Committee | Thursday, 4th June 2020 |
| Board Credit & Investment Committee | Monday, 20th July 2020 |
| Board Credit & Investment Committee | Tuesday, 8th Sep 2020 |
| Board Credit & Investment Committee | Monday, 19th Oct 2020 |
| Board Credit & Investment Committee | Monday, 7th Dec 2020 |

| | |
|---|---|
| Board Risk Management | Monday, 13th Jan 2020 |
| Board Risk Management | Monday, 20th April 2020 |
| Board Risk Management | Monday, 20th July 2020 |
| Board Risk Management | Monday, 19th Oct 2020 |
| | |
| Board Governance & Nominations | Tuesday, 14th Jan 2020 |

| | |
|---|---|
| Board Governance & Nominations | Tuesday, 21st April 2020 |
| Board Governance & Nominations | Friday, 5th June 2020 |
| Board Governance & Nominations | Tuesday, 21st July 2020 |
| Board Governance & Nominations | Tuesday, 20th Oct 2020 |
| Board Governance & Nominations | Monday, 8th December 2020 |
| | |
| Board Audit Committee | Tuesday, 14th Jan 2020 |
| Board Audit Committee | Tuesday, 21st April 2020 |
| Board Audit Committee | Tuesday, 21st July 2020 |
| Board Audit Committee | Tuesday, 20th Oct 2020 |
| | |
| Board Meeting | Friday 17th Jan 2020 |
| Board and Annual General Meeting | Friday, 24th April 2020 |
| Board Meeting | Friday, 24th July 2020 |
| Board Meeting | Friday, 23rd Oct 2020 |
| Board Business Strategy/ Budget Retreat and meeting to approve the Budget 2021 | Friday, 11th Dec 2020 |

**Board Standing Committees**

The Board of Directors carries out its oversight function through its Standing Committees each of which has a Charter that clearly defines its purpose, composition, and structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board does not sit on any of the Committees.

The Board's four (4) Standing Committees are:

**A. Board Risk Management Committee**

The responsibilities of the Committee include the review and recommendation of risk management strategies, policies and risk tolerance for the Board's approval; review of reports on risk exposure, risk portfolio composition and risk management activities.

The Committee has a minimum of four (4) Directors, two of which must be Non-Executive Directors. Meetings are held at least once a quarter. The attendance at the meetings by members was is as shown below:

| S/N | Members | Capacity | No. of Meetings Held | No. of Meetings Attended |
|---|---|---|---|---|
| 1 | Evelyn Oputu | Chairman | 4 | 4 |
| 2 | Suzanne Iroche | Member | 4 | 4 |
| 3 | Babatunde Dabiri | Member | 4 | 4 |
| 4 | Adamu Atta | Member | 4 | 4 |
| 5 | Funke Feyisitan-Ladimeji | Member | 4 | 1 |
| 6 | Olubunmi Fayokun | Member | 4 | 4 |
| 7 | Idaere Ogan | Member | 4 | 4 |
| 8 | Abubakar Jimoh | Member | 4 | 1 |
| 9 | Banjo Adegbohungbe | Member | 4 | 4 |

*Funke joined the Board in November 2020.

**Abubakar A. Jimoh retired from the Board on April 30, 2020

**B. Board Credit and Investment Committee**

The Committee provides strategic guidance for the development and achievement of the Bank's lending and investment objectives. It advises the Board on the Bank's credit exposure, investment portfolio, lending and investment practices. The Committee also reviews the process for determining provision for credit losses and the adequacy of the provisions made; the effectiveness and administration of credit-related policies and ensuring the implementation of the CBN Risk-based Supervision Framework.

The Committee is made up of all executive and non-executive directors except the Chairman who is not a member of any Committee. The Committee meets Quarterly and as the need arises. The attendance at the meetings by members is as shown below:

| S/N | Members | Capacity | Number of Meetings Held | Number of Meetings Attended |
|---|---|---|---|---|
| 1 | Babatunde Dabiri | Chairman | 8 | 8 |
| 2 | Suzanne Iroche | Member | 8 | 8 |
| 3 | Evelyn Oputu | Member | 8 | 8 |
| 4 | Adamu Atta | Member | 8 | 8 |
| 5 | Larry Ettah | Member | 8 | 8 |
| 6 | Olubunmi Fayokun | Member | 8 | 8 |
| 7 | Idaere Ogan | Member | 8 | 8 |
| 8 | Banjo Adegbohungbe | Member | 8 | 8 |
| 9 | Abubakar A. Jimoh | Member | 8 | 1 |
| 10 | Funke Feyisi-tan-Ladimeji | Member | 8 | 1 |

*Funke joined the Board in November 2020.

**Abubakar A. Jimoh retired from the Board on April 30, 2020

**C. Board Governance and Nominations Committee**

The Committee reviews matters relating to general purpose, corporate governance, sustainability, remunerations and nominations affecting the Bank, performance management and succession planning for the board, management and employees amongst several others.

The Committee comprises of only Non-Executive Directors as members and sits quarterly and as the need arises. The attendance at the meetings by members is as shown below:

| S/N | Members | Capacity | Number of Meetings Held | Number of Meetings Attended |
|---|---|---|---|---|
| 1 | Larry Ettah | Chairman | 6 | 6 |
| 2 | Suzanne Iroche | Member | 6 | 6 |
| 3 | Babatunde Dabiri | Member | 6 | 6 |
| 4 | Adamu Atta | Member | 6 | 6 |
| 5 | Olubunmi Fayokun | Member | 6 | 6 |
| 6 | Idaere Ogan | Member | 6 | 6 |

**D. Board Audit Committee**

The Committee assists the Board of Directors in fulfilling its oversight responsibilities to the shareholders, regulators and all stakeholders by ensuring the following amongst others:

a. The integrity of the Bank's consolidated financial statements, financial reporting process and systems of internal accounting and financial controls;

b. The effectiveness of the internal audit function;

c. The annual independent audit of the Bank's consolidated financial statements and effectiveness of the Bank's internal control over financial reporting;

d. The engagement of the Independent Auditors and the evaluation of the Independent Auditors' qualifications, independence and performance.

The Committee has 6 members made up of Non-Executive Directors only. The Committee meets at least once a quarter. The number of meetings and attendance by members were as follows:

| S/N | Members | Capacity | Number of Meetings Held | Number of Meetings Attended |
|---|---|---|---|---|
| 1 | Suzanne Iroche | Chairperson | 4 | 4 |
| 2 | Babatunde Dabiri | Member | 4 | 4 |
| 3 | Evelyn Oputu | Member | 4 | 4 |
| 4 | Larry Ettah | Member | 4 | 4 |
| 5 | Olubunmi Fayokun | Member | 4 | 4 |
| 6 | Idaere Ogan | Member | 4 | 4 |

**Role and Focus of the Board Audit Committee**

The duties of the Board Audit Committee are as enshrined in Section 407 of CAMA 2020 and the Codes of Corporate Governance issued by the CBN and SEC and include:

1. Ascertaining whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
2. Reviewing the scope and planning of audit requirements.
3. Reviewing the findings on management matters in conjunction with the external auditor and management's responses thereon.
4. Keeping under review the effectiveness of the Company's system of accounting and internal control.
5. Making recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair their independent judgement.
6. Authorizing the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the Committee.
7. Assisting in the oversight of the integrity of the company's financial statements and establish and develop the internal audit function.

**Executive Management Committees**

These are Committees comprising of senior management of the Bank. The committees are also risk driven as they are set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure compliance with the risk limits contained in the Board and Regulatory policies. They provide inputs for the respective Board Committees and also ensure the implementation of the recommendations of the Board Committees. They meet to immediately take actions and decisions within the confines of their powers. Some of these Executive Management Committees include the following:

- Executive Management Committee
- The Asset and Liability Committee
- Management Credit and Investment Committee
- IT Steering Committee
- The Enterprise Risk Management Committee

**Going Concern**

The Directors confirm that after making appropriate inquiries adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**External Auditors**

Messrs PricewaterhouseCoopers (PwC) acted as our external auditors for the 2020 financial year. The Board confirms that the Bank has complied with the regulatory requirement as enshrined in the CBN and SEC Codes of Corporate Governance on the rotation of audit firm and audit partners. The tenure of Bank's Auditor, Messrs PricewaterhouseCoopers (PwC) was 10 years on 31 December 2020. In accordance with S.5.2.12 of the CBN Code of Corporate Governance, PwC will not be eligible for appointment as the Bank's auditor in this AGM.

**Code of Ethics**

The Bank's Code of Conduct specifies the expected behaviors of its employees and directors. The code is designed to empower employees and directors and enable effective decision-making at all levels of the business according to defined ethical principles. New employees are required to read and sign an attestation that they have understood the content. There is a Compliance Manual that provides guidelines for addressing violations/breaches and ensuring enforcement of discipline amongst staff. The Bank also has a Disciplinary Guide that provides sample violations and prescribes disciplinary measures to be adopted in various cases. The Head of Human Resources is responsible for the design and implementation of the Code of Conduct, while the Chief Compliance Officer is responsible for monitoring compliance.

The Chief Compliance Officer issues messages to all employees on Ethics and Compliance. The message reiterates the Bank's policy of total compliance with all applicable laws, regulations, corporate ethical standards and policies in the conduct of the Bank's business. It enjoins staff to promote sustainable growth of the franchise while ensuring compliance with relevant policies, laws, and regulations.

**Consumer Protection and Customer Complaints**

**Management**

In compliance with the Central Bank of Nigeria circular (Ref: OD/DIR/CIR/2009/GEN/10) dated December 18, 2009, Coronation Merchant Bank has put in place an appropriate and effective mechanism to address customer's grievances and complaints. The objective is to reduce the spate of customer complaints, enhance public confidence and customer satisfaction. The mechanism includes a dedicated e-mail address; customercomplaints@coronationmb.com which automatically sends alert to designated officers. The contact details of the Bank's help desk are on investment letters to customers and counterparties. There is a billboard at the reception area in our head office and both branch offices in Port-Harcourt and Abuja.

**Adoption of the Gender Diversity Policy**

This policy seeks to achieve a minimum of 30% female representation both at Board levels and at Senior Management levels subject to identification of candidates with appropriate skills. In line with this commitment, our policy is to value the differences that a diverse workforce brings to the Company and to provide a workplace where:

- Structures, policies and procedures are in place to assist employees to balance their work, family and other responsibilities effectively;
- Decision-making processes in recruitment take account of diversity;
- Employees have access to opportunities based on merit;
- The culture is free from discrimination, harassment, and bullying; and
- Employment decisions are transparent, equitable and procedurally fair.

In line with this policy, Coronation Merchant Bank shall continually strive to treat all employees, prospective employees and customers fairly and equally regardless of their gender, sexual orientation, family status, race, color, nationality, ethnic or national origin, religious belief, age or physical challenge. Accordingly, the company currently has four women, Mrs. Suzanne Iroche, Ms. Mrs Funke Feyisitan-Ladimeji, Evelyn Oputu and Ms. Olubunmi Fayokun to sustain compliance with this policy.

**Analysis of Fraud and Forgeries Returns**

The Bank had no case of fraud and forgery in the year under review.

# Directors' Responsibilities

**Financial Statement For The Year Ended 31 December 2020**

Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the year ended 31 December 2020.

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act, require the directors to prepare financial statements for each financial year that gives a true and fair view of the state of financial affairs and the profit and loss of the Bank. The responsibilities include ensuring that the Bank:

1. Keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and comply with the requirements of the Companies and Allied Matters Act and the Banks and Other Financial Institutions Act;
2. Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
3. Prepare financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with;

- International Financial Reporting Standards;
- Prudential Guidelines for Licensed Banks in Nigeria;
- Relevant Circulars issued by the Central Bank of Nigeria;
- The requirements of the Banks and Other Financial Institutional Act;
- The requirements of the Companies and Allied Matters Act; and
- The Financial Reporting Council of Nigeria Act.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Bank and of the financial performance and cash-flows for the period. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

**SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:**

**Mr. Babatunde Folawiyo**
Chairman
FRC/2014/NBA/00000006371

**Mr. Banjo Adegbohungbe**
Managing Director/CEO
FRC/2019/CIBN/00000019814

# Corporate Responsibility

**For Financial Statements**

In compliance with Section 405 of The Companies and Allied Matters Act, the Chief Executive Officer and Chief Financial Officer of Coronation Merchant Bank have reviewed the audited financial statements and accept responsibility for the financial and other information contained in the annual report.

We hereby certify and disclose the following regarding the true and fair view of the financial statements as well as the effectiveness of the Bank's internal controls:

### Financial Information

I. The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.

II. The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Bank as of and for the period ended 31st December 2020.

### Internal Controls Effectiveness

I. Effective internal controls have been designed to ensure that material information relating to the Bank are made known by the relevant staff, particularly during the period in which the audited financial statement report is being prepared

II. The effectiveness of the Bank's Internal controls have been evaluated within 90 days prior to 31st December 2020.

III. The Bank's internal controls are effective as at 31st December 2020.

### Disclosures

I. There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarize and report financial data. Furthermore, there were no identified material weaknesses in the Bank Internal Control systems.

II. There were no fraud events involving Senior Management or other employees who have a significant role in the Company's Internal control.

III. There were no significant changes in internal controls or in other factors that could significantly affect internal controls.

**SIGNED BY:**

**Banjo Adegbohungbe**
**Managing Director/CEO**
FRC/2019/CIBN/00000019814

**Chukwukadibia Okoye**
**Chief Financial Officer**
FRC/2016/ICAN/00000014293

# REPORT OF THE BOARD AUDIT COMMITTEE

To the members of the Board Audit Committee

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 Coronation Merchant Bank Ltd hereby report on the financial statements for the year ended 31 December 2020 as follows;

- We have exercised our statutory functions under section 407 of the Companies and Allied Matters Act of Nigeria and ac knowledge the co-operation of management and staff in the conduct of these responsibilities.

- We are of the opinion that the accounting and reporting policies of the Bank 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 2020 were satisfactory and reinforce the Bank's internal control systems.

- As required by the provisions of the CBN circular BSD/1/20014 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as disclosed in the financial statements.

- 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 audit and we are satisfied with Management's responses thereon and with the effectiveness of the accounting and internal control system of the Bank.

**MRS SUZANNE IROCHE**
Chairperson
Board Audit Committee
FRC/2019/CIBN/00000019186

**Members of the Board Audit Committee are:**

| | |
|---|---|
| **Suzanne IROCHE (Mrs)** | Chairperson |
| **Babatunde DABIRI (Mr)** | Member |
| **Larry ETTAH (Mr)** | Member |
| **Evelyn OPUTU (Ms)** | Member |
| **Idaere OGAN (Mr)** | Member |
| **Olubunmi FAYOKUN (Ms)** | Member |

In attendance:

| | |
|---|---|
| Cornelia Utuk | Company Secretary |

# REPORT ON CUSTOMERS' COMPLAINTS AND FEEDBACK

Coronation Merchant Bank recognizes her customer's experience is pivotal to achieving its vision to be Africa's premier investment Bank. While journeying to its destination, delivering high quality services and maintaining responsiveness to the needs and concerns of its clients cannot be over emphasized. To accomplish this, the Bank has provided various touchpoints through which its customers can reach out. These include;

- Contact Centre
- Social media
- Contact through the Bank's website
- Contact through the Bank's online platforms
- Customer service desks in all branches

**Complaints Handling**
At Coronation Merchant Bank, we ensure our customers complaints are treated with the sensitivity and empathy it deserves. Our strategy is to ensure our customer's feedback affects the way we will conduct our business with them in the future. Resources are put in place to resolve complaints at the first level. All complaints are logged and tracked with a service level promise to our customers and ourselves to provide adequate resolution and feedback leaving them happy and content.

**Complaints Tracking and Reporting**
Customer complaints are critical to measure how well our products and services are meeting our customers' expectations of fit, finish, durability, and function. All complaints are gathered, logged, graded and tracked for resolution. Our eyes are constantly on how we are performing as this enables us to feel the pulse of the situation and quickly react to ensure things never get worse. The complaints are analyzed and reports shared with the Executive Management and the Operational Risk Management Committee. Complaints are also sent to the Central Bank of Nigeria (CBN) in line with the CBN's regulation on complaints reporting.

| S/N | Currency | Description | Number | | Amount Claimed (N'0000) | | Amount Refunded (N'000) | |
|---|---|---|---|---|---|---|---|---|
| | | | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| 1 | NGN | Transaction Alert complaints | 4 | - | - | - | - | - |
| 2 | NGN | Wrongly issued confirmation letter | - | - | - | - | - | - |
| 3 | NGN | Mis-spelt account name | - | - | - | - | - | - |
| 4 | NGN | Non payment of tenured funds | - | 1 | - | 70,000 | - | 70,000 |
| 5 | NGN | Discrepancy and re-imburse-ment of accrued interest | 2 | 6 | 21,692,225 | 35,649,649 | 20,367,713 | 31,030,540 |
| 6 | NGN | Delay in Processing/Service delvery | 18 | 8 | - | 2,652,587 | - | - |
| 7 | NGN | Internet Banking usage/To-ken complaint | 59 | 17 | - | - | - | - |
| 8 | NGN | Excess charges/fees | 13 | 6 | 4,051,182 | 5,044,460 | 7,032,630 | 4,816,088 |
| 9 | NGN | Erroneous Debit From Ac-count/Transaction | 13 | 5 | 275,628,592 | 3,413,438 | 265,685,626 | 3,148,414 |
| 10 | NGN | Discrepancy with account balance | 7 | - | 12,729,856 | - | - | - |

**Solicited Customer Feedback**
In line with our commitment to provide fast and efficient services to our clients, the Bank engages the services of independent consultants to conduct customer satisfaction surveys on behalf of the Bank. Other means through which the Bank solicits for feedback are via;

- Customer forums
- Customer interviews

All feedbacks are reviewed and used to better the products and services offered to our clients.

# Report on Enterprise Risk Management

**Overview**

Merchant Banking business involves taking risks. Managing these risks and reducing their impact can be quite challenging. The risks go beyond the traditional Credit, Market, and Operational risks but also include Concentration, Strategic, Liquidity, Interest Rate Risk in the Banking Book (IRRBB), Reputational, Legal, Environmental and Social risks, Cyber risks as well as ''other'' risks. The Bank adopts Enterprise Risk Management, which addresses risks in a wholistic manner, rather than in isolation.

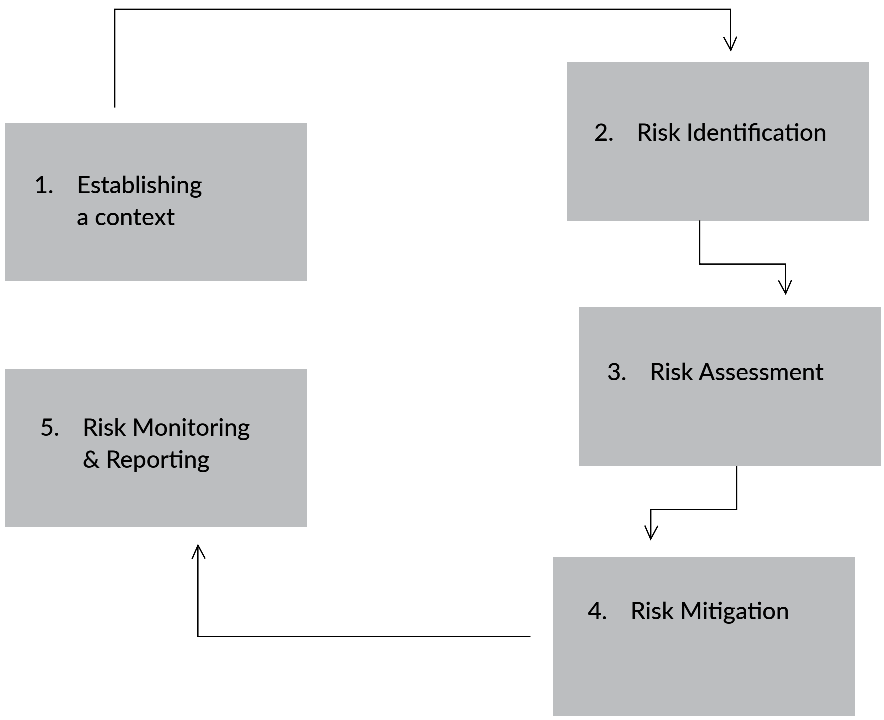
Coronation Merchant Bank recognizes the fact that managing risks is an all-inclusive function that should be aligned across the organization to achieve effectiveness. This reflects our focus on embedding a sustainable and effective risk environment that is helping to build a more resilient bank for the benefit of our investors, clients and other stakeholders. For this reason, the Bank has continued to invest in its key resources- human and technological capacities as well as processes and governance structures to support the management of risks in line with our risk appetite and global best practice.

As a Bank, we understand that risk is:

- a shared responsibility of everyone in the bank,
- an intrinsic part of every decision that we make
- either inherent or derived from business operations and/ or the macroeconomic/operating environment.

The management of risks across the Bank therefore starts with defining a risk management process which cascades into other concepts like risk strategy, risk philosophy, risk governance framework, risk appetite, capital assessment and capital management.

Coronation Merchant Bank Risk Management Process
The Bank's risk management process commences with establishing a proper context.



**Establishing a context** is undoubtedly a very vital stage in the risk management process. At this stage, the Board sets the tone through policies, limits, strategies, framework, risk appetite statement, and thus guides the other stages of the process outlined below:

Fig: Coronation Merchant Bank Risk Management Process

| 01 Risk Identification | 02 Risk Assessment & Evaluation | 03 Risk Mitigation & Control | 04 Risk Monitoring & Reporting |
|---|---|---|---|
| Involves unearthing the different material risks in transaction, venture, and/ or operation using different means ranging from brainstorming, surveys & interviews, historical experiences, and emerging risk test tools. | This seeks to measure the probability of risk occurence and the severity (impact) of loss in the Bank.<br><br>This is sub-divided into risk analysis, risk evaluation and risk decision | Involves the processes put in place to reduce the likelihood and impact of identified risks. This comes to play when the Bank decides to take a risk and it involves suggesting ways to manage and control the measured risks and keep them from crystallization | This measures progress against the risk treatment plans. The Bank practices risk management as a continous process that requires frequent monitoring and reporting, internally & externally. |

**Risk Management Framework**

The Risk Management framework seeks to align the Bank's strategy, processes, people, technology and knowledge to meet its business goals. Coronation Merchant Bank adopts the Enterprise Risk Management (ERM) approach which aggregates all risk areas, and the framework sets the tone for effective integration of individual risks.

ERM provides a structured approach in strategy setting, to identifying opportunities, assessing risks inherent in the opportunities and managing those risks proactively in a cost-effective manner. "Enterprise" means for the Bank, removal of traditional functional, divisional, departmental or cultural barriers, replacing them with a single view of our risk spectrum. ERM is designed to identify potential events that may affect our organization, and manage risks within our risk appetite, to provide reasonable assurance regarding the achievement of our business objectives.

The Enterprise Risk Management framework outlines the critical elements at the corporate and business unit levels for holistic and value-enhancing risk management decision. The Board, functioning through its various committees, provide documented principles for risk management as well as policies covering specific areas while the Internal Audit unit conducts validation to ensure that processes put in place are being followed. The department is also responsible for the independent review of risk management functions and the control environment. Risk management policies and systems are reviewed annually, at the minimum or/and on-need basis to reflect changes in markets conditions, and global best practice.

The following key themes therefore continue to guide Coronation Merchant Bank's risk management framework:

- Risk Management is conceived and implemented to facilitate the achievement of organizational goals and objectives;

- Risk Management is applied in strategy setting and provides an effective role in establishing alternative strategies;

- Risk Appetite is derived from risk management and culture. Risk appetite is the amount of risk that an organization and its individual managers are willing to accept in pursuit of achieving core purpose, mission and vision.

- Our risk management activities aim at minimizing the divergence between expectations and outcomes, thus ensuring the realization of more predictable results. This is achieved through a robust framework, clearly defined and transparent processes for the identification of all factors that may lead to the said divergences ("Risk Identification"); estimation of the likelihood of their occurrence and the extent or severity of their impact in the event of occurrence ("Risk Assessment/Measurement"); design of effective controls to minimize both the likelihood and the impact of risk events ("Risk Control"); establishment of procedures to ensure that these controls are effective and are being complied with ("Risk Monitoring"); regular reporting of risk events and controls ("Risk Reporting"); and provision of sufficient capital to absorb the adverse impact of unexpected losses.

The Bank's Risk Management framework is designed to institutionalize processes that enable it to:

- Identify and understand the full spectrum of risks it is facing

- Define its appetite for risk, based on its strategic objectives;
- Assess, measure, and quantify the risks;
- Develop risk mitigation and control techniques;
- Enhance the overall performance of the firm; and
- Comply with all regulatory requirements with respect to risk management practices, including the Central Bank of Nigeria's (CBN) guidelines on risk management practices.

The table below shows the Bank's Principal Risk Types and specific Risk Management Approaches

| S/N | Principal Risk Types | Risk Definition | Risk Management Approach |
|---|---|---|---|
| 1 | Credit Risk | It is the probability that borrowers or counterparties will fail to meet their obligations according to the agreed terms thereby resulting in a loss for the Bank. | The Bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors. The credit risk in the Bank is controlled and mitigated in the following ways:<br>• Rigorous credit analysis to unearth the risk issues and proffer mitigant for same<br>• Counterparty credit search<br>• Setting and enforcement of credit authorization limits<br>• Proper due diligence and complete documentation before loans are granted<br>• Effective loan monitoring, with a dedicated team that monitors the credits on a portfolio and client bases for risk reporting<br>• Back testing of rating models to ensure optimum functionality<br>• Cooperation among all departments involved in the lending process. |
| 2 | Market Risk | Coronation Merchant Bank defines market risk as the potential loss due to changes in interest rates, equity prices, commodity prices, foreign exchange rates. | The Board of Directors set the Bank's tolerance limit for market risk. The primary limits include gap limits, deposit concentration limits, stop Loss limits, Value at Risk (VaR) limits, counterparty limits, etc. on the Bank's acceptable risk appetite. The Bank minimizes exposures to losses caused by adverse movements of market factors by setting defined limits of relevant Treasury Instruments. Coronation Merchant Bank considers the effect of currency risk on the banking book and measures it at balance sheet level by matching all FX denominated assets against liabilities of similar and /or other foreign currency. |
| 3 | Operational Risk | Operational risk is defined as the risk of loss from inadequate or failed internal processes, people, and systems or from external events. In line with BCBS convention, operational risks include fraud, legal, regulatory, compliance and execution and business practices. | The Bank controls operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Bank's franchise. The management of Operational risk involves Risk and Control Self-Assessment (RCSA) of all the processes in the Bank, establishment of Key Risk Indicators (KRIs) and approaches for mitigating them, maintenance of loss database, Business Continuity Planning and Management, Vendor Assessment (to manage 3rd party risks), amongst others. |

| | | | |
|---|---|---|---|
| 4 | Liquidity Risk | This is the risk to Coronation Merchant Bank's income and capital adequacy arising from its inability to meet obligations as and when due and at reasonable cost. This makes the Bank vulnerable to litigation, damaged reputations, and financial loss. | The Bank uses the following methods to control liquidity risk:<br>• Balance sheet trend showing key ratios performance in terms of capital, liquidity, asset quality and concentration.<br>• Limit trigger and/or breach escalation.<br>• Daily monitoring of interbank placement with counterparties to ensure the bank's capital is protected.<br>• The activation of a contingency funding plan as last resort where necessary<br>The management of liquidity in the bank is a critical function shared amongst the treasury, market risk management and ALCO. Monitoring and reporting are done by the former while the latter coordinates activities to ensure the Bank's liquidity is optimal. |
| 5 | Interest Rate Risk in the Banking Book (IRRBB) | Interest Rate Risk in the Banking Book (IRRBB) is defined as "the current or prospective risk to the bank's capital and earnings arising from adverse movements in the interest rates that affect the institutions banking book positions" | The Bank mitigates Interest Rate Risk in the Banking Book (IRRBB) using defined limit for various instruments and securities. Typically, the banking book is priced on a floating interest rate basis with respect to the MPC decisions and the general market conditions.<br>The management of IRRBB is driven through regular reviews by ALCO. They also develop policies on the type of deposits to take and those to deemphasize to manage down the Bank's re-pricing gap risk. |
| 6 | Reputational Risk | Reputational risk is the potential threat that the reputation of Coronation Merchant Bank can be damaged by one or more reputational risk events due to negative publicity, adverse rumours or public perceptions about the Bank's business practices, conduct or financial condition. | The control and mitigation of reputational risk is a key function of the Brand and communication unit of the Bank especially in the media space. They monitor media publication and information about the bank in a methodical manner.<br><br>The customer service department serves as the first line of resolution of customer dissatisfaction and as such officers in this department are properly trained to empathize, listen and handle complains in a professional manner. It is also the duty of each employee to ensure not to put the organization in bad light from their actions in public or on social media. The Bank currently measures its Reputational risk using benchmarks/ thresholds as advised by the Apex Bank. |
| 7 | Environmental & Social Risk | The Environmental & Social (E and S) risks of Coronation Merchant Bank are the potential negative consequences to our business that result from our business operations, and the impacts (or perceived impacts) of our client's activities on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, residents). | The Bank continuously monitors its portfolio of risk assets and investments under the auspices of financial performance and environmental and social risk considerations. This monitoring is achieved at an individual level for Category A and B, while category C is performed on portfolio basis.<br><br>The Bank's business operations are also monitored periodically to ensure strict adherence to E & S risk-related regulations such as the Nigerian Sustainable Banking Principles (NSBP), as well as other internal regulations. Further details are provided in the Sustainable Banking report. |

| | | | |
|---|---|---|---|
| 8 | Concentration Risk | This is defined as risk that may arise from lopsided distribution of the Bank's loans to individual borrowers, a product type, a bank of related parties or an industry/geographical location. It also covers deposit concentration to specific customers, and/or deposit types | The Bank manages Concentration Risk by setting internal limits that guide concentration risk. These internal limits act as triggers for the regulatory limits. Stop lending decisions are the last resort when a sector or counterparty etc. has triggered the internal limits set. |
| 9 | Investment Risk | Investment risk is the probability or likelihood of occurrence of losses to the Bank relative to the expected return on investments due to changes in market prices of investments. | The management of Investment risk is achieved with the following:<br>• Significant investments approved by the Board after review by top Management<br>• Stringent portfolio selection and diversification strategies<br>• Highly experienced professionals in the Investment Banking unit advise on strategic investments |
| 10 | Legal Risk | Legal Risk means loss to earnings and capital arising from violations or non-compliance with agreements, laws, rules, regulations, prescribed practices, or ethical standards. | The Bank adopts a proactive approach to the management of its legal risk. Staffed with a qualified legal team and armed with formal polices and controls; steps for mitigation of these risks include:<br>• Recruitment of qualified Legal team<br>• Training and retraining of all staff in basic legal precept with regards to business relationships<br>• Review of all relevant laws, regulations and pronouncements made by the relevant regulatory authorities and application of same to the Bank's businesses and relationships.<br>• Review of all disputes involving the Bank to ensure that the best approach is adopted in resolving them.<br>• Review of all Agreements and loan documents to ensure that the Bank is adequately protected and that they are in conformity with the Bank's policies, and relevant laws and regulation.<br>• Actively supporting the solicitors with the necessary information and documents and follow up on the matters to ensure effective representation.<br>• Continuous monitoring of all pending legal disputes to prevent avoidable losses to the Bank. |

**Risk Management Philosophy And Culture**

The focus of Enterprise Risk Management at Coronation Merchant Bank is the assessment of significant risks and the implementation of suitable risk responses. At Coronation Merchant Bank, we identify and manage enterprise risks to reduce the uncertainty associated with executing our business strategies and maximize opportunities that may arise. Risks can take various forms and can have material adverse impact on our reputation, operations, human resources and financial performance.

The Bank considers risk management philosophy and culture as the set of shared beliefs, values, attitudes and practices characterizing how the bank considers risk in everything it does, from strategy development and implementation to its day-to-day activities.

Risk management philosophy is a continuous process that supports the development and implementation of the Bank's strategy. The Bank believes that risk management will provide the superior capabilities to identify and assess the full spectrum of risks and to enable staff at all levels to better understand and manage risks.

This is to facilitate:

- Increase in the likelihood of successful delivery on its goals and objectives;
- Proactive identification, management and reporting to all stakeholders;
- Assumption of risks that fall within the defined risk appetite;
- Compliance with all government laws and regulations;
- Better assessment of risks associated with changes in its environment;
- Better description of Coronation Merchant Bank's risk management strategies to customers and other stakeholders;
- Responsible Risk Acceptance;
- Adequate support for Risk Management by Executive Management and Board;
- Better management of uncertain outcomes;

- Strengthening of accountability;
- Enhancement of stewardship.

**Guiding Principles**
Coronation Merchant Bank has identified the following attributes as guiding principles for its risk culture.
The board and senior management shall:
- Establish and promote a strong culture of adherence to limits in managing risk exposures and ensure that the long- time survival and reputation of Coronation Merchant Bank is not jeopardized while expanding the market share;
- Promote awareness of risk and risk management across the bank
- Consider all forms of risk in decision-making;
- Create and evaluate business-unit and company-wide risk profile to consider what is best for individual business units and departments and what is best for the company as a whole;
- Retain ownership and accountability for risk and risk management at the business unit or other points of influence level;
- Accept that enterprise risk management is mandatory, not optional;
- Strive to achieve best practices in enterprise risk management;
- Document and report all significant risks and enterprise-risk management deficiencies;
- Adopt a holistic and integrated approach to risk management and bringing all risks together under one or a limited number of oversight functions;
- Empower risk officers to perform their duties professionally and independently without undue interference;
- Ensure a clearly defined risk management governance structure;
- Ensure clear segregation of duties between market facing business units and risk management control functions;
- Strive to maintain a conservative balance between risk and profit considerations; and
- Continue to demonstrate appropriate standards of behavior in development of strategy and pursuit of objectives.

**Objectives, Scope And Coverage**
**Core Objective**
Core objective of risk management is to provide a reasonable degree of assurance to the Board of Directors (BoD) that the risks threatening Coronation Merchant Bank's achievement of its vision to "become Africa's premier investment bank" are identified, measured, monitored and controlled through effective integrated risk management system covering Credit risk, market risk, operational risk, investment risk, liquidity risk, reputational risk, money laundering & terrorist financing risk, cyber risk and other material risks.
The risk management vision of Coronation Merchant Bank is "To institutionalize a world class risk management framework that supports the achievement of our corporate vision and preserve the wealth of our stakeholders".

**Supporting Objectives**
- To identify material risks and ensure that business plans are consistent with our risk appetite;
- To ensure that our business growth plans are properly supported by an effective and efficient risk management function;
- To optimize our risk and return trade-offs by ensuring our business units act as primary risk managers.
- To protect us against unexpected losses and reduce volatility of our earnings;
- To maximize opportunities, earnings potential and ultimately our stakeholders' value;
- To improve the control and coordination of risk-taking across the Bank.
- To build a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring that cost effective and legitimate precautions are taken to protect all stakeholders 'interests.
- To formalize and communicate Coronation Merchant Bank's commitment to achieving compliance objectives of remaining fully aligned with regulatory requirements of the CBN and other regulatory and legal requirements that are relevant and applicable to Coronation Merchant Bank.

**Scope and Coverage**
Enterprise Risk Management will cover all the risks arising out of the business of Coronation Merchant Bank irrespective of whether they arise at exposure level or at settlement level.

**Risk Management Strategy**
Coronation Merchant Bank adopts the following strategies in its Risk Management process:
- To establish a robust risk management governance structure for managing all major aspects of our activities through an integrated planning and review process that includes strategic, financial, customer and risk planning;
- To reinforce the Risk Management Framework to fully support the strategic business units and the overall business strategy of the Bank. The Risk Management Strategy is to develop an integrated approach to risk ideification, assessments, measurement, monitoring and control in all aspects of the firm's activities;
- To embed enterprise-wide risk management principles in our processes, with emphasis on protecting the company's shareholders and other stakeholders from risks;
- To ensure there is a balance between risk / opportunities and revenue consideration with our risk appetite. Thus, risk-related issues will be considered in all our business decisions;
- To empower all staff to proactively identify, control, monitor, and regularly report risk issues to management;
- To clearly document the risk management policies and procedures, which are clearly communicated to all members of staff;
- To avoid products, businesses and markets that we do not fully understand or for which we cannot reasonably and objectively measure and manage their associated risks;
- The risk management strategy will be driven by the overall corporate objective with emphasis on protecting the firm from risks while increasing its market share;
- Ensure the existence and appropriate implementation of a risk management process that is well articulated to identify, assess/measure, monitor and control all the

identified risk elements;

**Risk Appetite**

Coronation Merchant Bank's risk appetite is the extent to which risks should be acceptable to it in pursuance of its business strategies. The Risk appetite process aims at balancing positive (sizeable improvement in returns) and negative (large losses) aspects of risk-taking. Risk appetite defined is consistent with business strategy and risk culture.

**Risk Appetite Statement**

Coronation Merchant Bank's Risk Appetite is reflected in its "moderate" appetite for risk.

''Coronation Merchant Bank would accept all medium/ moderate risks in every activity it undertakes to achieve set out business and strategic objectives". "The quantitative expressions of our medium/moderate risk appetite are reflected in the limits and thresholds, backed by operating policies and procedures. These quantitative thresholds cut across the entire sphere of the Bank's business and are implemented along with qualitative expressions to protect the Bank's going concern status"
This statement of Risk Appetite seeks to identify and formally communicate the strategies for the effective management of the key drivers of value in the attainment of the major strategies outlined in Coronation Merchant Bank's corporate strategic plan.

| Strategic Component | Target Value | Broad Statements |
|---|---|---|
| Financial Management | Optimum Value Creation | The bank shall continue to maintain financial prudence and discipline and would not embark on projects that would adversely affect its financial performance/targets and shareholders value |
| | | The bank shall maintain unencumbered capital and liquidity capacity against uncertain future occurrences. |
| Business Management | Drives behaviour | The bank's business strategy shall be driven by best standards of behavior and fair trading in Treasury, Marketing & Sales, Credit, and Investments. |
| Enterprise decision making | Selection of products and Investments | The bank shall strive to increase its market position with principal focus on the value driven products and Investments with moderate risk profile |
| Risk Management | Customized Risk Profile | The bank shall proactively manage all risks by aligning its people, technology and processes with best risk management practices towards enhancing equity value and sustaining industry leadership. |
| Prudential Compliance | Meet Prudential requirements | Zero tolerance for regulatory infractions |
| | | Full compliance with all regulatory requirements |

| | | | |
|---|---|---|---|
| 11 | Cyber Security Risk | Coronation Merchant Bank defines Cybersecurity risk as the probability of exposure or loss resulting from a cyber attack or data breach on critical information assets. | • The bank adopts CBN's risk-based cybersecurity framework<br>• Leverages on standard frameworks. E.g ISO 27001<br>• Aligns to CBN IT blueprint on Information security<br>• Implementation of Nigeria Data privacy regulation requirements to address data Privacy<br>• Implements Layered security to address all enterprise security architecture<br>• Continuous measurement of the information security strategies<br>• Capacity Building<br>• Subscription to security organizations for knowledge sharing<br>• Enhanced due diligence before onboarding vendors<br>• Adopts practical approach to improving critical cybersecurity infrastructure i.e processes to Identify, Protect, Detect, Respond, and Recover from incidences.<br>• Tailored awareness training/publication for staff and customers.<br>• Develops a process of measuring the effectiveness of our information security controls<br>• Seeks stakeholders' expectations of information security to align their goals to security strategies |

**Non- Qualifying Risk Transactions**

In line with its risk tolerance, Coronation Merchant Bank shall not process facilities or engage in transactions for the following purposes:

- To support illegal tenacities
- To purchase illegal fire arms
- To support gambling activity
- To support illegal military activity
- To support production and distribution of illicit drugs
- To support act/acts of terrorism
- To support production or activities involving forced labour or child labour;
- Trade in wildlife or wildlife products regulated under CITES;
- Racist or anti-democratic media
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Coronation Merchant Bank considers the radioactive source to be trivial and/or adequately shielded.
- Significant alteration, damage, or removal of any critical cultural heritage; or
- Relocation of Indigenous Peoples from traditional or customary lands.

The Bank's risk appetite is defined using qualitative and quantitative measures where appropriate. Coronation Merchant Bank measures its performance against its risk appetite and reports same to Senior Management and the Board monthly.

**Credit Risk Appetite**

The expression of the Bank's credit risk appetite is captured through portfolio and regulatory limits. For any given regulatory risk parameter, it is the practice of the Bank to also have an internal limit, which acts as a trigger for the Bank.

1. For portfolio quality, the Bank's target is to maintain an NPL ratio <=3%, which is 200 basis points below the regulatory NPL ratio of <=5%.
2. The Bank's minimum acceptable risk rating of BBB+ for all its obligors ensures credits are extended to obligors who are deemed credit-worthy and have the capacity to repay their loans as at when due.
3. To mitigate concentration risk, the Bank adopts a more conservative Single Obligor Limit (SOL) of 700 basis points lower than the regulatory SOL of <=50% of Shareholders funds.
4. To ensure diversified portfolio across all sectors, the Bank adheres to regulatory guidelines on this whilst supporting varied industries in each of the larger economic aggregation.
5. To maintain a good capital cover for credit risk exposures, the Bank's Capital Adequacy Ratio (CAR) is capped at 12.5% -15%, above >=10% mandated by the regulators.

The set limits are internal, considering both the guide (Regulatory limits) and the Bank's tolerance in line with the overall strategy.

**Operational Risk Appetite**

The Bank will not tolerate any unethical business practices under any circumstances. This means that losses due to unethical business practices, either in the form of Operational Risk (direct) or in the form of Reputation Risk (indirect) will not be acceptable to the Bank under any circumstances.

- Zero tolerance for fraud both internal and external
- Zero tolerance for operational risk losses in the Strategic Support Banks
- Zero tolerance to reputational risk factors
- Zero tolerance to Information security breaches

**Market Risk Appetite**

Coronation Merchant Bank market risk appetite derives from a system of comprehensive market risk limits. The following risk limits guides our appetite:

- Exposure Limits for various instruments in Trading Book - Exposure Limits are set such that performing non-maturity

  analysis of the liabilities are based on historical data. The core deposits of the Bank should be able to fund the Bond portfolio and Corporate Investment positions.
- Portfolio Stop Loss Limits - Stop Loss limits are set based on the maximum that the Bank is willing to lose on its capital. Every position has a specific risk charge of 10% as capital that needs to be set aside hence stop loss limits are set for trading assets, bonds and FCY exposures.
- Management Action Triggers - The Management Action Trigger is set at 20% of budgeted monthly trading income for trading assets. When losses beyond this level are incurred, a review of the trading strategy shall be carrued out.

- Value at Risk (VaR) Limit – This represents a portion of the capital set aside for market risk purposes. It is measures as a percentage of shareholders funds.

- Security Position Loss Limit – This refers to mark-to-market loss on each security position.

These limits are monitored very closely on a day-to-day basis to ensure adherence.

**Capital Management**
**Overview**

Capital is the investment in, or contribution to, the business of the institution that ranks behind depositors and other creditors as to entitlement to repayment or return on investment It is the measure by which the bank's solvency is assessed.
Capital is used principally to support assets in the Bank's businesses and to absorb credit, market and operational losses.

Capital is one of many factors considered when assessing the safety and soundness of any financial institution. An adequate capital base acts as a safety net for the variety of risks that an institution is exposed to in the conduct of its business. It is available as a cushion to absorb possible losses and provides a basis for confidence in the institution by depositors, creditors, and others.

Coronation Merchant Bank primarily generates capital through earnings from its operating businesses. The Bank's capital levels may also be affected by changes in accounting and regulatory standards, changes in financial assets prices and values etc

**Capital Assessment and Planning**

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) consists of comprehensive risk assessment, risk appetite determination, capital planning and management; stress testing and governance structure. The Bank adopts a forward-looking approach for effective implementation of its ICAAP with the following main components

- Risk Governance Structure
- Sound capital assessment and planning
- Comprehensive assessment of risks
- Stress testing
- Monitoring and reporting
- Internal control review

Capital planning is carried out by the Bank in alignment with its strategic objectives and business plans. The capital requirements are assessed to ensure adequacy of capital for supporting business growth envisaged in the business plans. Changes expected in the risk profile of the Bank in the near future are equally adequately considered.

Consequently, an internally determined buffer more than regulatory minimum level and preferably higher than the average industry level capital is maintained by the Bank

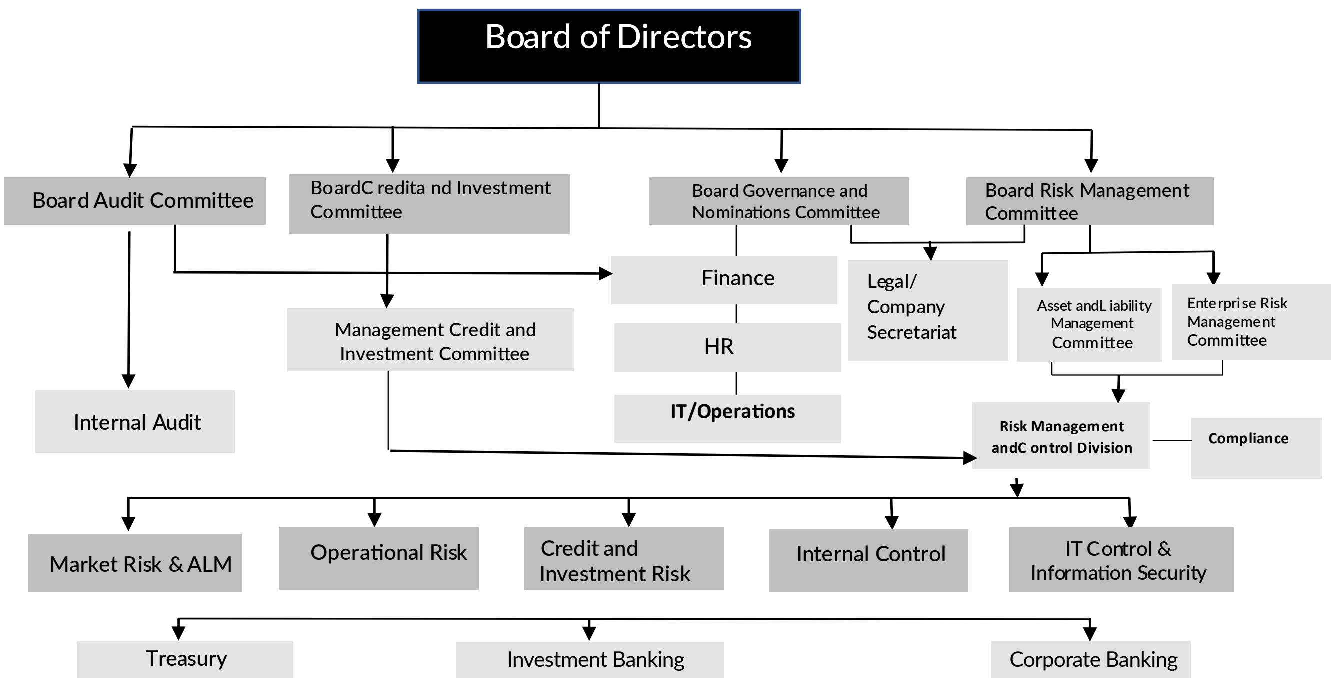
Regulatory capital and economic capital are computed for the Bank's risk profile at normal conditions. However, in stressed condition of the present risk profile, there are certain losses that if incurred may lead to unexpected losses. These losses require additional capital to be set aside to absorb the losses. Coronation Merchant Bank uses the value at risk methodology to arrive at the unexpected loss value or stressed conditions and tags same as stressed capital requirements.

**Capital Management Strategy**

The bank considers capital management to be the process of monitoring and controlling the bank's vulnerability to industry changes. Coronation Merchant Bank recognizes the need to ensure current capital adequacy as well as to plan for future capital needs, both to comply with bank regulations and to assure future bank expansion. Balancing risk and return and taking cognizance of the capital required demands rigorous analysis. The aim is to optimize the upside and minimize the downside with a view to adding value to our Shareholders and providing security to our other capital providers and clients, as well as ensuring overall sustainability in our business activities.

Coronation Merchant Bank's comprehensive capital management programme involves:

- establishing and implementing sound and prudent guidelines governing the quantity and quality of capital required to support the institution; and
- developing and implementing appropriate and effective procedures to monitor, on an ongoing basis, the bank's capital requirements and capital position to ensure that it meets its capital requirements and will continue to meet its future capital needs.



Every business activity in the bank requires putting capital at risk in exchange for the prospect of earning a return. In some activities, the level of return is quite predictable, whereas in other activities the level of return can vary over a very wide spectrum, ranging from a loss to a profit. Accordingly, the risk and capital management framework involves:

- Understanding the nature of the risks we are taking, and what the range of outcomes could be under various scenarios, for taking these risks;
- Understanding the capital required to assume these risks;
- Understanding the range of returns that we can earn on the capital required to back these risks; and
- Attempting to optimize the risk-adjusted rate of return we can earn, by reducing the range of outcomes and capital required arising from these risks and increasing the certainty of earning an acceptable return.

Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.
The bank's capital management strategy is focused on maximizing shareholder value by optimizing the level and mix of capital resources. Decisions on the allocation of capital resources are based on many factors including return on regulatory capital (RC), and is part of the Internal Capital Adequacy Assessment Process (ICAAP).

The Bank adopts the 'three-pronged line of defense' model advocated by the COSO ERM framework to support its approach to strong risk management principles. Through this model, the Bank identifies, evaluates, mitigates, and monitors its material risks on an enterprise-wide basis.

**First Line of Defense - Risk Management and Ownership**

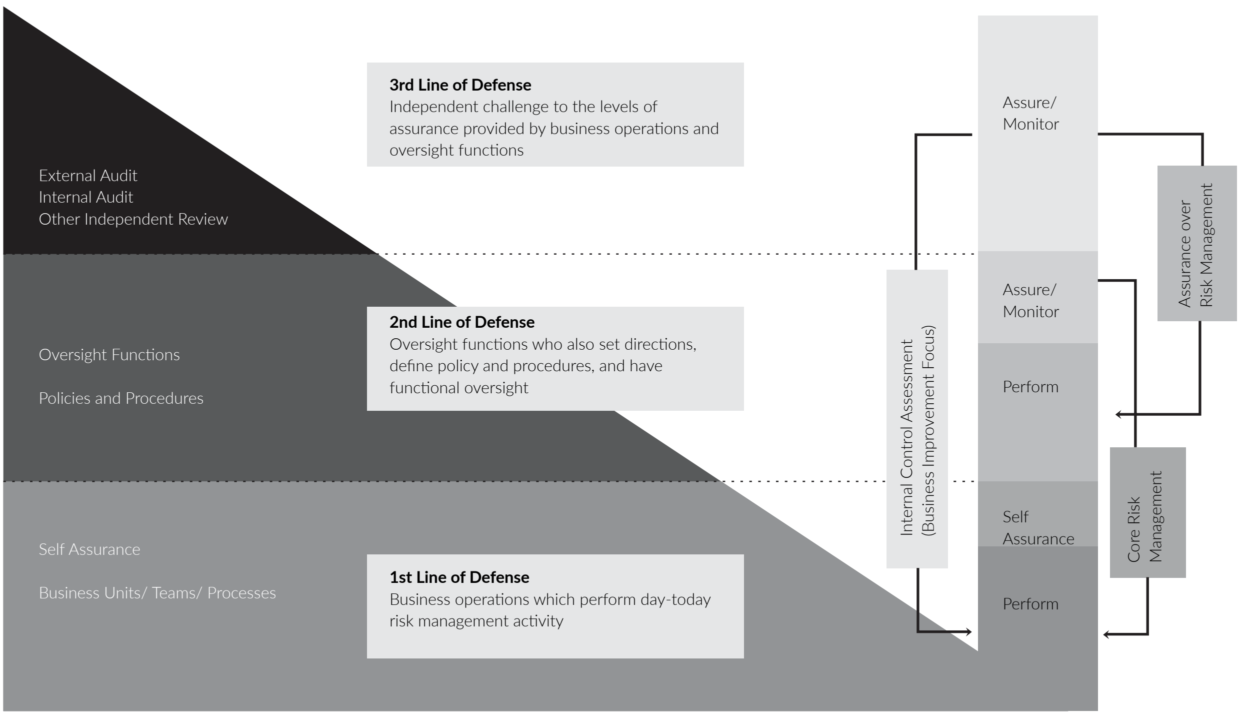
This consists of business units and line functions with primary responsibilities for risk management. The first line of defense involves the actual business units where the transactions are consummated, executed, valued, and recorded. Most preventive controls are implemented at this level and detective controls help to manage control breaks at the transaction level. The primary responsibilities and objectives of the first line of defense (Business Unit and Risk takers) are:

- Managing risks/implementing actions to manage and treat risks at a transaction level;
- Implementing risk management processes on an ongoing basis as changes occur with business mix, systems, or regulatory and other requirements; and
- Executing risk assessments and identifying emerging risks at the transaction/business case level.

**Second Line of Defense - Risk Oversight, Policies & Methodologies**

The second line of defense consists of Board Risk Committees, Risk Management, Legal, Internal Control & Compliance departments who are responsible for providing independent risk oversight, putting in place policies, monitoring and challenging the effectiveness of Coronation Merchant Bank's risk management processes. The main objective of the second line of defense composed of the Chief Risk Officer (CRO), Chief Compliance Officer (CCO), Heads of Risk functions, Head of Internal Control and Head of Legal is to provide oversight on the execution of the frontline controls. The second line of defense is responsible for monitoring the controls that have been designed with the following main responsibilities:

- Assist in determining risk capacity, risk appetite, allocations, and strategies for managing risk
- Establishing risk management policies, methodologies,



and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (Risk Management, Compliance, Internal Control, and Legal departments);
- Identifying enterprise trends, synergies, and opportunities for change;
- Initiating change, integrating, and making new monitoring processes operational; and
- Oversight over key risks like credit, market, operational, liquidity, legal etc.

**Third Line of Defense - Risk Assurance**

The third line of defense consists of the Internal Audit department, External Auditors, External Assessors, and Regulators with primary responsibilities for assessing and providing independent assurance on the adequacy, appropriateness and effectiveness of Coronation Merchant Bank's overall risk management framework, policy and risk plan implementation. It provides independent perspectives on the overall control framework and tests the adequacy of the controls design and effectiveness. The main duties of this line of defense include:

- Provide independent and objective assurance on the overall effectiveness of the risk governance framework, design, and implementation
- Providing oversight on the risk management process;
- Reporting to the executive management committee, the audit committee, and the board of directors on:

i. the state of the control environment;
ii. gaps in the controls or monitoring environment;

**Roles and Responsibilities**

Coronation Merchant Bank's risk management framework describes roles and responsibilities of the Board of Directors, Board Committees, Executive Committees, and various departments involved in the risk management framework.
The specific roles and responsibilities of the various Committees are as set out below.

**Board of Directors (BoD)**

Board of Directors (BoD) represents the interests of stakeholders and has the ultimate responsibility for risk management in the Bank. According to the Board Charter, the BoD has the primary responsibilities for:

- Setting the tone at the top and overseeing management's role in fostering and maintaining a sound corporate risk culture.
- Approval of risk policies to ensure there is an efficient set of standards for risk management throughout Coronation Merchant Bank that include risk identification, quantification, setting of exposure and risk limits, monitoring, controlling and reporting.
- Setting appetite for risk taking at the enterprise level and at other various levels in consistence with business strategies of the Bank.
- Ensuring effectiveness, independence, and integrity of risk management system through internal control & audit.
- Periodically (at least annually) reviewing the risk strategy and significant risk policies of Coronation Merchant Bank.
- Establishing Coronation Merchant Bank's overall strategy and policies relating to the management of individual risk elements to which the Bank is exposed.
- Approval of Coronation Merchant Bank's risk appetite and monitoring the risk profile against this appetite.
- Ensuring risk strategy reflects Coronation Merchant Bank's risk tolerance.
- Ensuring that Coronation Merchant Bank has an appropriate and adequate communication plan for managing individual risk elements.
- Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.
- Ensuring that senior management as well as individuals responsible for managing individual risks facing Coronation Merchant Bank possess the required expertiseand knowledge to accomplish the functions of the risk management division.
- Ensuring senior management takes necessary steps to identify, measure, monitor, control and report all risks Coronation Merchant Bank is exposed to.
- Ensuring that management maintains an appropriate system of internal control and review its effectiveness.

The Board of Director's Risk Management oversight functions shall be delegated to the Board Committees. Without prejudice to the roles of these committees, the full board retains the ultimate responsibility for risk management.

**Board Risk Management Committee (BRMC)**

The BRMC is responsible for all Material Risks in Coronation Merchant Bank. The committee is established by the BoD as a standing committee to assist the BoD in its Risk Management responsibilities. The committee has full responsibility of assisting the BoD in formulating strategies for Enterprise-Wide Risk Management, evaluating overall risks faced by Coronation Merchant Bank, aligning risk policies with business strategies and determining the level of risks which will be in the best interest of the bank.

The Roles and Responsibilities of the BRMC are:
- Primary role of the BRMC is to effectively coordinate the efforts of Risk Committees to provide an integrated view of risks faced by the Bank to the BoD at regular intervals and to effectively implement the BoD's strategy for risk management.
- Based on the reports received, the BRMC will take decisions and provide guidance / mandate to risk committees and relevant functions of the firm on management of risks.
- Make suitable recommendations to the BoD as it deems fit and examine any other matters referred to it by the BoD.
- BRMC will review issues raised by Internal Audit that impact risk management and make suitable recommendations to the BoD.

- The Committee, by the powers delegated to it by the BoD, will approve any changes in risk policies. Changes to the policy approved by BRMC must be ratified by the BoD within an acceptable timeframe set by the BoD.
- Approval of exceptions to the risk policies upon thorough enquiry into circumstances leading to exceptions, nature, size and genuineness of exceptions. Repetition of exceptions of similar nature should lead to changes in the policy. Repeated instances of similar exceptions are handled through changes in the policies rather than approved as exceptions.
- BRMC will review the roles of the risk committees, at least on an annual basis, based on revision in policies and provide suitable recommendations to the BoD.
- Ensure that adequate policies and controls are in place to manage the adverse effects of risks in the operations of Coronation Merchant Bank;
- Evaluate the adequacy of Coronation Merchant Bank's risk management systems and control environment;
- Review Coronation Merchant Bank's processes for assessing and improving internal controls, particularly those relating to areas of significant risk;
- Approve the provision of risk management services by external service providers;
- Monitor compliance with established policies through periodic review of reports provided by management, statutory auditors and the supervisory authorities;
- Approve the appointment of senior officers to manage risks; and
- Review reports on Coronation Merchant Bank's risk profile, the action plans put in place to manage high risks, and monitor progress against plan to achieve these actions.

**Board Credit and Investment Committee (BCIC)**

**The Board Credit and Investment Committee shall:**

- Facilitate the effective management of credit and investment risks by the Bank
- Approve definition of risk and return preferences and target risk portfolio
- Approve the Bank's credit rating methodology and ensure its proper implementation
- Approve credit policy, credit risk appetite and portfolio strategy
- Approve lending decisions and proposed credit limits
- Approve new credit products and processes
- Approve assignment of credit approval authority on the recommendation of the Management Credit and Investment Committee (MCIC)
- Review the roles of the Management Credit and Investment Committee and Criticized Assets Committee, at least on an annual basis, based on revision in policies and provide suitable recommendations to the BoD
- Approve credit facility requests and proposals within limits defined by Coronation Merchant Bank's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities
- Recommend credit facility requests above stipulated limit to the BoD
- Review credit risk reports on a periodic basis.

**Asset & Liability Management Committee (ALCO): The Asset & Liability Management Committee (ALCO) shall:**

- Approve Coronation Merchant Bank's ALM, Market risk strategies and the policies and procedures for identifying, measuring, controlling, monitoring and reporting market and liquidity risks;
- Endorse the Funding and Liquidity Plan;
- Establish significant funding source limits and review exposure reports;
- Approve a course of action for rectifying any breach of liquidity limits;
- Direct the acquisition and allocation of funds, while managing asset/liability volumes, mix, maturity, yield, and rate to achieve a net interest margin that is suitable and supportive of income objectives with consideration of the constraints imposed by the regulatory requirements, liquidity needs, and market factors;
- Approve risk control limits such as position, concentration, currency, dealing, gap, total portfolio, and counterparty limits;
- Ensure implementation of liquidity strategies, funding and trading activities and assets and liability mix;
- Establish significant funding source threshold and review exposure reports for reasonableness, consistency, and completeness;
- Set targets for liquidity ratios, review ratios against their targets and approve a course of action for rectifying any breach of the targets;
- Approve Market Triggers, address 'trip' of Market Triggers, including documentation of decisions and actions;
- Review the economic, political and regulatory environment for asset/ liability and liquidity planning purposes;
- Assess Coronation Merchant Bank's liquidity strategies, key assets and funding programs and balance sheet composition;
- Monitoring the performance of Coronation Merchant Bank's Net Interest Income (NII), the expected trend of NII based on implied interest rates and the sensitivity of the NII to changes in interest rates;
- Review the Contingency Funding Plan prepared by the Treasurer;
- Address the overall capital plan including capital planning, capital allocation and risk-based capital adequacy;
- Assist in the quality control process by reviewing reports for reasonableness, consistency and completeness.

**Enterprise Risk Management Committee (ERMC): As stated in the charter, ERMC shall:**

- Address all categories of material risks, and their components, to which the Bank is exposed.
- Manage significant/material risk exposures (individually or aggregate) at a much higher level than the individual business units.
- Place the interests of the Bank ahead of individual business unit interests.
- Provide for and champion enterprise-wide risk management (as earlier defined) and achievement of

Coronation Merchant Bank's risk philosophy, culture, and objectives.
- Provide for consolidated supervision of the Bank's different activities and legal entities, alliances, and joint ventures.
- Oversee the establishment of a formal written policy on Coronation Merchant Bank's overall risk management framework. The policy shall define risks and risk limits that are acceptable to Coronation Merchant Bank.
- Ensure compliance with established policies through periodic review of reports provided by the risk management unit, internal auditors, external auditors, and the regulatory authorities.
- Approve the appointment of qualified officers for the risk management function.
- Oversee the management of all other risks in the Company except for Credit and Investment risks.
- Evaluate the adequacy of Coronation Merchant Bank's risk management systems and the adequacy of the Bank's control environment with management and the internal and external auditors;
- Evaluate Coronation Merchant Bank's risk profile, developing action plans to manage risks, and monitor progress against plan;
- Approve the provision of risk management services by external service providers;
- Review risk reports for presentation to the Board and/or Board committees;
- Developing policies and procedures for identifying, measuring, controlling, monitoring and reporting risk.
- Review risk reports on a regular and timely basis;
- Provide all reports required by the Board and its committees for the effective performance of their risk management oversight functions;
- Provide for formal interaction between business units and the sharing of specialized knowledge/research for the mutual benefit of all and the promotion of risk management and corporate governance.
- Provide assurance to shareholders, policy holders, investors, rating agencies, analysts, regulators and others that sound corporate governance and effective risk management prevail throughout the organization.

**Management Credit & Investment Committee (MCIC):**

The MCIC shall:
- Recommend the credit risk framework for approval by the BoD through BCIC and oversee the implementation across the enterprise.
- Review and recommend all amendments to the credit risk policy for the BCIC and BoD approvals.
- Formulate the credit and Investment risk policy and recommend the policy to the Board Credit & Investment Committee for approval.
- Be responsible for the implementation of the credit risk policy and investment strategy approved by the BoD
- Review the methodologies and tools for identification, measurement, monitoring and control of credit & investment risk.
- Monitor credit risk, Investment risk and ensure compliance with exposure and risk limits approved by the BoD
- Review the reports from Credit Risk Management Department, Internal audit and business lines and take decisions and reports as necessary to the BCIC and/or to BoD
- Review and recommend Investment proposals to Board Credit & Investment Risk Committee.
- Review and recommend credit proposals to Board Credit & Investment Risk Committee. The MCIC shall approve, recommend, or reject such proposals that fall within the powers delegated to the Committee.
- Coordinate with other committees over Asset Liability management and Liquidity issues and carrying out actions based on the same.

**Enterprise Risk Management Department:**

The Enterprise Risk Management Unit perform the followingroles:
- Spearhead the implementation of the enterprise-wide risk management framework across Coronation Merchant Bank for the management of risks viz market risk, reputation risk, legal and compliance risk, credit risk, investment risk and operational risk etc.
- Develop risk policies, principles, process, and reporting standards that define Coronation Merchant Bank's risk strategy and appetite in line with Coronation Merchant Bank's overall business objectives;
- Ensure that controls, skills and systems are in place to enable compliance with Coronation Merchant Bank's policies and the standards
- Perform stress testing on an enterprise-wide level; and ensure compliance with BASEL II and other international best practices in Risk Management
- Ensure business continuity, defined as the ability to sustain operations in the event of major crises and have crisis management policies in place;
- Identify and monitor emergent risks that may be material for the Bank in future due to changes in the risk environment;
- Understand the business strategy of the Bank and use necessary measures to influence both the board and the managers and employees responsible for making day-to-day decisions;
- Enable the Bank to make decisions based on a better appreciation of the relationship between risk and reward;
- Promote risk awareness while providing education and training on risk management.

Credit Risk Management Department: The Credit Risk Management function of the bank has specific and overall responsibility for facilitating risk asset creation and exposure management in the bank. This function encompasses the following as it relates to credit risk:
- Designing and developing credit risk management framework and structures and ensuring bank wide compliance.
- Coordination of the risk management policy definition process.
- Drafting specific credit risk policies, standards, procedures, and guidelines to manage the credit risk cycle (identify, measure, monitor and mitigate/control).
- Identifying industry best practices, participating in industry conferences, surveys, monitoring trends and

emerging practices to be up-to-date on regulations in credit risk and maintaining a repository of all related documents.

- Identifying inherent credit, financial and business risks in facility requests; and recommending appropriate structure for credit facilities to ensure that the risk of credit loss is properly mitigated including credit terms, security, and repayment terms.
- Establishing credit risk limits (exposure limits, risk limits, concentration limits etc.), while seeking approval from BoD, monitoring and reporting on an ongoing basis.
- Monitoring the performance of the credit rating system on a periodic basis by validating them.
- Protecting` the quality of the entire loan portfolio by undertaking portfolio evaluations and conducting comprehensive studies on the environment to test the resilience of the loan portfolio, as per Credit and Investment Risk Policy Guide, on regular basis.Timely, accurate and complete reporting of risk assets and risk asset portfolio quality and performance to provide informed basis for management actions and decision-making.

**ALM & Market Risk Management Unit**

- Ensure that Coronation Merchant Bank's Market Risk Policy is strictly adhered to.
- Formulate and implement the risk measurement methods within the parameters set by risk management.
- Monitor the various limits set for Market Risk and Asset & Liability mismatch in Coronation Merchant Bank's portfolio
- Perform mark to model valuation of instruments for which models have been approved by the senior management of Coronation Merchant Bank
- Periodically assessing the quality and availability of market inputs to the valuation process, level of market turnover, sizes of position traded in the market.
- Computing the sensitivity-based measures for the various risk factors in the trading book
- Ensure that risk reporting is carried out daily and any exceptions are reported accurately to all the relevant stakeholders

**Operational Risk Management Unit**

- Evaluating internal processes by identifying, assessing, monitoring, managing and continuously improving key operational risk areas
- Recording of Operational Risk losses, developing controls to reduce losses from operational failures and avoiding potentially large operational risk losses
- Conduct periodic Risk Control & Self-Assessment procedures for all the departments. Review of Risk and Control
  Self-Assessment (RCSA) reports in other to identify Reputation risk factors
- Identification & continuous updating of Key Risk Indicators and maintaining risk registers for all the departments in the Organization
- Ensure backward-looking and forward-looking analysis of Reputation risk events so that practical actions can be undertaken by Management
- Strategic Risk Assessment workshops to assess the likelihood of occurrence and impact of risk events.
- Management and reporting of Strategic risks on a periodic basis to the Senior Management

Roles & Responsibilities of IT Control and Information Security Management Unit

The Chief Information Security Officer serves as the process owner of all assurance activities
related to the availability, integrity, and confidentiality of customer, business partner, employee
and business information in compliance with the organization's information security policies. A
key element of the CISO's role is working with executive management to determine acceptable
levels of risk for the organization. This position is responsible for establishing and maintaining a
corporate-wide information security management program to ensure that information assets
are adequately protected.

The Unit's function is broken into;

- Information Security Governance & Strategy
- Information Security Governance
- Information Security Awareness
- Data Privacy
- IT Risk Management
- Network Security Risk
- Data & Operating Systems Risk
- Application Security Risk
- Product & Process Risk
- ISMS Monitoring & Incident Management
- Information Security Incident Management
- Security Control & Monitoring
- Access & Authorization Management

**Responsibilities:**

- Develop, implement and monitor a strategic, comprehensive enterprise information security and IT risk management program
- Work directly with the business units to facilitate risk assessment and risk management processes
- Develop and enhance an information security management framework
- Understand and interact with related disciplines through committees to ensure the consistent application of policies and standards across all technology projects, systems, and services
- Provide direction for information security initiatives
- Execute bank's information security programme
- Recommend information security measures
- Establish Bank's information security awareness programme
- Establishes the Information Security Framework
- Establishes the Cyber Security Framework
- Recommend information security budgets for approval.
- Ensure compliance with Information security policies and report incidents

- Establish and revise the information security strategy, policy and standards
- Provide leadership to the enterprise's information security organization
- Partner with business stakeholders across the company to raise awareness of risk
- management concerns
- Assist with the overall business technology planning, providing a current knowledge and future vision of technology and systems
- Establishes appropriate standards and controls
- Responsible for establishing and maintaining the enterprise vision, strategy and program to ensure information assets are adequately protected.

**Roles & Responsibilities of Compliance Department**

- Develop, implement, and maintain the Bank's Anti Money Laundering and Compliance Programs
- Establish operating framework for the identification, management, monitoring and reporting of Compliance risks and issues to the Board and Management.
- Responsible for ensuring that the Bank's operating framework meets internal and regulatory requirements.
- Develop and implement an effective compliance and Money Laundering training programs.
- Develop and implement compliance communication strategy.
- Responsible for the development, review and implementation of Compliance Policies and standards and ensuring consistent application across the Bank.
- Participate in industry bodies to ensure alignment of Compliance methodology and influence national trends in Compliance Risk Management.
- Provide advice/guidance to business units, management, and the Board on all compliance issues.
- Promote a compliance culture throughout Bank.
- Review and evaluate new laws and regulations and keep abreast of all legislative and regulatory developments both locally and globally that might have an impact on the Bank.
- Monitor cases of non-compliance, escalate any issues where non-compliance is not addressed and partner with the responsible unit to ensure timely and conclusive remediation
- Liaise with Risk Management and Internal Audit on risk related issues, non-compliance with internal policies, legislation, rules, and regulations, participate in the development of corrective action plans and track it to closure.
- Provide operational and advisory support in the implementation, management, and evaluation of all compliance concerns
- Develop, implement, and maintain quality plans and procedures that allow the organization respond to industry standards, regulations, statutory laws, and requirements.

**Roles of Internal Audit**

Internal Audit (IA) is an independent appraisal function established within the Bank to examine and evaluate its internal control systems, improve the effectiveness of risk management, control, and governance processes, including controls over financial reporting. The core role of Internal Audit with regards to risk management is to provide objective assurance to the board on the effectiveness of Coronation Merchant Bank's risk management activities to help ensure key business risks are being managed appropriately and that the internal control system is operating effectively.

The Roles and Responsibilities of Internal Audit Department are as follows:

- Examination and evaluation of the adequacy and effectiveness of the internal control systems;
- Review of the application and effectiveness of risk management policies, procedures and risk assessment methodologies;
- Review of the management and financial information systems and the electronic information system.
- Review of the accuracy and reliability of the accounting records and financial reports;
- Review of the means of safeguarding assets;
- Review of the systems established to ensure compliance with legal and regulatory requirements, codes of conduct and the implementation of policies and procedures.

# Sustainable Banking Report 2020

**Overview**

Today across the world, one of the greatest challenges is environment management and reduction of damages to the natural resources and the ozone layer. In a bid to secure the environment and social well-being of the economy amongst other objectives whilst carrying out its fiduciary function, Coronation Merchant Bank sees sustainable banking as an important part of its processes. The Bank appreciates the need to ensure that its lending and investment decisions meet the tripod objectives of environmental responsibility, economic viability and social relevance. To this end, it will adopt fully the principles and guidelines as released by the CBN and some international principles and practices to demonstrate its status as an institution with a vision of playing in the international banking space.

Our Sustainability framework comprises Performance Standards on Environmental and Social Sustainability. It is a hybrid of the principle and guideline of the Apex bank on the local front and a combination of the International Finance Corporation (IFC) and the equator principles on the international front.

**Coronation Merchant Bank's Commitment to Sustainable Banking**

The Bank uses its Sustainability Framework along with other strategies, policies, and initiatives to direct its business activities to achieve its overall objectives with the participation of all staff. The following support the bank's commitment to Sustainability:

a. Provision of loans and credit facilities to projects only where the borrower can comply with our respective social and environmental policies and procedures that implement the Equator Principles.

b. Promote work life practices that conform with its human right polices

c. Render advisory services only to socially responsible businesses that reflect sound environmental management practice. By doing so, negative impacts on project-affected ecosystems and communities would be avoided

d. Contribute its quota regularly through Corporate Social Responsibility (CSR) and Sustainability in its strategy by:

- Pledging to 'Do No Harm': The Bank shall commit to preventing and minimizing the environmentally and/or socially detrimental impacts of our portfolios and operations.

- Commitment to Accountability: Coronation Merchant Bank shall be accountable to its stakeholders, particularly those that are affected by the activities and side effects of companies we finance.

**Applicable E & S Standards**

Coronation Merchant Bank is committed to complying with national E&S laws and regulations and aims to be consistent with international standards and best practices for E&S risk management. These include:

(a) Nigerian Sustainable Banking Principles (NSBPs);
(b) National environmental, health & safety, and labour laws and regulations;
(c) United Nations Declaration of Human Rights;
(d) ILO Core Labour Conventions; and
(e) IFC Performance Standards (IFC PS) and relevant World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines) for all applicable Category A transactions.

These standards and commitments guide the bank to pursue best practices in environmental and social management in the following areas:

- **Environmental and Social Risk Management Governance (ESG):**

  The bank has a clearly defined structure to ensure effective implementation of its Environmental and Social Risk Management policy. This structure involves personnel across all segments of the bank's business. Account officers ensure proper communication of the bank's commitment to sustainable practices and encourage the bank's clients to improve their Environmental and Social policies.

1. Environmental and Social Due Diligence: The client is responsible for the management of environmental and social risks impact in a manner consistent with the performance standards. However, the Bank also seeks to ensure thorough due diligence, monitoring and supervision efforts that the business activities being financed is in accordance with the requirements of performance standards. The outcome of the Bank's environmental and social due diligence of a proposed business activity is an important factor in its approval process and determines the scope of the environmental and social conditions of the Bank's financing. The environmental and social due diligence is carried out on all customers while extended diligence are conducted on Category A counterparties.

2. Environmental and Social Risk Screening: The Bank screens

all credit facilities/investment against its exclusion list. Coronation Merchant Bank also reviews each proposed advisory activity for environmental and social risk. Should the review result in the identification of environmental and/or social risks, the advice provided to clients shall be consistent with the Performance Standards as a framework of Good International Industry Practice (GIIP) in environmental and social risk management. Through its practices, the Bank recognizes that it can work with advisory clients to achieve positive improvements in environmental and social performance, and help clients move towards greater consistency with the Performance Standards, even if they are not able to meet their full intent during the life of the advisory activity.

To further demonstrate its commitment to the above list, the Bank has developed an exclusion- list that outlines activities it will not support through the provision of financial products and/or services. The activities excluded are:

- Production or activities involving forced labour or child labour;
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- Production or trade in: weapons and ammunitions; illicit or hard liquor
- To support act/acts of terrorism
- To purchase illegal fire arms
- To support illegal military activity
- Gambling, casinos and equivalent enterprises;
- To support production and distribution of illicit drugs
- Any business relating to pornography or prostitution;
- Trade in wildlife or wildlife products regulated under CITES;
- Racist or anti-democratic media
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs;
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production, use of or trade in pharmaceuticals, pesticides/ herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- Significant conversion or degradation of Critical Habitat; Production and distribution of racist and anti-democratic media;
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where Coronation Merchant Bank considers the radioactive source to be trivial and/or adequately shielded.
- Significant alteration, damage, or removal of any critical cultural heritage; or
- Relocation of Indigenous Peoples from traditional or customary lands.

Environmental and Social Risk Categorization: All clients and lending/investment transactions in inherently high E&S risk sector activities will require some level of further E&S due diligence and assessment.

- **CLIENT E&S RISK RATINGS:** The Bank adopts a Client Risk Assessment procedure to assign a Client E&S Risk Rating. This aims to assess the Client's Commitment, Capacity and Track Record for E&S risks and assign a High, Medium or Low client risk rating.

- **TRANSACTION E&S RISK CATEGORISATION:** The Bank adopts the E&S risk categorization of the IFC: Category A (High), Category B (Medium) and Category C (Low). The categories determine the further E&S assessment required.

In Coronation Merchant Bank, Environmental and Social Risks are categorized in line with the IFC, Equator Principle and NSBP recommendations as shown below:

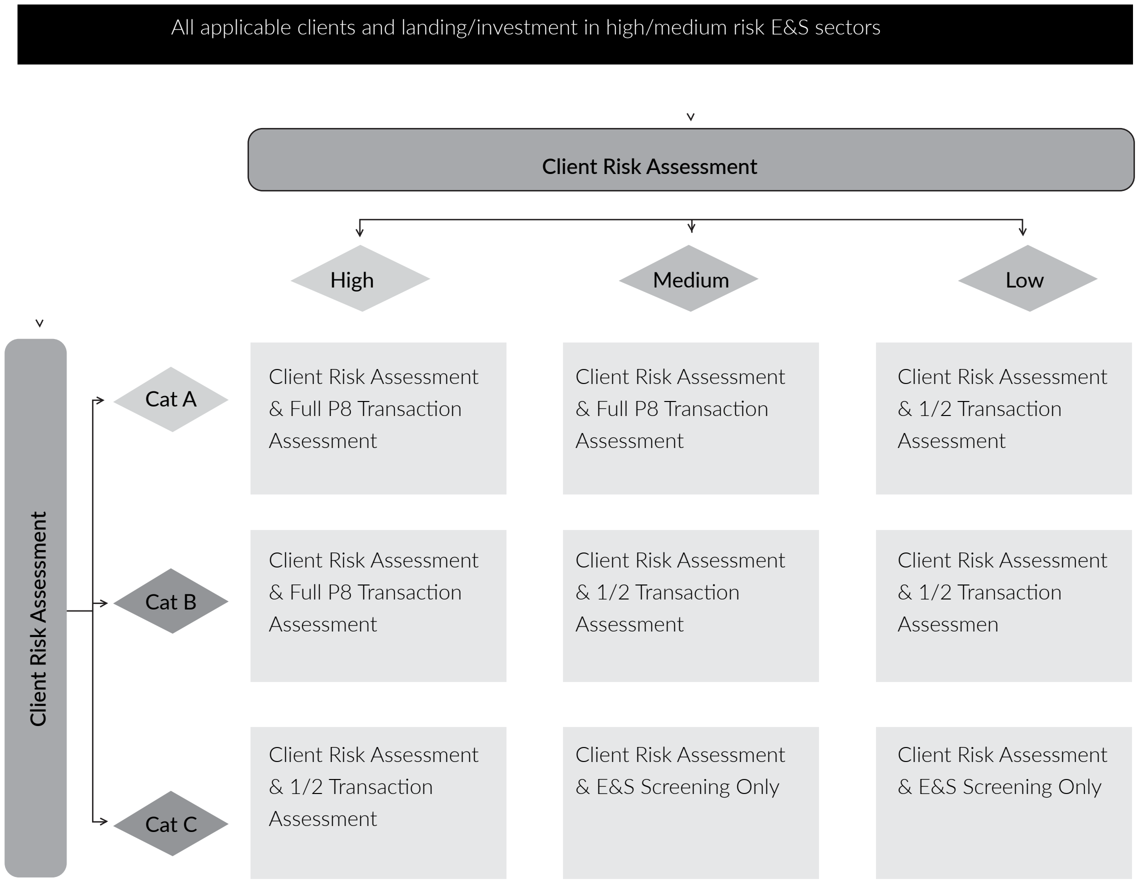
| RISK RATINGS | DEFINITION | INTERPRETATION | E & S TREATMENT |
|---|---|---|---|
| A | HIGH RISK | Major or Irreversible E & S Impact | Detailed |
| B | MEDIUM/ MODERATE RISK | Material but reversible E & S Impact | Moderate |
| C | LOW RISK | Minor and reversible E & S Impact | Light |

| PRODUCTS CATEGORIZATION (LOANS & ADVANCES) | E & S RISK RATING |
|---|---|
| WORKING CAPITAL FINANCE | B/C |
| IMPORT/ TRADE FINANCE | B/C |
| AGRIC FINANCE | B/C |
| PROJECT AND REAL ESTATE FINANCE | A/B |
| OBJECT FINANCE | A/B |
| SPECIALIZED LENDING | A/B |
| OTHERS | A/B/C |

| INVESTMENT PRODUCTS | RISK RATING |
|---|---|
| CAPITAL MARKET SERVICES | B/C |
| FINANCIAL ADVISORY (M & A) | B/C |
| PRODUCT & STRUCTURED FINANCE | B/C |
| OTHER TREASURY INVESTMENT PRODUCTS | B/C |

The combination of Client E&S risk and Lending/Transaction E&S risk drive the E&S due diligence requirements.

The following schematic shows the relationship between Client and Transaction E&S risk and how the E&S due diligence requirements are tailored to the overall risk profile.




**Category A**

All Category A transactions irrespective of client risk outcomes require further E&S due diligence consistent with the IFC Performance Standards. All Category A transactions are reviewed by a third-party consultant independent to the bank and the client.

E&S due diligence for Category A transactions involve the following:
- Review of independent consultant reports and recommendations;
- Review of the project's Action Plan and E&S Management System;
- Engagement with the client and stakeholders as deemed appropriate and necessary;
- Review of the client's commitment, capacity and track record to manage potential and expected E&S issues in the project
- Site visit and the completion of Coronation Merchant Bank's Site

**Visit Checklist.**

All Category A transactions are escalated to the E&S Officer for E&S due diligence.

**Special Considerations**

In cases where the business activity to be financed is likely to generate potential significant adverse impacts on communities (i.e., Affected Communities) or is likely to generate potential adverse impacts on Indigenous Peoples, the Bank expects clients to engage in a process of Informed Consultation and Participation (ICP). In such cases, through its own investigation, the Bank shall determine whether the client's community engagement is one that involves ICP and enables the participation of the Affected Communities, leading to Broad Community Support for the business activity by Affected Communities. Broad Community Support is a collection of expressions by Affected Communities, through individuals or their recognized representatives, in support of the proposed business activity. After the Board approval of this type of business activity, Coronation Merchant Bank shall continue to monitor the client's community engagement process as part of its portfolio supervision.

In addition, where a proposed business activity triggers the Performance Standard 7's requirement of Free, Prior, and Informed Consent of Indigenous Peoples, the Bank shall undertake an in-depth review of the process conducted by the client as part of its E&S due diligence.

**Category B**

All Category B Lending/Investment transactions in High or Medium risk sectors, irrespective of client risk rating, require additional E&S due diligence to ensure the project is managed in a manner consistent with Performance Standard 1 and 2. Additional Performance Standards can be considered if a relevant E&S risk issue has been identified. Where deemed appropriate and necessary by Coronation Merchant Bank, such

Lending/Investment transactions may, on a case by case basis, require review by a third-party consultant independent to the bank and the client. For all Category B, E&S due diligence by Coronation Merchant Bank involves the following:

- Review of specific E&S Action Plan and E&S Management System;
- Client engagement to further assess commitment and capacity to manage potential E&S issues;
- Site visit and the completion of a Site Visit Checklist if deemed appropriate and necessary for High and Medium risk Clients;
- Review of independent consultant reports if appropriate;
- Review of the client's commitment, capacity and track record to manage potential and expected E&S issues;
- Stakeholder engagement where necessary and appropriate.

**Category C**

Category C transactions for Low Risk Clients in Medium or High-Risk Sectors: Lending/Investment transactions with a Category C rating combined with a Low client risk rating are deemed to be low risk with minimal or reversible impacts and are forwarded to the E&S Officer to confirm the assessment and resolve any E&S issues if necessary and proceed through the remainder of the credit risk process.

Category C transactions for Medium or High-Risk Clients in Medium or High-Risk Sectors: Lending/Investment transactions with a Category C combined with a Medium or High client risk rating need to undergo further E&S due diligence to assess the client's management of potential E&S issues. E&S due diligence may involve client engagement and stakeholder engagement where appropriate and necessary. Further E&S due diligence is carried out as necessary and escalated to the E&S Officer if required.

**3. Environmental & Social Risk Monitoring and Review Process**

The Bank on an ongoing basis monitor its portfolio of risk assets and investments under the auspices of financial performance and environmental and social risk considerations. This monitoring is achieved at an individual level for Category A and on a portfolio level for category B and C. Monitoring of performance standards through the following:

- At origination, the E&S categorization is obtained and the assessment and disclosure form is completed
- Project inspection and audit
- Independent review with the various stakeholders and invitation of experts where necessary
- Counterparties also receive correspondences on the action steps agreed and the progress made on the steps agreed.
- Institute a supervision program for the facilities and the investments activities the Bank is involved in. This is to be done in line with the incorporation of sustainability banking into the credit and investment process.
- Implement an Annual Monitoring Report and updates on the Environmental and Social Action Plan (excluding category) against the environmental and social conditions for investment/facility approval and the client's commitments. Where relevant, identify and review opportunities for further improving client performance on the sustainability front.
- If the client fails to comply with its environmental and social commitments, as expressed in the environmental and social conditions for investment/facility approval, Coronation Merchant Bank shall work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, the Bank will exercise remedies as appropriate.
- The Bank also monitors progress of sustainable banking implementation against assessment and disclosure on the part of the customer and against Coronation Merchant Bank measurement metrics on the part of the Bank.

- **Human Rights:**

The Bank recognizes its responsibility to humans within and outside of the institution and shall continuously seek to uphold and respect human rights as well as comply with national and internationally recognized human rights and labor standards and conventions in the conduct of its business operations.

The following actions underpin the achievement of its human rights responsibility:

- Development and Implementation of an effective Human Rights Policy
- Development and implementation of an effective mechanism for handling grievances and disputes
- Awareness communique to staff on the availability and applicability of these policies
- Integration of Human Rights due diligence into E&S Procedures
- Investment in resources, and training of staff on Human Rights issues:

This responsibility is to help the Bank avoid infringing on the human rights of others and to address adverse human rights impacts business may cause. Meeting this responsibility also means creating access to an effective grievance mechanism that can facilitate early indication of, and prompt remediation of various project-related and/or work-related grievances.

- **Capacity Building:**

Coronation Merchant Bank ensures that its members of staff are adequately educated about the bank's policy on social and environmental management. To this end, the bank conducts bank wide awareness and training on a regular basis. Also, the bank participates actively in the quarterly Sustainability Champions meetings organized by the Central Bank of Nigeria where capacity is developed to address the Environmental and Social risks faced by individual banks and the banking sector as a whole. Coronation Merchant Bank is also an active member of the NSBP Steering Committee, serving as a host to some of their meetings.

- **Women Economic Empowerment & Gender Equality Consideration:**

At Coronation Merchant Bank, there's a firm believe that women play a crucial role in achieving sound economic growth and poverty reduction. The Bank also recognizes that women are effective and efficient managers of resource. They are an essential part of private sector development thus the Bank expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts.

Generally, women are often prevented from realizing their economic potential because of gender inequity and it is in the light of this, that the Bank is open to creating opportunities for women through programs/activities against gender inequality. The Bank leads by example in this regard by setting its sustainability women empowerment matrix to peg the ratio of women to total work force at 35% while same ratio for senior management was pegged at 40%. The Bank does not discriminate against women and shall assess customers to ensure they don't.

At Coronation Merchant Bank, a fully operational gender inclusive workplace culture is practiced across its business Operations. The bank promotes women's economic empowerment by providing an enabling environment for women to work, thrive and grow in their careers. The bank strives to ensure that women are favorably represented at all levels of the bank's structure, from the board, to the management team and the whole workforce. The bank has a gender diversity policy which ensures all employees are treated fairly and equally regardless of their gender, sexual orientation, family status, race, color, nationality, ethnic or national origin, religious belief, age or physical challenge.

- **Information Disclosure:**

Coronation Merchant Bank practices disclosure of its environmental and social activities, and the efforts being made to improve the risk management policies regarding these issues. The bank is committed to regular review of its activities and reporting the progress made to achieving the principles of sustainable banking in Nigeria. Currently, the bank does routine reviews of business activities and prepares a bi-annually report to the Central Bank of Nigeria which shows the current with regards to environmental and social footprints. The Bank is also a member of the Nigeria Sustainable Banking Steering Committee that is charged with coordination and sharing of sustainable banking related information in the Nigeria Baking sector.

At the end of every financial year, the sustainability banking report forms part of the Bank's annual financial reports. This recognizes the importance of disclosure of information, both for itself and its clients, as a means of managing environmental, social, and governance risks. The Bank regularly reviews and reports its progress in meeting the principles of disclosure at the individual, institution, and sector level.

- **Clients Collaboration**

The Bank shall strive to accomplish the overall goal of sustainability banking by collaborating with clients who identify and manage E&S risks and who pursue E&S opportunities and outcomes in their business activities with a view to continually improving their sustainability performance. Coronation Merchant Bank recognizes the relationship between a strong culture of sustainability performance, culture, and programs to promote same.

The Bank already has an existing relationship with the Nigerian Sustainable Banking Principle steering committee leveraging on the experience of its members to drive the project in house.

In line with international best practices, the Bank shall jointly undertake with its clients being financed, measures to implement acceptable performance standard about E&S issues.
The drive for sustainability, environmental and social issues however starts with internal collaboration. To this end, Bank's management and Board of Directors play important roles in driving risk management and sustainable growth. This approach will help improve the financial, social, and environmental sustainability of investments, and enhances the public trust in its operations.

**Our Sustainability Journey in 2020**

The COvid-19 pandemic was the highlight of the year in 2020. This disrupted many services and operations, limiting the scope of sustainability initiatives that the Bank had planned to implement. Nonetheless, the Bank was able to achieve the following:

**Waste Management Initiative**

The initiative was designed to manage the Bank's Environmental & Social footprint ad ensure proper and safe disposal of waste generated at the premises. To achieve this objective, the Bank engaged the services of a professional waste management company for recycling its waste products.

The initiative commenced with training and awareness sessions with staff member and janitors alike, on the process of waste separation into the compartmentalized bins. Recyclable wastes are thereafter collected by the waste management partner and taken to their recycling plants for processing.

So far, the volume of solid waste in the Bank has reduced significantly since the commencement of the initiative.

In line with the bank's Whistle Blowing Policy, Coronation Merchant Bank expects all its employees, Directors and stakeholders to observe the highest level of integrity and probity in their daily dealings with the Bank and all its stakeholders. The policy provides a clear framework and guidance for reporting suspected breaches of laws and regulations and the Bank's internal policies. KPMG Professional Services has been contracted by the Bank to provide consulting assistance in the implementation of the policy. The policy provides that suspected wrongdoing by an employee, vendor, supplier or consultant may be reported through KPMG's Ethics reporting channels provided below.

**Telephone**
KPMG lines:

- Etisalat: 0809 993 6366
- Globacom: 0705 889 0140
- MTN: 0703 0000 026 | 0703 0000 027
- Airtel: 0808 8228 888 | 0708 0601 222

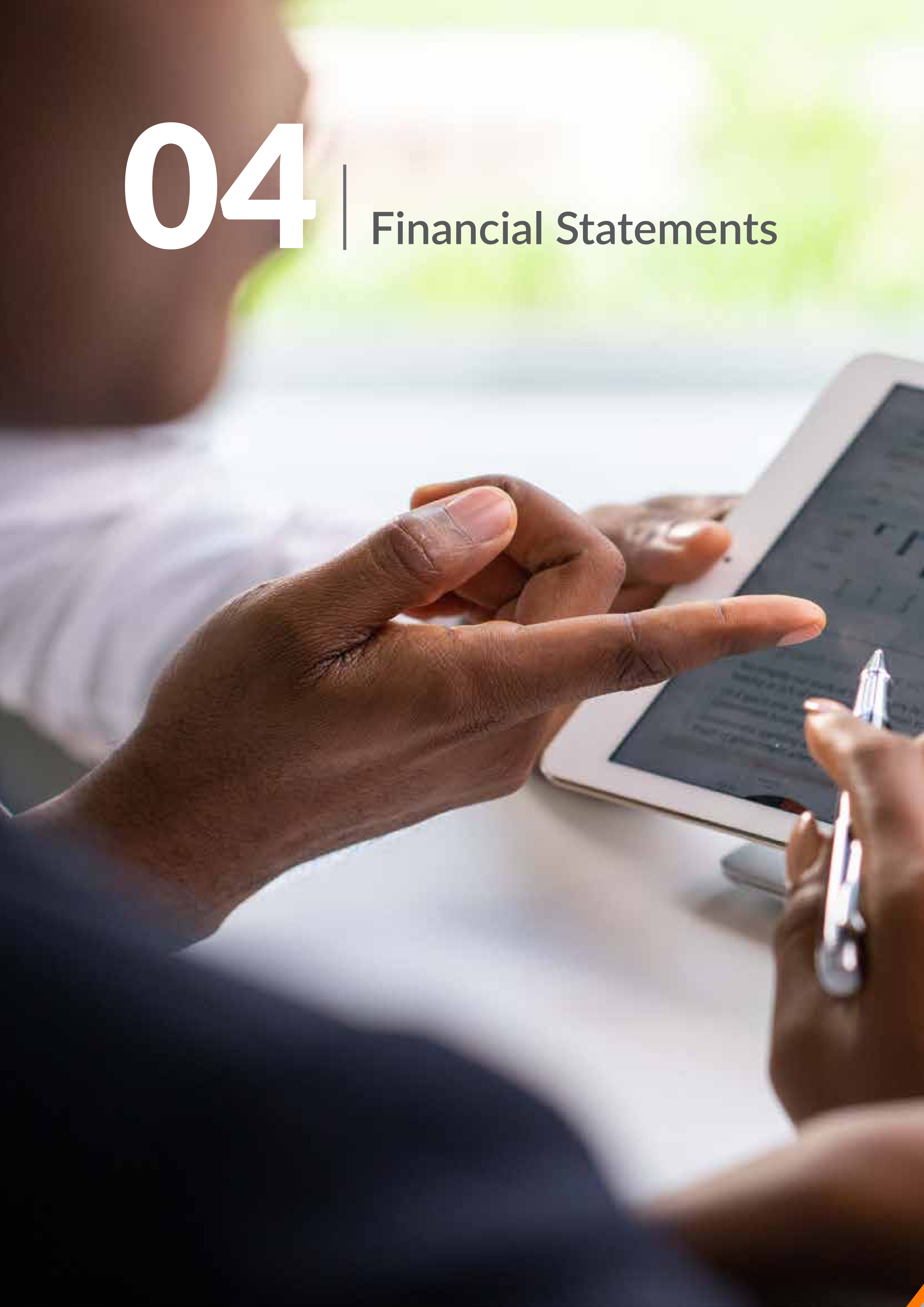
**KPMG E-Mail**
kpmgethicsline@ng.kpmg.com

**KPMG Web-link**
https://apps.ng.kpmg.com/ethics

The Bank's Chief Audit Executive has the responsibility for monitoring and reporting on whistle-blowing issues. Quarterly reports are also rendered to the Board Audit Committee.
Individuals interested in whistleblowing may also do so to the CBN via:

**Ethics & Anti-Corruption Helpline**
+234 9 462 39246
+234 9 462 36000
ethicsoffice@cbn.gov.ng
anticorruptionunit@cbn.gov.ng

# 04 | Financial Statements



CORONATION

Report of the Independent Auditor
Financial Statements
Notes to the Financial Statements
Other National Disclosures

# *Independent auditor's report*

To the Members of Coronation Merchant Bank Limited

## *Report on the audit of the financial statements*

### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Coronation Merchant Bank Limited ("the bank") as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

**What we have audited**

Coronation Merchant Bank Limited's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2020;
- the statement of financial position as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### *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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

pwc

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 | How our audit addressed the key audit matter |
|---|---|
| *Impairment allowance on loans and advances to customers – N233 million (refer to notes 3.9, 4.1 and 25)*<br><br>We focused on this area because management exercises significant judgement, using subjective assumptions when determining both the timing and the amounts to recognise as impairment on financial assets. Due to the significance of judgement used in estimating the impairment amounts, this is considered a key audit matter.<br><br>The IFRS 9 'Financial Instruments' standard uses a forward-looking expected credit loss (ECL) model which requires significant judgement in measuring ECL. The key areas of judgment are as follows:<br><br>• the definition of default and credit impaired financial assets focusing on both the qualitative and quantitative criteria used by the Bank;<br>• the identification of exposures with a significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank;<br>• the incorporation of macro-economic inputs and forward-looking information into the ECL model and the probability weightings assigned to multiple macroeconomic scenarios;<br>• estimating the Loss Given Default (LGD) by using collateral values, determining an appropriate cost of recovery and discount rates used in deriving the present value of the collateral; and<br>• estimating the credit equivalent of loan commitments and the behavioural lifetime of revolving facilities used in determining | We performed the following procedures in response to the key audit matter identified:<br><br>• checked that the bank applied a default definition that is consistent with IFRS 9 qualitative default criteria;<br>• evaluated the reasonableness of the bank's definition of significant increase in credit risk;<br>• applied a risk-based target testing approach in selecting a sample of credit facilities for detailed reviews of related customer files and account statements to determine whether they were in default per management's definition;<br>• assessed the reasonableness of the quantitative and qualitative thresholds set by management for Stage 2 and 3 classifications in line with the recommendations of the International Financial Reporting Standards and our knowledge of the industry;<br>• using our internal credit modelling experts<br>- we tested reasonableness of the methodology used in determining the probability of default;<br>- we checked the reasonableness of forward looking information incorporated into the impairment calculations and challenged the multiple economic scenarios chosen as well as their probability weights;<br>- we assessed the reasonableness of the cost of recovery.<br>• evaluated the reasonableness of the Loss Given Default by checking collateral values to valuation reports along with discount rates;<br>• assessed the reasonableness of the credit conversion factor used in determining the exposure at default of loan commitments; |

the lifetime exposure at default (EAD).

- Checked that data was completely and accurately transferred from the source systems to automated ECL model application.

We reviewed the IFRS 9 disclosures for reasonableness.

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*Recoverability of deferred tax assets – N5.22 billion (refer to notes 3.7b, 4.5 and 31)*

We focused on this area because of the significance of the deferred tax asset balance and the judgment applied by management in determining the recoverability of deferred tax assets.

The recoverability of deferred tax assets is mainly dependent on the bank's ability to generate sufficient future taxable profits to utilise tax losses. Therefore, management has made estimates based on assumptions of expected growth rates of revenue streams that would generate future taxable income for the bank.

- We adopted a substantive approach to the audit of this balance.
- We obtained the cash flow projection and forecast taxable profits used to support management's recognition of deferred tax assets.
- We challenged the cash flow projection and deferred tax utilisation computations.

Specifically:

- we compared the base numbers of the projections used in estimation of the recoverability of the deferred tax assets to the actual numbers and records of the base period.
- we challenged the reasonableness of projections of future taxable profits by testing key assumptions used such as growth rates of income and expenses;
- we checked qualitative assumptions relating to future economic conditions and tax laws for reasonableness; and

We reviewed the disclosures for compliance with relevant standards

## *Other information*

The directors are responsible for the other information. The other information comprises Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Board Audit Committee, Report on Customers' Complaints and Feedback, Enterprise Risk Management Report, Sustainability Banking Report, Whistle-Blowing Policy, Value Added Statement and Five-Year Financial Summary (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Coronation Merchant Bank Limited 2020 Annual Report, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other sections of the Coronation Merchant Bank Limited 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## *Responsibilities of the directors and those charged with governance for the financial statements*

The directors are responsible for the preparation of the 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, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 bank or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

## *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 bank'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 related to events or conditions that may cast significant doubt on the 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 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 bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 public interest benefits of such communication.

## *Report on other legal and regulatory requirements*

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the bank's statement of financial position and statement of comprehensive income are in agreement with the books of account and returns;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 39d to the financial statements; and

v) as disclosed in Note 42 to the financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2020

For: **PricewaterhouseCoopers**

22 February 2021

Chartered Accountants
Lagos, Nigeria

Engagement Partner: Chidi Ojechi
FRC/2017/ICAN/00000015955

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

| *In thousands of Naira* | Notes | Dec 2020 | Dec 2019 |
|---|---|---|---|
| **Continuing operations** | | | |
| Interest income at amortised cost | 7a | 14,025,393 | 16,496,901 |
| Interest income at FVTOCI | 7b | 5,249,814 | 7,117,057 |
| Interest income at FVTPL | 7c | 675,315 | 1,479,057 |
| Interest expense | 8 | (15,269,476) | (20,664,692) |
| Net interest income | | 4,681,046 | 4,428,323 |
| Net impairment charge on financial assets | 9 | (228,240) | (90,521) |
| Net interest income after impairment charges | | 4,452,806 | 4,337,802 |
| Fee and commission income | 10 | 1,884,587 | 1,351,031 |
| Net gains on investment securities | 11 | 4,748,985 | 4,011,964 |
| Net foreign exchange income | 12 | 386,249 | 314,810 |
| Other operating income | 13 | 387,183 | 357,995 |
| Personnel expenses | 14 | (1,833,629) | (1,404,905) |
| Other operating expenses | 15 | (4,241,759) | (3,944,813) |
| **Profit before tax** | | **5,784,422** | **5,023,884** |
| Taxation | 16 | (743,758) | (257,172) |
| **Profit for the year from continuing operations** | | **5,040,664** | **4,766,712** |
| **Discontinued operations:** | 17 | - | 331,119 |
| Profit from discontinued operations | | | |
| **Profit for the year** | | **5,040,664** | **5,097,831** |
| Other comprehensive income (OCI) net of income tax : | | | |
| Items that will not be subsequently reclassified to the income statement: | | | |
| - Fair value changes on equity investments during the year | | 2,260,841 | 1,239,893 |
| | | | |
| Items that may be subsequently reclassified to the income statement: | | | |
| - Fair value changes on debt investments during the year | | (92,222) | 175,520 |
| Other comprehensive profit, net of related tax effects | | 2,168,619 | 1,415,413 |
| **Total comprehensive income for the year** | | **7,209,283** | **6,513,243** |
| **Profit for the year attributable to owners of the parent include:** | | | |
| Continuing operations | | 5,040,664 | 4,766,712 |
| Discontinued operations | 17 | - | 331,119 |
| | | **5,040,664** | **5,097,830** |
| | | | |
| **Total comprehensive income for the year attributable to owners of the parent include:** | | | |
| Continuing operations | | 7,209,283 | 6,182,125 |
| Discontinued operations | | - | 331,119 |
| | | **7,209,283** | **6,513,244** |
| **Earnings per share attributable to ordinary shareholders** | | | |
| **-continuing operations** | | | |
| Basic (kobo) | 18 | 100 | 94 |
| **-Discontinued operations** | | | |
| Basic (kobo) | 18 | - | 7 |

The accompanying notes form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

| *In thousands of Naira* | Notes | Bank Dec 2020 | Bank Dec 2019 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with banks | 19 | 12,773,734 | 8,956,378 |
| Due from financial institutions | 20 | 35,806,050 | 57,473,891 |
| Non pledged trading assets | 21 | 10,343,935 | 11,408,065 |
| Derivative financial assets | 22 | 5,500,493 | 2,410,142 |
| Investment securities | 23 | 108,219,301 | 60,307,880 |
| Pledged assets | 24 | 16,104,307 | 16,326,798 |
| Loans and advances to customers | 25 | 122,682,497 | 72,683,949 |
| Other assets | 26 | 87,952,775 | 10,745,065 |
| Right of use assets | 28 | 53,994 | 76,861 |
| Intangible assets | 29 | 1,116,582 | 706,412 |
| Property and equipment | 30 | 6,586,596 | 6,472,233 |
| Deferred tax assets | 31 | 5,216,566 | 5,777,715 |
| | | 412,356,830 | 253,345,389 |
| Asset classified as held for sale | 32 | - | 5,000 |
| **Total assets** | | **412,356,830** | **253,350,389** |
| **Liabilities** | | | |
| Due to financial institutions | 33 | 52,319,291 | 25,978,923 |
| Due to customers | 34 | 195,161,465 | 138,087,891 |
| Non-pledged trading liabilities | 21 | 4,643 | 523,876 |
| Commercial paper liabilities | 35 | 8,887,242 | 12,610,440 |
| Surbodinated liabilities | 35 | 24,806,884 | - |
| Derivative financial liabilities | 22 | 5,429,271 | 2,420,349 |
| Current tax liabilities | 16 | 166,568 | 280,971 |
| Other liabilities | 36 | 85,303,814 | 38,712,890 |
| Deferred tax liabilities | 31 | 166,220 | 166,220 |
| **Total liabilities** | | **372,245,398** | **218,781,560** |
| **Equity** | | | |
| Share capital | 37 | 5,050,546 | 5,050,546 |
| Share premium | 37 | 3,655,348 | 3,655,348 |
| Statutory reserve | 37 | 8,364,841 | 7,608,741 |
| Fair value reserve | 37 | 3,051,029 | 870,146 |
| Regulatory risk reserve | 37 | 3,577,093 | 2,460,504 |
| Retained earnings | 37 | 16,412,575 | 14,923,544 |
| **Total equity attributable to owners of the Bank** | | **40,111,432** | **34,568,829** |
| **Total liabilities and equity** | | **412,356,830** | **253,350,389** |

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 17 February 2021 and signed on its behalf by:

**Babatunde Folawiyo**
Chairman
FRC/2015/NBA/00000006371

**Banjo Adegbohungbe**
Managing Director/CEO
FRC/2019/CIBN/00000019814

**Chukwukadibia Okoye**
Chief Financial Officer
FRC/2016/ICAN/00000014293

## STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

**BANK**

| *In thousands of Naira* | Share Capital | Share Premium | Retained Earnings | Statutory Reserves | Regulatory Risk Reserve | Fair value reserve | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2020** | **5,050,546** | **3,655,348** | **14,923,544** | **7,608,741** | **2,460,504** | **870,146** | **34,568,829** |
| Profit for the year | - | - | 5,040,664 | - | - | - | 5,040,664 |
| Other comprehensive income, net of tax | | | | | | | |
| Net changes in allowance on FVOCI financial instruments | - | - | - | - | - | - | - |
| Realized changes in fair value of available for sale Equity | - | - | (12,264) | - | - | 12,264 | - |
| Fair value changes during the year | - | - | - | - | - | 2,168,619 | 2,168,619 |
| **Total comprehensive income** | **-** | **-** | **5,028,400** | **-** | **-** | **2,180,883** | **7,209,283** |
| Final dividend paid to shareholders | - | - | (1,666,680) | - | - | - | (1,666,680) |
| Transfer between reserves | - | - | (1,872,689) | 756,100 | 1,116,589 | - | 0 |
| Non cash distribution to shareholders (Note 17) | - | - | - | - | - | - | - |
| Transactions with equity holders, recorded directly in equity | - | - | (3,539,369) | 756,100 | 1,116,589 | - | (1,666,680) |
| **Balance at 31 December 2020** | **5,050,546** | **3,655,348** | **16,412,575** | **8,364,841** | **3,577,093** | **3,051,029** | **40,111,432** |

| **BANK** | Share Capital | Share Premium | Retained Earnings | Statutory Reserves | Regulatory Risk Reserve | Fair value reserve | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **5,050,546** | **3,655,348** | **14,740,188** | **6,844,066** | **1,403,384** | **(545,267)** | **31,148,265** |
| Profit for the year | - | - | 5,097,830 | - | - | - | 5,097,830 |
| Other comprehensive income, net of tax: | | | | | | | |
| Net changes in allowance on FVOCI financial instruments | | | | | | | |
| Fair value changes during the year | - | - | - | - | - | 1,415,413 | 1,415,413 |
| **Total comprehensive income** | **-** | **-** | **5,097,830** | **-** | **-** | **1,415,413** | **6,513,243** |
| Final dividend paid to shareholders | - | - | (1,666,680) | - | - | - | (1,666,680) |
| Transfer between reserves | - | - | (1,821,795) | 764,675 | 1,057,120 | - | - |
| Non cash distribution to shareholders (Note 17) | - | - | (1,426,000) | - | - | - | (1,426,000) |
| Transactions with equity holders, recorded directly in equity | - | - | (4,914,475) | 764,675 | 1,057,120 | - | (3,092,680) |
| **Balance at 31 December 2019** | **5,050,546** | **3,655,348** | **14,923,544** | **7,608,741** | **2,460,504** | **870,146** | **34,568,828** |

## STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

| *In thousands of Naira* | Notes | Dec 2020 | Dec 2019 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax from continuing operations | | 5,784,422 | 5,023,884 |
| Profit before income tax from discontinued operations | | - | 331,119 |
| | | | |
| Adjustments for non-cash items: | | | |
| Depreciation charge on property and equipment | 30 | 534,173 | 441,832 |
| Depreciation charge on right of use assets | 28 | 26,945 | 15,307 |
| Amortisation of intangible assets | 29 | 164,141 | 158,554 |
| Write off /Transfer of property and equipment | 30 | 110,393 | - |
| Write off/Transfer of intangible assets | | 3,288 | - |
| Loss on sale of amortized cost investment securities | 23 | - | 98,441 |
| Gain on sale of subsidiaries | 17 | - | (331,119) |
| Loss on disposal of property and equipment | 13 | 26,256 | (5,268) |
| Impairment on asset held for sales | | 5,000 | - |
| Net impairment charge on loans and advances | 9 | 174,706 | 29,874 |
| Net impairment charge on placements | 9 | (62,243) | 53,119 |
| Net impairment charge on unquoted equity | | (963) | |
| Net impairment charge on investment securities | 9 | - | 218 |
| Net impairment charge/(writeback) on off balance sheet | 9 | 21,332 | 8,224 |
| Net impairment (writeback)/charge on other asset | 9 | 91,267 | (914) |
| Net interest income | 7, 8 | (4,681,046) | (4,428,323) |
| Dividend earned | 13 | (261,604) | (363,663) |
| | | **1,936,067** | **1,031,285** |
| **Changes in working capital** | | | |
| Financial assets held for trading (with original maturity > 90 days) | | 521,298 | (3,970,253) |
| Due from financial institutions (with original maturity > 90 days) | | (3,092,510) | (7,560,469) |
| Derivative financial instruments | | (81,429) | 25,167 |
| Restricted deposit with CBN | | (63,569,043) | (3,569,924) |
| Loans and advances to customers | | (50,319,715) | (18,167,592) |
| Pledged assets | | 222,491 | (6,158,518) |
| Other assets | | (13,744,052) | 980,427 |
| Due to customers | | 57,257,874 | 11,731,053 |
| Financial liabilities held for trading | | (519,233) | (7,645,618) |
| Deposits from financial institutions | | 26,975,246 | 13,964,543 |
| Other liabilities | | 51,133,714 | 10,659,038 |
| **Cash generated from operations** | | **6,720,708** | **(8,680,861)** |
| | | | |
| Interest received | | 26,678,339 | 28,363,034 |
| Interest paid | | (18,068,521) | (21,371,747) |
| Income taxes paid | 16 | (282,894) | (1,109,057) |
| **Net cashflows (used in) / generated from operating activities** | | **15,047,632** | **(2,798,631)** |

| | Note | | |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Dividend received | | 261,604 | 59,335 |
| Sale of FVTOCI investment securities | | 2,168,618 | 13,559,019 |
| Purchase of FVTOCI investment securities | | (44,167,746) | - |
| Purchase of property plant and equipment | 30 | (811,837) | (1,560,405) |
| Addition to right of use assets | 28 | (4,078) | (43,465) |
| Purchase of intangible assets | 29 | (577,599) | (242,463) |
| Proceeds from disposal of subsidiaries | 17 | - | 1,105,642 |
| Proceed from sale of amortized cost investment securities | 23 | (9,781,235) | 12,236,046 |
| Proceeds from sale of property and equipment | 30 | 26,653 | 35,048 |
| **Net cash generated / (used) in investing activities** | | **(52,885,620)** | **25,148,757** |
| | | | |
| **Cash flows from financing activities** | | | |
| Commercial paper liabilities | 35 | (3,723,198) | (5,442,905) |
| Surbodinated liabilities | | 24,806,884 | - |
| Dividend paid | | (1,666,680) | (1,666,680) |
| | | | |
| **Net cash (used) / generated in financing activities** | | **19,417,006** | **(7,109,585)** |
| | | | |
| **Increase in cash and cash equivalents** | | **(18,420,983)** | **15,240,541** |
| | | | |
| **Analysis of changes in cash and cash equivalents** | | | |
| At start of year | | 53,664,734 | 38,424,193 |
| At end of year | | 35,243,751 | 53,664,734 |
| | | | |
| **Decrease in cash and cash equivalents** | | **(18,420,983)** | **15,240,541** |
| | | | |
| **Cash and cash equivalents comprise:** | | | |
| Balances with banks | 19 | 9,011,453 | 2,877,491 |
| Unrestricted balances with central banks | 19 | 1,088,351 | 820,702 |
| Placement with other financial institutions with maturity of less than 90 days | 20 | 25,143,947 | 49,966,541 |
| | | | |
| | | **35,243,751** | **53,664,734** |

The accompanying notes form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 General information

**Reporting Entity**
These are the financial statements of Coronation Merchant Bank Limited (formerly known as Associated Discount House Limited), a Bank incorporated in Nigeria on 22nd October, 1992 as a discount house. The address of the Bank's registered office is Coronation House, 10 Amodu Ojikutu Street, Victoria Island, Lagos.

The Bank obtained its merchant banking license on 30 April 2015 and commenced operations as a merchant Bank on 1 July 2015.

The principal activities of the Bank as a discount house comprised trading in treasury bills, Federal Government of Nigeria bonds, bankers acceptance and commercial papers. It also provided short-term liquidity management services to financial and non-financial institutions.
The principal activities of the Bank as a Merchant Bank include the provision of finance and credit facilities, dealing in foreign exchange services, acting as issuing house, underwriting services, treasury management services, financial services, consultancy services, advisory services, asset management services and proprietary trading. "

### 2 Statement of compliance with International Financial Reporting Standards
The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by IFRS Interpretations Committee (IFRIC) applicable to entities reporting under IFRS. Additional information required by national regulations is included where appropriate.

### 3 Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 3. 1 Basis of preparation
The financial statements comprise the statement of comprehensive income, the statement of financial position, the statements of changes in equity, the cash flows statement and the notes.

**(a) Functional and presentation currency**
These financial statements are presented in Naira, which is the presentation currency; except where indicated, financial information presented in Naira has been rounded to the nearest thousand.

**(b) Basis of measurement**
These financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- hold to collect and sell financial assets are measured at fair value.
- investment property is measured at fair value.
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation and related current service cost.
- non-current assets held for sale measured at fair value less costs to sell. Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the year in which it arises.
- share based payment at fair value or an approximation of fair value allowed by the relevant standard.

**(c) Use of estimates and judgements**
The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.
Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that

have the most significant effect on the amounts recognised in the financial statements are described in note 4.

### 3.2 Changes in accounting policy and disclosures

**(a) New and amended standards**

The accounting policies adopted are consistent with those of the previous financial period. Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2020 that are relevant to the Bank.

None of these standards was early adopted in the prior year by the Bank as early adoption is not permitted by the Financial Reporting Council of Nigeria (FRCN).

The following standards and interpretations are effective for the financial year beginning on or after 1 January 2020 which has been considered by the Bank in the preparation of its financial statements

- Amendment to IFRS 3 Business Combination
- Amendment to IAS 1 Presentation of Financial Statements and IAS 8
- Amendments to the Conceptual Framework
- IFRS 9 Financial Instruments (amendment)

**Amendment to IFRS 3 Business Combination**

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). In October 2018, after the post implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centres majorly on the definition of a Business.
They include:

- That to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permitted a simplified assessment of whether an acquired set of activities and assets is not a business.

The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries. Application of the changes would also affect the accounting for disposal transactions.

Differences in accounting between business combinations and asset acquisitions include, among other things, the recognition of goodwill, recognition and measurement of contingent consideration, accounting for transaction costs, and deferred tax accounting.

This amendment is effective 1 January 2020 and does not have any impact on the Bank.

- **Amendment to IAS 1 and IAS 8 - Definition of material**

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material' is quoted below:
"An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity"
The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting years beginning on or after 1st January 2020. The Bank has taken into consideration the new definition in the preparation of its annual account."

- **Amendments to the Conceptual Framework**
  "The IASB has revised its Conceptual Framework. This will not result in any immediate change to IFRS, but the Board and Interpretations Committee will use the revised Framework in setting future standards. It is therefore helpful for stakeholders to understand the concepts in the Framework and the potential ways in which they might impact future guidance.

  Key changes include:

  Increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions.
  Reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality.
  Defining a reporting entity, which might be a legal entity or a portion of a legal entity.
  Revising the definition of an asset as a present economic resource controlled by the entity as a result of past events.
  Revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
  Removing the probability threshold for recognition, and adding guidance on derecognition.
  Adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis.

  Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced."

  The Bank has taken into consideration the new amendment in the preparation of its annual account.

- **Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Intruments: Disclosures - Interest Rate Benchmark Reform.**

  Following the financial crisis, the replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. Many uncertainties remain but the roadmap to replacement is becoming clearer. Given the pervasive nature of IBOR-based contracts among both financial institutions and corporates, there are significant potential impacts of these changes on financial reporting under IFRS."

  The IASB has a two-phase project it considered what, if any, reliefs to give from the effects of IBOR reform. Phase 1, which considers reliefs to hedge accounting in the period before the reform, has led to these amendments.

  Phase 2 of the IASB's project addresses issues that arise once the existing interest rate is replaced with an alternative interest rate.

  The Bank has considered the amendment and concluded that the prescribed approach does not have a material impact on the Bank.

**(b) New and amended standards issued but not effective**

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020:

- Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current

- IFRS 17 Insurance Contracts

The other new standards do not have material impact on the Bank
The Bank has not applied these new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates.

**Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current**

"On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months

at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.
- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

**Impact**

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required"

**IFRS 17 - Insurance Contracts**
IFRS 17 was issued in May 2017 and applies to annual reporting years beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts.

The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023

This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard does not impact the Bank in anyway.

## 3.3 Basis of consolidation

**(a) Subsidiaries**

Subsidiaries are all entities (including special purpose entities and other structured entities) over which the investor exercises control. Control is achieved when the investor can demonstrate it has:

[i] power over the investee;
[ii] exposure, or rights, to variable returns from its involvement with the investee; and
[iii] the ability to use its power over the investee to affect the amount of the investor's returns.

The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights are considered when assessing whether the investor controls another entity.

The investor assesses existence of control where it does not have more than 50% of the voting power i.e. when it holds less than a majority of the voting rights of an investee. An investor considers all relevant facts and circumstances in assessing whether or not it's voting rights are sufficient to give it power, including:

[i] a contractual arrangement between the investor and other vote holders
[ii] rights arising from other contractual arrangements
[iii] the investor's voting rights (including voting patterns at previous shareholders' meetings)
[iv] potential voting rights

Subsidiaries are fully consolidated from the date on which control is transferred to the investor. They are de-consolidated from the date that control ceases.
Subsidiaries are measured at cost less impairment in the separate financial statement.

**(b) Business combinations**

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 acquirer. 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 acquirer takes into consideration potential voting rights.

An acquirer 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 pre-existing equity interest in the acquiree; 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 statement of comprehensive income, after a re-assessment to ensure correctness.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the acquirer 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 the income statement.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services , then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

**(c) Acquisitions from entities under common control**

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the acquirer are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. Increases in the acquirer's interest in a subsidiary, when the acquirer already has control, are accounted for as transactions with equity holders. The difference between the purchase consideration and the acquirer's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

**(d) Loss of control**

Upon the loss of control, the acquirer derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the acquirer retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the acquirer's accounting policy for financial instruments.

**(e) Disposal of subsidiaries**

When the acquirer ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the acquirer had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.
The gain/loss arising from disposal of subsidiaries is included in the profit/loss of discontinued operations in the statement of comprehensive income.

**(f) Changes in ownership interests in subsidiaries without loss of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(g) Transactions eliminated on consolidation**
Inter-company transactions, balances, income and expenses on transactions between acquired companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

## 3.4 Foreign currency translation

**(a) Functional and presentation currency**
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Naira, which is the Bank's presentation currency.

**(b) Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

## 3.5 Operating income

**(a) Interest income and expense**
Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter year) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

The calculation of the effective interest rate includes contractual fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.
Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on fair value through other comprehensive securities calculated on an effective interest basis.
- interest on fair value through profit or loss securities calculated on an effective interest basis.

**(b) 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 (over time). 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 year (over-time).

**(c) Net gains/losses on investment securities**
Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes.

**(d) Foreign exchange income**
Foreign exchange income include the following:
- foreign exchange trading gains,
- unrealised foreign exchange gains on revaluation,
- gains and losses on changes in fair value of derivatives instruments.

**(e) Dividends**
Dividend income is recognised when the right to receive payment is established. Dividends are reflected as a component of other operating income.

## 3.6 Leases - IFRS 16

**(a) Single lessee accounting model**
All leases are accounted for by recognising a right-of-use asset and a lease liability except for: leases of low value assets and leases with a duration of twelve months or less. All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.

**(b) Lease liabilities**
Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Bank) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

* Amounts expected to be payable under any residual value guarantee;
* The exercise price of any purchase option granted in favour of the Bank, should it be reasonably certain that this option will be exercised;
* Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The incremental borrowing rate applied on lease liabilities represents the average prime lending rate.

**(c) Right-of-use assets**
Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

* lease payments made at or before commencement of the lease;
* initial direct costs incurred; and
* the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

The Bank applies the cost model subsequent to the initial measurement of the right-of-use assets.

**(d) Interest expense on lease liabilities**
Interest expense on lease liabilities, determined with reference to the interest rate implicit in the lease or the Bank's incremental borrowing rate, is recognised within interest expense over the lease period.

**(e) Depreciation on right-of-use assets**
Subsequent to initial measurement, the right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Bank at the end of the lease term. This depreciation is recognised as part of operating expenses.

**(f) Separation of lease and non-lease components**
Contracts may contain both lease and non-lease components. The Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

**(g) Extension and Termination of leases**
"When the Bank terminates or cancels a lease, the right-of-use asset and lease liability are derecognised. On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss

together with termination or cancelation costs in profit or loss. Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

Extension and termination options are included in the Bank's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. Most of the extension options are subject to mutual agreement by the Bank and some of the termination options held are exercisable only by the Bank. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated)."

**(h) Reassessment of lease terms and lease modifications that are not accounted for as a separate lease**
When the Bank reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss.

**(i) Leases - IAS 17**
Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

**Operating lease**
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to operating expenses in the income statement on a straight-line basis over the year of the lease.

**Finance lease**
Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or Due to customers depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease year so as to produce a constant yearic rate of interest on the remaining balance of the liability for each year. The investment properties acquired under finance leases are measured subsequently at their fair value.

**Lease payments under IAS 17**
Payments made under operating leases are recognised in the income statement 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 year during the lease term so as to produce a constant yearic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## 3.7 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

**(a) Current tax**
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the Nigeria where the Bank and its subsidiaries operate and generate taxable income. Management yearically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) Deferred tax**
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 3.8 Financial assets and liabilities

**Recognition**
"Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.
Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the Bank receives value for purchase or sales of assets. "

**Classification**
"The Bank classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.
For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).
The Bank reclassifies debt investments when and only when its business model for managing those assets changes."

**Measurement**
"At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest."

**Debt instruments**
Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Bank classifies its debt instruments:

The Bank only measures cash and balances with banks, loans and advances to banks and customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding."

● Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in Net gains on investment securities.

● FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment expenses are presented as separate line item in net impairment charge on financial assets.

● FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within net gains/(loss) on investment securities in the year in which it arises.

**Equity instruments**

The Bank initially measured all equity investments at fair value through profit or loss. Where the Bank's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in net gains/(loss) on investment securities in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value."

**Business model assessment**

The Bank determines its business model at the level that best reflects how it manages Bank's of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward."

**The SPPI test**

As a second step of its classification process, the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/dis count).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the year for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL."

**Financial Liabilities**
Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. Interest expense is included in 'Interest expense' in the Statement of comprehensive income.

**(h) Cash and balances with banks**
Cash and balances with banks include cash on hand, balances held with central bank 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.

In the statement of cash flows, cash and cash equivalents includes cash in hand, unrestricted balances with foreign and central bank, money market placements and other short-term highly liquid investments with original maturities of three months or less.

**(i) Pledged assets**
Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets held for trading or 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.
Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either held for trading, Fair value through other comprehensive income or Amortized cost. Where the assets pledged as collateral are held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral classified as fair value through other comprehensive income are measured at fair-value through equity. Assets pledged as collateral classified as amortized cost are measured at amortized cost."

**(j) Derivative financial instruments**
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for swaps and currency transactions), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
Where applicable, the Bank mitigates the credit risk of derivatives by holding collateral in the form of cash."

**(k) Reclassification of financial assets**
The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Bank changes its business model for managing a financial assets, the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.
The following are not changes in business model;

a. change in intention related to particular financial assets (even in circumstances of significant changes in market conditions).
b. the temporary disappearance of a particular market for financial assets.
c. a transfer of financial assets between parts of the entity with different business models."

**Reclassification date**
All reclassifications are applied prospectively from the reclassification date.
When the Bank reclassifies a financial asset between the amortised cost measurement category and the fair value through other comprehensive income measurement category, the recognition of interest income is not changed and it continues to use the same effective interest rate.
However, when the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category, the effective interest rate is determined on the basis of the fair value of the asset at the reclassification date.

**Derecognition of financial assets and liabilities**
Derecognition due to substantial modification of terms and conditions
The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchased or Originated Credit Impairment (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion"

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. They also derecognise the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement."

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.
  In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.
  A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset
  The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.
  When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.
  Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.
  If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price

**Financial Liabilities**
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**Modification of financial assets and liabilities**
Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value and recalculates a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is

consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the Bank recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new carrying gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or gains and losses on financial instruments within non-interest revenue (for all other modifications).

**Offsetting**
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal enforceable right to set off the amounts and intends either to settle on a net basis or to r ealise the asset and settle the liability simultaneously.

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

**Sale and repurchase agreements**
Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other Bank's, deposits from Bank's, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in net gains/(loss) on investment securities.

**Day one profit or loss**
For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by com parison with other observable current market transactions in the same instrument, or determined using valuation models that utilise nonobservable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters 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.

### 3.9 Impairment of financial assets

**Overview of the ECL principles**
The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Provision on other assets are computed using the simplified approach as stipulated by IFRS 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

**Staging Assessment**
The Bank has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Bank categorises its financial instruments into Stage 1, Stage 2,Stage 3 and POCI, as described subsequently:"

• Stage 1: On origination, a financial asset (provided that it is not a purchased or originated credit impaired asset) will be in stage 1 of the general model for expected credit losses. Financial assets that have not had a significant increase in credit risk since initial recognition or that (upon assessment and option selected by the Bank) have low credit risk at the reporting date remain in stage 1. For these assets, 12-month expected credit losses ('ECL') are recognised. 12-month ECLs are the ECLs that result from default events that are possible within 12 months after the reporting date.
• Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the Bank) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognised. Lifetime ECLs are the ECLs that result from all possible de fault events over the maximum contractual year during which the Bank is exposed to credit risk. ECLs are the weighted average credit losses, with the respective risks of a default occurring as the weights.
• Stage 3: This includes financial assets that have objective evidence of impairment at the reporting date. The Bank records an allowance for the Lifetime ECLs.
• POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Change in credit quality since initial recognition

| Stage 1 | Stage 2 | Stage 3 |
|---|---|---|
| (Initial Recognition) | (Significant increase in credit risk since initial recognition) | (Credit-impaired assets) |
| 12-months expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses |

**Measuring the Expected Credit Loss**
The ECL calculations are based on the Probabilities of Default (PDs), Loss Given Default (LGD), as well as Exposure at Default (EAD). These components are outlined in details below:

1. Probability of Default (PD): 12-month PD estimates are required to calculate 12-month ECLs for accounts classified as Stage 1. These PD estimates also form the basis of the lifetime PD curves, which are required to calculate lifetime ECLs for accounts classified as Stage 2. Due to the Bank's largely zero default experience, the Bank has employed Fitch's probability of default rates as it deems it to be a reliable and suitable data for the Bank's current portfolio. In addition, macro-economic adjustment is applied to account for differences in the current economic conditions and those underlying the PDs.

Incorporation of forward looking information and macroeconomic factors
In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs. The macroeconomic variables considered for the adjustment of the probabilities of default are listed below:
- Crude oil prices,
- Inflation rate,
- GDP growth rate
- FX Exchange rates (USD/NGN)

As a proxy for default rates, the Bank relied on non-performing loans (NPL) information issued by CBN as there are currently no experiences of non-performing loans. Incorporation of macro-economic adjustments to the Lifetime PDs results in forward-looking best-estimate, optimistic and downturn lifetime PD curves, which are used in the ECL calculations.

2. Loss Given Default (LGD): Lifetime LGDs are required to calculate lifetime ECLs. The Bank has currently determined its LGDs for its Loan book and off-balance sheet items on a facility level by considering the amounts recoverable from assigned collaterals. Other considerations include: Collateral haircut, time to disposal and cost of recovery. Where the same collateral is used by a customer on more than one facility, the model split the collateral on a pro-rata

basis based on the outstanding value of all the facilities (for both collateral FSV and OMV where applicable). For Investment Securities, the LGD estimate was determined using the Moody's recovery rate, which is calculated as (1 - Recovery rate). The average recovery rate for unsecured bonds and the non-crisis rate was used in obtaining the best estimate and optimistic LGDs respectively. In other to obtain the downturn LGD, an average of the crisis and recession market recovery rates was used.

3. Exposure at Default (EAD): The EAD reflects the expected changes in the outstanding balance of the facilities over the lifetime of the facilities. For all loans, the assumed contractual payments, based on the original loan amount, interest rate and repayment term, were calculated and applied. For Commercial Overdrafts, the credit conversion factor ("CCF") was assumed to be 50% in line with the CBN guideline, which was then applied to determine the expected future drawdowns. For Off-balance sheet exposures, the EAD is set equal to the contract's current commitment as at the reporting date and the credit conversion factor ("CCF") was assumed to be 20% in line with the CBN guideline, these were applied to determine the expected future drawdowns. For Investment securities, the assumed contractual payments, based on the original carrying amount, interest rate and term, were calculated and applied.

When estimating the ECLs, the Bank considers three scenarios (optimistic, best-estimate and downturn) and each of these is associated with different PDs, EADs and LGDs. Three ECL figures were therefore calculated for each account (optimistic, best-estimate and downturn ECLs) and probability-weighted to arrive at a single ECL impairment for each account. The likelihood of the best-estimate, downturn and optimistic scenarios were assumed to be 75%, 12.5% and 12.5% respectively based on professional judgement. The EIR is used to discount all ECLs to the reporting date.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of Lifetime ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
  These expected 12-month macro-adjusted default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an ap proximation to the original EIR.

- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
  The final ECL impairment is calculated as the probability-weighted average of the ECLs produced under the three macro-economic scenarios."

- POCI: Purchase or Originated Credit Impaired (POCI) assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.

- Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.
  For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- Financial guarantee contracts:
  The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

**Significant increase in credit risk (SICR)**
The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:
The stage classification of each account in the portfolio is categorized based on the number of payments missed, classification status, forbearance states and credit risk ratings as at the valuation date compared with the credit ratings as at the origination date.

1. Number of payments missed
The Bank categorises accounts with nil missed payment under Stage 1. In addition, accounts with 1 to 2 missed payments are classified as Stage 2, as these accounts are assumed to have experienced a significant increase in credit risk since initial recognition. The Bank considers 1 missed payment to be equivalent to the 30 days past due rebuttable presumption for Stage 2 classification. Finally, accounts with 3 or more missed payments are classified as defaulted accounts under Stage 3.

2. Classification status
Accounts classified as "Performing" are Stage 1 accounts, while accounts classified as either "Substandard", "Doubtful" or "Loss" are, for the purposes of this project, classified as defaulted accounts (and classified as Stage 3). Accounts classified as "Watchlist" are classified as Stage 2.

3. Forbearance states
In addition to this, and in line with CBN expectations, all loans that have been restructured e.g. the term extended, are assumed to have significantly increased credit risk since origination and are thus classified as Stage 2, if not already classified as Stage 2 or Stage 3. Thus, all accounts flagged as forbearance are classified as Stage 2. However, if there is an evidence that there actually has not been a significant increase in credit risk since initial recognition, then this accounts can be re-classified as Stage 1.

4. Credit ratings
The Bank generates credit ratings for each obligor using the internal credit rating system for its customers. Both objective and subjective factors are taken into consideration in assessing the credit worthiness of a borrower. The internal credit rating system is a twenty-two level rating grid, ranging from AAA (lowest risk) to D (highest risk), with D indicating default as this accounts are all classified as "Doubtful" and "Lost".
Depending on the rating bucket (i.e. low, medium or high risk), an account whose probability of default has dropped by a significant threshold from the time of origination of the loan contract is classified as Stage 2 as these accounts are assumed to have experienced a significant increase in credit risk since initial recognition. In addition, any account whose credit rating has dropped from one rating bucket to the next rating bucket is also classified as Stage 2. The bank has a maximum threshold of B- and any customer with a rating below this is considered a very high risk and non investment"

**Qualitative criteria:**
In line with paragraph B.5.5.17 of the IFRS 9 standard, the Bank will assess changes in significant risk given the relevant qualitative factors, these could include:
- Expectation of forbearance or restructuring due to financial difficulties;
- An actual or expected significant change in the financial instrument's external credit rating;
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- Evidence that full repayment of interest and principal without realisation of collateral is unlikely, regardless of the number of days past due;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations. The bank has deemed government issued securities (treasury bills and bonds) to be of low credit risk

**Backstop Indicator**
A backstop indicator is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

**Definition of default and credit-impaired assets**
The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it

meets one or more of the following criteria:

**Quantitative criteria**
The borrower is more than 90 days past due on its contractual payments for both principal and interest.

**Qualitative criteria**
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance.
- The borrower is deceased.
- The borrower is insolvent.
- The borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses."

The criteria listed have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

Backward transitions, i.e. from Stage 3 to Stage 2 or from Stage 2 to Stage 1, uses an assumed probation year of 90 days. Accounts only transition to Stage 1 from Stage 2 or to Stage 2 from Stage 3 if they were last classified as impaired, i.e. 30+ days past due, or default, i.e. 90+ days past due, respectively, more than 90 days ago.

**Collateral valuation**
To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a yearly basis.
To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as external valuers. "

**Collateral repossessed**
The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

**Write-offs**
The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

### 3.10 Investment properties

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Bank. An occupation of more than 15% of the property is considered substantial. Investment properties is measured initially at cost including transaction cost. They are subsequently carried in the statement of financial position at their fair value and revalued yearly on a systematic basis, except for investment property under construction where fair value cannot be reliably measurable, which are carried at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). Investment properties are not subject to yearly charge for depreciation. Gains or losses arising from changes in the fair value of investment properties are included in the income statement in the year which it arises as: "Fair value gain on investment property".

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in income statement within operating income.
When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

## 3.11 Property and equipment

**(a) Recognition and measurement**
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When significant 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.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the income statement.

**(b) Subsequent costs**
Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Bank and its cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in income statement as incurred.

**(c) Depreciation**
Depreciation is recognised in the income statement on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. 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 Bank is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the useful life of the item or lease term |
| Land | Not depreciated |
| Buildings | 50 years |
| IT equipment | 4 years |
| Furniture and fittings | 3-5 years |
| Office Equipment | 3-5 years |
| Motor vehicles | 4-5 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed for impairment whenever events or changed 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 fair value less costs to sell and value in use.

Asset not available for use (including capital work in progress) are not depreciated. Upon completion capital work in progress assets are transferred to the relevant asset category. Depreciation methods are reassessed at each reporting date and adjusted if appropriate.

**(d) 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 income statement in the year the asset is derecognised.

### 3.12 Intangible assets

**(a) Goodwill**
Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.
Goodwill is allocated to cash-generating units or Banks of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Banks of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.
Goodwill has an indefinite useful life and is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**(b) 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 technical feasibility to complete the software, 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 from the point at which the asset is available for use. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

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 the income statement 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 future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software is between three and five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### 3.13 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than goodwill 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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.
For the purpose of impairment testing, assets that cannot be tested individually are Banked together into the smallest Bank of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or Banks of assets (the "cash-generating unit" or CGU). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Good will acquired in a business combination is allocated to the Banks of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years 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.

### 3.14 Discontinued operations and non-current assets (or disposal group) held for sale

The Bank presents discontinued operations in a separate line in the income statement if an entity or a component of an

entity has been disposed of or is classified as held for sale and:
(a) Represents a separate major line of business or geographical area of operations;
(b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments)."

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Bank's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Bank restates prior years in the income statement.

Non-current assets, or disposal Banks comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal Bank, are re-measured in accordance with the Bank's accounting policies. Thereafter generally the assets, or disposal Bank, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal Bank is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Bank's accounting policies.
Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.
Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.
Non-current assets (or disposal Banks) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.
Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the year in which it arise."

### 3.15 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 increase in the provision due to passage of time is recognised as interest expenses.

**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.

### 3.16 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.

### 3.17 Employee benefits

(a) 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 will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due in respect of service rendered before the end of the reporting year. 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 are due more than 12 months after the end of the reporting year in which the employees render the service are discounted to their present value at the reporting date.
The Bank operates a funded, defined contribution pension scheme for employees. Employees and the Bank contribute 8% and 15% respectively of the qualifying staff salary in line with the provisions of the Pension Reforms Act.

**(b) Termination benefits**

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to their present value.

**(c) 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.

## 3.18 Share capital and reserves

**(a) Share issue costs**
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

**(b) Dividend on the Bank's ordinary shares**
Dividends on ordinary shares are recognised in equity in the year when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting year are dealt with in the subsequent events note.

**(c) Treasury shares**
Where the Bank or any member of the Bank purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled or disposed. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

**(d) Earnings per share**
The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares out standing during the year. 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.

**(e) Statutory credit reserve**
In compliance with the Prudential Guidelines for Licensed banks, the Bank assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing losses in risk assets. Assets are classified as performing or non-performing. Non performing assets are further classed as substandard, doubtful or lost with attendant provisions per the table below based on objective criteria.

| Classification | % | Basis |
|---|---|---|
| Substandard | 10% | Interest and/or principal overdue by 90 days but less than 180 days |
| Doubtful | 50% | Interest and/or principal overdue by 180 days but less than 365 days |
| Lost | 100% | Interest and/or principal overdue by more than 365 days |

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non - distributable 'regulatory risk reserve'. Where the IFRS 9 impairment is greater, no appropriation is made and the amount of IFRS 9 impairment is recognised in income statement.

Following an examination, the regulator may also require more amounts to be set aside on  risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to the regulatory risk reserve.

### 3.19 Assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal Bank, are re-measured in accordance with the Bank's accounting policies. Thereafter generally the assets, or disposal Bank, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal Bank is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Bank's accounting policies.
Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

## 4.0 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5). Estimates where management has applied judgements are:
(i) Allowances for credit losses
(ii) Valuation of financial instruments
(iii) Determination of fair value of property classified as asset held for sale
(iv) Determination of impairment of property and equipment, and intangible assets excluding goodwill
(v) Assessment of recoverability of deferred tax assets
(vi) Determining the lease term

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

**Key sources of estimation uncertainty**

### 4.1 Allowances for credit losses

Loans and advances to banks and customers are accounted for at amortised cost and are evaluated for impairment on a basis described in accounting policy (see note 3.8)

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.
The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as exchange rates, crude oil prices, GDP and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs

into the ECL models.
It has been the  Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The Bank reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

The Bank makes use of estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio  when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience."

The specific component of the total allowances for impairment applies to financial assets 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 debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed by the Credit Risk Management Department (CRMD).

**Sensitivity of Exposure at default - Probability of Default (PD) & Loss Given Default (LGD)**

Due to unavailability of default history, the Bank relies on FitchRatings' Probabilities of Default by mapping its internal credit rating to that of Fitch. Assuming a general migration of Bank's credit risk obligors by 1 notch downwards, Below is the financial impact on the Bank's profitability.

| | **Bank** | **Bank** | **Bank** | **Bank** |
|---|---|---|---|---|
| | **Dec 20** | **Dec-19** | **Dec 20** | **Dec-19** |
| | **Loans and advances to individuals** | | **Loans and advances to corporates** | |
| Impact on profit before tax | | | | |
| Changes in LGD and PD by +/-2% | 5 | 252 | 1 | 72 |

**Statement of prudential adjustments**
Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:"

a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:
   - Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve".
   - Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account

b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.
   The Bank has complied with the requirements of the guidelines as follows:

**Statement of prudential adjustments**

*In thousands of Naira*

| | Note | Dec-20 | Dec-19 |
|---|---|---|---|
| **Bank** | | | |
| **Loans & advances:** | | | |
| Expected Credit Loss (ECL) on loans and advances to customers | | | |
| - Loans to individuals | 25(b) | 62,263 | 2,293 |
| - Loans to corporates | 25(b) | 170,726 | 55,989 |
| **Total impairment allowances on loans per IFRS** | | **232,989** | **58,282** |
| Total regulatory impairment based on prudential guidelines | | 3,810,082 | 2,518,786 |
| **Required Regulatory Risk Reserve (See movement below)** | | **3,577,093** | **2,460,504** |
| Balance, beginning of the year | | 2,460,504 | 1,403,384 |
| Additional transfers to regulatory risk reserve | | 1,116,589 | 1,057,120 |
| **Balance, end of the year** | | **3,577,093** | **2,460,504** |

### 4.2 Valuation of financial instruments

The table below analyses financial and non-financial instruments measured at fair value at the end of the financial year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

### 4.2.1 Recurring fair value measurements

**Bank**

**December 2020**

*In thousands of Naira*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Non pledged trading assets | | | | |
| Treasury bills | 6,981,852 | - | - | 6,981,852 |
| Government bonds | 3,362,083 | - | - | 3,362,083 |
| | | | | - |
| Derivative financial assets | 5,318,267 | 182,226 | - | 5,500,493 |
| Pledged assets | 15,031,130 | - | - | 15,031,130 |
| Investment securities: | | | | |
| - Financial Instruments at FVOCI | | | | |
| Treasury bills | 69,801,647 | - | - | 69,801,647 |
| Bonds | 12,399,228 | 853,484 | - | 13,252,712 |
| Equity securities | 23,226 | - | 13,551,575 | 13,574,801 |
| | **112,917,433** | **1,035,710** | **13,551,575** | **127,504,718** |
| **Liabilities** | | | | |
| Derivative financial liabilities | - | 5,429,271 | - | 5,429,271 |
| Non pledged trading liabilities: | | | | |
| Treasury bills | - | - | - | - |
| Government bonds | 4,643 | - | - | 4,643 |
| | **4,643** | **5,429,271** | **-** | **5,433,914** |

**Bank**

**December 2019**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Non pledged trading assets | | | | |
| Treasury bills | 4,651,289 | - | - | 4,651,289 |
| Government bonds | 6,756,776 | - | - | 6,756,776 |
| Pledged assets | | | | |
| Treasury bills | 15,220,586 | - | - | 15,220,586 |
| Derivative financial assets | - | 2,410,142 | - | 2,410,142 |
| Investment securities | | | | |
| - Financial Instruments at FVOCI | | | | |
| Treasury bills | 33,429,604 | - | - | 33,429,604 |
| Bonds | 7,976,584 | 5,892,825 | - | 13,869,409 |
| Equity securities | 47,529 | - | 11,289,213 | 11,336,742 |
| | **68,082,368** | **8,302,967** | **11,289,213** | **87,674,548** |
| Liabilities | | | | |
| Derivative financial liabilities | - | 2,420,349 | - | 2,420,349 |
| Non pledged trading liabilities: | | | | |
| Government bonds | 523,876 | - | - | 523,876 |
| | **523,876** | **2,420,349** | **-** | **2,944,225** |

**4.2.2 Financial instruments not measured at fair value**

**Bank**

**December 2020**

*In thousands of Naira*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with banks | - | - | 12,773,734 | 12,773,734 |
| Due from financial institutions | - | - | 35,808,280 | 35,808,280 |
| Loans and advances to customers | - | - | 122,682,497 | 122,682,497 |
| Pledged assets | | | | |
| Bonds | 1,073,177 | - | - | 1,073,177 |
| **Investment securities** | | | | |
| - Financial assets at amortised cost | | | | |
| Bonds | 1,620,005 | - | - | 1,620,005 |
| Other assets | - | - | 87,254,867 | 87,254,867 |
| | **2,693,182** | **-** | **258,519,378** | **261,212,560** |
| **Liabilities** | | | | |
| Deposits from financial institutions | - | - | 52,319,291 | 52,319,291 |
| Due to customers | - | - | 195,161,465 | 195,161,465 |
| Commercial paper liabilities | - | - | 8,887,242 | 8,887,242 |
| Surbodinated liabilities | - | - | 24,806,884 | 24,806,884 |
| Other liabilities | - | - | 83,997,174 | 83,997,174 |
| | **-** | **-** | **365,172,056** | **365,172,056** |

**Bank**

**December 2019**

*In thousands of Naira*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and balances with banks | - | - | 8,956,378 | 8,956,378 |
| Due from financial institutions | - | - | 57,538,364 | 57,538,364 |
| Loans and advances to customers | - | - | 72,683,949 | 72,683,949 |
| Pledged assets | | | | |
| Bonds | 1,106,212 | - | - | 1,106,212 |
| | | | | - |
| **Investment securities** | | | | |
| - Financial assets at amortised cost | | | | |
| Bonds | 1,672,125 | - | - | 1,672,125 |
| Other assets | - | - | 9,966,574 | 9,966,574 |
| | **2,778,337** | **-** | **149,145,265** | **151,923,602** |
| **Liabilities** | | | | |
| Deposits from financial institutions | - | - | 25,978,923 | 25,978,923 |
| Due to customers | - | - | 138,087,891 | 138,087,891 |
| Commercial paper liabilities | - | - | 12,610,440 | 12,610,440 |
| Other liabilities | - | - | 37,761,571 | 37,761,571 |
| | **-** | **-** | **214,438,825** | **214,438,825** |

**(a) The fair value for financial assets and liabilities that are not carried at fair value were determined respectively as follows:**

**(i) Cash**
The carrying amount of Cash and balances with banks is a reasonable approximation of fair value

**(ii) Due from financial institutions**
The carrying amount of Due from financial institutions is a reasonable approximation of fair value as they constitute more of current assets.

**(iii) Loans and advances to customers**
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

**(iv) Investment securities, pledged and non-pledged trading assets**
The fair value for investment securities is based on market prices from financial market dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.
The fair value for the investment securities is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other trading assets are already measured and carried at fair value.

**(v) Other assets**
The bulk of these financial assets are acount receivables expected to be realised/settled in less than one year. The carrying value of these financial assets is a reasonable approximation of fair value.

**(vi) Due to customers**
The estimated fair value of due to customer balances is the amount repayable on demand or maturity of the underlying instruments.

**(vii) Deposits to financial institutions**

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

**(viii) Other liabilities**

The carrying amount of financial assets in other liabilities is a reasonable approximation of fair value.

**(ix) Unobservable inputs used in measuring fair value**

-The information below describes the significant unobservable inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

| Type of financial instrument | Fair value as at 31-Dec-2020 (N'm) | Valuation technique | Significant unobservable input | Fair value measurement sensitivity to unobservable input |
|---|---|---|---|---|
| Unquoted equities | N13.6m (2019:N 11.3m) | "Discounted cash flows" | - Risk adjusted discount rate | Significant increase in the spread above the risk free rate would result in a lower fair value |
| | | | - Cash flow estimates | |

- **The effect of unobservable inputs on fair value measurement (sensitivity analysis)**

  The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured at fair value on a recurring basis. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date.

| Type of financial instrument | Valuation technique | Significant unobservable input | Variance in fair value measurement | Effect on OCI | |
|---|---|---|---|---|---|
| | | | | Favourable Nmillion | Unfavourable Nmillion |
| Unquoted equities | - Discounted cash flow" | Risk adjusted discount rate | From (2%) to 2% | 4.33 (2019: 2.26) | 4.33 (2019: 2.26) |

### 4.2.3 Recognised fair value measurements

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily government bonds, corporate bonds, treasury bills and equity investments classified as fair value through other comprehensive income.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

For level 2 assets, fair value was obtained using a recent market transaction during the year under review. Fair values of unquoted debt securities were derived by interpolating prices of quoted debt secuirties with similar maturity profile and characteristics. There were no transfer between levels 1 and 2 during the year. Instruments included in Level 2 are derivatives financial instruments and corporate bonds.

**(c) Financial instruments in level 3**

The Bank uses widely recognised valuation models for determining the fair value of its financial assets. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:
(i) Quoted market prices or dealer quotes for similar instruments;
(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

### 4.3 Determination of fair value of property classified as asset held for sale

Management employed the services of estate surveyors and valuers expert to value its assets held for sale. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values.

### 4.4 Determination of impairment of property and equipment, and intangible assets excluding goodwill

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.

### 4.5 Assessment of recoverability of deferred tax assets

The deferred tax assets include an amount of N5.050bn (2019: N5.611bn) which relates to mainly carried forward tax losses of the bank. These losses arise due to tax-exempt nature of the Bank's income from government securities. The Bank has concluded that the deferred assets will be written off over a ten year period starting financial year ended 2020.

### 4.6 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or Coronation Merchant Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Bank.

## 4.7 Financial instruments

The Bank's financial instruments are categorised as stated below:

| **Bank** | **Financial assets** | | | **Financial liabilty** | |
|---|---|---|---|---|---|
| *In thousands of Naira* | **At fair value through profit or loss** | **At fair value through other comprehensive income** | **At amortised cost** | **At fair value through profit or loss** | **At amortised cost** |
| **December 2020** | | | | | |
| **Cash and balances with banks** | | | | | |
| Balances with banks | - | - | 11,685,383 | - | - |
| Unrestricted balances with central banks | - | - | 1,088,351 | - | - |
| | | | | - | - |
| **Due from financial institutions** | - | - | 35,808,280 | - | - |
| **Derivative financial assets** | 119,279 | - | - | - | - |
| **Non pledged trading assets** | | | | - | - |
| Treasury bills | 6,981,852 | - | - | - | - |
| Government bonds | 3,362,083 | - | - | - | - |
| **Investment securities at FVTOCI** | | | | | |
| Federal government bonds | - | 12,148,974 | - | - | - |
| Treasury bills | - | 69,801,647 | - | - | - |
| State government bonds | - | 185,395 | - | - | - |
| Eurobonds | - | 64,859 | - | - | - |
| Corporate bonds | - | 853,484 | - | - | - |
| Equity securities with readily determinable fair values | - | 23,226 | - | - | - |
| Unquoted equity securities at fairvalue | - | 13,551,575 | - | - | - |
| **Investment securities at amortised cost** | | | | | |
| Federal government bonds | - | - | 1,620,005 | - | - |
| **Pledged assets** | | | | | |
| Government bonds | - | - | 1,073,177 | - | - |
| Treasury bills | - | 15,031,130 | - | - | - |
| Loans and advances to customers | - | - | 122,682,497 | - | - |
| Other assets | - | - | 87,254,867 | - | - |
| **Financial liabilities** | | | | | |
| Deposits from financial institutions | - | - | - | - | 52,319,291 |
| Due to customers | - | - | - | - | 195,161,465 |
| **Non pledged trading liabilities** | | | | | |
| Government bonds | - | - | - | 4,643 | - |
| Commercial paper liabilities | | | | | 8,887,242 |
| Subordinated liabilities | | | | | 24,806,884 |
| Derivative financial liabilities | - | - | - | 111,004 | - |
| Other liabilities | - | - | - | - | 83,997,174 |
| | **10,463,214** | **111,660,290** | **261,212,560** | **115,647** | **365,172,056** |

| Bank | Financial assets | | | Financial liabilty | |
|---|---|---|---|---|---|
| *In thousands of Naira* | At fair value through profit or loss | At fair value through other comprehensive income | At amortised cost | At fair value through profit or loss | At amortised cost |
| **December 2019** | | | | | |
| **Cash and balances with banks** | | | | | |
| Balances with banks | - | - | 8,135,676 | - | - |
| Unrestricted balances with central banks | - | - | 820,702 | - | - |
| | | | | - | - |
| **Due from financial institutions** | - | - | 57,538,364 | - | - |
| **Derivative financial assets** | 2,410,142 | - | - | - | - |
| **Non pledged trading assets** | | | | - | - |
| Treasury bills | 4,651,289 | - | - | - | - |
| Government bonds | 6,756,776 | - | - | - | - |
| Investment securities | | | | - | - |
| **Investment securities at FVTOCI** | | | | - | - |
| Federal government bonds | - | 4,588,917 | - | - | - |
| Treasury bills | - | 33,429,604 | - | - | - |
| State government bonds | - | 1,210,058 | - | - | - |
| Eurobonds | - | 2,177,609 | - | - | - |
| Corporate bonds | - | 5,892,825 | - | - | - |
| Equity securities with readily determin-able fair values | - | 47,529 | - | - | - |
| Unquoted equity securities at fairvalue | - | 11,289,213 | - | - | - |
| | | | | - | - |
| **Investment securities at amortised cost** | | | | - | - |
| Federal government bonds | - | - | 1,672,125 | - | - |
| | | | | - | - |
| **Pledged assets** | | | | - | - |
| Government bonds | - | - | 1,106,212 | - | - |
| Treasury bills | - | 15,143,412 | - | - | - |
| Loans and advances to customers | - | - | 72,683,949 | - | - |
| Other assets | - | - | 9,966,574 | - | - |
| **Financial liabilities** | | | | | |
| Deposits to financial institutions | - | - | - | - | 25,978,923 |
| Due to customers | - | - | - | - | 138,087,891 |
| **Non pledged trading liabilities** | | | | - | - |
| Government bonds | - | - | - | 523,876 | - |
| Commercial paper liabilities | - | - | - | - | 12,610,440 |
| Derivative financial liabilities | - | - | - | 2,378,555 | - |
| Other liabilities | - | - | - | - | 37,761,571 |
| | **13,818,207** | **73,779,167** | **151,923,602** | **2,902,431** | **214,438,825** |

## 4.8 Financial assets and liabilities - Fair value measurement

(a) Accounting classification measurement basis and fair values

The table below sets out the classification of each class of financial assets and liabilities, and their fair values.

**Bank**

| *In thousands of Naira*<br><br>**December 2020** | **Financial assets measured through FVPL** | **Financial assets measured at amortized cost** | **Financial assets measured at FVOCI** | **Financial liabilities measured through FVPL** | **Financial Liabilities measured at amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | 12,773,734 | - | - | - | 12,773,734 | 12,773,734 |
| Due from financial institutions | - | 35,806,050 | - | - | - | 35,806,050 | 35,806,050 |
| Non pledged trading assets | | | | - | | | |
| -Treasury bills | 6,981,852 | - | - | - | - | 6,981,852 | 6,981,852 |
| -Bonds | 3,362,083 | - | - | - | - | 3,362,083 | 3,362,083 |
| Derivative financial assets | 119,279 | - | - | - | - | 119,279 | 119,279 |
| Loans and advances to customers | - | 122,043,931 | - | - | - | 122,043,931 | 73,707,279 |
| Pledged assets | | | | | | | |
| -Treasury bills | - | - | 15,031,130 | - | - | 15,031,130 | 15,031,130 |
| -Bonds | - | 1,073,177 | - | - | - | 1,073,177 | 1,026,669 |
| Investment securities | | | | | | | |
| -Financial assets at FVTOCI | | | | | | | |
| -Treasury bills | - | - | 69,801,647 | - | - | 69,801,647 | 69,801,647 |
| -Bonds | - | - | 13,252,712 | - | - | 13,252,712 | 13,252,712 |
| -Equity | - | - | 13,597,391 | - | - | 13,597,391 | 13,597,391 |
| -Financial assets at amortised cost | | | | | | | |
| -Bonds | - | 1,620,005 | - | - | - | 1,620,005 | 1,551,889 |
| Other assets | - | 87,254,867 | | - | - | 87,254,867 | 87,254,867 |
| | **10,463,214** | **260,571,764** | **111,682,880** | **-** | **-** | **382,717,858** | **334,266,581** |
| | | | | | | | |
| Deposits to financial institutions | - | - | - | - | 52,319,291 | 52,319,291 | 52,319,291 |
| Due to customers | - | - | - | - | 195,161,465 | 195,161,465 | 195,161,465 |
| Non pledged trading liabilities | | | | | | | |
| - Treasury bills | - | - | - | - | - | - | - |
| - Bonds | 4,643 | - | - | 4,643 | - | 9,286 | 9,286 |
| Commercial paper liabilities | - | 8,887,242 | - | - | - | 8,887,242 | 8,887,242 |
| Derivative financial instruments | | - | - | 5,429,271 | - | 5,429,271 | 5,429,271 |
| Other liabilities | - | - | - | - | 83,997,174 | 83,997,174 | 83,997,174 |
| | **4,643** | **8,887,242** | **-** | **5,433,914** | **331,477,930** | **345,803,729** | **345,803,729** |

**Bank**

| *In thousands of Naira*<br>**December 2019** | **Financial assets measured through FVPL** | **Financial assets measured at amortized cost** | **Financial assets measured at FVOCI** | **Financial liabilities measured through FVPL** | **Financial Liabilities measured at amortized cost** | **Total carrying amount** | **Fair value** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | 8,956,378 | - | - | - | 8,956,378 | 8,956,378 |
| Due from financial institutions | - | 57,473,891 | - | - | - | 57,473,891 | 57,473,891 |
| Non pledged trading assets | | | | - | | | |
| -Treasury bills | 4,651,289 | - | - | - | - | 4,651,289 | 4,651,289 |
| -Bonds | 6,756,776 | - | - | - | - | 6,756,776 | 6,756,776 |
| Derivative financial assets | 2,410,142 | - | - | - | - | 2,410,142 | 2,410,142 |
| Loans and advances to customers | - | 72,178,514 | | - | - | 72,178,514 | 72,178,514 |
| Pledged assets | | | | | | | |
| -Treasury bills | 444,622 | - | 24,888,379 | | - | 25,333,001 | 25,333,001 |
| -Bonds | - | 1,106,212 | - | - | - | 1,106,212 | 1,106,212 |
| Investment securities | | | | | | | |
| -Financial assets at FVTOCI | | | | | | | |
| -Treasury bills | - | - | 33,429,604 | - | - | 33,429,604 | 33,429,604 |
| -Bonds | - | - | 13,869,409 | - | - | 13,869,409 | 13,869,409 |
| -Equity | - | - | 11,360,295 | - | - | 11,360,295 | 11,360,295 |
| -Financial assets at amortised cost | | | | | - | | |
| -Bonds | - | 1,672,125 | - | - | - | 1,672,125 | 1,672,125 |
| Other assets | - | 9,966,574 | - | - | - | 9,966,574 | 9,966,574 |
| | **14,262,829** | **151,353,694** | **83,547,687** | **-** | **-** | **249,164,210** | **249,164,210** |
| | | | | | | | |
| Deposits to financial institutions | - | - | - | - | 25,978,923 | 25,978,923 | 25,978,923 |
| Due to customers | - | - | - | - | 138,087,891 | 138,087,891 | 138,087,891 |
| Non pledged trading liabilities | | | | | | | |
| -Bonds | 523,876 | - | - | 523,876 | - | 1,047,752 | 1,047,752 |
| Commercial paper liabilities | - | 12,610,440 | - | - | - | 12,610,440 | 12,610,440 |
| Derivative financial instruments | | - | - | 2,420,349 | - | 2,420,349 | 2,420,349 |
| Other liabilities | - | - | - | - | 37,761,571 | 37,761,571 | 37,761,571 |
| | **523,876** | **12,610,440** | **-** | **2,944,225** | **201,828,385** | **217,906,926** | **217,906,926** |

## 5 FINANCIAL RISK MANAGEMENT

### 5.1 Credit risk management

In Coronation Merchant Bank, credit risk is the single largest risk; this is in line with the Bank's primary business of financial intermediation in the merchant banking space. The Bank is also exposed to credit risks arising from invest ments in securities and other trading activities.

The Bank defines credit risk as the risk that obligors will be unable or unwilling to pay interest, and/or principal or fail to perform in their contractual obligations as specified in the agreement. Credit risk therefore may constitute an economic loss whose effect is measured by the cost of replacing cash flows if the other party defaults. This risk could be compounded if the assigned security only partly covers the claims made to the borrower, or if its valuation falls well short of the outstanding exposure at the time of default due to prevailing market conditions.

The Bank's Risk Management philosophy is that a moderate and guarded risk attitude will ensure gradual but sustainable growth in shareholder value and reputation. Extension of credit in Coronation Merchant Bank is guided by its Credit Risk Appetite and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio. The Plan also sets out the following:

- Risk assets growth pattern
- Anticipated risk adjusted return on assets
- Target average portfolio rating
- Assessment of the impact of the portfolio on capital adequacy
- Roles and responsibilities of different individuals and committees involved in the credit process.

The key guiding principles of the Bank's credit risk includes the following:

- Precise articulation of policies on exposures, concentrations, pricing, collateral, and portfolio liquidity.
- A risk appetite dependent strategic approach rather than an aggressive approach in the creation of its credit risk assets.
- Minimization of the risk arising from a build-up of concentration in its credit risk asset portfolio in any sector, obligor, or industry.
- Risk based pricing for all loans pricing.
- An integrated mechanism to measure actual against target risk assets, risk adjusted returns and other indicators of a healthy portfolio
- A balance between the creation of risk assets and the portfolio liquidity

Coronation Merchant Bank recognizes the fact that its main asset is its loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems will be the foundation for the application of internal rating-based approach to calculation of capital requirements. The Bank's Basel II implementation strategy guides the development, implementation, and application of these models.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, Coronation Merchant Bank implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of Nigeria, both for loans for which specific impairment exist as well as for the portfolio of performing loans. Coronation Merchant Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

**Management of credit risk**

The management of credit risk is done broadly at three levels; the Board level, Management level and Risk Management level.

At the Board level, credit risk is managed by the Board Credit and Investment Committee and Board Risk Management Committee with the following key roles:

i. Approval of credit Risk framework and appetite
ii. Approval of Credit Risk Strategy

iii. Review of the quality of our loan portfolio on a quarterly basis
iv. Approval of credit requests for which the Management Credit and Investment Committee seeks approval
At the Management level, Credit Risk is managed by Management Credit and Investment Committee (MCIC) with the following key roles:
i. Monthly review of loan portfolio
ii. Monitoring of the actual portfolio concentration limits against targeted performance
iii. Review and recommendation to the Board Credit Committee of Credit Policies and Standards.
All other functions with regards to risk management is at the risk management level.
As is evident in the role of the Board in credit risk management, the development and approval of polices plays a key role in setting the context for which credit risk is managed.

***Principal Credit Policies***
The following are the principal credit policies of the Bank:

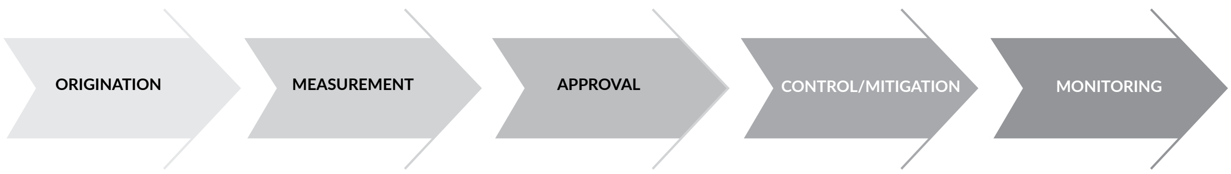
- **Credit Risk Management Policy:** The core objective is to enable maximization of returns on a risk adjusted basis from banking book The document sets out a robust credit risk management system consisting of risk identification, risk measurement, setting of exposure & risk limits, risk monitoring & control and reporting of credit risk in the banking book.
- **Credit Risk Rating Policy:** The objective of this policy is to ensure reliable and consistent Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs) and to provide guidelines for risk rating for exposures in the banking book covering credit and investment books of the Bank.
- **Internal Capital Adequacy Assessment Process (ICAAP) Policy:** The objective of the policy is to ascertain that the bank has sufficient capital in place to cater for all material risks (both Pillar I & II) which it is exoposed to in the course of its business operation. It also enatails identification of material risks, measurement of material risks, monitoring & control of material risks and reporting of material risks.
- **Enterprise-wide Risk Management Policy:** The core objective is to provide reasonable degree of assurance to the Board of Directors that the risks threatening the Bank's achievement of its vision and strategic objectives are identified, measured, monitored and controlled through an effective integrated risk management system covering credit, market, operational, interest rate, liquidity and other material risks.

***Responsibilities of Business Units and Credit Risk Management***
In Coronation Merchant Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities.

Notwithstanding who derives the risk rating, Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Coronation Merchant Bank Risk Rating Policy; 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.

**Credit process**
The Bank's credit process starts with portfolio planning and target market identification which forms part of the origination. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities.

On-going management of loans is undertaken by both relationship management teams and the Credit Risk Management Unit. The complete credit process is shown the diagram below:



**a)** **Credit Origination**

The credit origination encompasses all activities before a credit facility reaches the credit risk management. These activities include customer profiling, application of the risk acceptance criteria, account opening, customer's request for a facility, detailed analysis of the customer's financials and the subsequent preparation of the customer's credit application.

**b)** **Credit risk measurement**

**Risk Rating Methodology**

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. Coronation Merchant Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Coronation Merchant Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

**Credit Risk Rating Models in Coronation Merchant Bank**

The Bank has deployed the the credit risk rating models below

Obligor Risk Rating (ORR) Models have been developed for:

1. Bank and Non Banking Financial Institutions
2. Corporate;
   - Manufacturing Sector
   - Trading Sector
   - Services Sector
   - Real Estate Sector,etc

Facility Risk Rating (FRR) Models have also been developed, which when combined with the ORR score, gives the final rating score for the customer.

**Risk Rating Process**

In Coronation Merchant Bank, all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and facilities (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three periods, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Credit Risk Manager for the business, must be re-approved.

**Responsibilities of Business Units and Credit Risk Management**

In Coronation Merchant Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities.

**Risk Rating Scale and external rating equivalent**

Coronation Merchant Bank operates a 22-point risk rating scale in line with those of international rating agencies, which provides sufficient granularity to ensure better diversification of the risk profile of the Bank's loan portfolio while avoiding excessive rating concentrations. The grade is composed by numbers from 1 to 10 including "+" or "-"modifiers to achieve sufficient grades or score and avoid concentration within one category.

The risk rating scale and the external rating equivalent is detailed below

| Grade | Scale | Explanatory Note |
|---|---|---|
| 1+ | AAA | Obligors are judged to be of the highest quality, subject to the lowest level of credit risk. |
| 1 | AA+ | |
| 1- | AA | Obligors are judged to be of high quality and are subject to very low credit risk. |
| 2+ | AA- | |
| 2 | A+ | |
| 2- | A | Obligors are judged to be upper-medium grade and are subject to low credit risk. |
| 3+ | A- | |
| 3 | BBB+ | |
| 3- | BBB | Obligors are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics. |
| 4+ | BBB- | |
| 4 | BB+ | |
| 4- | BB | Obligors are judged to be speculative and are subject to substantial credit risk. |
| 5+ | BB- | |
| 5 | B+ | |
| 5- | B | Obligors are considered speculative and are subject to high credit risk. |
| 6+ | B- | |
| 6 | CCC+ | |
| 6- | CCC | Obligors are judged to be speculative of poor standing and are subject to very high credit risk. |
| 7 | CCC- | |
| 8 | CC | Obligors are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest. |
| 9 | C | Obligors are the lowest rated and are typically in default, with little prospect for recovery of principal or interest. |
| 10 | D | Lost. |

**c) Approval, Credit Risk Control & Mitigation policy**

**Authority Limits on Credit**
The highest credit approval authority is the Board of Directors, supported by the Board Credit and Investment Committee and further by the Management Credit and Investment Committee. The principle of central management of risk and decision authority is maintained by the Bank.

**Collateral Policies**
It is the Bank's policy that all credit exposures are adequately collateralised.   Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In Coronation Merchant Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant as incorporated in the guidance note of BCBS on "Principles for the Management of Credit Risk" (September 2000, Paragraph 34) are be taken into consideration while using a credit risk mitigant to control credit risk.

Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor it can compensate for the insufficient information. It should be recognized that any credit enforcement actions (e.g. foreclosure proceedings) can eliminate the profit margin on the transaction. In addition, Banks need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit."

The range of collaterals acceptable to the Bank include:

- Cash / Deposit (domestic and foreign currency) with Bank including certificates of deposit or comparable instruments issued by the Bank.
- Certificates of Deposit from other banks.
- Commodities.
- Debt securities issued by sovereigns and public-sector enterprises.
- Debt securities issued by banks and corporations.
- Equities - Stocks / Share Certificates of quoted blue chip companies
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
- Negative Pledges
- Lien on Asset being financed
- Stock Hypothecation
- Shipping Documents (for imports)
- Bankers Acceptance

**Master Netting arrangements**

It is the Bank's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

**Credit related commitments**

It is the Bank's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

There have been no changes to the exposures to risk and how they arise, the objectives, policies and processes for managing the risk and the methods used to measure the risk from the previous period.

**d Credit Monitoring**

Credit risk Monitoring has the responsibility of the Loan Monitoring Department which reports to the Chief Risk Officer, the activity is carried out both at the individual obligor level (covering on and off-balance sheet exposures) and overall portfolio level.

The overriding objective of credit risk monitoring is to ensure that the quality of the Bank's credit portfolio is monitored daily to take prompt and appropriate remedial measures as soon as any deterioration or potential deterioration is identified.

In Coronation Merchant Bank, Credit risk monitoring achieves the following

- Ensure quality, adequacy, and continuing relevance of the Bank's credit risk management systems
- Ensure quality and performance of credit portfolio at defined level of aggregation
- Quality and performance of obligor credit exposure

### 5.1.1 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets are as follows:

| *In thousands of Naira* | Note | Bank<br>December 2020 | Bank<br>December 2019 |
|---|---|---|---|
| Cash and balances with banks | | | |
| - Current balances with banks outside Nigeria | 19 | 11,685,383 | 8,135,676 |
| - Unrestricted balances with central banks | 19 | 1,088,351 | 820,702 |
| Due from financial institutions | 20 | 35,808,280 | 57,538,364 |
| Non pledged trading assets | | | |
| - Treasury bills | 21(a) | 6,981,852 | 4,651,289 |
| - Bonds | 21(a) | 3,362,083 | 6,756,776 |
| Derivative financial assets | 22 | 5,500,493 | 2,410,142 |
| Loans and advances to customers | 25 | 122,915,486 | 72,742,231 |
| Pledged assets | | | |
| - Bonds | 24 | 1,073,177 | 1,106,212 |
| - Treasury bills | 24 | 15,031,130 | 15,143,412 |
| Investment securities | | | |
| Fair value through other comprehensive income | | | |
| - Treasury bills | 23(a) | 69,801,647 | 33,429,604 |
| - Bonds | 23(a) | 13,252,712 | 13,869,409 |
| Amortised cost | | | |
| - Treasury bills | 23(b) | - | - |
| - Bonds | 23(b) | 1,620,005 | 1,672,125 |
| Other assets | 26 | 87,254,867 | 9,966,574 |
| **Total** | | **375,375,466** | **228,242,516** |
| | | | |
| **Off balance sheet exposures** | | | |
| Guaranteed credit facilities | 38(a) | - | 9,982,128 |
| Clean line facilities for letters of credit and other trade commitments | 38(a) | 63,490,663 | 89,014,318 |
| | | | |
| Forward contracts | 22 | 5,479,586 | 22,219,872 |
| Foreign exchange swap contracts | 22 | - | 57,227 |
| **Total** | | **68,970,249** | **121,273,544** |

Balances included in Other Assets above are those subject to credit risks. The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2020 and 31 December 2019, without taking account of any collateral held or other credit enhancements attached.

A portion of the Bank's financial assets originated by investements in Federal Government Securities (Treasury bills and Bonds) has sufficiently low default risk, which results in no loss allowance being recognised in accordance with the Bank's exepected credit loss model.

For on-balance-sheet assets, the exposures set out above are based on net amounts reported in the statements of financial position.

The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and Advances portfolio and debt securities.

### 5.1.2 Gross loans and advances to customers per sector is analysed follows:

| *In thousands of Naira* | Note | Bank December 2020 | Bank December 2019 |
|---|---|---|---|
| Agriculture | | 30,580,310 | 26,540,212 |
| Construction | | 431,997 | 208,711 |
| Finance and insurance | | - | 189 |
| General | | 1,017,883 | 524,863 |
| General commerce | | 9,904,268 | 8,207,881 |
| Information And communication | | 404,305 | - |
| Other Manufactiring (Industries) | | 69,555,905 | 35,245,684 |
| Oil And Gas - Downstream | | 4,705,031 | 47,073 |
| Minning & Quarrying | | 3,004,340 | - |
| Transportation and storage | | 3,311,447 | 1,901,737 |
| Others | | - | 65,881 |
| | | **122,915,486** | **72,742,231** |

### 5.1.3 Bank

**(a) Credit quality by class December 2020 Loans to Individuals**

| *In thousands of Naira* | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Investment | - | - | - | - | - | - | - | - | - |
| Standard grade | 700,829 | - | - | 700,829 | 62,263 | - | - | 62,263 | 638,566 |
| | **700,829** | **-** | **-** | **700,829** | **62,263** | **-** | **-** | **62,263** | **638,566** |

**Loans to Corporate Customers**

| *In thousands of Naira* | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Investment | 88,896,766 | - | - | 88,896,766 | - | - | - | - | 88,896,766 |
| Standard grade | 33,317,891 | - | - | 33,317,891 | 170,726 | - | - | 170,726 | 33,147,165 |
| | **122,214,657** | **-** | **-** | **122,214,657** | **170,726** | **-** | **-** | **170,726** | **122,043,931** |

**Off balance sheet**

| *In thousands of Naira* | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Investment | 11,966,337 | - | - | 11,966,337 | 8,538 | - | - | 8,538 | 11,957,799 |
| Standard grade | 91,303,902 | - | - | 91,303,902 | 24,394 | - | - | 24,394 | 91,279,507 |
| | **103,270,239** | **-** | **-** | **103,270,239** | **32,933** | **-** | **-** | **32,933** | **103,237,306** |

**Investment securities**

| *In thousands of Naira* | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Investment | 94,644,500 | - | - | 94,644,500 | - | - | - | - | 94,644,500 |
| Standard grade | - | - | - | - | - | - | - | - | - |
| | **94,644,500** | **-** | **-** | **94,644,500** | **-** | **-** | **-** | **-** | **94,644,500** |

**Money market placements**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Internal rating grade | 35,808,280 | - | - | 35,808,280 | 2,230 | - | - | 2,230 | 35,806,050 |
| Investment | - | - | - | - | - | - | - | - | - |
| | **35,808,280** | **-** | **-** | **35,808,280** | **2,230** | **-** | **-** | **2,230** | **35,806,050** |

**Other assets (Using simplified approach)**

| *In thousands of Naira* | Gross amount | ECL | Carrying amount |
|---|---|---|---|
| Non-Investment | 87,373,317 | 118,450 | 87,254,867 |
| | **87,373,317** | **118,450** | **87,254,867** |

*There were no modifications of contractual cash flows during the year.

## Bank

**Credit quality by class December 2019 Investments Loans to Individuals**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Investments** | | | | | | | | | |
| Investment | - | - | - | - | | | | | |
| Standard grade | 785,766 | - | - | 785,766 | 586 | - | - | 586 | 785,180 |
| | **785,766** | **-** | **-** | **785,766** | **586** | **-** | **-** | **586** | **785,180** |

**Loans to Corporate Customers**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | | | | | | | | | |
| Investment | 38,723,511 | - | - | 38,723,511 | 20,622 | - | - | 20,622 | 38,702,889 |
| Standard grade | 33,232,954 | - | - | 33,232,954 | 7,200 | - | - | 7,200 | 33,225,754 |
| | **71,956,465** | **-** | **-** | **71,956,465** | **27,822** | **-** | **-** | **27,822** | **53,699,242** |

**Off balance sheet**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| **Internal rating grade** | | | | | | | | | |
| Investment | 11,673,838 | - | - | 11,673,838 | 62 | - | - | 62 | 9,432,156 |
| Standard grade | 77,340,479 | - | - | 77,340,479 | 277 | - | - | 277 | 22,326,883 |
| | **89,014,318** | **-** | **-** | **31,759,378** | **339** | **-** | **-** | **339** | **31,759,039** |

**Investment securities**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Internal rating grade | 64,562,069 | - | - | 64,562,069 | | | | | |
| Investment | - | - | - | - | 778 | - | - | 778 | 76,663,036 |
| | **64,562,069** | **-** | **-** | **76,663,814** | **778** | **-** | **-** | **778** | **76,663,036** |

**Money market placements**

| In thousands of Naira | Stage 1 Gross amount | Stage 2 Gross amount | Stage 3 Gross amount | Total Gross amount | Stage 1 ECL | Stage 2 ECL | Stage 3 ECL | Total ECL | Carrying amount |
|---|---|---|---|---|---|---|---|---|---|
| Investment | | | | - | 523 | - | - | 523 | 28,921,005 |
| Standard grade | 57,538,364 | - | - | 57,538,364 | 10,832 | - | - | 10,832 | 7,993,552 |
| | **57,538,364** | **-** | **-** | **36,925,911** | **11,355** | **-** | **-** | **11,355** | **36,914,557** |

**Other assets (Using simplified approach)**

| In thousands of Naira | Gross amount | ECL | Carrying amount |
|---|---|---|---|
| Investment | 10,011,215 | 48,547 | 9,962,668 |
| | **10,011,215** | **48,547** | **9,962,668** |

5.1.3 Credit quality

(b) Credit quality by risk rating class

Bank

December 2020

In thousands of Naira

Loans to Retail Customers

| | | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **amount** |
| BBB+ | Standard | 700,829 | - | - | 700,829 | - | - | - | - | 700,829 |
| | | **700,829** | **-** | **-** | **700,829** | **-** | **-** | **-** | **-** | **700,829** |

**Loans to Corporate Customers**

| | | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **amount** |
| AA | Investment | - | - | - | - | - | - | - | - | - |
| A- | Investment | - | - | - | - | - | - | - | - | - |
| BBB+ | Standard | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |

**Investment securities**

| | | Gross amount | | | | ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Carrying amount** |
| AAA | Investment | - | - | - | - | - | - | - | - | - |
| AA+ | Investment | - | - | - | - | - | - | - | - | - |
| AA | Investment | - | - | - | - | - | - | - | - | - |
| AA- | Investment | - | - | - | - | - | - | - | - | - |
| A+ | Investment | - | - | - | - | - | - | - | - | - |
| A- | Investment | - | - | - | - | - | - | - | - | - |
| BBB | Non-Investment | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |

## Bank

**December 2019**

*In thousands of Naira*

**Loans to Retail Customers**

| | | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **amount** |
| BBB+ | Standard | 507,728 | - | - | 507,728 | - | - | - | - | 507,728 |
| | | **507,728** | **-** | **-** | **507,728** | **-** | **-** | **-** | **-** | **507,728** |

**Loans to Corporate Customers**

| | | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **amount** |
| AA | Investment | - | - | - | - | - | - | - | - | - |
| A- | Investment | - | - | - | - | - | - | - | - | - |
| BBB+ | Standard | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |

**Investment securities**

| | | Gross amount | | | | ECL | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Carrying amount** |
| AAA | Investment | - | - | - | - | - | - | - | - | - |
| AA+ | Investment | - | - | - | - | - | - | - | - | - |
| AA- | Investment | - | - | - | - | - | - | - | - | - |
| A+ | Investment | - | - | - | - | - | - | - | - | - |
| A | Investment | - | - | - | - | - | - | - | - | - |
| A- | Investment | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - |

**Derivative Financial Instruments**

| | | Gross Nominal | | Fair Value | |
|---|---|---|---|---|---|
| **External Rating Equivalent** | **Grade** | **Dec-20** | **Dec-19** | **Dec-20** | **Dec-19** |
| AAA | Investment | 6,698,772 | 22,189,458 | 119,279 | 2,410,142 |
| **Gross amount** | | **6,698,772** | **22,189,458** | **119,279** | **2,410,142** |

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies. These instruments are neither past due nor impaired.

**5.1.3 Credit quality**

**(c) Credit quality by staging**

**Bank**

**December 2020**

*In thousands of Naira*

**Loans and advances to retail customers**

| | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Amount |
| Mortgage Loan | - | - | - | - | - | - | - | - | - |
| Personal Loan | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |

**Loans and advances to corporate customers**

| | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Amount |
| Overdraft | - | - | - | - | - | - | - | - | - |
| Term Loan | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |

**Bank**

**December 2019**

**Loans and advances to retail customers**

| | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Amount |
| Mortgage Loan | - | - | - | - | - | - | - | - | - |
| Personal Loan | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |

**Loans and advances to corporate customers**

| | Gross amount | | | | ECL | | | | Carrying |
|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | Amount |
| Overdraft | - | - | - | - | - | - | - | - | - |
| Term Loan | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - |

5.1.3 (d) Estimate of the fair value of collateral and other security enhancements

Estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

| *In thousands of Naira* | **Bank December 2020** | **Bank December 2019** |
|---|---|---|
| **Against neither past due and not impaired** | | |
| Property | 7,813,257 | 1,221,518 |
| Equities | 55,125,370 | 32,293,037 |
| Cash | 50,250,535 | 13,763,500 |
| Pledged goods and assets | 15,080,408 | 11,008,414 |
| All asset debentures and guarantees | 39,376,687 | 27,020,826 |
| **Total** | **167,646,257** | **85,307,295** |

**Collateral held and other credit enhancements, and their financial effect**

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to. However, collateral provides additional security and the Bank generally requests that all borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. The bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on credit worthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. The Bank obtains appraisals of all collaterals because the fair value of the collateral is an input to the impairment measurement.

## 5.1.4 (a) Credit concentration

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of net credit risk at the reporting date is shown below:

**By Sector**

**Bank**

**December 2020**

| In thousands of Naira | **Corporate** | **Finance and insurance** | **Government** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | - | 12,773,734 | - | - | 12,773,734 |
| Due from financial institutions | - | 35,806,050 | - | - | 35,806,050 |
| Non pledged trading assets | | | | | |
| -Treasury bills | - | - | 6,981,852 | - | 6,981,852 |
| -Bonds | - | - | 3,362,083 | - | 3,362,083 |
| Derivative financial assets | - | 62,947 | 5,437,546 | - | 5,500,493 |
| Loans and advances to customers | 122,043,931 | - | - | 638,566 | 122,682,497 |
| Pledged assets | | | | | - |
| -Treasury bills | - | - | 15,031,130 | - | 15,031,130 |
| -Bonds | - | - | 1,073,177 | - | 1,073,177 |
| Investment securities | | | | | - |
| Fair value through other comprehensive income | | | | | - |
| -Treasury bills | - | - | 69,801,647 | - | 69,801,647 |
| -Bonds | 853,484 | - | 12,399,228 | - | 13,252,712 |
| -Equity | - | - | - | - | - |
| Amortised cost | | | | | - |
| -Treasury bills | - | - | - | - | - |
| -Bonds | - | - | 11,590,141 | - | 11,590,141 |
| Other assets | 13,931,582 | - | - | 73,323,284 | 87,254,866 |
| **Total** | **136,828,997** | **48,642,731** | **125,676,804** | **73,961,850** | **385,110,382** |

## Bank

**December 2019**

| In thousands of Naira | **Corporate** | **Finance and insurance** | **Government** | **Others** | **Total** |
|---|---|---|---|---|---|
| Cash and balances with banks | - | 8,956,378 | - | - | 8,956,378 |
| Due from financial institutions | - | 57,473,891 | - | - | 57,473,891 |
| Non pledged trading assets | | | | | |
| -Treasury bills | - | - | 4,651,289 | - | 4,651,289 |
| -Bonds | - | - | 6,756,776 | - | 6,756,776 |
| Derivative financial assets | - | - | 2,410,142 | - | 2,410,142 |
| Loans and advances to customers | 72,178,325 | 189 | - | 505,435 | 72,683,949 |
| Pledged assets | | | | | - |
| -Treasury bills | - | - | 15,143,412 | - | 15,143,412 |
| -Bonds | - | - | 1,106,212 | - | 1,106,212 |
| Investment securities | | | | | - |
| Fair value through other comprehensive income | | | | | - |
| -Treasury bills | - | - | 33,429,604 | - | 33,429,604 |
| -Bonds | 5,892,825 | - | 7,976,584 | - | 13,869,409 |
| -Equity | - | - | - | - | - |
| Amortised cost | | | | | - |
| -Treasury bills | - | - | - | - | - |
| -Bonds | - | - | 1,672,125 | - | 1,672,125 |
| Other assets | - | - | - | 9,966,574 | 9,966,574 |
| **Total** | **78,071,150** | **66,430,458** | **73,146,144** | **10,472,009** | **228,119,761** |

## 5.2 Market risk management

### Definition

Coronation Merchant Bank's ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk mainly arises from trading activities and equity investments. Coronation Merchant Bank is also exposed to market risk through non-traded interest rate risk in its banking book:

### Market risk policy, management and control

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. It's strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk. The Bank is exposed to market risk through adverse movements in equity prices, foreign exchange and interest rates.

Coronation Merchant Bank manages market risk in line with its principal risks and control policy requirements approved by the Board Risk Committee. The Board approves the risk appetite for trading and non-trading activities and risk limits are set within the context of the approved market risk appetite. Market Risk monitors exposures against these limits.

The Bank's MD/CEO is responsible for approving specific position limits, which are sometimes specific medium-term investment cases and other times strategic (or have the potential of becoming strategic) in the medium term.

Each trading unit within the Bank adheres to the general rules set out by the Board of Directors. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading.

The position limits, or any changes to them, are proposed by the Bank's head of trading and then accepted by the Bank's Chief Risk Officer and approved by the Bank's CEO. The size of each position limit is based on, among other factors, underlying liquidity, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

All market risks are reported to the executive management daily (through a dashboard) and to Risk Committes monthly/ quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities, Oversight and support is provided to the business by the central market risk team.

Coronation Merchant Bank has a dedicated market risk team with the sole responsibility of implementing the market risk control framework. Daily market risk reports are produced for trading portfolios covering all risk categories including interest rate, equity and foreign exchange credit spread risk.

Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a VaR methodology.

VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive power, VaR models are back tested against actual results.

Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved. "

Identifying the growing importance of market risks in the Bank's operations, management has continued to ensure adequate internal controls and capital resources to address these risks. Prominent among the steps taken by management is the documentation of Internal Capital Adequacy Assessment Process (ICAAP), for effective risk and capital management, and approving more stringent limits to ensure market risk exposures are within its appetite.

**Traded market risk measurement and control**
The measurement/control techniques used to measure and control traded market risk include daily valuation of positions, limit monitoring, gap analysis, sensitivity analysis, value at risk, tail risk, stress testing, etc.

**Mark-to-Market (MTM)**
The marking-to-market technique establishes historical profit/loss by revaluing money market exposures to 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 categorized under the securities trading portfolio on a daily basis. As a general guide, marking to market is performed independently of the trading unit i.e. prices/rates are obtained from external sources.

**Daily value at risk (DVaR)**
DVaR is an estimate of the potential loss that might arise from unfavourable market movements if current positions were to be held unchanged for one business day, measured to a confidence level of 99%. This is to guard against incidence of significant market movements, consequently improving management, transparency and control of the market risk profile. Daily losses exceeding the DVaR figure are likely to occur, on average, three times in a year.

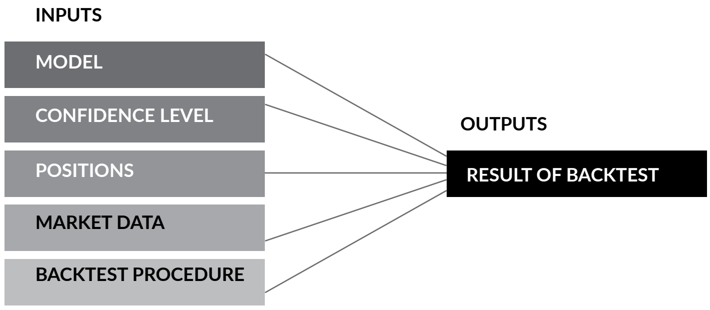
Coronation Merchant Bank uses an internal DVaR model based on the variance-covariance (analytical) method. Two years of unweighted historical price and rate data is applied and updated daily. This internal model is also used for measuring value at risk over both a one-day and 10-day holding year at a 99% confidence level for regulatory backtesting and regulatory capital calculation purposes respectively. This model covers general market (position) risk across all approved interest rate, foreign exchange, commodity, equity and traded credit products.

There are a number of considerations that are taken into account when reviewing DVaR numbers. These are as follows:

- The analytical method assumes that the past is a good representation of the future. This may not always be the case.
- The assumed time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- DVaR does not indicate the potential loss beyond the selected percentile.
- Intra-day risk is not captured.
- Prudent valuation practices are used in the DVaR calculation when there is difficulty obtaining rate/price information.

To complement DVaR, tail risk metrics, stress testing and other sensitivity measures are used.

***Backtesting***
DVaR is an important market risk measurement and control tool and consequently the performance of the model is regularly assessed for continued suitability. The main approach employed is a technique known as backtesting, which counts the number of days when daily trading losses exceed the corresponding DVaR estimate.




The regulatory standard for backtesting is to measure daily losses against DVaR assuming a one-day holding year and a 99% level of confidence. The regulatory green zone of three or less exceptions over a 12-month year is consistent with a good working DVaR model.

**Stress testing**
Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Market Risk complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios.

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist senior management in capital planning decisions.

A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Bank performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past years of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

**Risk limits**
Risk limits are set and reviewed at least annually to control Coronation Merchant Bank's trading activities in line with the defined risk appetite of the bank. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Trading risk limits are set at an aggregate, risk category and lower levels and are expressed in terms of DVaR. This is further supported by a comprehensive set of non-DVaR limits, including foreign exchange position limits, stop loss limits and Management Action Triggers. Appropriate performance triggers are also used as part of the risk management process.

Foreign Currency Trading Position Limits (FCTPL): The Bank, in keeping with the prudency concept, sets its policy limit for Trading Position at a level lower than the maximum FCTPL approved by the regulatory authority. In setting the internal FCTPL, the following considerations are imperative:

- The Regulatory FCTPL;
- The Bank's tolerance and appetite for FX risk;
- The size and depth of the FX market in Nigeria;
- The degree of volatility of traded currencies;

- The Bank's desired positioning in the relevant FX market with requirements for international business support.

Management Action Trigger (MAT): This establishes decision points to confirm the Board of Directors' tolerance for accepting trading risk losses on a cumulative basis. MAT therefore, takes into account actual cumulative profit/loss as well as potential losses and the loss tolerance is defined as a percentage of gross earnings.

Stop Loss Limit: This limit sets a maximum tolerable unrealized profit/loss to date which will trigger the closing of a position in order to avoid any further loss based on existing exposures. Positions are liquidated uniformly when stop loss limits are breached.

Value-at-Risk Limit: The normal VaR of the portfolio will be the Naira loss that will be exceeded 1% of the time over a one day horizon. The time year may be changed depending on the volume of position held and current market realities. At a maximum of 99% confidence level, and a holding period of 1 day, the bank maintains a VaR limit 6% of Shareholders' funds.

**Interest rate risk**

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its trading and banking books.

Coronation Merchant Bank's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90-day NIBOR and different types of interest. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the Bank balance sheet, mainly due to re-pricing timing differences between assets, liabilities and equity.

These risks impact both the earnings and the economic value of the bank. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the bank's non-trading activities.

The principal tool used to measure and control market risk exposure within the bank's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Bank is to be exposed to. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Interest-rate risk is monitored centrally with a Gap report. A limits framework is in place to ensure that retained risk remains within approved appetite.

**Foreign exchange risk**

Foreign Exchange risk is the exposure of the Bank's financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through its assets, managing customers' deposits and through acting as an intermediary in foreign exchange transactions between central and commercial banks.

The Bank's foreign exchange risk is considered at a Group level since an effective overview of such risk is a critical element of the Bank's asset/liability risk management. The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in foreign currency.

Our net total currency balance is always within specified regulatory limits which is currently 10% of shareholders' funds.

### 5.2.1 A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

**Bank**

| | Re-pricing period | | | | | | |
|---|---|---|---|---|---|---|---|
| In thousands of Naira<br>**31 December 2020** | **Less than 3 months** | **4 - 6 months** | **7 - 12 months** | **1 - 5 years** | **More than 5 years** | **Non-Interest bearing** | **Total** |
| Cash and balances with banks | - | - | - | - | - | 12,773,734 | 12,773,734 |
| Due from financial institutions | 25,105,120 | 8,738,660 | 1,962,270 | - | - | - | 35,806,050 |
| Non pledged trading assets | | | | | | | |
| -Treasury bills | 5,377,885 | 875,753 | 728,214 | - | - | - | 6,981,852 |
| -Bonds | 3,362,083 | - | - | - | - | - | 3,362,083 |
| Derivative financial assets | 4,795,139 | 693,040 | 12,314 | - | - | - | 5,500,493 |
| Loans and advances to customers | 85,561,246 | 28,799,759 | 1,537,689 | 130,735 | 6,653,067 | - | 122,682,497 |
| Pledged assets | | | | | | | |
| -Treasury bills | 9,598,464 | 467,527 | 4,965,139 | - | - | - | 15,031,130 |
| -Bonds | - | - | - | - | 1,073,177 | - | 1,073,177 |
| Investment securities | | | | | | - | - |
| Fair value through other compre-hensive income | | | | | | | - |
| -Treasury bills | 59,338,846 | 3,071,258 | 7,391,543 | - | - | - | 69,801,647 |
| -Bonds | 6,855 | - | - | 3,143,523 | 10,102,334 | - | 13,252,712 |
| Amortised cost | | | | | | | - |
| -Bonds | - | - | - | - | 11,590,141 | - | 11,590,141 |
| Other assets | - | - | - | - | - | 87,254,867 | 87,254,867 |
| | **193,145,637** | **42,645,998** | **16,597,169** | **3,274,258** | **29,418,720** | **100,028,601** | **385,110,383** |
| Deposits to financial institutions | 52,319,291 | - | - | - | - | - | 52,319,291 |
| Due to customers | 179,531,294 | 14,930,145 | 700,026 | - | - | - | 195,161,465 |
| Non pledged trading liabilities | | | | | | | |
| -Bonds | - | - | - | - | 4,643 | - | 4,643 |
| Derivative financial liabilities | 4,766,757 | 649,720 | 12,793 | - | - | - | 5,429,271 |
| Commercial paper liabilities | 8,887,242 | - | - | - | - | - | 8,887,242 |
| Surbodinated Liabilities | - | - | - | 24,806,884 | - | - | 24,806,884 |
| Other liabilties | - | - | - | - | - | 83,997,174 | 83,997,174 |
| | **245,504,584** | **15,579,865** | **712,820** | **24,806,884** | **4,643** | **83,997,174** | **370,605,970** |
| **Total interest re-pricing gap** | **(52,358,946)** | **27,086,965** | **15,884,350** | **(21,532,626)** | **29,414,077** | **16,031,427** | **14,504,413** |

## Bank

**Re-pricing period**

| *In thousands of Naira* **31 December 2019** | **Less than 3 months** | **4 - 6 months** | **7 - 12 months** | **1 - 5 years** | **More than 5 years** | **Non-Interest bearing** | **Total** |
|---|---|---|---|---|---|---|---|
| Cash and balances with banks | - | - | - | - | - | 8,956,378 | 8,956,378 |
| Due from financial institutions | 57,473,891 | - | - | - | - | - | 57,473,891 |
| Non pledged trading assets | | | | | | | |
| -Treasury bills | 4,651,289 | - | - | - | - | - | 4,651,289 |
| -Bonds | 6,756,776 | - | - | - | - | - | 6,756,776 |
| Derivative financial assets | - | - | - | - | - | 2,410,142 | 2,410,142 |
| Loans and advances to customers | 26,089,952 | 46,146,593 | 6,394 | 23,498 | 722,713 | - | 72,989,150 |
| Pledged assets | | | | | | | |
| -Treasury bills | - | 1,614,881 | 13,605,705 | - | - | - | 15,220,586 |
| -Bonds | - | - | - | - | 1,106,212 | - | 1,106,212 |
| Investment securities | | | | | | - | |
| Fair value through other comprehensive income | | | | | | | |
| -Treasury bills | 400,082 | 2,429,479 | 9,810,801 | - | - | - | 12,640,362 |
| -Bonds | - | 2,252,475 | - | 2,728,364 | 6,718,017 | - | 11,698,856 |
| Amortised cost | | | | | | - | |
| -Treasury bills | | | | | | - | - |
| -Bonds | - | - | - | - | 1,672,125 | - | 1,672,125 |
| Other assets | - | - | - | - | - | 9,966,574 | 9,966,574 |
| | **95,371,990** | **52,443,428** | **23,422,900** | **2,751,862** | **10,219,067** | **21,333,094** | **205,542,341** |
| | | | | | | | |
| Deposits to financial institutions | - | 16,710,297 | 7,420,429 | 1,847,054 | - | - | 25,977,780 |
| Due to customers | 73,378,923 | 58,096,821 | 4,567,688 | - | - | - | 136,043,432 |
| Derivative financial liabilities | | | | | | | - |
| Non pledged trading liabilities | | | | | | | |
| -Bonds | 523,876 | - | - | - | - | - | 523,876 |
| Derivative financial liabilities | - | - | - | - | - | 2,378,555 | 2,378,555 |
| Commercial paper liablities | 12,610,440 | - | - | - | - | - | 12,610,440 |
| Other liabilties | - | - | - | - | - | 37,761,571 | 37,761,571 |
| | **86,513,239** | **74,807,118** | **11,988,117** | **1,847,054** | **-** | **40,140,126** | **215,295,654** |
| **Total interest re-pricing gap** | **8,858,751** | **(22,363,690)** | **11,434,784** | **904,808** | **10,219,067** | **(18,807,032)** | **(9,753,313)** |

### 5.2.2 Exposure to fixed and variable interest rate risk

The table below sets out information on the exposure to fixed interest instruments. There were no exposures to variable rate instruments in the period.

**Bank**

*In thousands of Naira*

| **31-Dec-2020** | **Fixed** | **Non-interest bearing** | **Total** |
|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | - | 12,773,734 | 12,773,734 |
| Due from financial institutions | 35,808,280 | - | 35,808,280 |
| Non pledged trading assets | 10,343,935 | - | 10,343,935 |
| Derivative financial assets | - | 5,500,493 | 5,500,493 |
| Loans and advances to customers | 122,682,497 | - | 122,682,497 |
| Pledged assets | 16,104,307 | - | 16,104,307 |
| Investment securities: | | | - |
| - Fair value through other comprehensive income | 83,054,359 | 13,597,391 | 96,651,750 |
| - Amortised cost | 11,590,141 | - | 11,590,141 |
| Other asset | - | 87,254,867 | 87,254,867 |
| | **279,583,519** | **119,126,485** | **398,710,004** |
| **LIABILITIES** | | | |
| Deposits to financial institutions | 52,319,291 | - | 52,319,291 |
| Due to customers | 195,161,465 | - | 195,161,465 |
| Non pledged trading liabilities | 4,643 | - | 4,643 |
| Derivative financial liabilities | - | 5,429,271 | 5,429,271 |
| Commercial paper liabilities | 8,887,242 | - | 8,887,242 |
| Unsubordinated liabilities | 24,806,884 | - | 24,806,884 |
| Other liabilities | - | 83,997,174 | 83,997,174 |
| | **281,179,525** | **89,426,445** | **370,605,970** |

**Bank**

| **31-Dec-2019** | **Fixed** | **Non-interest bearing** | **Total** |
|---|---|---|---|
| **ASSETS** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | - | 8,956,378 | 8,956,378 |
| Due from financial institutions | 57,538,364 | - | 57,538,364 |
| Non pledged trading assets | 11,408,065 | - | 11,408,065 |
| Derivative financial assets | - | 2,410,142 | 2,410,142 |
| Loans and advances to customers | 72,683,949 | - | 72,683,949 |
| Pledged assets | 16,326,798 | - | 16,326,798 |
| Investment securities: | | | |
| - Fair value through other comprehensive income | 47,299,013 | 11,360,295 | 58,659,308 |
| - Amortised cost | 1,672,125 | - | 1,672,125 |
| Other asset | - | 9,966,574 | 9,966,574 |
| | **206,928,314** | **32,693,389** | **239,621,703** |
| **LIABILITIES** | | | |
| Deposits to financial institutions | 25,978,923 | - | 25,978,923 |
| Due to customers | 138,087,891 | - | 138,087,891 |
| Non pledged trading liabilities | 523,876 | - | 523,876 |
| Commercial paper liabilities | 12,610,440 | - | 12,610,440 |
| Derivative financial liabilities | - | 2,378,555 | 2,378,555 |
| Other liabilities | - | 37,761,571 | 37,761,571 |
| | **177,201,130** | **40,140,126** | **217,341,256** |

**Interest rate risk**
Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing (note 5.2.1) and value at risk (note 5.2.2) that may be undertaken, which is monitored daily by Bank's Treasury.

**Cash flow and fair value interest rate risk**
The Bank's interest rate risk arises from risk assets, long-term borrowings, deposits from banks and customers. Borrowings issued at variable rates expose the Bank to cash flow interest rate risk. Other financial liabilities issued at fixed rates expose the Bank to fair value interest rate risk.

The management of interest rate risk against interest rate gap limits is supplemented with monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios.

Interest rate movement have both cash flow and fair value effect depending on whether interest rate is fixed or floating. The impact resulting from adverse or favourable movement flows from either retained earnings or OCI and ultimately ends in equity in the following manner:

(i) Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.

(ii) Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in other comprehensive income.

**Bank**

**Interest sensitivity analysis - 31 December 2020**

**Impact on net interest income of +/-1oo basis points changes in rates over one period (N'000)**

| | **Cashflow interest rate risk** | |
|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| Less than 3 months | (2,157,027) | 2,157,027 |
| 6 months | (470,746) | 470,746 |
| 12 months | 186,357 | (186,357) |
| | **(2,441,416)** | **2,441,416** |

**Bank**

**Interest sensitivity analysis - 31 December 2019**

**Impact on net interest income of +/-1oo basis points changes in rates over one period (N'000)**

| | **Cashflow interest rate risk** | |
|---|---|---|
| **Time Band** | **100 basis points decline in rates** | **100 basis points increase in rates** |
| Less than 3 months | 777,770 | (777,770) |
| 6 months | (271,079) | 271,079 |
| 12 months | (271,079) | 271,079 |
| | **235,612** | **(235,612)** |

The preceeding table sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel fall in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Bank to mitigate interest rate risk. In practice, the Assets and Liability Committee, ALCO seeks proactively to change the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges, and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

**Price sensitivity analysis on bonds and treasury bills**

The table below shows the impact of likely movement in yields on the value of bonds and treasury bills. This relates to the positions held for trade and available for sale. Since an increase in yields would lead to decline in market values of bonds and treasury bills, the analysis was carried out to show the likely impact of 50 and 100 basis points increase in market yields. The impact of fair value through profit or loss investments is on the income statement while the impact of fair value through other comprehensive income instruments is on the statement of other comprehensive income.

| **Bank**<br>**December 2020** | **Carying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| Impact on Statement of Comprehensive Income | | | |
| Bonds at Fair value through Profit or Loss | 3,362,083 | (16,810) | (33,621) |
| T-bills at Fair value through Profit or Loss | 6,981,852 | (34,909) | (69,819) |
| | 10,343,935 | (51,720) | 103,440 |
| Impact on Other Comprehensive Income | | | - |
| Investments at Fair value through other comprehensive income | 83,054,359 | (415,272) | (830,544) |
| | | | - |
| **TOTAL** | **93,398,294** | **(466,991)** | **(933,983)** |

| **Bank**<br>**December 2019** | **Carying Value** | **Impact of 50 basis points increase in yields** | **Impact of 100 basis points increase in yields** |
|---|---|---|---|
| Impact on Statement of Comprehensive Income | | | |
| Bonds at Fair value through Profit or Loss | 3,635,183 | (18,176) | (36,352) |
| T-bills at Fair value through Profit or Loss | 4,466,848 | (22,334) | (44,668) |
| | 8,102,031 | (40,510) | (81,020) |
| Impact on Other Comprehensive Income | | | |
| Investments at Fair value through other comprehensive income | 63,842,527 | (319,213) | (638,425) |
| **TOTAL** | **71,944,558** | **(359,723)** | **(719,445)** |

### 5.2.3 The table below summarises the Bank's financial instruments at carrying amount, categorised by currency:

**Financial instruments by currency**

**Bank**

| **31-Dec-20** | **Total** | **Naira** | **US** | **GBP** | **CNY** | **Euro** |
|---|---|---|---|---|---|---|
| Cash and balances with banks | 12,773,734 | 5,014,928 | 7,637,231 | 6,209 | - | 115,366 |
| Due from financial institutions | 35,806,050 | (12,804,886) | 48,610,936 | - | - | - |
| Non pledged trading assets | | | - | - | - | - |
| -Treasury bills | 6,981,852 | 6,981,852 | - | - | - | - |
| -Bonds | 3,362,083 | 3,362,083 | - | - | - | - |
| Derivative financial assets | 5,500,493 | - | 5,500,493 | - | - | - |
| Loans and advances to customers | 122,682,497 | 91,468,431 | 31,010,711 | 129,268 | - | 74,087 |
| Pledged assets | | | - | - | - | - |
| -Treasury bills | 15,031,130 | 15,031,130 | - | - | - | - |
| -Bonds | 1,073,177 | 1,073,177 | - | - | - | - |
| Investment securities | | | - | - | - | - |
| Fair value through other comprehensive income: | | | - | - | - | - |
| -Treasury bills | 69,801,647 | 69,801,647 | - | - | - | - |
| -Bonds | 13,187,853 | 13,122,994 | 64,859 | - | - | - |
| -Equity | 13,597,391 | 1,464,854 | 12,132,537 | - | - | - |
| Amortised cost | | | | | - | |
| -Bonds | 1,620,005 | 1,620,005 | - | - | - | - |
| Other assets | 87,254,867 | 84,270,232 | 2,969,277 | 2,962 | 5,984 | 6,412 |
| | **388,672,779** | **280,406,447** | **107,926,044** | **138,439** | **5,984** | **195,865** |
| | | | | | | |
| Deposits to financial institutions | 52,319,291 | 31,343,566 | 20,975,725 | - | - | - |
| Due to customers | 195,161,465 | 162,313,474 | 32,847,344 | 643 | - | 4 |
| Non pledged trading liabilities | | | | | - | |
| - Treasury bills | - | - | - | - | - | - |
| - Bonds | 4,643 | 4,643 | - | - | - | - |
| Derivative financial liabilities | 111,004 | 111,004 | - | - | - | - |
| Other liabilties | 83,997,174 | 47,240,542 | 36,432,590 | 134,594 | - | 189,448 |
| | **331,593,577** | **241,013,229** | **90,255,659** | **135,237** | **-** | **189,452** |
| | | | | | | |
| **Net FCY Exposure** | **17,685,984** | **39,393,219** | **17,670,385** | **3,202** | **5,984** | **6,413** |

**Bank**

| 31-Dec-19 | Total | Naira | US | GBP | | Euro |
|---|---|---|---|---|---|---|
| Cash and balances with banks | 8,956,378 | 1,197,572 | 7,637,231 | 6,209 | - | 115,366 |
| Due from financial institutions | 57,473,891 | 8,862,955 | 48,610,936 | - | - | - |
| Non pledged trading assets | | | - | - | - | - |
| -Treasury bills | 4,651,289 | 4,651,289 | - | - | - | - |
| -Bonds | 6,756,776 | 6,756,776 | - | - | - | - |
| -Equity | - | | - | - | - | - |
| Derivative financial assets | 2,410,142 | - | 2,410,142 | - | - | - |
| Loans and advances to customers | 72,683,949 | 41,469,883 | 31,010,711 | 129,268 | - | 74,087 |
| Pledged assets | | | - | - | - | - |
| -Treasury bills | 15,143,412 | 15,143,412 | - | - | - | - |
| Investment securities | | | - | - | - | - |
| Fair value through other comprehensive income | | | - | - | - | - |
| -Treasury bills | 33,429,604 | 33,429,604 | - | - | - | - |
| -Bonds | 11,691,800 | 9,514,191 | 2,177,609 | - | - | - |
| -Equity | 11,360,295 | 47,529 | 11,312,766 | - | - | - |
| Amortised cost | | | | | - | |
| -Bonds | 1,672,125 | 1,672,125 | - | - | - | - |
| Other assets | 9,966,574 | 9,966,574 | - | - | - | - |
| | **237,302,447** | **133,818,122** | **103,159,395** | **135,477** | **-** | **189,453** |
| Deposits to financial institutions | 25,978,923 | 5,003,198 | 20,975,725 | - | - | - |
| Due to customers | 138,087,891 | 105,239,900 | 32,847,344 | 643 | - | 4 |
| Non pledged trading liabilities | - | | | | - | |
| -Treasury | - | - | - | - | - | - |
| -Bonds | 523,876 | 523,876 | - | - | - | - |
| Derivative financial liabilities | 2,378,555 | 2,378,555 | - | - | - | - |
| Other liabilties | 37,761,571 | 1,004,939 | 36,432,590 | 134,594 | - | 189,448 |
| | **204,730,816** | **114,150,469** | **90,255,659** | **135,236** | **-** | **189,452** |
| **Net FCY Exposure** | **12,903,977** | **19,667,654** | **12,903,736** | **240** | **-** | **1** |

### 5.2.3 Foreign currency sensitivity analysis

The Bank's principal foreign currency exposure is to US Dollars, as it constituted 99% of the Bank's foreign currency exposure as at 31 December 2020. The table below illlustrates the hypothetical sensitivity of the Bank's reported profit to a 10% and 5% increase in the US Dollar/Naira exchange rates at the year-end dates, assuming all other variables remain unchanged. The sensitivity rate of 10% and 5% represents the management's assessment of a reasonable possible change based on historic volatility.

| **Bank** | **Impact on statement of comprehensive income** | **Impact on statement of comprehensive income** |
|---|---|---|
| *In thousands of naira* | **31-Dec-20** | **31-Dec-19** |
| Naira weakens by 10% | 1,768,598 | 1,290,398 |
| Naira weakens by 5% | 884,299 | 645,199 |
| Naira strengthens by 10% | (1,768,598) | (1,290,398) |
| Naira strengthens by 5% | (884,299) | (645,199) |

**Foreign currency exposure risk ratio**
The aggregate  Foreign Exchange Risk Ratio measures the sum-total of all single currency foreign exchange open position as a percentage of Shareholders' funds. The open position is derived after taking into account qualifying off-financial position hedging instruments (where they exist). The Bank uses an internal ratio of 9% as the highest tolerable aggregate foreign exchange risk ratio exposure. The aggregate foreign exchange risk ratio pattern of the Bank during the year were as stated below:

| | |
|---|---|
| **HIGH** | 7.1% |
| Low | 4.7% |
| Average | 1.7% |

**Price sensitvity analysis on equity**
A significant portion of the Bank's equity position is unquoted as such no price sensitivity has been performed. However, for the unquoted equities, a sensitivity of the key valuation inputs was performed in note 4.

**Liquidity risk management**
The following table shows the undiscounted cash flows on the bank's financial assets and 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.

The amounts in the table below have been compiled as follows:

| Type of financial instrument | Basis on which amounts are compiled |
|---|---|
| Non-derivative financial liabilities and financial assets | Undiscounted cash flows, which include estimated interest payments. |
| Issued financial guarantee contracts, and unrecognised loan commitments | Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. |

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand due to customers are expected to remain stable or increase and unrecognised loan commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and balances with banks and debt securities issued by federal government, which can be readily sold to meet liquidity requirements.
In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral.

## 5.3 Liquidity risk management

Liquidity risk arises when the Bank is unable to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition. The Bank is managed to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times including periods of financial stress.

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. 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.

The Bank's liquidity has consistently been above the minimum liquidity ratio and the requirements of its stress tests. Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. We analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base.

The Board approves the Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. 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.

**Quantifications**

Coronation Merchant 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 channels of utilization 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 Analysis quantifies the daily and cumulative gap in a business as usual environment. The 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 cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

**Limit management and monitoring**

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. 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 maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. 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**

Coronation Merchant Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control 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, Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and 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 materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent 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 requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

**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. For this purpose, net liquid assets are considered as including cash and balances with banks and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's lead regulator (the Central Bank of Nigeria).

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:

| | **Dec-20** | **Dec-19** |
|---|---|---|
| At end of year/year | 50.93% | 61.23% |
| Average for the year/year | 39.73% | 58.61% |
| Maximum for the year/year | 54.77% | 72.95% |
| Minimum for the year/year | 32.27% | 40.64% |

The following table shows the undiscounted cash flows on the bank's financial assets and 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.

### 5.3.1 Residual contractual maturities of financial assets and liabilities

| Bank | Carrying amount | Gross nominal inflow/ (outflow) | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181-365 days | Over 1 year but less than 5yrs | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| 31-Dec-20 | | | | | | | | |
| In thousands of Naira | | | | | | | | |
| Cash and balances with banks | 12,773,734 | 12,773,734 | 12,773,734 | - | - | - | - | - |
| Due from financial institutions | 35,806,050 | 35,808,280 | 35,808,280 | - | - | - | - | - |
| Non pledged trading assets | | | | | | | | |
| -Treasury bills | 6,981,852 | 6,981,852 | 738,768 | 4,639,117 | 875,753 | 728,214 | | |
| -Bonds | 3,362,083 | 3,362,083 | - | - | - | - | - | 3,362,083 |
| Derivative financial assets | 5,500,493 | 6,698,772 | 2,364,391 | 4,322,067 | 12,314 | - | - | - |
| Loans and advances to customers | 122,682,497 | 122,936,319 | 27,245,012 | 58,478,697 | 28,875,317 | 1,540,609 | 130,983 | 6,665,700 |
| Pledged assets | | | | | | | | |
| -Treasury bills | 15,031,130 | 15,031,130 | 4,394,756 | 5,203,709 | 467,527 | 4,965,139 | | |
| -Bonds | 1,073,177 | 1,073,177 | - | - | - | - | - | 1,073,177 |
| Investment securities | | | | | | | | |
| Fair value through other comprehensive income | | | | | | | | |
| -Treasury bills | 69,801,647 | 69,801,647 | 4,358,222 | 54,980,624 | 3,071,258 | 7,391,543 | | |
| -Bonds | 13,252,712 | 13,187,853 | 6,855 | - | - | - | 3,143,523 | 10,037,475 |
| Amortised cost | | | 6,817 | - | - | - | 3,126,158 | 9,982,027 |
| -Bonds | 11,590,141 | 11,590,141 | | | | | | 11,590,141 |
| Other assets | 87,254,867 | 87,952,775 | - | - | - | 14,629,490 | 73,323,285 | - |
| | **385,110,383** | **387,197,763** | **87,696,835** | **127,624,213** | **33,302,170** | **29,254,994** | **79,723,949** | **42,710,604** |
| | | | | | | | | |
| Deposits to financial institutions | 52,319,291 | 54,381,702 | 18,329,777 | 22,268,425 | 13,783,500 | - | - | - |
| Due to customers | 195,161,465 | 195,161,465 | 92,143,057 | 69,907,431 | 29,341,335 | 3,769,643 | - | - |
| Non pledged trading liabilities | | | | | | | | |
| -Bonds | 4,643 | 4,643 | - | - | - | - | - | - |
| Derivative financial liabilities | 5,429,271 | 5,479,586 | 45,571 | 55,964 | 240 | - | - | - |
| Commercial paper liabilities | 8,887,242 | - | - | - | - | - | - | - |
| Surbodinated liabilities | - | - | - | - | - | - | 24,806,884 | - |
| Other liabilities | 83,997,174 | 82,599,893 | 39,876,467 | 30,518,499 | 12,204,927 | - | - | - |
| | **354,686,328** | **349,308,486** | **151,635,849** | **133,190,538** | **55,330,002** | **3,769,643** | **24,806,884** | **-** |
| Gap (asset - liabilities) | 30,424,055 | 37,889,277 | (63,939,014) | (5,566,325) | (22,027,832) | 25,485,351 | 54,917,065 | 42,710,604 |

-

**Bank**

| 31-Dec-19 | Carrying amount | Gross nominal inflow/ (outflow) | 0 - 30 days | 31 - 90 days | 91 - 180 days | 181-365 days | Over 1 year but less than 5yrs | Over 5 years |
|---|---|---|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | | | | |
| Cash and balances with banks | 8,956,378 | 8,956,378 | 8,956,378 | - | - | - | - | - |
| Due from financial institutions | 57,473,891 | 61,338,609 | 2,000,938 | 8,192,994 | 14,584,023 | 36,560,654 | - | - |
| Non pledged trading assets | | | | | | | | |
| -Treasury bills | 4,651,289 | 4,937,394 | 196,768 | 884,027 | 515,423 | 3,341,176 | - | - |
| -Bonds | 6,756,776 | 5,777,601 | - | 85,216 | - | - | 34,224 | 5,658,161 |
| Derivative financial assets | 2,410,142 | 22,189,458 | 5,530,322 | 16,659,136 | - | - | - | - |
| Loans and advances to customers | 72,683,949 | 72,989,150 | 26,089,952 | 40,230,427 | 5,916,165 | 6,394 | 746,212 | - |
| Pledged assets | | | | | | | | |
| -Treasury bills | 15,143,412 | 16,585,140 | - | 500,000 | 1,078,000 | 15,007,140 | - | - |
| -Bonds | 1,106,212 | 852,570 | - | - | - | - | - | 852,570 |
| Investment securities | | | | | | | | |
| Fair value through other comprehensive income | | | | | | | | |
| -Treasury bills | 33,429,604 | 36,472,254 | 401,049 | 381,033 | 2,379,045 | 33,311,127 | - | - |
| -Bonds | 13,869,409 | 10,510,075 | - | 2,232,027 | - | 30,000 | 2,505,022 | 5,743,026 |
| Amortised cost | | | | | | | | |
| -Treasury bills | - | - | | | | | | |
| -Bonds | 1,672,125 | 993,788 | - | - | - | - | - | 993,788 |
| Other assets | 9,966,574 | 10,011,035 | 1,253,059 | - | - | - | - | 8,757,976 |
| | **228,119,761** | **251,613,452** | **44,428,466** | **69,164,860** | **24,472,656** | **88,256,491** | **3,285,458** | **22,005,521** |
| | | | | | | | | |
| Deposits to financial institutions | 25,978,923 | 26,238,393 | - | 13,155,955 | 11,166,243 | - | 1,916,195 | - |
| Due to customers | 138,087,891 | 138,087,892 | 75,423,382 | 35,630,470 | 22,466,352 | 4,567,688 | - | - |
| Non pledged trading liabilities | | | | | | | | |
| -Treasury bills | - | - | - | - | - | - | - | - |
| -Bonds | 523,876 | 523,876 | 523,876 | - | - | - | - | - |
| Commercial paper liabilities | 12,610,440 | 16,012,737 | 1,701,148 | 14,311,588 | - | - | - | - |
| Derivative financial liabilities | 2,420,349 | 22,219,872 | 5,551,146 | 16,668,726 | - | - | - | - |
| Other liabilities | 37,761,571 | 37,761,571 | 37,761,571 | - | - | - | - | - |
| | **217,383,050** | **240,844,341** | **120,961,123** | **79,766,739** | **33,632,595** | **4,567,688** | **1,916,195** | **-** |
| Gap (asset - liabilities) | 10,736,711 | 10,769,112 | (76,532,657) | (10,601,879) | (9,159,939) | 83,688,803 | 1,369,263 | 22,005,521 |

### 5.3.2 Financial instruments below and above 1 year's maturity

| Bank | December 2020 Within 12 months | December 2020 After 12 months | December 2020 Total | December 2019 Within 12 months | December 2019 After 12 months | December 2019 Total |
|---|---|---|---|---|---|---|
| *In thousands of Naira* | | | | | | |
| Cash and balances with banks | 12,773,734 | - | **12,773,734** | 8,956,378 | - | **8,956,378** |
| Due from financial institutions | 35,808,280 | - | **35,808,280** | 61,338,609 | - | **61,338,609** |
| Non pledged trading assets | | | | | | |
| -Treasury bills | | - | **-** | | - | **-** |
| -Bonds | - | 3,362,083 | **3,362,083** | 85,216 | 5,692,385 | **5,777,601** |
| Derivative financial assets | 6,698,772 | - | **6,698,772** | 22,189,458 | - | **22,189,458** |
| Loans and advances to customers | 116,139,636 | 6,796,683 | **122,936,319** | 72,242,938 | 746,212 | **72,989,150** |
| Pledged assets | | | | | | |
| -Treasury bills | 15,031,130 | - | **15,031,130** | 16,585,140 | - | **16,585,140** |
| -Bonds | - | 1,073,177 | **1,073,177** | - | 852,570 | **852,570** |
| Investment securities | | | | | | |
| Fair value through other comprehensive income | | | | | | **-** |
| -Treasury bills | 69,801,647 | - | **69,801,647** | 36,472,254 | - | **36,472,254** |
| -Bonds | 6,855 | 13,180,998 | **13,187,853** | 2,262,027 | 8,248,048 | **10,510,075** |
| Amortised cost | | | | | | |
| -Bonds | - | 11,590,141 | **11,590,141** | - | 993,788 | **993,788** |
| Other assets | 14,629,490 | 73,323,285 | **87,952,775** | 1,253,059 | 8,757,976 | **10,011,035** |
| | **270,889,542** | **109,326,368** | **380,215,911** | **221,385,078** | **25,290,979** | **246,676,058** |
| | | | | | | |
| Deposits to financial institutions | 52,319,291 | - | **52,319,291** | 25,978,923 | 1,916,195 | **27,895,118** |
| Due to customers | 195,161,465 | - | **195,161,465** | 138,087,891 | - | **138,087,891** |
| Non pledged trading liabilities | | | | | | **-** |
| -Treasury bills | - | - | **-** | - | - | **-** |
| -Bonds | 4,643 | - | **4,643** | 523,876 | - | **523,876** |
| Derivative financial liabilities | 111,004 | - | **111,004** | 2,378,555 | - | **2,378,555** |
| Other liabilities | 82,599,893 | - | **82,599,893** | 37,761,571 | - | **37,761,571** |
| | **330,196,296** | **-** | **330,196,296** | **204,730,816** | **1,916,195** | **206,647,011** |
| Gap (asset - liabilities) | **(59,306,753)** | **109,326,368** | **50,019,614** | **16,654,262** | **23,374,784** | **40,029,047** |

### 5. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

i) To comply with the capital requirements set by the Central Bank;
ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii) To maintain a strong capital base to support the development of its business.

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% (for Merchant Banks) is to be maintained for Merchant Banks. Following the CBN guideline on regulatory capital computation, the Regulatory Risk Reserve has been excluded from the capital computation. Standardised approach has been adopted in computing the risk weighted assets for Credit, Operational, and Market Risk. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):

The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises two tiers:

- Tier 1 capital: share capital, share premium, retained earnings and other reserves, and
- Tier 2 capital: unrealised gains arising on the fair valuation of equity instruments held as fair value through other comprehensive income and foreign currency translation reserves with adjustments for deferred tax assets, intangibles and investments in subsidiaries.

| | Bank December 2020 | Bank December 2019 |
|---|---|---|
| *In thousands of Naira* | | |
| **Tier 1 capital** | | |
| Ordinary share capital | 5,050,546 | 5,050,546 |
| Share premium | 3,655,348 | 3,655,348 |
| Retained earnings | 16,412,575 | 14,981,190 |
| Other reserves | 11,941,934 | 11,868,856 |
| | **37,060,403** | **35,555,940** |
| **Less:** | | |
| Investments in subsidiaries | - | - |
| Deferred tax assets | (5,216,566) | (5,777,715) |
| Regulatory risk reserve | (3,577,093) | (3,517,624) |
| Intangible assets | (1,116,582) | (790,321) |
| **Adjusted Tier 1** | **27,150,162** | **25,470,280** |
| **Tier 2 capital** | | |
| Fair value reserve | 3,051,029 | 2,285,559 |
| Foreign currency translational reserves | - | - |
| **Other reserves** | **24,806,884** | **-** |
| Less: | | |
| Investments in subsidiaries | - | - |
| **Total Tier 2** | **27,857,913** | **2,285,559** |
| **Eligible tier 2** | **9,050,054** | **2,285,559** |
| **Total regulatory capital** | **36,200,216** | **27,755,839** |
| **Risk-weighted assets** | **182,180,847** | **133,477,365** |
| Capital ratios | | |
| **Total regulatory capital expressed as a percentage of total risk-weighted assets** | **19.87%** | **20.79%** |
| **Total tier 1 capital expressed as a percentage of risk-weighted assets** | **14.90%** | **19.08%** |

Amount in thousands of Naira (N'000) unless otherwise stated

## 7 Interest income

| | | Dec-20 | Dec-19 |
|---|---|---|---|
| **7a** | **Financial assets at amortised cost** | | |
| 7a | Cash and balances with banks | 4,877,015 | 5,749,525 |
| | Loans and advances to customers | 8,988,032 | 8,966,309 |
| | Investment securities - Financial assets at amortised cost | 160,346 | 1,781,067 |
| | | **14,025,393** | **16,496,901** |
| | | | |
| 7b | Investment securities - Financial assets at FVTOCI | 5,249,814 | 7,117,057 |
| | | **5,249,814** | **7,117,057** |
| | | | |
| 7c | Investment securities - Financial assets at FVTPL | 675,315 | 1,479,057 |
| | | **675,315** | **1,479,057** |

There are no stage 3 financial assets for which interest income was earned during the year ended 31 December 2020 (31 December 2019: NIL).

## 8 Interest expense

| | Dec-20 | Dec-19 |
|---|---|---|
| Deposit from financial institutions | 7,910,753 | 14,368,282 |
| Deposit from customers | 4,966,397 | 5,187,476 |
| Other borrowed funds | 2,392,326 | 1,099,895 |
| Interest expense on lease liability | - | 9,039 |
| | **15,269,476** | **20,664,692** |

## 9 Net impairment charge on financial assets

| | Dec-20 | Dec-19 |
|---|---|---|
| Allowance for impairment on loans and advances to customers [note 25b] | 174,706 | 29,874 |
| Allowance for impairment on off balance sheet items (see note 36) | 21,332 | 8,224 |
| | | |
| Writeback of impairment on investment securities at amortized cost [see 23b(ii)] | - | (778) |
| (Writeback)/charge for impairment on unquoted equities [see 23a(i)] | (963) | 1,106 |
| Allowance/(writeback) for impairment on other investment securities | 4,141 | (110) |
| (Writeback)/allowance for impairment on placements [note 20 (i)] | (62,243) | 53,119 |
| (Writeback)/charge for impairment on financial assets in other assets (see note 26c) | 91,267 | (914) |
| | **228,240** | **90,521** |

## 10 Fee and commission income

| | Dec-20 | Dec-19 |
|---|---|---|
| Credit related fees and commissions | 116,220 | 1,307 |
| Account maintenance fees | 65,484 | 24,712 |
| Commission on bills and letters of credit | 533,644 | 543,604 |
| Treasury income | 24,289 | 24,923 |
| Investment banking fees | 703,057 | 318,766 |
| Commission on other financial services | 441,893 | 437,719 |
| | **1,884,587** | **1,351,031** |

- Credit related fees and commissions are fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

- Treasury income is fee income from fixed income trade settlements.

## 11 Net gains on investment securities

### a Net gains on financial instruments measured at fair value through profit or loss (FVTPL)

| | Dec-20 | Dec-19 |
|---|---|---|
| Treasury bills | 424,863 | 926,847 |
| Bonds | 2,628,229 | 1,194,744 |
| | **3,053,092** | **2,121,591** |

Net gains on financial instruments measured at fair value through profit or loss on bonds (FVTPL) includes a loss of N30m realised on disposal of FGN bonds and treasury bills

### b Net gains on financial instruments measured at fair value through other comprehensive income (FVTOCI)

| | Dec-20 | Dec-19 |
|---|---|---|
| Treasury bills | 886,961 | 1,561,507 |
| Bonds | 808,932 | 328,866 |
| | **1,695,893** | **1,890,373** |
| **Total** | **4,748,985** | **4,011,964** |

## 12 Net foreign exchange income

| | Dec-20 | Dec-19 |
|---|---|---|
| Net foreign exchange trading income | 319,720 | 349,324 |
| Unrealised foreign exchange loss on revaluation | (29,850) | (9,347) |
| Derivative gain/(loss) | 96,379 | (25,167) |
| | **386,249** | **314,810** |

## 13 Other operating income

| | Dec-20 | Dec-19 |
|---|---|---|
| Dividends on equity securities | 261,604 | 304,328 |
| Gain on disposal of property and equipment | - | 5,268 |
| Bad debt recovered | 49,123 | 1,690 |
| Other income (i) | 76,456 | 46,709 |
| | **387,183** | **357,995** |

(i) Other income is majorly made up of rental income

## 14 Personnel expenses

| | Dec-20 | Dec-19 |
|---|---|---|
| Salaries and wages | 1,725,532 | 1,295,243 |
| Defined contribution plan | 108,097 | 109,662 |
| | **1,833,629** | **1,404,905** |

## 15 Other operating expenses

| | Dec-20 | Dec-19 |
|---|---|---|
| Depreciation (see note (i) below) | 561,118 | 457,139 |
| Amortisation | 167,425 | 158,553 |
| Impairment on asset held for sale | 5,000 | - |
| Professional fees and legal expenses | 129,980 | 152,267 |
| Staff training | 60,086 | 108,717 |
| Insurance | 116,555 | 94,447 |
| Business travel expenses | 68,157 | 89,866 |
| Deposit insurance premium | 225,958 | 208,966 |
| Auditor's renumeration | 46,391 | 62,000 |
| Administrative expenses | 1,121,203 | 926,857 |
| Loss on disposal of property and equipment | 26,256 | - |
| Board and AGM expenses | 183,883 | 150,713 |
| Operating lease rentals | 5,786 | 27,973 |
| Consultancy and outsourcing | 73,756 | 886,736 |
| Repairs and maintenance | 665,111 | 185,949 |
| Advertisements, publications and marketing expenses | 480,654 | 112,934 |
| Events, donations and sponsorship | 115,955 | 175,232 |
| Periodicals and subscriptions | 111,535 | 5,137 |
| Stationeries, postage, printing and consumables | 76,950 | 141,327 |
| | **4,241,759** | **3,944,813** |

(i) The depreciation also includes depreciation charge for right-of-use asset that amounted to N26.9m (31 December 2019: N15.3m).

## 16 Income tax

| | Dec-20 | Dec-19 |
|---|---|---|
| *In thousands of Naira* | | |
| **Current tax expense** | | |
| Corporate income tax | 67,692 | 759,216 |
| IT tax | 57,844 | 58,106 |
| Education tax | 30,238 | 52,196 |
| Capital gains tax | - | 2 |
| Nigerian Police Fund | - | 260 |
| Prior year's under provision | 26,835 | - |
| | 182,609 | 869,780 |
| **Deferred tax expense** | | |
| Origination of temporary differences (see note 32) | 561,149 | (612,608) |
| Total income tax expense | **743,758** | **257,172** |

The movement in the current income tax liability is as follows:

| | Dec-20 | Dec-19 |
|---|---|---|
| Balance at the beginning of the year | 280,971 | 520,248 |
| Tax paid | (282,894) | (1,109,057) |
| Income tax charge | 155,773 | 869,780 |
| Prior year's under provision | 26,835 | - |
| Withholding tax utilization | (14,118) | - |
| **Balance at the end of the year** | **166,568** | **280,971** |

Income tax liability is to be settled within one year

| *In thousands of Naira* | **Dec-20** Reconciling Item Amount | Rate | Effect of Reconciling Item |
|---|---|---|---|
| Profit before income tax | | | 5,784,422 |
| Income tax using the domestic tax rate | | 30% | 1,735,327 |
| Tax effects of : | | | |
| Corporate income tax | 67,692 | 100% | 67,692 |
| IT tax | 5,784,422 | 1% | 57,844 |
| Education tax levy | 1,511,876 | 2% | 30,238 |
| Deferrred tax | 1,870,497 | 30% | 561,149 |
| Nigerian Police Fund | - | 2% | - |
| Losses relieved | (1,511,876) | 30% | (453,563) |
| Balancing charge | - | 30% | - |
| Income not subject to tax | (14,048,860) | 30% | (4,214,658) |
| Expenses not deductible for tax purposes | 9,776,314 | 30% | 2,932,894 |
| Capital gains | - | 10% | - |
| Prior year under provision | 26,835 | 100% | 26,835 |
| **Effective tax rate** | | **13%** | **743,758** |

| In thousands of Naira | Dec-19<br>Reconciling Item Amount | Rate | Effect of Reconciling Item |
|---|---|---|---|
| Profit before income tax | | | 5,023,884 |
| Income tax using the domestic tax rate | | 30% | 1,507,165 |
| **Tax effects of :** | | | |
| Corporate income tax | 759,216 | 100% | 759,216 |
| IT tax | 5,219,600 | 1% | 52,196 |
| Education tax levy | 2,905,300 | 2% | 58,106 |
| Deferrred tax | (2,042,027) | 30% | (612,608) |
| Nigerian Police Fund | 13,000 | 2% | 260 |
| Losses relieved | (2,905,277) | 30% | (871,583) |
| Balancing charge | 18,811 | 30% | 5,643 |
| Income not subject to tax | (14,952,319) | 30% | (4,485,696) |
| Expenses not deductible for tax purposes | 12,814,904 | 30% | 3,844,471 |
| Capital gains | 20 | 10% | 2 |
| **Effective tax rate** | | **5%** | **257,172** |

Amount in thousands of Naira (N'000) unless otherwise stated

## 18 Earnings per share

### (a) Basic and diluted from continuing operations

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

| *In thousands of Naira* | Dec-20 | Dec-19 |
|---|---|---|
| Profit for the year from continuing operations | 5,040,664 | 4,766,712 |
| Profit for the year from discontinuing operations | - | 331,119 |
| Weighted average number of ordinary shares in issue | 5,050,546 | 5,050,546 |
| In kobo per share | | |
| Basic earnings per share from continuing operations | 100 | 94 |
| Basic earnings per share from discontinued operations | - | 7 |
| Total basic earnings per share | 100 | 101 |

There are no dilutive component in the Bank's capital

There were no diluted shares during the period. The bank has no convertible debt instrument.

## 19 Cash and balances with banks

| *In thousands of Naira* | **Dec-20** | **Dec-19** |
|---|---|---|
| Balances with banks (see note (i)) | 11,685,383 | 8,135,676 |
| Unrestricted balances with central banks | 1,088,351 | 820,702 |
| | **12,773,734** | **8,956,378** |

(i) Included in balances with banks is an amount of N2.674bn (31 Dec 2019: 5.257bn) representing the Naira value of foreign currencies held on behalf of customers to cover letter of credit transactions. The corresponding liability is included in trade related liabilities reported in other liabilities (see Note 36). This has been excluded for cash flow purposes.

## 20 Due from financial institutions

**Financial assets at amortized cost**

| *In thousands of Naira* | **Dec-20** | **Dec-19** |
|---|---|---|
| Placements | 35,808,280 | 57,538,364 |
| Impairment on placements | (2,230) | (64,473) |
| | 35,806,050 | 57,473,891 |
| | | |
| Current | 35,772,472 | 57,529,246 |
| Non current | 35,808 | 9,118 |
| | **35,808,280** | **57,538,364** |

Placements are with other financial insitutions fully secured with acceptable government securities. The current portion has been considered for purpose of cash flows.

(i) Movement in impairment on placements

| | **Dec-20** | **Dec-19** |
|---|---|---|
| Balance at the beginning of the year | 64,473 | 11,355 |
| Writeback for the year | (62,243) | 53,118 |
| Balance at the end of the year | 2,230 | 64,473 |

**20.1 Reconciliation of Cash and cash equivalents**

Cash and cash equivalents for purposes of the statement of cash flow comprise balances with less than three months' maturity from the date of acquisition, including balances with banks, deposits held at call with central banks and other short-term highly liquid investments with original maturities less than three months.

| | |
|---|---|
| **a. Cash and Bank Balances and Due from financial instituitions** | |
| Balances with banks | 11,685,383 |
| Unrestricted balances with central banks | 1,088,351 |
| Due from financial institutions - Placements | 35,808,280 |
| Impairment on placements | (2,230) |
| | **48,579,784** |
| **b. Non-cash equivalents** | |
| Cash collateral on customer's LCs | 2,673,930 |
| Money market placements (above 90 days) less impairment | 10,662,103 |
| | **13,336,033** |
| Cash and cash equivalents (a-b) | 35,243,751 |

Amount in thousands of Naira (N'000) unless otherwise stated

**21 Non pledged trading assets and liabilities measured at Fair value through profit or loss**

**(a) Non pledged trading assets**

| *In thousands of Naira* | **Dec-20** | **Dec-19** |
|---|---|---|
| Treasury bills | 6,981,852 | 4,651,289 |
| Government bonds | 3,362,083 | 6,756,776 |
| | **10,343,935** | **11,408,065** |
| Current | 7,037,848 | 4,651,289 |
| Non current | 3,306,087 | 6,756,776 |
| | **10,343,935** | **11,408,065** |

**(b) Non pledged trading liabilities**

| | Dec-20 | Dec-19 |
|---|---|---|
| Government bonds | 4,643 | 523,876 |
| | 4,643 | 523,876 |
| ECL on financial assets at fair value through profit or loss | - | - |
| | **4,643** | **523,876** |
| Current | 4,643 | 523,876 |
| Non current | - | - |
| | **4,643** | **523,876** |

## 22 Derivative financial instruments

| | Derivative assets Dec 2020 | | Derivative liabilities Dec 2020 | |
|---|---|---|---|---|
| | Notional amount | Fair Value | Notional amount | Fair Value |
| *In thousands of Naira* | | | | |
| Foreign exchange forward contracts | 6,698,772 | 119,279 | 5,479,586 | (111,004) |
| Foreign exchange swap contracts | - | 62,947 | - | - |
| Foreign exchange future contracts | - | 5,318,267 | - | (5,318,267) |
| | **6,698,772** | **5,500,493** | **5,479,586** | **(5,429,271)** |

| | Dec-19 | | Dec-19 | |
|---|---|---|---|---|
| | Notional amount | Fair Value Assets / (Liabilities) | Notional amount | Fair Value Assets / (Liabilities) |
| In thousands of Naira | | | | |
| Foreign exchange forward contracts | 22,189,458 | 2,410,142 | 22,219,872 | (2,378,555) |
| Foreign exchange swap contracts | - | - | 57,227 | (41,794) |
| | **22,189,458** | **2,410,142** | **22,277,099** | **(2,420,349)** |

All derivative contracts are current in nature. Derivative financial instruments consist of forward and swap contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. The contracts have intended settlement dates of between 30 days and 180 days. All derivative contracts are considered to be valued with reference to data obtained from the Financial Market Dealer Quotation (FMDQ).

Included in other liabilities are security deposits for swap and future deals which are deposits (collaterised deposits) by counter parties.

The movement in fair value is as a result of a depreciation of the functional currency of the Bank (Naira) within the year and an increase in the volume of transactions.

## 23 Investment securities

| (a) | At fair value through other comprehensive income | Dec-20 | Dec-19 |
|---|---|---|---|
| | *In thousands of Naira* | | |
| | **Debt securities** | | |
| | Federal government bonds | 12,148,974 | 4,588,917 |
| | Treasury bills | 69,801,647 | 33,429,604 |
| | State government bonds | 185,395 | 1,210,058 |
| | Eurobonds | 64,859 | 2,177,609 |
| | Corporate bonds | 853,484 | 5,892,825 |
| | | **83,054,359** | **47,299,013** |
| | **Equity securities (designated)** | | |
| | Quoted equity securities | 23,226 | 47,529 |
| | Unquoted equity securities (i) | 13,574,165 | 11,312,766 |
| | | 96,651,750 | 58,659,308 |
| | Specific impairment on unquoted equities [see note 9] | (22,590) | (23,553) |
| | | **96,629,160** | **58,635,755** |

| (i) | Movement in specific impairment on unquoted equities | | |
|---|---|---|---|
| | *In thousands of Naira* | **Dec-20** | **Dec-19** |
| | Balance, beginning of year | 23,553 | 22,447 |
| | Charge for the year | (963) | 1,106 |
| | Balance, end of year | 22,590 | 23,553 |

i) The Bank has designated all unquoted equity investments at FVTOCI. No unquoted equity investment was derecognised during the period.

Amount in thousands of Naira (N'000) unless otherwise stated

**(b) At Amortised cost**

In thousands of Naira

| | Dec-20 | Dec-19 |
|---|---|---|
| **Debt securities** | | |
| Federal government bonds | 1,620,005 | 1,672,125 |
| Corporate bonds | 9,970,136 | - |
| Gross Total | 11,590,141 | 1,672,125 |
| Impairment on investment securities at amortized cost | - | - |
| | 11,590,141 | 1,672,125 |
| **Total investment securities** | **108,219,301** | **60,307,880** |
| Current | 83,383,303 | 49,189,374 |
| Non current | 24,835,998 | 11,118,506 |
| | **108,219,301** | **60,307,880** |

(i) Impairment / (writeback) on investment securities at amortized cost

| *In thousands of Naira* | Dec-20 | Dec-19 |
|---|---|---|
| Balance, beginning of year | - | 778 |
| (Writeback) / charge for the year [see note 9] | - | (778) |
| Balance, end of year | - | - |

## 24 Pledged assets

| | Bank Dec-20 | Bank Dec-19 |
|---|---|---|
| Financial instruments at FVTOCI | | |
| Treasury bills | 15,031,130 | 15,143,412 |
| | 15,031,130 | 15,143,412 |
| Financial instruments at amortised cost | | |
| Government bonds | 1,073,177 | 1,106,212 |
| | 1,073,177 | 1,106,212 |
| Financial instruments at FVTPL | | |
| Treasury bills | - | 77,174 |
| | - | 77,174 |
| | - | - |
| | **16,104,307** | **16,326,798** |
| Current | 15,031,130 | 15,143,412 |
| Non Current | 1,073,177 | 1,183,386 |
| | **16,104,307** | **16,326,798** |
| The related liability for assets pledged as collateral include: | | |
| Deposits from financial institutions [see note (ii) below] | **52,319,291** | **25,978,923** |

(i) The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. The pledges have been made in the normal course of business of the Bank. In the event of default, the pledgee has the right to realise the pledged assets.

As at 31 December 2020, the Bank held N10.06bn (31 December 2019: N25.3bn) worth of collateral. These have not been recognised in this financial statements.

Amount in thousands of Naira (N'000) unless otherwise stated

## 25 Loans and advances to customers

**Financial assets at amortized cost**

**a Loans and advances to individuals**

| *In thousands of Naira* | **Bank Dec-20** | **Bank Dec-19** |
|---|---|---|
| Non-retail exposures | | |
| Personal loan | 178,947 | 54,068 |
| Mortgage loan | 521,882 | 453,660 |
| | 700,829 | 507,728 |
| Less: Allowance for impairment losses | (62,263) | (2,293) |
| | **638,566** | **505,435** |
| **Loans to corporate entities and other organizations** | | |
| Overdraft | 5,401,978 | 5,072,937 |
| Term Loan | 116,812,679 | 67,161,566 |
| | 122,214,657 | 72,234,503 |
| Less: Allowance for impairment losses | (170,726) | (55,989) |
| | **122,043,931** | **72,178,514** |
| Total loans and advances to customers | 122,915,486 | 72,742,231 |
| Less: Allowance for impairment losses | (232,989) | (58,282) |
| **Grand Total** | 122,682,497 | 72,683,949 |
| Current | 92,511,973 | 72,185,226 |
| Non current | 30,170,524 | 498,723 |
| | **122,682,497** | **72,683,949** |

**b Impairment allowance on loans and advances to customers**

**Loans to individuals**

In thousands of Naira

| | Dec 2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Internal rating grade** | | | | |
| Standard grade | 700,829 | - | - | 700,829 |
| **Total** | **700,829** | **-** | **-** | **700,829** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Impairment allowance as at 1 January 2020 | 2,293 | - | - | 2,293 |
| - Charge for the year | 59,970 | | | 59,970 |
| At 31 December 2020 | **62,263** | **-** | **-** | **62,263** |

Loans to corporate entities and other organizations

*In thousands of Naira*

| | | **Dec 2020** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Internal rating grade** | | | | |
| Investment | 88,896,766 | - | - | 88,896,766 |
| Standard grade | 33,317,891 | - | - | 33,317,891 |
| **Total** | **122,214,657** | **-** | **-** | **122,214,657** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Impairment allowance as at 1 January 2020 | 55,989 | - | - | 55,989 |
| - Charge for the year | 114,737 | | | 114,737 |
| **At 31 December 2020** | **170,726** | **-** | **-** | **170,726** |

Investment grades are loans with ratings from AAA to A-, and standard grades are loans with ratings from BBB+ to B-

**Loans to individuals**

*In thousands of Naira*

| | | **December 2019** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Internal rating grade | | | | |
| Investment | - | - | - | - |
| Standard grade | 507,728 | - | - | 507,728 |
| **Total** | **507,728** | **-** | **-** | **507,728** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| ECL allowance as at 1 January 2019 | 586 | - | - | 586 |
| - Charge for the year | 1,707 | | | 1,707 |
| At 31 December 2019 | 2,293 | - | - | 2,293 |

**Loans to corporate entities and other organizations**

*In thousands of Naira*

| | | **December 2019** | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Internal rating grade | | | | |
| Investment | 38,723,511 | - | - | 38,723,511 |
| Standard grade | 33,510,992 | - | - | 33,510,992 |
| **Total** | **72,234,503** | **-** | **-** | **72,234,503** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| ECL allowance as at 1 January 2019 | 27,822 | - | - | 27,822 |
| - Charge for the year | 28,167 | | | 28,167 |
| **At 31 December 2019** | **55,989** | **-** | **-** | **55,989** |

## 26 Other assets

| | Dec-20 | Dec-19 |
|---|---|---|
| *In thousands of Naira* | | |
| **Financial assets at amortized cost** | | |
| Accounts receivable | 14,050,032 | 148,022 |
| Dividend receivable | - | 363,663 |
| Contribution to AGSMEIS (See note 26(a) below) | 996,266 | 741,374 |
| Restricted deposits with Central Bank (See note 26(b) below) | 72,327,019 | 8,757,976 |
| | 87,373,317 | 10,011,035 |
| Allowance for impairment on account receivables | (118,450) | (44,461) |
| **Net financial asset** | **87,254,867** | **9,966,574** |

| **Movement in allowance for impairment on account receivables** | **Dec-20** | **Dec-19** |
|---|---|---|
| Balance at the beginning of the year | 44,461 | 49,461 |
| Charge/(writeback) for the year | 73,989 | (5,000) |
| Balance at the end of the year | **118,450** | **44,461** |

| | | |
|---|---|---|
| **Non-financial assets** | | |
| Prepayments | 331,671 | 469,626 |
| Prepaid employee benefits | 366,237 | 309,023 |
| Other non financial assets | 16,267 | 16,267 |
| | 714,175 | 794,916 |
| Allowance for impairment on non-financial assets | (16,267) | (16,425) |
| **Net non-financial asset** | **697,908** | **778,491** |
| **Net other assets** | **87,952,775** | **10,745,065** |
| Current | 14,629,490 | 882,052 |
| Non current | 73,323,285 | 9,863,013 |
| | 87,952,775 | 10,745,065 |

(a) The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9 February 2017. The Scheme requires all banks in Nigeria to set aside 5% of their audited profit after tax (PAT) annually to support the Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment generation.

(b) Restricted deposits with central banks comprise the cash reserve requirements of the Central Bank of Nigeria. These balances are not available for day to day operations of the Bank.

(c) Movement in allowance for impairment on other assets:

| *In thousands of Naira* | **Dec-20** | **Dec-19** |
|---|---|---|
| Balance as at 1 January | 60,886 | 65,886 |
| - Charge for the year | 91,267 | (914) |
| Balance, end of the year | 134,717 | 60,886 |

## 28 Right of use assets

| **Bank** | **Building** |
|---|---|
| *In thousands of Naira* | Dec-20 |
| **Cost** | |
| Balance at 1 January 2020 | 92,168 |
| Acquisitions | 4,078 |
| Balance at 31 December 2020 | 96,246 |
| | **Dec-19** |
| Balance at 1 January 2019 | 66,398 |
| Acquisitions | 25,770 |
| Balance at 31 December 2019 | 92,168 |
| **Amortization** | |
| Balance at 1 January 2020 | 15,307 |
| Depreciation for the year | 26,945 |
| Balance at 31 December 2020 | 42,252 |
| | **Dec-19** |
| Balance at 1 January 2019 | - |
| Amortization for the year | 15,307 |
| Balance at 31 December 2019 | 15,307 |
| **Net book value** | |
| **Balance at 31 December 2020** | 53,994 |
| Balance at 31 December 2019 | 76,861 |

Amount in thousands of Naira (N'000) unless otherwise stated

## 29 Intangible assets

**Bank**

| *In thousands of Naira* | **Purchased Software** | **Total** |
|---|---|---|
| *In thousands of Naira* | **Purchased Software** | **Total** |
| **Cost** | | |
| **December 2020** | | |
| Balance at 1 January 2020 | 1,548,069 | 1,548,069 |
| Acquisitions | 555,548 | 555,548 |
| Reclassification from Other Assets | 22,050 | 22,050 |
| Write off | (531,197) | (531,197) |
| Balance at 31 December 2020 | **1,594,470** | **1,594,470** |
| | | |
| **December 2019** | | |
| Balance at 1 January 2019 | 1,305,606 | 1,305,606 |
| Acquisitions | 242,463 | 242,463 |
| Transfer | - | - |
| Write off | - | - |
| Balance at 31 December 2019 | 1,548,069 | 1,548,069 |
| | | |
| **Amortization and impairment losses** | | |
| Balance at 1 January 2020 | 841,657 | 841,657 |
| Amortization for the year | 164,141 | 164,141 |
| Transfer | 3,284 | 3,284 |
| Write off | (531,193) | (531,193) |
| Balance at 31 December 2020 | **477,889** | **477,889** |
| | | |
| Balance at 1 January 2019 | 683,103 | 683,103 |
| Amortization for the year | 158,554 | 158,554 |
| Balance at 31 December 2019 | 841,657 | 841,657 |
| | | |
| **Net book value** | | |
| **Balance at 31 December 2020** | **1,116,582** | **1,116,582** |
| Balance at 31 December 2019 | 706,412 | 706,412 |

Ammortization method used is straight line.

## 30 Property and equipment

### Bank

In thousands of Naira

| | Office Equipment | IT Equipment | Furniture and Fittings | Motor Vehicles | Leasehold Improvements | Building | Land | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at 1 January 2020 | 291,780 | 540,516 | 364,311 | 823,393 | 260,040 | 3,967,212 | 1,181,758 | 273,470 | 7,702,480 |
| Additions | 6,527 | 89,719 | 4,171 | 642,043 | 20,196 | - | - | 25,242 | 787,897 |
| Disposals | (1) | (2,195) | - | (254,957) | - | - | - | - | (257,153) |
| Reclassification from other assets | - | - | - | - | - | 23,940 | | | 23,940 |
| Write-offs | (47,740) | (130,794) | (122,237) | - | - | - | - | - | (300,771) |
| Reclassification | 33,707 | - | 138,155 | - | 8,856 | - | - | (264,707) | (83,988) |
| **Balance at 31 December 2020** | **284,273** | **497,246** | **384,400** | **1,210,479** | **289,092** | **3,991,152** | **1,181,758** | **34,005** | **7,872,406** |
| | | | | | | | | | |
| Balance at 1 January 2019 | 130,629 | 481,903 | 290,935 | 665,019 | 60,865 | 1,889,836 | 220,000 | 122,306 | 3,861,493 |
| Acquisitions | 170,898 | 62,529 | 73,376 | 247,001 | 103,185 | 2,077,376 | 961,758 | 273,470 | 3,969,593 |
| Disposals | (9,747) | (3,916) | - | (114,943) | - | - | - | - | (128,605) |
| Write offs | - | - | - | - | - | - | - | - | - |
| Balance at 31 December 2019 | 291,780 | 540,516 | 364,311 | 823,393 | 260,040 | 3,967,212 | 1,181,758 | 273,470 | 7,702,480 |

Reclassification balance relates to assets reclassified to receivables. They relate to items purchased but are now in use by an erstwhile subsidiary of the Bank folowing divestment.

| **Depreciation and impairment losses** | Office Equipment | IT Equipment | Furniture and Fittings | Motor Vehicles | Leasehold Improvements | Building | Land | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 96,135 | 385,736 | 187,198 | 412,023 | 20,666 | 128,489 | - | - | 1,230,247 |
| Charge for the year | 56,803 | 73,171 | 59,051 | 231,326 | 34,020 | 79,801 | - | - | 534,172 |
| Disposal | - | (1,962) | - | (202,282) | - | - | - | - | (204,244) |
| Write-offs | (46,594) | (128,091) | (99,680) | - | - | - | - | - | (274,365) |
| **Balance at 31 December 2020** | **106,344** | **328,853** | **146,569** | **441,067** | **54,686** | **208,290** | **-** | **-** | **1,285,810** |
| | | | | | | | | | |
| Balance at 1 January 2019 | 58,486 | 289,469 | 123,006 | 324,708 | 12,426 | 79,146 | - | - | 887,241 |
| Charge for the year | 44,867 | 98,513 | 64,192 | 176,677 | 8,240 | 49,343 | - | - | 441,832 |
| Disposal | (7,218) | (2,246) | - | (89,361) | - | - | - | - | (98,826) |
| Write-Offs | - | - | - | - | - | - | - | - | - |
| Balance at 31 December 2019 | 96,135 | 385,736 | 187,198 | 412,023 | 20,666 | 128,489 | - | - | 1,230,247 |
| | | | | | | | | | |
| **Carrying amounts:** | | | | | | | | | |
| **Balance at 31 December 2020** | **177,929** | **168,393** | **237,831** | **769,412** | **234,406** | **3,782,862** | **1,181,758** | **34,005** | **6,586,596** |
| Balance at 31 December 2019 | 195,645 | 154,780 | 177,113 | 411,370 | 239,374 | 3,838,723 | 1,181,758 | 273,470 | 6,472,232 |

## 31 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| *In thousands of Naira* | December 2020 | | | December 2019 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Property and equipment, and software | - | 166,220 | (166,220) | - | 166,220 | (166,220) |
| Allowances for loan losses | 7,661 | - | 7,661 | 7,661 | - | 7,661 |
| Tax loss carry forward | 5,208,453 | - | 5,208,453 | 5,769,602 | - | 5,769,602 |
| Exchange loss unrealised | 452 | - | 452 | 452 | - | 452 |
| Deferred tax assets (net) | 5,216,566 | 166,220 | 5,050,346 | 5,777,715 | 166,220 | 5,611,495 |

| | Bank December 2020 | Bank December 2019 |
|---|---|---|
| **Deferred income tax assets** | | |
| – Deferred income tax asset to be recovered after more than 12 months | 5,208,453 | 5,769,602 |
| – Deferred income tax asset to be recovered within 12 months | 8,113 | 8,113 |
| | 5,216,566 | 5,777,715 |
| Deferred income tax liabilities | | |
| – Deferred income tax liability to be recovered after more than 12 months | 166,220 | 166,220 |
| – Deferred income tax liability to be recovered within 12 months | - | - |
| | **166,220** | **166,220** |

### (b) Movement on the net deferred tax assets / (liabilities) account during the year:

*In thousands of Naira*

**December 2020**

| **Bank** | 1 Jan 2020 | Recognised in P&L | Recognised OCI | 31 December 2020 |
|---|---|---|---|---|
| PPE and intangible assets | (166,220) | - | - | (166,220) |
| Additions | - | - | - | - |
| Allowances for loan losses | 7,661 | - | - | 7,661 |
| Tax loss carry forward | 5,769,602 | (561,149) | - | 5,208,453 |
| Exchange loss unrealised | 452 | - | | 452 |
| | **5,611,495** | **(561,149)** | **-** | **5,050,346** |

**December 2019**

| **Bank** | **1 Jan 2019** | **Recognised in P&L** | **Recognised OCI** | **31 Dec 2019** |
|---|---|---|---|---|
| PPE and intangible assets | (112,172) | (54,048) | - | (166,220) |
| Additions | - | 7,661 | - | 7,661 |
| Allowances for loan losses | 3,037 | 5,766,565 | - | 5,769,602 |
| Tax loss carry forward | 5,108,807 | (5,108,355) | - | 452 |
| Exchange loss unrealised | (785) | 785 | | - |
| | **4,998,887** | **612,608** | **-** | **5,611,495** |

The Bank has assessed that based on the projected income from the bank's operations for the financial year 2020 - 2025, the deferred tax asset of N5.611 billion for the year ended 31 December 2020 representing 27.5% of the total deferred tax available of N20.4 billion is to be written down over a specific period. The standard requires that the carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that recoverability is no longer probable. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficeint taxable profit will be available.

## 32 Assets classified as held for sale

**Non-current assets held for sale**

The erstwhile subsidiary of the Bank, Coronation Asset Management Limited, transfered investment property land to the Bank as part of the Bank's divestment. The landed property is situated at Sagamu Papalanto. There are several interested parties and the sale is expected to be completed before the end of December 2020. The asset is presented as non-current assets held for sale on the face of the financial statement.

| *In thousands of Naira* | **Bank December 2020** | **Bank December 2019** |
|---|---|---|
| Balance at 01 January | 5,000 | - |
| Reclassification | | 5,000 |
| Disposal | | - |
| Impairment | (5,000) | |
| **Balance at year end** | **-** | **5,000** |

## 33 Due to financial institutions

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| Secured takings | 52,319,291 | 25,978,923 |
| | **52,319,291** | **25,978,923** |

Deposit from financial institutions are all current in nature

## 34 Due to customers

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| Current deposit | 57,574,973 | 15,876,424 |
| Call deposit | 6,773,418 | 25,226,031 |
| Customers' investment fund | 130,813,074 | 96,985,436 |
| | **195,161,465** | **138,087,891** |

Due to customers are all current in nature

## 35 Commercial paper liabilities

| In thousands of Naira | December 2020 | December 2019 |
|---|---|---|
| Commercial papers | 8,887,242 | 12,610,440 |
| | **8,887,242** | **12,610,440** |

Commercial paper liabilities are all current in nature

## 35b Surbodinated Liabilities

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| Subordinated unsecured bond | 24,806,884 | - |
| | **24,806,884** | **-** |
| Current | - | - |
| Non current | 24,806,884 | - |
| | **24,806,884** | **-** |

The unsecured bond is a 5 year bond repayable at maturity.

## 36 Other liabilities

| *In thousands of Naira* | **December 2020** | **December 2019** |
|---|---|---|
| **Financial liabilities** | | |
| Sundry creditors | 124,508 | 73,453 |
| Trade related liabilities1 | 81,485,157 | 36,950,161 |
| Lease liabilities [see (ii) below] | - | 53,333 |
| Other financial liabilities [see (i) below] | 2,357,614 | 676,061 |
| Impairment on contingents [see (iii) below] | 29,895 | 8,563 |
| | **83,997,174** | **37,761,571** |

(i) Other financial liablilities is largely made up of non-deliverable forward related liabilities

| | | |
|---|---|---|
| **Non-financial liabilites** | | |
| Other current non-financial liabilities | 1,306,640 | 951,319 |
| | **1,306,640** | **951,319** |
| **Total other liabilities** | **85,303,814** | **38,712,890** |

Other liabilies are all current in nature

[1] This represents the Naira value of foreign currencies liabilities due to correspondent banks and customers on letter of credit transactions.

(ii) Movement lease liabilities

| | **December 2020** | **December 2019** |
|---|---|---|
| In thousands of Naira | | |
| Balance at 1 January 2020 | 53,333 | 61,768 |
| Interest expense | - | 9,039 |
| Payment | (53,333) | (17,474) |
| Balance at 31 December 2020 | - | 53,333 |

(ii) Movement in impairment on contingents

| | **December 2020** | **December 2019** |
|---|---|---|
| In thousands of Naira | | |
| Balance, beginning of year | 8,563 | 339 |
| Charge for the year | 21,332 | 8,224 |
| Balance, end of year | 29,895 | 8,563 |

## 37 Capital and reserves

### A Share capital

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| (a) Authorised: | | |
| Ordinary shares: | | |
| 10,000,000,000 Ordinary shares of N1 each | 10,000,000 | 10,000,000 |
| | 10,000,000 | 10,000,000 |

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| (b) Issued and fully paid-up : | | |
| 5,050,546,281 ordinary shares of N1 each | 5,050,546 | 5,050,546 |

Ordinary shareholding:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

### B Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

| *In thousands of Naira* | December 2020 | December 2019 |
|---|---|---|
| Balance, beginning of year | 3,655,348 | 3,655,348 |
| Additions through share issuance | - | - |
| Balance, end of year | 3,655,348 | 3,655,348 |

### C Reserves

**Other Reserves**

**Other regulatory reserves**

**(i) 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.

**(ii) Fair value reserve**

The fair value reserve comprises the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

**(iii) Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

**(iv) Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current year profit attributable to shareholders.

## 38 Contingencies

***(i) Legal proceedings***

There were some outstanding legal proceedings with claims amounting to N1.8bn (31 December 2019: N1.8 bn) against the Bank as at 31 December 2020. The claims are being defended vigorously by the Bank as they are considered to be of no merit whatsoever. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Bank, either individually or in the aggregate. No provision has been made for the year ended 31 December 2020.

## 39 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries and pension schemes, as well as key management personnel.

**Transactions with key management personnel**

The Bank's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as members of the Executive Management Committee of the Bank, 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 Coronation Merchant Limited.

A number of transactions are entered into with related parties in the normal course of business. These include loans and deposits. The volumes of related-party transactions, outstanding balances at the year-end, and relating expense and income for the year are as follows:

**a Related party oustanding balances**

The transactions entered into with related parties in the normal course of business include deposits and other product placements, treasury bills and bonds dealings, Repo and reverse repo transactions.

**(i) Changes in the Board of Directors**

Mr Abubakar Jimoh retired as the Managing Director effective 30th April 2020.
Mrs Funke Feyisitan Oladimeji was appointed during the year as an Executive Director effective 18th November 2020.

**(ii) Changes in the shareholding**

There were no changes in the related party shareholdings in the bank during the year

Other account balances with related parties are stated below:

| (iii) Customer investment fund and deposits from related parties | Relationship | Bank 31 Dec 2020 N'000 | 31 Dec 2019 N'000 |
|---|---|---|---|
| Coronation Registrars Limited | Shareholder | 1,403,017 | 24,076 |
| Coronation Insurance Plc | Shareholder | 1,645 | 441,409 |
| Coronation Securities Limited | Common ownership | 3,602,415 | 3,850,073 |
| Coronation Trustees Limited | Common ownership | 64,709 | 243,171 |
| Coronation Asset Management Limited | Common ownership | 883,125 | 21,415 |
| Coronation Capital Limited | Shareholder | 3 | |
| Trium Networks Limited | Common ownership | 1,704 | - |
| Marina Securities | Shareholder | 25,211 | 17,235 |
| UNICO CPFA | Shareholder | 294 | 294 |
| Trustbanc | Shareholder | 1,148 | |
| DTD Holding Limited | Shareholder | 30,568 | 158,943 |
| Key management personnel | Employee | 5,401 | 51,414 |
| Directors | Directorship | 937,710 | 232,232 |
| | | 6,956,950 | 5,040,262 |

| - Movement in related party deposit | Directors | Key management personnel | Shareholders and other affiliated companies |
|---|---|---|---|
| **Year ended 31 December 2020** | | | |
| At 1 January | 232,232 | 51,414 | 4,756,616 |
| Net funds received during the year | 705,479 | (46,013) | 1,257,223 |
| At 31 December 2020 | **937,711** | **5,401** | **6,013,839** |
| Interest expense | 8,161 | - | 6,810 |
| **Year ended 31 December 2019** | | | |
| At 1 January | 220,815 | 25,763 | 3,908,714 |
| Funds received during the year | 11,417 | 25,651 | 847,902 |
| At 31 December 2019 | **232,232** | **51,414** | **4,756,616** |
| Interest expense | 4,678 | - | 5,593 |

The above balances are customer deposits and investment funds in treasury bills and bonds. They are unsecured by the Bank and carry variable interest rates and are repayable on demand or as specified in the investment guideline. The bank is licensed as a Portfolio/Funds Manager and Corporate Investment Adviser by the Security and Exchange Commission (SEC).

| (iv) Other related party transactions includes: | | | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|---|
| | | | N'000 | N'000 |
| | Nature of transaction | Relationship | | |
| Coronation Securities Limited | Intercompany payable | Common ownership | 1,064 | - |
| Coronation Asset Management Limited | Intercompany payable | Common ownership | 57,808 | - |
| Coronation Capital Limited | Consultancy and advisory fee | Shareholder | - | - |
| Wapic Insurance Plc | Payment for motor vehicle insurance premium | Shareholder | - | 10,631 |
| | | | **58,872** | **10,631** |

**b Loans to related parties**

**Balances and transactions with related party as at:**

**Bank**

| Relationship | Facility type | Status | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|---|---|
| Executive management and directors | Mortgage, Personal and Car loan | Not impaired | 866,959 | 740,985 |
| | | | **866,959** | **740,985** |
| Interest earned on staff loan | | | 43,348 | 35,476 |

The loans issued to key management personnel as disclosed above represent staff loans and payable between tenors ranging from 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employment of the Bank. The mortgage loans are collateralised by the underlying property.

| | Bank | Bank |
|---|---|---|
| **c Key management compensation** | **31 Dec 2020** | **31 Dec 2019** |
| Salaries and other short-term employee benefits: | | |
| Salaries and wages | 81,128 | 583,110 |
| Other staff benefits | 125,731 | 48,566 |
| | **206,859** | **631,676** |

d Insider related credits

In compliance with Central Bank of Nigeria circular BSD/1/2004 on Insider related credits, the Bank had no insider related credits during the year.

## 40 Employees

The average number of persons employed by the Bank during the year was as follows:

| | Bank | Bank |
|---|---|---|
| | Number | Number |
| | 31 Dec 2020 | 31 Dec 2019 |
| Executive directors | 2 | 2 |
| Management | 15 | 13 |
| Non-management | 125 | 106 |
| | **142** | **121** |

Compensation for the above staff (excluding executive directors):

| | Bank | Bank |
|---|---|---|
| | N'000 | N'000 |
| | 31 Dec 2020 | 31 Dec 2019 |
| Salaries and wages | 1,425,215 | 1,040,014 |
| Pension cost - defined contribution scheme | 101,555 | 95,544 |
| | **1,526,770** | **1,135,558** |

The number of employees other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

| | Bank | Bank |
|---|---|---|
| | Number | Number |
| | 31 Dec 2020 | 31 Dec 2019 |
| N300,001 - N2,000,000 | 24 | 13 |
| N2,000,001 - N2,800,000 | 1 | 5 |
| N2,800,001 - N3,500,000 | 14 | 7 |
| N3,500,001 - N5,500,000 | 40 | 44 |
| N5,500,001 - N10,500,000 | 35 | 28 |
| N10,500,001 - N20,000,000 | 18 | 10 |
| Above N20,000,000 | 10 | 12 |
| | **142** | **119** |

In accordance with the provisions of the Pensions Act 2014 (ammended), the Bank operates a contributory pension scheme. The contribution by employees and the Company are 8% and 15% respectively of the employees' basic salary, housing and transport allowances.

## 41 Directors' emoluments and expenses

Remuneration paid to the Directors (excluding certain allowances) was:

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Fees and sitting allowances | 162,550 | 153,750 |
| Executive compensation | 42,195 | 73,071 |
| Pension cost - defined contribution scheme | 7,530 | 14,118 |
| Other director expenses | 17,386 | 41,781 |
| | **229,662** | **282,720** |

Fees and other emoluments disclosed above include amounts paid to:

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Chairman | 18,750 | 32,936 |
| Highest paid director | 32,370 | 49,450 |

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

| | Number | |
|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 |
| N300,001 - N10,500,000 | 1 | - |
| N10,500,001 - N20,000,000 | 2 | 5 |
| Above N20,000,000 | 8 | 5 |
| | **11** | **10** |

**42 Compliance with banking regulation**

During the year under review, the following penalties were paid:

| DESCRIPTION | | AMOUNT |
|---|---|---|
| FMDQ's infraction on Commercial Paper Registration & Quotation rules | | 375,000 |
| Transaction at the I&E: Excess over the maximum allowable spread | | 4,000,000 |
| FMDQ Trading Infractions | | 500,000 |

No regulatory fine was paid in prior year. The Bank is committed to ensuring consistent compliance with banking regulations.

**43 Dividends**

A dividend in respect of the year ended 31 Dec 2020 of 33 kobo per share (2019: 33 kobo) amounting to a total dividend of N1.68 billion (2019: N1.68 billion) is to be approved by the shareholders. These financial statements do not reflect this dividend payable.

**44 Events after the reporting date**

There were no events after the reporting date.

**45 Non- Audit Services**

During the year, the auditors Mssr PwC performed corporate tax complaince services and tax audit support services for a total fee of N5.6m

**46 Reclassification**

Certain comparative figures have been reclassified in line with the current year's presentation.

**OTHER NATIONAL DISCLOSURES: VALUE ADDED STATEMENT**

| **Bank** | **31 Dec 2020** | | **31 Dec 2019** | |
|---|---|---|---|---|
| | **N'000** | **%** | **N'000** | **%** |
| Gross income | 27,357,526 | | 31,128,815 | |
| Interest paid | (15,269,476) | | (20,664,692) | |
| | 12,088,050 | | 10,464,123 | |
| Impairments | (228,240) | | (90,521) | |
| Administrative expenses (local and foreign) | (6,075,388) | | (5,349,718) | |
| Value added | **5,784,422** | **100** | **5,023,884** | **100** |
| **Value added distribution** | | | | |
| To government | | | | |
| - Income taxes | 282,894 | 5% | 1,109,057 | 22% |
| - IT Levy | 57,844 | 1% | 50,239 | 1% |
| **To employees** | | | | |
| - Salaries and other benefits | 1,833,629 | 32% | 1,404,905 | 28% |
| **The future:** | | | | |
| - Depreciation and amortisation of property and equipment, ROU assets and intangibles | 728,543 | 13% | 615,692 | 12% |
| - Deferred tax | (561,149) | -10% | - | - |
| Expansion (transfer to reserves) | 3,442,661 | 60% | 1,843,991 | 37% |
| | **5,784,422** | **100%** | **5,023,884** | **100%** |

(*) - This information is presented for the purpose of the requirement of the Companies and Allied Matters Act

## OTHER NATIONAL DISCLOSURES: FIVE YEAR FINANCIAL SUMMARY

### STATEMENT OF FINANCIAL POSITION

### Bank

| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2016 |
|---|---|---|---|---|---|
| **Assets** | **N'000** | **N'000** | **N'000** | **N'000** | **N'000** |
| Cash and balances with banks | 12,773,734 | 8,956,378 | 3,211,035 | 8,188,002 | 5,638,415 |
| Due from financial institutions | 35,806,050 | 57,473,891 | 36,914,556 | 29,509,041 | 16,246,877 |
| Non pledged trading assets | 10,343,935 | 11,408,065 | 8,101,708 | 1,137,667 | 3,443,570 |
| Derivative financial assets | 5,500,493 | 2,410,142 | 1,388,676 | 116,520 | - |
| Investment securities | | | | | |
| At Amortised cost | 11,590,141 | 1,672,125 | 12,820,508 | 7,447,089 | 15,257,502 |
| At fair value through other comprehensive income | 96,629,160 | 58,635,755 | 74,805,578 | 20,338,589 | 16,860,186 |
| Pledged assets | 16,104,307 | 16,326,798 | 10,168,280 | 18,840,555 | 14,232,448 |
| Loans and advances to customers | 122,682,497 | 72,683,949 | 54,312,459 | 32,239,585 | 22,706,561 |
| Other assets | 87,952,775 | 10,745,065 | 7,845,696 | 6,415,957 | 588,671 |
| Right of use assets | 53,994 | 76,861 | - | - | - |
| Intangible assets | 1,116,582 | 706,412 | 622,503 | 544,749 | 463,406 |
| Property, plant and equipment | 6,586,596 | 6,472,233 | 2,974,252 | 3,077,084 | 3,000,668 |
| Investment in subsidiaries | - | - | 4,614,711 | 4,614,711 | 3,314,711 |
| Deferred tax asset | 5,216,566 | 5,777,715 | 4,998,887 | 5,203,887 | 5,265,490 |
| | 412,356,830 | 253,345,389 | 222,778,849 | 137,673,436 | 107,018,505 |
| Assets held for sale | - | 5,000 | - | - | 29,575 |
| **Total assets** | **412,356,830** | **253,350,389** | **222,778,849** | **137,673,436** | **107,048,080** |
| **Liabilities** | | | | | |
| Due to financial institutions | 52,319,291 | 25,978,923 | 12,159,545 | 11,206,114 | 18,637,966 |
| Due to customers | 195,161,465 | 138,087,891 | 126,896,867 | 77,766,608 | 54,146,766 |
| Non pledged trading liabilities | 4,643 | 523,876 | 8,169,494 | - | - |
| Derivative financial liabilities | 5,429,271 | 2,420,349 | 1,373,716 | 106,457 | - |
| Commercial paper liabilities | 8,887,242 | 12,610,440 | 18,053,345 | - | - |
| Surbodinated liabilities | 24,806,884 | - | - | - | - |
| Current income tax liabilities | 166,568 | 280,971 | 520,248 | 266,686 | 211,288 |
| Other liabilities | 85,303,814 | 38,712,890 | 24,457,369 | 19,134,419 | 8,262,903 |
| Deferred tax liability | 166,220 | 166,220 | - | - | - |
| **Total liabilities** | **372,245,398** | **218,781,560** | **191,630,584** | **108,480,284** | **81,258,923** |
| **Equity** | | | | | |
| Share capital | 5,050,546 | 5,050,546 | 5,050,546 | 5,050,546 | 5,050,546 |
| Share premium | 3,655,348 | 3,655,348 | 3,655,348 | 3,655,348 | 3,655,348 |
| Statutory reserve | 8,364,841 | 7,608,741 | 6,844,066 | 6,171,410 | 5,478,651 |
| Fair value reserve | 3,051,029 | 870,146 | (545,267) | 466,220 | 923,039 |
| Credit risk reserve | 3,577,093 | 2,460,504 | 1,403,384 | 647,767 | 397,224 |
| Retained earnings | 16,412,575 | 14,923,544 | 14,740,188 | 13,201,861 | 10,284,349 |
| Treasury stock | | - | - | - | - |
| **Total equity** | **40,111,432** | **34,568,829** | **31,148,265** | **29,193,152** | **25,789,157** |
| **Total equity and liabilities** | **412,356,830** | **253,350,389** | **222,778,849** | **137,673,436** | **107,048,080** |

## STATEMENT OF COMPREHENSIVE INCOME

| | 31 Dec 2020 N'000 | 31 Dec 2019 N'000 | 31 Dec 2018 N'000 | 31 Dec 2017 N'000 | 31 Dec 2016 N'000 |
|---|---|---|---|---|---|
| Interest and similar income | 19,950,522 | 25,093,015 | 24,286,820 | 22,195,656 | 13,321,639 |
| Interest and similar expense | (15,269,476) | (20,664,692) | (17,291,460) | (14,633,478) | (5,484,124) |
| Net interest income | 4,681,046 | 4,428,323 | 6,995,360 | 7,562,178 | 7,837,515 |
| Impairment (charge) / write back for credit losses | (228,240) | (90,521) | (85,559) | 51,596 | (70,119) |
| Net interest income after impairment charge for on financial assets | 4,452,806 | 4,337,802 | 6,909,801 | 7,613,774 | 7,767,396 |
| Fee and commission income | 1,884,587 | 1,351,031 | 1,700,352 | 1,300,432 | 931,374 |
| Net gains/(loss) on investment securities | 4,748,985 | 4,011,964 | 1,661,263 | 881,968 | 308,257 |
| Net foreign exchange income | 386,249 | 314,810 | 129,349 | 225,931 | 220,716 |
| Other operating income | 387,183 | 357,995 | 179,616 | 144,785 | 9,989 |
| Operating expenses | (6,075,388) | (5,349,718) | (5,384,634) | (5,234,061) | (4,040,232) |
| Profit before tax | 5,784,422 | 5,023,884 | 5,195,747 | 4,932,829 | 5,197,500 |
| Taxation | (743,758) | (257,172) | (711,375) | (314,433) | (164,605) |
| **Profit for the year** | **5,040,664** | **4,766,712** | **4,484,372** | **4,618,396** | **5,032,895** |
| **Other comprehensive income:** | | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | | |
| Net fair value (losses)/gains on FVTOCI financial instruments | | | | | |
| - Fair value changes during the year | (92,222) | 175,520 | (1,013,107) | (424,592) | 444,062 |
| - Net loss recycled to profit&loss on disposal of FVTOCI instruments | - | - | - | (32,227) | - |
| Other comprehensive income/(loss) for the year (net of tax) | (92,222) | 175,520 | (1,013,107) | (456,819) | 444,062 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 4,948,442 | 4,942,232 | 3,471,265 | 4,161,577 | 5,476,957 |

CORONATION

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 6th Annual General Meeting of members of Coronation Merchant Bank Limited will hold on the 9th April, 2021 at the 5th Floor of Coronation House, 10 Amodu Ojikutu Street, Victoria Island, Lagos at 11.00a.m You will be asked to consider and, if thought fit, to pass the following resolutions:

**A. ORDINARY BUSINESS**

As Ordinary Resolutions

1. To receive the Audited Consolidated Financial Statements for the year ended December 31, 2020 and the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a final dividend.
3. To re-elect Mr. Babatunde Folawiyo as a Non-Executive Director.
4. To re-elect Mr. Adamu Atta as a Non-Executive Director
5. To re-elect Ms. Evelyn Oputu as a Non-Executive Director
6. To appoint KPMG Professionals as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting.
7. To authorize the Board of Directors to fix the remuneration of the Auditors.
8. Disclosure of the remuneration of Managers of the Bank.

**B. SPECIAL BUSINESS**

To consider, and if thought fit, pass the following resolutions as Ordinary Resolutions of the Bank:

1. That the Director's fees for the financial year ending December 31, 2021 be and is hereby fixed at N20,000,000 (Twenty Million Naira only) for the Chairman and N18,000,000 (Eighteen Million Naira only) for other Non-Executive Directors. That the sitting Allowance for Directors is hereby approved at N250,000 per sitting for the Chairman and N200,000 per sitting for Non-Executive Directors.
2. To consider the report of the Board Performance Appraisal for the year ended December 31, 2020 and re-appoint the firm of Ernst & Young as Consultants for the Board Performance Review for the year ending December 31, 2021.

**DATED THIS 19TH DAY OF MARCH 2021**
**BY ORDER OF THE BOARD**

**CORNELIA GEORGE UTUK**
Company Secretary
FRC/2014/NBA/00000007492

# NOTICES

**Proxy**

A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member. A proxy form is attached to the Notice and it is valid for the meeting.

**Rights of Shareholders to Ask Questions**

Shareholders have the right to ask questions not only at the Meeting, but also in writing prior to the Meeting and such questions shall be submitted to the Company Secretary not later than two weeks before the date of the Meeting.

**COVID-19 and Challenges of Convening a Physical Meeting**

In view of the COVID-19 pandemic, and a need to ensure public health and safety as a result of the COVID-19 Regulations and the directives of the Lagos State Government, the Corporate Affairs Commission (CAC) approved that attendance to the Annual General Meeting shall only be by proxy. The directors are conscious of and very concerned about the wellbeing and lives of all the shareholders of the Company as evidenced in the decision to hold this AGM in a manner that does not compromise the safety of lives of the Company's stakeholders or contravene the rules and regulations.

**Proceedings**

The meeting will be presided over by the Chairman of the Board of Directors (the "Board") and the members of the Board who would be attending the meeting either physically or virtually using the Bank's teleconferencing facilities. Also, the Board has resolved to deploy technology to enable shareholders of the Company attend and observe remotely the proceedings at the meeting.

Each shareholder will be able to observe the proceedings through an internet webcast known as Microsoft Teams. The Board of Directors hereby advise Shareholders to explore these virtual (electronic) means of attending the meeting that have been put in place by the Company in strict compliance with extant COVID-19 regulations.

Shareholders are therefore requested to submit their completed proxy forms appointing any of the listed proxies in line with the CAC's Guidelines to the office of the office of the Company Secretary at 2nd Floor, Coronation House, 10 Amodu Ojikutu Street, Victoria Island Lagos or through her email CUtuk@coronationmb.com or legal@coronationmb.com not later than 48 hours prior to the time of the meeting. An early submission of the forms would enable the Bank to stamp the proxy forms and lodge them with the Registrars (Coronation Registrars) not later than 24 hours before the meeting. The proceedings will also be streamed live on the Bank's website and social media platforms.

All Shareholders may on Friday, 9th April 2021, log-in to the Annual General Meeting from its commencement at 11am using the details that will be sent to the telephone numbers and email addresses of all Shareholders. We recommend that Shareholders afford themselves ample time to complete the login process in advance of the commencement of the AGM at 11am to afford them a complete and hitch free viewing. Where any difficulty is encountered, kindly call these technical support numbers – 08012 155 8519 (Eshi) 0706 192 4092 (Meksley) or 0809 861 1762 (Michael).

**Dividend**

If the proposed final dividend of 33 kobo per ordinary share is approved the dividend will be credited on the date of the Annual General Meeting.

**Closure of Register**

The Register of Members of the Bank will be closed on 5th April 2021 to enable the Company Secretary to prepare for payment of dividend.

**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, and such questions must be submitted to the Bank on or before the 6th April 2021.

**Profiles of Directors**

Biographical details of directors standing for election or re-election are provided in the explanatory notes.

**PROXY**

The 6th Annual General Meeting of CORONATION MERCHANT BANK LIMITED which will be held at 5th Floor of Coronation House at 10, Amodu Ojikutu Street, Victoria Island, Lagos 11.00a.m. on 9 April 2021.
We ........................................................................................ as a member of CORONATION MERCHANT BANK LIMITED hereby appoint ...................................................................(or failing, the chairman of the meeting as our proxy to act and vote for us on our behalf at the Annual General Meeting of the Company to be held at 11.00a.m. on 09 April 2021 or at any adjournment thereof.

**NOTE**

1. A member of the Company (shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy and this proxy form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.

2. Following the normal practice, the chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, but if you wish, you may insert in the blank space (marked**) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf.

3. Please sign and post the proxy so as to reach "The Company Secretary, Coronation Merchant Bank Limited, 10 Amodu Ojikutu Street, Victoria Island, Lagos not later than 48 hours before the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.

4. If executed by a corporate body, the proxy form should be sealed with the common seal or under the hand of an officer or attorney duly authorized in that behalf.

5. It is a requirement of the law under the Stamp Duties Act, Cap 58, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp.

| | Ordinary Resolutions | For | Against | Abstain |
|---|---|---|---|---|
| 1 | To receive the Audited Financial Statement together with the Reports of the Directors, Auditor and Audit Committee thereon for the period ended December 31, 2020. | | | |
| 2 | That a final dividend of 33kobo per ordinary share be sanctioned and that the Directors be and are hereby authorized to distribute dividends from the profit of Coronation Merchant Bank during the Financial Year ended December 31, 2020 to Members whose names appear on the register of the Bank as at the close of business on 5th April 2021 | | | |
| 3 | That pursuant to Article 54 of the Articles of Association of Coronation, Mr. Babatunde Folawiyo be and is hereby reelected as a Non-Executive Director in the Bank. | | | |
| 4 | That pursuant to Article 54 of the Articles of Association of Coronation, Mr. Adamu Atta be and is hereby reelected as a Non-Executive Director in the Bank. | | | |
| 5 | That pursuant to Article 54 of the Articles of Association of Coronation, Ms Evelyn Oputu be and is hereby reelected as a Non-Executive Director in the Bank. | | | |
| 6 | That Messrs KPMG Professionals be and is hereby appointed as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting. | | | |
| 7 | That Directors be and are hereby authorized to fix the remuneration of the External Auditors KPMG Professionals for 2021 financial year. | | | |
| 8 | To disclose the remuneration of Managers of the Bank. | | | |
| 9 | That the Director's fees for the financial year ending December 31, 2021 be and is hereby fixed at N20,000,000 (Twenty Million Naira only) for the Chairman and N18,000,000 (Eighteen Million Naira only) for other Non-Executive Directors | | | |
| 10 | That Messrs Ernst & Young be and is hereby appointed the external Consultant for Board Performance Appraisal for the year ended December 31, 2021. | | | |

Please indicate, by marking 'X' in the appropriate space, how you wish your votes to be cast on the resolutions set out above.
The common seal of the shareholder, ------------------------------------------------------------------was hereby affixed in the presence of

DIRECTOR

DIRECTOR/COMPANY SECRETARY

# NOTES


CORONATION