CORONATION

REDEFINING POSSIBILITIES

TRANSFORMING THE FUTURE

CORONATION MERCHANT BANK | 2021 ANNUAL REPORTS AND ACCOUNTS

@coronationmb


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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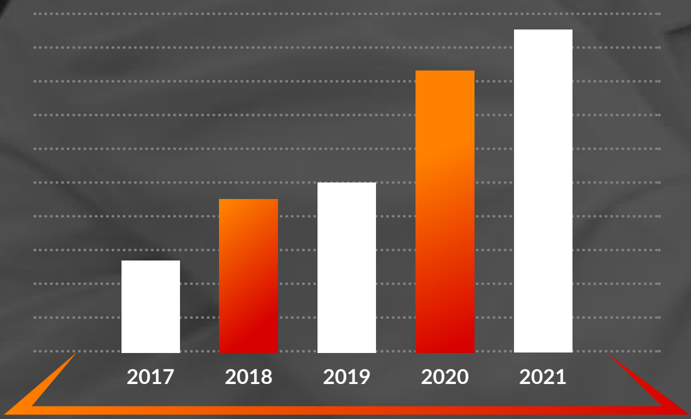
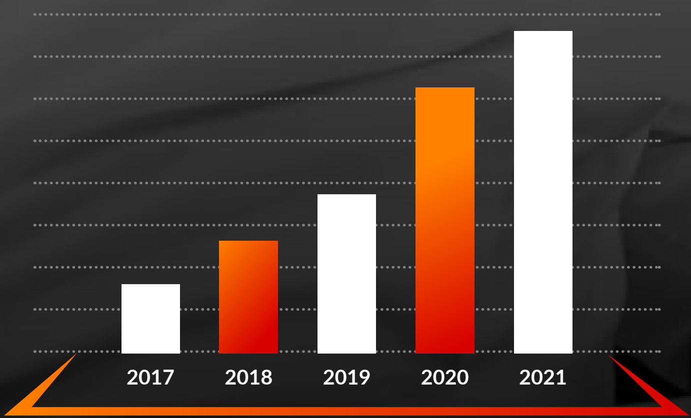


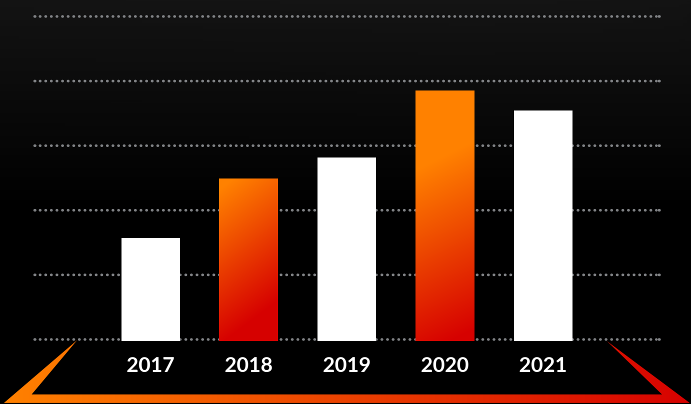
TOTAL ASSETS
(N'MILLION)

36%



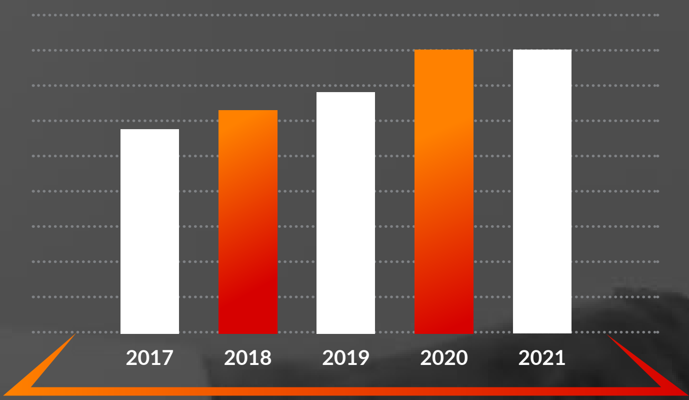
TOTAL RISK ASSETS
(N'MILLION)

47%



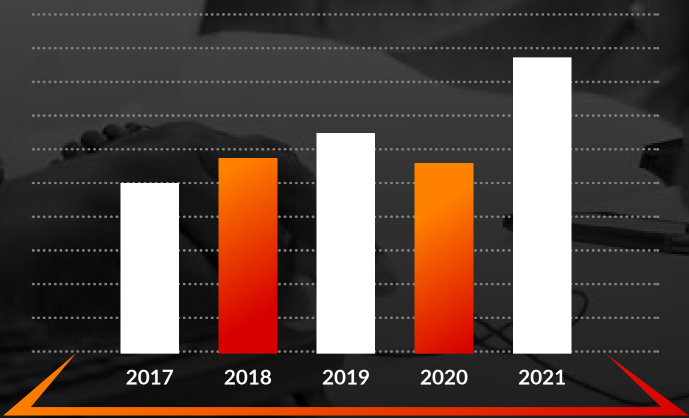
DUE TO CUSTOMERS
(N'MILLION)

23%



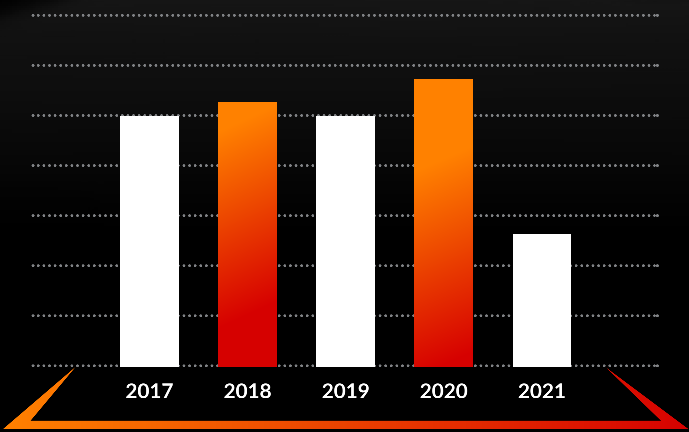
SHAREHOLDERS FUNDS
(N'MILLION)

8%



GROSS EARNINGS
(N'MILLION)

15%



PROFIT BEFORE TAX
(N'MILLION)

-13%

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

OVERVIEW
Coronation Merchant 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 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 N473bn, 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.

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

Chairman's Statement

Babatunde Folawiyo
Chairman, Coronation Merchant Bank

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, I am elated to welcome you to the 7th Annual General Meeting of our Bank, Coronation Merchant Bank.

It is my duty and honour to present an overview of the 2021 global economic environment, a review of our performance for the year and our outlook for 2022.

Taking a look back at the year 2021, one cannot help but acknowledge that events in the global economy created significant disruptions with corresponding adverse impact on both the African and Nigerian economies. The discovery of new variants of the Coronavirus and the sustained disruption of global economic activities exacerbated the local challenges within the Nigerian economy. Although proactive strategies and processes were deployed to mitigate the impact of these factors on the Bank's operations, our Bank was not entirely isolated from them. However, we are confident that the trials of the year and the lessons therefrom will translate to opportunities in the year 2022 and beyond.

To effectively manage the public health risk associated with the Coronavirus pandemic, our Bank, like most organizations around the world, had to adapt our business operations to the new normal of remote working. This adaptation attested to the resilience of the Bank and contributed to the mitigation of the impact of the challenges in 2021 financial year.

Macroeconomic Environment

Although economies across the globe adopted a cautiously optimistic approach with regards to navigating recovery from the pandemic-induced downturn triggered in 2020, last year brought with it considerable improvements in the economic and business environment. The global economy expanded by 5.9% year-on-year (y/y) in 2021 compared with a -3.1% contraction recorded in 2020. The two largest economies (the United States and China) recorded healthy improvements in 2021. The United States grew by 5.7% y/y in 2021 compared with a contraction of -3.4% recorded in the previous year while China recorded its highest annual growth since 2011 at 8.1% y/y compared with 2.3% recorded in 2020.Meanwhile, the Eurozone which contracted by -6.4% y/y in 2020, grew by 5.2% in 2021. In addition to a boost to economic activities on the back of the ease in restrictions and lockdowns, positive base effects also contributed to these growth figures.

Other factors that contributed to the boost to growth included scientific breakthroughs in Covid-19 vaccines combined with extraordinary fiscal and monetary stimulus as well as direct financial support for industries and individuals. These were designed to counteract the negative effects created by the economic disruptions and volatility associated with the pandemic. However, the generosity in fiscal stimulus resulted in higher total debt-to-GDP ratios across countries and was partly responsible for the inflationary pressures observed in advanced economies. In addition, the uneven vaccination rates across countries (particularly developing economies) allowed new variants to emerge, stunting progress towards achieving global herd immunity.

Rises in headline inflation rates continued across the United States, Eurozone, and China in 2021. The steady upticks were driven by several factors of varying importance across regions; such as high energy costs, supply chain disruptions, clogged ports and labour shortages. At the beginning of 2021, Central Banks of major economies hinted at sustained lower rates to support economic recovery, maintaining that the heightened inflation was transitory and primarily a function of supply chain disruptions.

In the United States, the Federal Open Market Committee (FOMC) maintained its key policy rate at near-zero levels (0-0.25%) throughout 2021. However, in November 2021, the committee tapered its net asset purchases and raised the Fed funds rate to combat rising inflation, against the backdrop of the progress recorded in the labour market. The Governing Council of the European Central Bank (ECB) also kept key interest rates near-zero levels (-0.50- 0.25%) and conducted net asset purchases under the Pandemic Emergency Purchase Programme (PEPP) at a moderately slower pace.

China's economy which grew rapidly, suffered disruptions from COVID-19 outbreaks, interruptions to industrial production from power outages, declining real estate investment, and a faster-than-expected withdrawal of public investment. In response, the People's Bank of China (PBoC) trimmed its one-year loan prime rate by 5 basis points (bps) in a bid to support growth.

In the global oil market, Brent crude, which had averaged USD43.2 per barrel in 2020 increased to an average of USD70.9/b in 2021. In October 2021, the price reached USD86 per barrel (the highest level since 2018). This uptick in oil prices was due to the rebound in global oil demand, bolstered by the reopening of economies and tight supply due to production cuts by OPEC+. Although in July 2021, OPEC+ reached an agreement to pump an additional 400,000 barrels per day to make up for the production cuts in 2020, several member nations encountered difficulties in meeting their respective production quotas.

At COP26, the Glasgow climate conference, global leaders pledged further cuts to carbon (CO2) emissions and developed a clear plan to reduce the use of coal as well as phase-out fossil fuel subsidies. Furthermore, commitments towards significantly increasing funds to assist poorer countries in coping with the effects of climate change and the switch to clean energy were articulated.

The Nigerian economy remained on a growth trajectory in 2021 partly due to positive base effects, the resumption of economic activities, and the improvement in global oil prices. As a result, the economy posted a growth rate of 3.4% y/y in 2021, compared with a contraction of -1.9% y/y in 2020. Since 2020, the non-oil sector has been the primary driver of economic growth, averaging 1.5% y/y over the past eight quarters. In 2021, the non-oil sector grew by 4.4% y/y compared with the contraction of -1.3% y/y recorded in 2020. In contrast, the oil sector contracted by -8.3% y/y compared with -8.9% y/y in 2020. The performance of this sector reflected the impact of low investment, poor infrastructure, and operational challenges such as insecurity, power failure on several terminals, vandalism, and COVID-19 outbreaks.

Headline inflation closed the year at 15.63% y/y, inching up in December 2021 after recording declines for eight consecutive months. The declines seen in the headline inflation between April – November '21 can be partly attributed to favourable base effects and interventions by the Federal Government of Nigeria and Central Bank Nigeria to improve national security and boost food supply. However, the inflationary pressure seen in Nigeria was mainly due to cost-push inflation and as such, fixing supply-side constraints was imperative.

It is worth highlighting that interest rates rose quickly at the beginning of the year due to higher FGN deficit financing in 2021. The average FGN bond yield rose by 526bps to close at 11.6% in December 2021, while the average yield for Treasury Bills increased by 354bps to close at 4.4% in December 2021.

The NGX All Share Index (ASI) gained +6.1% in 2021, following the prior year's +50% increase, the third gain in eight years. The market continued to benefit from the positive impact of the economy reopening by Q3 2020. Domestic investors were prominent, with increased institutional and retail investor activity partly due to encouraging earnings reports across specific sectors. However, we note that offshore investors remained lukewarm.

The Nigerian Autonomous Foreign Exchange (NAFEX) market declined by 603bps from N410.3/USD to N435/ USD during the year. The CBN adopted the NAFEX rate as the official exchange rate, banned FX sale to Bureau de Change (BDC) operators, and channeled weekly allocations of U.S. dollar sales to commercial banks. Excluding expected inflows on the back of the elevated oil price regime, other injections into the country's external reserves were recorded in 2021. They included the FGN's USD4bn Eurobond issuance and the allocation from the IMF's Special Drawing Rights (USD3.4bn) which shored up FX reserves and gave the CBN more capacity to defend the Naira.

Performance Review

We entered 2021 with plenty of optimism as vaccines were rolled out and more countries lifted lockdowns. New variants emerged and the world experienced a muted "healing" of sorts. In Nigeria, the situation was not different. Macro-economic challenges persisted as we continued to experience FX illiquidity, elevated inflation rates, and CBN's monetary policy in forms of discretionary CRR & Special bills. These had a major impact on the bank's 2021 financial performance.

The Bank recorded a significant reduction in operating income closing at N10.8bn a decrease of 10%. This also reflected in our PBT figure of N2.8bn. Our prudential ratios remained on track for most of the year with liquidity ratios at 45.81%, loan to deposit ratio (LDR) at 74.04% and capital adequacy ratio (CAR) at 17.97%. These are healthy ratios for a challenged financial year. The ratios could only be achieved because we strengthened our balance sheet structure and growth. Our customers' deposits declined to N177.4bn, a -9% decrease from the prior year. Despite the decline, the Bank sustained its loan growth to N151.22bn from N122.68bn in 2020. This served as a confidence boost to our customers in meeting their financial needs and translated into earnings for the Bank. Net interest income closed at N1bn and non-interest income grew by 22% to N9.84bn.

In 2021, we significantly tested our IT & Security infrastructure with migration to a remote working model. Disaster recovery (DR) infrastructure became fully operational having passed our simulated failover tests during the year. We added two new ISO certifications within the year - ISO 20000 & ISO 22301.

We sincerely thank all our customers and shareholders for supporting us through the challenges of 2021 and for their belief in us. We remain optimistic of finishing stronger in 2022. We are proposing a dividend of 12 Kobo per share for the year subject to the Members' approval at the Annual General Meeting.

Board Developments

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

In line with the above requirement, Mr. Larry Ettah, Mr. Babatunde Dabiri and Mrs. Suzanne Iroche shall retire by rotation and, being eligible, will submit themselves for re-election. The Board is convinced that the directors standing for re-election will continue to add value to the Bank and maintain the required diversity, balance of skill, knowledge, and experience. The biographical details of the directors standing for election are contained in the later pages of the annual report

The composition of the Board remained the same all through the financial year.

It is worthy to note that during the year, the Company Secretary, Mrs. Cornelis Utuk, indicated her intention to disengage from the employment of the Bank and, by implication, her role as the Secretary to the Board, effective May 1, 2022, to pursue other personal interests. Mrs. Utuk's journey with the Board started in 2014 when she was appointed the Group Head, Corporate Services and Company Secretary of the erstwhile Associated Discount House Limited, preparatory to its conversion to a merchant bank. With the grant of the merchant banking license by the Central Bank of Nigeria in 2015, she was appointed the pioneer Company Secretary/Legal Adviser of Coronation Merchant Bank Limited and later, Group Company Secretary/Legal Adviser of the Bank and its former subsidiaries. Although her effective date of disengagement is May 1, 2022, Mrs. Utuk commenced her terminal vacation on February 1, 2022. The Board remains grateful to her for her dedication and contributions to both the legacy institution and the Bank in the last 7 years.

In line with the Bank's Senior Management Succession Plan, the Board had initiated and concluded the process for the engagement of a suitable replacement for Mrs. Utuk. A detailed programme for a seamless transition between Mrs. Utuk and the incoming Company Secretary has been implemented.

Macro-Economic Outlook

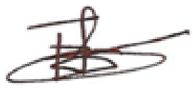
The ongoing disruptions in Europe following Russia's invasion of Ukraine has potential economic implications for the world. The Russia-Ukraine crisis has been brewing for eight years since Russia occupied Crimea, a region along the Southern Russia –Ukraine border. Russia and Ukraine are regarded as emerging European economies. In the latest regional economic outlook published by the IMF. GDP growth for Russia is estimated at 2.8% y/y this year and 2.1% y/y in 2023. Meanwhile, Ukraine's GDP growth is projected at 3.6% y/y in 2022 and 3.4% y/y in 2023. On a broader level, the emerging market and developing economies group, where Russia and Ukraine fall under, is expected to grow by 4.8% y/y in 2022. Given the ongoing crisis, a downward revision may be on the horizon due to the obvious economic challenges Ukraine and Russia will experience. The IMF forecasts the global economy to grow by 4.4% y/y in 2022.

The upside risks to a positive outlook for oil prices rests on the possibility that oil demand might be stronger than anticipated as global aviation activity normalises, supply constraints and geopolitical tensions arising from the Russia-Ukraine conflict. On the other hand, the downside risks to the elevated oil prices include the emergence of COVID-19 variants that could render vaccines ineffective, Iranian oil entering the market, and an acceleration in U.S. oil production.

Similar to last year, the FGN requires high deficit financing in 2022. This has a direct impact on yields and market rates and is dependent on the government's borrowing strategy. Inflation will prove difficult to tame as the favourable base effect is expected to unwind. Electioneering is likely to place upward pressure on prices and structural issues such as insecurity and pressure on the exchange rate would persist. These are some of the issues policymakers and businesses will face in 2022. In spite of these uncertainties, it is likely that the economy will continue to grow in 2022.

As we look ahead, we will focus on delivering responsible growth with strength and momentum. We will focus on satisfying our clients, improving our products, investing in our workforce, and delivering solid earnings.

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,

Welcome to the 7th Annual General Meeting of Coronation Merchant Bank. It's been almost a year since I became the Managing Director of this great institution, and I'm delighted to present our 2021 scorecard to our shareholders and other stakeholders.

We knew going into this year that many of the challenges from the previous year would remain, and that we would be under considerably more pressure as people, businesses, and economies throughout the world grappled with the uncertainty associated with the Covid-19 pandemic. The emergence of multiple variants of the virus and the effects of supply chain disruptions impacted economies and countries across the globe. Despite these obstacles, we remained committed to supporting our customers and delivering the value you deserve. Today, you have a strong and resilient institution that is well positioned to lead the financial services industry for many years to come.

The present realities of the operating environment notwithstanding, we turned in a moderate financial performance during the year. A review of our performance reveals decent indices across major financial and non-financial measures, reiterating the strength, scale and liquidity of our balance sheet, the quality of our assets and the efficacy of our customer experience driven strategy. This was the 3rd year of the 5-year horizon of our strategic plan to create the best customer experience and become one of the leading financial institutions in trade finance, investment banking, corporate banking and treasury. Our actions during the year evidenced our focus on ensuring that we deliver on our plan.

One of the initiatives completed during the year to improve our clients' experience with Trade Finance was the digitalization of all our Trade processes. We launched "TradeDirect" a digital trade finance platform that provides intuitive and convenient self-service options to give customers greater control over how they process trade transactions with the Bank. On this platform, customers can initiate, complete and manage all trade-related transactions from any location with little or no intervention from the Bank. The benefits for our customers include; faster turnaround time of the end to end trade process, consolidated view of all transactions, transaction insight, prompt notification and alert functionalities.

To further deepen our footprint in trade finance, we secured a $20m Working Capital Solutions facility from the International Finance Corporation (IFC) to enable us to provide additional working capital support to eligible corporate clients. This facility increased our Trade limits with the IFC to $80million from $60million in 2020.

We successfully automated the Customs import duty payment on Trade Direct and our Internet Banking platforms. Additional functionalities and improved security features were rolled out to enhance the customer experience on the internet banking and mobile banking platforms.

Our Fitch long-term rating was upgraded from BBB to BBB+ on the local scale, while our International rating was maintained at B-, one notch below the sovereign risk rating. We remain the first and only merchant bank in Nigeria with an international risk rating. We improved our ranking on the FMDQ Debt Capital Markets league table to 4th from 9th in 2020 and we maintained our ranking as 7th on the FMDQ treasury league table.

Our leadership in the banking industry, has not gone unnoticed. During the year, a number of awards from prestigious international organizations attested to this. Global Finance, World Finance, Global Banking & Finance Review all awarded us the "Best Investment Bank in Nigeria."

Macroeconomic overview

Nigeria's economy is recovering from the recession triggered by the COVID-19 pandemic as output levels recorded in 2021 inched closer to pre-pandemic levels. The growth recorded in 2021 (3.4%) was encouraging but largely on the back of positive base effects, given the relatively low output levels recorded in 2020. Some of the green shoots recorded in 2021 which include agriculture, IT and manufacturing were sectors that we supported significantly. A few of the sectors regarded as laggards remained on our radar given our commitment towards harnessing hidden opportunities.

While the economy was positioned on a growth trajectory in 2021, inflationary pressure persisted. Consumption patterns point towards a weakening in purchasing power that is not solely on the back of the COVID-19 induced recession recorded in 2020. Prior to the emergence of the ongoing pandemic, aggregate demand was relatively weak as the country was recovering from the prior recession recorded in 2016. The headline inflation in 2021 closed the year at 15.63% y/y, declining by 13bps when compared to 15.75% y/y recorded in the corresponding period in 2020. The slight decline in the headline inflation can be partly attributed to positive base effects and interventions by the Federal Government of Nigeria to improve national security. Nevertheless, domestic prices are still partly driven by challenges such as high energy prices, currency depreciation and supply chain disruptions.

The elevated oil price regime which kicked off in February 2021 bodes well for resource (oil)-dependent countries, Nigeria inclusive. Bonny Light, Nigeria's sweet crude closed the year at USD76.3 per barrel. Although oil prices have remained relatively healthy over the past 12-months, it is susceptible to economic shocks. Nigeria's oil production capacity continues to limit the country's ability to reap the benefits of elevated oil prices. According to OPEC data, Nigeria's oil output (excluding condensates) declined by -16.2% y/y to c.1.2mbpd in December '21, which is below the budget estimate (1.8mbpd) and OPEC production quota (1.6mbpd).

Given the predominant role of oil revenue in FX inflows, it is worth highlighting that in 2021, the local currency could not fully benefit from the oil rally due to relatively lower oil production. The naira depreciated significantly in the Nigerian Autonomous Foreign Exchange (NAFEX) window in March 2021. In May 2021, the CBN adopted the NAFEX rate as the official exchange rate, as shown on its website. In July, the CBN banned the sale of FX to Bureau de Change (BDC) operators and then began channeling weekly allocations of U.S. dollar sales to commercial banks to meet retail customer FX requests. The exchange rate in the NAFEX window as at the end of December 2021 was N435 per USD.

There has been progressive improvement in the banking industry's non-performing loans (NPLs) ratio from 6.01% in January 2021 to 4.85% in December 2021. The discretionary CRR debits on banks that the CBN uses as a liquidity management tool were frequent in 2021 and created industry liquidity challenges as rates in the interbank window ranged between 6-27% in 2021. Banks are not expected to be free from challenges in 2022. It is worth noting that the expiration of the tax-exempt status on corporate, state government bonds and short-term liquid securities such as treasury bills could pose a challenge for banks.

Furthermore, the 0.25% supervisory fee charge on the net asset value of the Securities and Exchange Commission's collective investment schemes will take effect in 2022. However, the implementation of the Basel III framework is a positive step towards alignment with global standards and strengthening risk management frameworks across the industry. In general, the banking industry has remained resilient in these turbulent times.

Financial Performance

Coronation Merchant Bank is reporting a moderate performance in a difficult and challenging year for the banking industry in Nigeria. The escalation of Cash Reserve Ratios (CRR) for the industry persisted in 2021 with effective CRR for most merchant Banks exceeding 80%.

Foreign exchange illiquidity persisted despite stronger oil prices and higher foreign exchange reserves. Yields on fixed income securities crashed during the year as interest rates rose, exacerbating the downward pressure on interest income from the cost of funding CRR and Special Bills. These challenges impacted our performance as the bank achieved gross earnings of N44bn, a growth of 61% from 2020 and profit before tax of N2.8bn. Our non-interest income grew by 22% from 2020 to N9.8Bn.

Our prudential ratios remained strong in spite of the challenging environment. Capital adequacy ratio stood at 17.97%; liquidity ratio closed 45.8% and loan to funding ratio at 74.04%. Our NPL ratio remained at 0% for the 6th consecutive year.

Product & Service Channel Improvements

In 2021, we focused on improving our products, channels and processes to enhance customers experience in response to the constantly evolving financial services landscape.

Technology has always been at the core of our business model in our transformation journey into a more digital, integrated and customer-centric financial organization. Significant investments were made on enhancing our technology platforms and our technology infrastructure. We implemented collaborations with fintech platforms and integration with large corporates.

The Bank took measures to ensure strict adherence to global standards and best practices in implementing all our initiatives. We were awarded two ISO certifications - ISO 20000 for IT Service Management Systems and ISO22301 for Business Continuity Management Systems in addition to the revalidation of our ISO 27001 certification for Information Security Management

We successfully upgraded our disaster recovery infrastructure to enable remote working from primary and secondary application servers with online replication for all critical applications. The bank also significantly enhanced information security standards, processes and infrastructure.

Our quest for digital was strengthened by the definition of a new operating model centred on digital transformation. The benefits to be derived from the implementation of this include improved convenience for customers, reduced processing time, enhanced touchpoints, and unlocking of new revenue streams for the Bank.

Our People

The Covid-19 pandemic, which continued to spread in 2021, significantly tested our belief that our people are our most important asset. We are proud to say that despite the challenges occasioned by the pandemic, we successfully maintained our priority of keeping all employees safe. This required significant investments in our infrastructure to support remote working thereby limiting the need for employees' physical presence at the office and helping us achieve very low levels of Covid-19 infections. This was complemented with quarterly wellness sessions and the continuation of our Employee Assistance Programme for those in need of psychological support.

In addition to the above, several employee engagement initiatives were delivered in the course of the year. These initiatives were aimed at improving employees remote-working experience and overall wellbeing. We also revamped the employee onboarding process, institutionalized employee mentoring by senior colleagues and carried out a compensation benchmarking exercise to maintain competitiveness of our pay offerings.

The Culture Transformation Initiative, continued throughout the year. This initiative aims to define a culture that reflects our aspirations and sustains our strategic objectives. We leveraged on employee recognition programmes to recognise individuals and teams that delivered outstanding results and contributed to the organisation's overall success

Developing our employees remains critical to our aspiration of becoming the Bank for Africa's best and brightest minds. To this end, we introduced job rotation and shadowing through our Internal Mobility Programme and commenced bi-monthly sessions aimed at improving leadership capabilities and setting the tone for the Bank's expectations from all leaders. We also continued the implementation of our three-year competency development plan and we expect to complete this in 2022. The Succession plan was updated in 2021 and will be meticulously implemented as it is critical to the continued successful operations of the Bank.

We remain resolute and focused on attracting and retaining Africa's best and brightest minds in order to deliver the best service to our clients and support the communities in which we operate.

Outlook

Looking ahead, we expect sustained GDP growth for Nigeria's economy in 2022. Inflationary pressure is expected to persist. The downward trend in the headline inflation rate may continue until the second half of the year given that the positive base effect is expected to fizzle out and factors such as insecurity, modest exchange rate depreciation, hike in electricity prices, impact from the Russia-Ukraine crisis such as - higher costs of imported inputs like wheat, increased costs for diesel, kerosene, and aviation fuel and then electioneering are likely to place upward pressure on prices. Currently, healthy external reserves imply the CBN should have sufficient capacity to defend the naira at current levels.

There are many factors, both positive and negative that are expected to influence the macroeconomic landscape in 2022. Some of them include: the introduction of the pan-African payment and settlement system (PAPSS); FX liquidity; election-related spending, rising levels of insecurity and the implementation of the National Development Plan 2021-2025.

We are confident that by focusing on the opportunities ahead of us, maintaining our high standards in providing superior customer service, and leveraging our very unique and diversified business model to best serve our growing customer base, we will chart new horizons of progress for our company and continue to deliver sustainable earnings growth.

Thank you for your unwavering faith in us.

Banjo Adegbohungbe

Managing Director/CEO
Coronation Merchant Bank Limited
FRC/2019/CIBN/00000019814

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Business Overview

- Corporate Philosophy
- Business Overview

CORPORATE PHILOSOPHY

Vision

Our vision at Coronation is to see the continent of Africa transform, by the deployment of our innovative and bespoke products, services, and solutions across the various industries in which we play.

Our vision is anchored on our core values of trust, innovation, and leadership as well as our confident, driven, and resourceful personality. Our message, core competencies and diversified business lines serve as our competitive advantage in the actualization of our vision of "A Continent Transformed".

"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 in the DNA that drives us forward."

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 the 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, excellence and innovation. Our aspiration is to be recognized globally as the reference point for investment Banking 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 the long term, our transformation 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

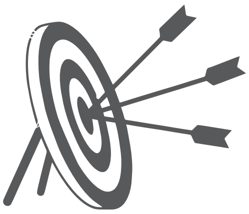
We will be the number one service provider, leveraging best-in-class human capital to deliver creative and value enriching solutions to our clients, with the ultimate aim of creating sustainable value for the firm.

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 will 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 aspires to be known 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.



Mission

Our mission is to provide transformational solutions for Africa's challenges.

- is our mandate to co-create a future of realized hopes and aspirations with our clients. Whatever prosperity means to them, we must be by their side, enabling the process, providing the solutions, and charting the course.
- Our mission describes our purpose. It represents who we are and communicates how we serve our clients and other key stakeholders.

"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."

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 live by. This is what enables us to deliver on our vision and mission.

Core Values

1 TRUST

We have total confidence in one another, we'll work tirelessly to earn the trust, loyalty and confidence of our customers. We always deliver on contracts, agreements, undertakings, and commitments.

2 INNOVATION

We will not allow the status quo to determine our future. We will change what needs to change, to deliver.

3 TEAMWORK

We do not shy away from the responsibility of leading. We are prepared to make personal and institutional sacrifices in the larger interest. We continuously rise above the demands of competence expected of leaders.

Attributes

1 CONFIDENT

Our confidence is born out of our past experiences. Our track record speaks for itself.

2 DRIVEN

We are not willing to compromise in our set targets and objectives. Our DNA compels us to keep competing, keep fighting until we reach our objective.

3 RESOURCEFUL

We are quick and innovative in overcoming unique difficulties and challenges in Africa and beyond. We creatively adapt well to new or difficult situations.

Building a better working world

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Report of External Consultants on the Board Performance Evaluation of Coronation Merchant Bank Limited.

We have performed the evaluation of the Board of Coronation Merchant Bank for the year ended 31st December, 2021 in accordance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014 and the Financial Reporting Council (FRC) Nigerian Code of Corporate Governance (NCCG) 2018.

The CBN CCG 2014 mandates an annual appraisal 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 of the code requires each Board to "identify and adopt in the light of the company's future strategy, critical success factors or key strategic objectives" while subsection 2.8.3 requires that such appraisal should be conducted by an independent consultant.

Our approach included the review of Coronation Merchant Bank's Corporate Governance Framework, and all relevant policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one-on-one interviews with Directors.

The evaluation is limited in nature, and as such may not necessarily disclose all significant matters about the Bank or reveal irregularities, in the underlying information.

Based on our work, except as noted below, the Board of Coronation Merchant Bank has complied with the requirements of Section 2.8.3 of the CBN CCG 2014 during the year ended 31st December 2021.

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. These recommendations cover the following areas: Strategy, Quality of the Board, Board Operations, Board Risk Management Activities, Relationship with Stakeholders as well as Transparency and Disclosure.

For: Ernst & Young

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

Our Structure

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 spectrum of products that are relevant throughout the customer life-cycle and across the entire customer value chain.

Coronation Merchant Bank

	Global Markets and Treasury	Trade and Corporate Banking Services	Investment Banking and Private Banking
Overall Aspiration	Trading financial instruments across various asset classes at competitive rates, providing Foreign exchange and other currency solutions.	A trade finance led provider of financing solutions to large and medium sized corporates, providing flexible, customized solutions quickly and conveniently.	Achieve industry leadership across all Investment Banking and Private Banking product groups whilst offering bespoke solutions to clients and staying ahead of the market.
Our Products	• Trading (Bonds, T-Bills, FX, Money market) • Structured Products • Credit Trading (Bonds, Swaps, Derivatives) • Liquidity Management • Balance sheet Management	• Trade Finance • Working capital • Corporate Lending • Asset Financing • Liquidity Management • Corporate Current Account • Payments & Collections	• Mergers and Acquisitions • Debt Capital Markets • Equity Capital Markets • Project Finance • Structured Finance • Financial Advisory • Banking Services • Lending and Investment services

Enablers

Economic Research	Compliance	Legal Services	Finance and strategy	Human Resources	Risk Management	Operations and Information Technology

Investment Banking

The Investment Banking group 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 network.

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 customised 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 diligence and valuation dynamics, 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

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

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 or 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 needs of our various markets

Sector Focus

Sector	Industry
Consumer	• Food & Beverage • Household and Personal Care Products • Consumer Electronics • Distribution & Logistics
Financial Institutions	• Banks • Insurance • Pensions • Fund Management • Non-Depository Financial Institutions • Financial Technology
Oil & Gas	• Upstream • Midstream • Downstream • Services
Industrials	• Heavy Industries • Construction • Steel & othe fabrications • Tool & Machinery
Telecoms	• Mobile Operators • Data Service Providers • Infrastructure and Services

Agriculture	• Inputs i.e. seeds, fertilisers • Farming, Plantation • Processing and Trade

Achievements in 2021

Our performance demonstrates our extensive experience in Investment Banking coverage, broad capabilities, customized execution and increasingly robust distribution network. The group further deepened its market presence by participating in some landmark transactions in the course of 2021.

The success of various transactions and deals executed by Coronation Merchant Bank's Investment Banking franchise in 2021 further demonstrates the progress we have made on our journey towards becoming Africa's Premier Investment Bank.

Client	Product	Transaction	Transaction Size	Role
Coleman Technical Industries	Capital Markets	Commercial Paper Issuance	NGN3.9 billion	Lead Issuing House
Dangote Cement Plc	Capital Markets	Naira Bond Issuance	NGN50 billion	Joint Issuing House
Valency	Capital Markets	Commercial Paper Issuance	NGN7.2 billion	Joint Issuing House
Greenland Growth SPV Ltd	Capital Markets	Naira Bond Issuance	NGN27 billion	Joint Issuing House
Flour Mills of Nigeria Plc	Capital Markets	Naira Bond Issuance	NGN30 billion	Joint Issuing House
Dangote Cement Plc	Capital Markets	Naira Bond Issuance	NGN50 billion	Joint Issuing House
C&I Leasing Plc	Capital Markets	Naira Bond Issuance	NGN10 billion	Joint Issuing House
Parthian Partners Limited	Capital Markets	Commercial Paper Issuance	NGN20 billion	Lead Issuing House
Kano State Government	Capital Markets	Corporate Bond Issuance	NGN13.7 billion	Joint Issuing House
Access Bank	Financial Advisory	Eurobond Issuance	USD375 Million	Local Adviser/Book runner
Lagos State Government	Capital Markets	Series III Bond Issuance	₦100 billion	Joint Issuing House
Lagos State Government	Capital Markets	Series IV Bond Issuance	₦137.3 billion	Joint Issuing House

Strategic Business Opportunities, Outlook & Priorities in 2022

According to the Nigeria Bureau of Statistics (NBS), the Nigerian economy grew by 3.4% in 2021, and we have witnessed a significant recovery of economic activities following contractions in 2020 as a result of the multiple headwinds experienced. Corporates are beginning to proceed with their expansion plans which were stalled because of the various headwinds. In 2022, we expect to do more debt and equity capital issuances as a lot of corporates would raise capital to support their business expansion plans while taking advantage of the liquidity in the market. As a result of this, we anticipate that access to capital may lead to opportunistic activities in the M&A and Project & Structured Finance space.

We are optimistic that this will improve investor confidence, further reinforce the growth in the real sector and the financial system and positively impact the overall economic performance.

The strategic priorities of Investment Bank group in 2022 are to continue to deliver uncompromised excellent services that further deepen our existing client relationships, enhance our transaction execution and distribution capabilities, expand sector coverage and grow market share by targeting sectors in which opportunities abound.

Corporate Banking

The Corporate Banking group is responsible for Coronation Merchant Bank's largest clients with unique and often complex banking needs. The group focuses on delivering the best in class service leveraging our unique and un-rivalled 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 support a wide range of corporations, governments and institutions with our best-in-class banking, lending, and asset finance solutions. This involves providing financial services to a diverse range of clients, ranging from small- and mid-sized local corporates to large conglomerates, at the lowest possible cost, and with minimal risk to our clients.

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.

Resource Efficiency

We maximize our resources to the benefit of our clients. Our people, products and networks are always at their disposal. We create an efficient pricing structure that ensures that our clients achieve maximum benefits from our products and services

Product Platforms

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

Product & Services Offering

Trade Solutions	Cash Management	Corporate Lending
We offer a range of trade solutions, expertly designed to enhance your trade operations and get you on a global scale	We aid your efficiency in working capital management with our tailored financial products and services aimed to optimize your funds and streamlining operational processes	We provide access to financing to support working capital, Capex, and other financing needs with products and services tailored to your organization's needs

Letters of Credit • Export Letter of Credits • Import Letter of Credits • Guarantees	**Corporate Accounts** • Current Accounts • Call Accounts • Investment Accounts • Domiciliary Accounts	**Working Capital** • Debt Factoring • Invoice Discounting • Overdrafts • Supplier Finance
Trade Settlements & Finance • Trade Loans • Trade Collections	**Payments & Collections** • Collections solutions • Payments (Domestic & International) • Internet Banking	**Corporate Lending** • Revolving Credit Facility • Time / Term Loans • Guarantees & Bonds • Commercial Papers
ECA Financing • Export Financing • Import Financing	**Liquidity Management** • Money Market • Currency Deposits	**Asset Finance** • Lease Purchase • Finance Lease • Operating Lease

SECTOR FOCUS

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

Agriculture & Commodities

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

Fast Moving Consumer Goods

This Unit focuses on food & beverages, breweries, personal care, household & utilities, pharmaceuticals, distribution.

Industrials

This unit focuses on large conglomerates, chemical processing companies, construction, steel and fabrication 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) sector.

Information and Communications Technology

The business unit covers Mobile Operators, Fixed and Data Service Providers, OEMs and infrastructure providers.

Services

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

With the above, our clients will be better served enabling us to deliver on our promise of providing transformational solutions in Africa for the various industries we play in.

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 N151 billion with zero non-performing loans from N122billion in 2020.

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. Assuredly, the division will continue to provide all the support required for the various sectors we play in.

Outlook & 2022 Priorities

In 2021, the Nigerian economy improved recording a growth rate of 3.4% YoY. This can be attributed to positive base effects, relatively stable oil prices averaging $70.9 per barrel and increased economic activities as a result of minimal COVID-19 restrictions.

We expect that key non-oil sectors of the economy will continue to drive growth as a result of fiscal and monetary stimulus from the government and the CBN.

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 2022.

Global Markets & Treasury

Global markets and Treasury is currently made up of the trading business of the bank which oversees the proprietary trading of the banks investment portfolio and market making in the fixed income and foreign exchange markets. In addition, the Treasury sales and FI unit works closely with clients to deliver personalized treasury solutions. Lastly through the Asset and Liability Management unit, Treasury ensures that a healthy liquidity position is always maintained by the bank by ensuring effective optimization of the balance sheet.

- **Product & Services offering**

  Money Markets: Tenured deposits, Treasury bills, Commercial Papers and Negotiable Certificate of Deposit.

  Fixed Income: Treasury Bills, LCY Bonds, Eurobonds, Fixed Income Settlement and Repos.

  FX/Structured Products: Foreign exchange spot, Derivatives, Forward (Discounted Forward and Non Deliverable Forward), Swaps.

- **Sector focus:** Pension Fund Managers, Insurance Companies, Asset/Portfolio Managers, Fixed Income Brokerage, Foreign Portfolio Investors.

- **Achievements so far:** Maintained a top 5 ranking in traded volumes across Treasury Bills and Bonds and 7th ranking overall on the FMDQ League table.

- **Business opportunities:** While the discretionary CRR continues to be a significant challenge to banks, we expect that higher inflation rates in the US will provide an opportunity for yield pickup in the Eurobond space. In addition, and for long term portfolio investors, the fixed income space will provide some succor.

- **Outlook & 2021 Priorities:** With increased oil production quota and an expanded output, the CBN might be better positioned to increase forex supply to manufacturers . We expect the monetary stance to be maintained in the short to medium term as the focus of the regulator continues to be on economy growth. We anticipate PMA rates to continue at single digit while on the FX front we do not see an imminent devaluation follow the movement in December. However, being an election year investors might be wary of increasing current exposures. We wil continue to monitor the Eurobond space while maintaining positions domestically.

CORONATION
Stay ahead of your
business growth
At Coronation Merchant Bank, we provide you with cash management solutions that match your needs with superior returns.
• Fixed Deposits
• Treasury Bills
• Commercial Papers
• Local and Foreign Currency Bonds
• Securitized Investment Notes
Speak to a Treasury Dealer today on 01 279 7654
Scan the barcode or visit www.coronationmb.com
www.coronationmb.com

Operations & Information Technology

Operations and Information Technology groups of the Bank continue to be the relevant business enablers and strategic functions of the bank that are set out to empower the business strategy. We have continued to provide the much-needed pathway to the realization of the bank's strategic business goals and objectives. Our approach has always been deploying a business-led model for the technological and operational solutions needed by the Bank. It is the plan to sustain this model in order to ensure these groups are business-driven and remain aligned to the strategic goals of the Bank as well as delivering on initiatives required to promote the aspirations of our esteemed customers.

Operations: Review of 2021

2021 provided opportunity for us to demonstrate our resilience in the face of the COVID 19 pandemic. Our strategy of ensuring seamless delivery of service despite the challenges posed by the pandemic was fully implemented. A significant part of the year witnessed operational delivery under a remote working environment. This was done without crystallization of any form of risk as there were adequate mitigants and controls to ensure operational safety.

In furtherance to the objective of continuous improvements, additional manual processes were automated during the year. The Bank achieved a significant reduction in the use and printing of paper in 2021 as most transactions were done electronically.

Electronic storing of source documents was one of the success stories of 2021. Despite the growth in transaction count of about 140% when compared with 2020, we had a 15% reduction in manpower due to the achievement of simplification of processes. Audit and risk reviews carried out during the year show very low risk in our Banking Operations.

Customer Experience:

The Bank continued to focus on every aspect of Customer experience, in 2021. Several initiatives were deployed during the year to ensure the adoption of a sustainable customer experience management approach in the Bank. Some of the achievements include the implementation of Customer Segmentation and Priority Framework, deployment of additional channels for capturing customers feedback, increased measurement and monitoring of Customer experiences across various customer journeys, commencement of bi-annual measurement of Customer Satisfaction ratings, introduction of Customer Experience metrics in the Key Performance Indicators of all staff to allow for ownership of the outcomes etc.

During the year, additional features were deployed to the Internet Banking and Mobile Banking Platforms. Most of these features were in response to the requests and demand of our customers. Also, the Trade Finance platform project was implemented and work got to an advanced stage towards deploying it for customers use. The capacity and capability of our Contact Centre to provide after sales support was also improved. Customers response time and complaint resolution improved significantly and this was attested to by Customers during the KPMG Customer Satisfaction Survey.

We commissioned KPMG to carry out an independent measurement of Customer Satisfaction. The survey result highlighted areas of excellence as well as critical areas for improvement explaining the 8% deterioration. The result provided deep insights into customer feedback and we are already working on these with a completion date of H1 2022. It is our firm belief that the ratings will improve and continue the forward trajectory once the pending initiatives and other newly identified initiatives are deployed in 2022.

Information Technology: There is still no doubt that in today's world, technology will always continue to play a strategic role in advancing and transforming businesses to remain innovative and competitive in the financial services space.

2021 was quite a challenging year as businesses went through a lot to recover from the adverse impact of the pandemic. However, the Bank in bid to respond to emerging trends in a more agile manner, continued to consolidate on its capabilities to provide differentiated financial services, especially in view of current realities where organisations have begun to rethink their business models.

Despite the headwinds faced from a financial standpoint, the Bank being cognisant of the strategic importance of Technology, made significant investments in providing enabling platforms to ensure we are well positioned for growth, increased profitability and reduced cost to serve.

While making these investments, a key focus early in the year was on re-architecting information technology to provide best practice service management. This was in addition to numerous enhancements made to provide efficiency gains for improved delivery from other back office functions. This continued commitment to consistent service delivery, convenience and reliability earned us an ISO 20000-1:2018 certification for IT Service Management Systems (ITSMS). Furthermore, following a rigorous assessment of our business continuity practices, the Bank also was awarded an ISO 22301:2019 Business Continuity Management System (BCMS) certification.

These achievements were outcomes of a number of initiatives implemented to position the Bank for growth:

- Digitalized our Trade back-office to provide straight through processing of Trade transac tions and provide an enabling platform for self-service functionalities.
- Delivered capabilities to enable seamless digital custom duty payments via our Internet Banking platform.
- Digitized key business processes including redesign, enhancements and integration with payment channels (NIP, NAPS and RTGS).
- Enabled capabilities for continuous monitoring and response to customer feedback from our online channels.
- Enhanced our transactional platforms with notification capabilities to ensure customers are adequately notified upon consummation of key transactions i.e., loan obligations, investment maturities.
- Introduced proper transaction monitoring for failures which has given rise to a significant reduction in transaction failure rates with NIBSS for Instant Payments
- Leveraged our data analytics capabilities to deploy key decision making mechanisms for managing delivery of IT Services and supporting customers effectively.
- Significant upgrade to capabilities for performance reporting and budgeting.
- Developed capabilities to enhance collections for corporate clients via Integration with key corporate platforms.
- Enhanced our platforms with capabilities to integrate with 3rd party platforms/ Fintechs for

enhanced services for payments and collections.

- The Bank being cognizant of latest disruptions where new players and new ways of delivering products and services, crafted a digital roadmap to enable the business embrace a more customer centric approach to deliver the experience that is desired and expected by our customers, while leveraging digital technologies to increase growth at scale and achieve cost effective operations that preserve margins.

The delivery of a number of solutions were complimented by key enhancements in our security and technology infrastructure.

- Key significant milestones were achieved in the Infrastructure space including the delivery of a tested Enterprise Disaster Recovery infrastructure which was a critical risk mitigating event for the Bank and this delivered a myriad of business continuity capabilities.

    a. Significant redundancies in connectivity e.g. Between the Bank and key regulatory plat forms.

    b. Heightened secure access to all Bank applications from remote locations.

    c. Embraced new Infrastructure technology via deployment of Hyper-converged infrastruc ture to ease infrastructure management and provisioning and scale and also positioned the Bank to support rapid business innovation.

    d. Enablement of capabilities to support 100% remote working for the Bank.

    e. Upgrade to our Primary Data Center with key redundancies and enhanced environment monitoring systems.

    f. Optimisation of load balancing capabilities for critical applications and disaster recovery infrastructure.

- A number of controls were also deployed to further enhance our risk mitigating capabilities and further enhance our security architecture.

- Key changes and upgrades were made to our core operating systems and ancillary applications to ensure compliance with security standards.

In 2022, establishing a clear digital footprint in the Banking industry remains our core focus as a Bank with the customer at the center.

While we anticipate full benefits for key investments done in the previous year, we want to be continually viewed as an business enabler, a platform for continuous innovation and an integral facilitator of digital transformation. Other areas of focus will include:

- Continuous enhancements to customer-facing processes, digital channels and servicing platforms for improved omnichannel experience especially in its core business of Trade.

- Re-alignment of our IT architecture to cater for digital with key improvements in infrastructure for increased reliability and business continuity.

- Continuous monitoring of changing trends with an improved agile response to customer needs.

- Leveraging the innovative capabilities of hyper converged infrastructure to strengthen our core banking platforms, and cloud computing for scalability and agility.

- Advance the implementation of customer relationship management (CRM) and data strategy initiatives to enhance further the connectivity between businesses, and provide a consolidated view of our client base for improved service delivery.

- Heavy leverage of data to support key business decisions for growth.

- Facilitate a paperless office.

While all organisations are evolving their use of technology and business processes to enhance customer experience and streamline operations, cyber threats and the associated risks have also increased. We will continue to provide platforms to actively manage these risks including employing enterprise-wide technology and information security programs, with the goal of maintaining resilience that prevents, detects, and responds to threats to Coronation MB's information and systems. While we cannot completely eliminate all risks or stop all potential cyber incidents from occurring, we will leverage our risk management/ control framework to keep refining approaches to security protection.

It remains our commitment to help position the Bank to becoming a reference point for provision of best-in-class services powered by innovative solutions, reinforce the Bank's leadership in the merchant banking space and create a sustained path for success in the financial services industry.

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, 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 organization, 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 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.

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 2022, 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 client conversions and revenue. We will achieve this by leveraging on partnerships and collaborations with indigenous and global Fintech platforms.

Products and Channels:

The Products and Channels Team was inaugurated in 2021 and tasked with the objective of ownership and accountability of all the Bank's products and channels. This is to ensure maximization of benefits of existing products and channels by customers and to harness the potentials of new products to be introduced, in a bid to generate income for the Bank. This covers all payments and collections platforms, as well as the revenues derived from the usage of these platforms.

The Products and Channels team is also tasked with the responsibility of integrating our systems with Corporate ERPs to provide our customers with a seamless flow of transactions and ease of reconciliation processes. Three of such integrations have been successfully implemented, with more in the pipeline to be concluded in 2022.

Leveraging on partnerships, one of the products identified within this space is a platform which will enable collections using the virtual NUBAN account technology. This initiative is expected to close the gap between the Bank and the population of our customer's value chain which may not meet our risk assets criteria.

The Products and Channels team, working alongside the Corporate Banking team also identified key strategic relationships that exists within individual corporates in the bank. This enhanced the Corporate Buyer relationship which is key to our funding plan and retention strategy.

Priorities for 2022

Our focus in 2022 will be on leveraging the possibilities of Digital technology to improve efficiency and customer experience. We will continue the improvement agenda and automation/simplification of processes in other to ensure business goals and objectives are achieved.

Private Banking

The Private Banking group offers a bouquet of solutions, targeted at delivering value and meeting the diverse needs and goals of high-net worth individuals and their families. These solutions span across:

- Banking Services
- Investment services
- Lending Services

PRODUCTS AND SERVICES

Banking Services

Through the Private Banking group, we offer a range of banking solutions to fulfil our clients' transactional needs through our account services, while ensuring clients enjoy digital access to their funds through our Mobile and Internet Banking platforms.

These account services include:

- Current Account
- Investment Account
- Domiciliary Account

Investment services

Beyond the traditional products offered through account services, the Private Banking group is also dedicated to growing, maximizing, and sustaining clients' wealth through investment opportunities available to clients in both public and private markets. These opportunities often present themselves through:

- Fixed Deposits
- Treasury Bills
- Commercial Papers
- Bonds
- High Yield Notes.
- Equities

Lending services

We offer customized lending solutions tailored to the borrowing needs of our Private Banking clients. These solutions range from credit lines for the purchase of specialized lifestyle assets, to flexible financing options leveraging existing investments as collateral for liquidity, to meet unique goals. They include:

- Real Estate Financing

- Investment Backed Lending
- Specialty Financing

Sector Focus

Our targeted customer segments include clients whose purchasing power, risk, and investment appetite range between mid to high and who enjoy exclusive and bespoke value propositions.

Our client operates across various sectors of the economy and include

- Captains of industries, accomplished entrepreneurs, retirees, top executives of blue-chip companies, artistes and entertainers, wealthy families, affluent professionals, etc.

Achievements so far

In 2021, Private Banking restructured and extensively defined its client base with the aim of providing enhanced value to clients. We launched our Private Banking Wealth Management initiative.

This initiative is tailored towards expanded value offerings in conjunction with partners and presenting Private Banking clients with solutions tailored to their needs in a manner that reflects our Brand promise of journeying through life with our clients while provide them with lasting value solutions. These solutions include but are not limited to:

- Investment Advisory
- Portfolio Management
- Art Advisory
- Advisory Charitable Giving (CSR Consulting/Impact investing)
- Philanthropic Planning etc.

In addition, the Private Banking group provided clients with access to investment opportunities leveraging the expertise of the Investment Banking and Treasury/Global Markets groups, presenting more avenues for client wealth maximization and growth.

Outlook & 2022 Priorities

In 2022, despite concerns around new COVID-19 variants and inflation, we project more opportunities for business growth especially owing to the observed response in the worldwide roll-out of vaccines. We also see opportunities in growing our client and market share with the introduction of more products offerings through the Private Banking Wealth Management initiative.

Our priorities in 2022 include leveraging the Bank's digital strategy to positively enhance our client experience and brand perception; with a focus on increasing our product visibility, improving client relationship management, and customer satisfaction.

3

Governance

- The Board
- Corporate Information
- Directors’ Report
- Corporate Governance Report
- Directors’ Responsibility
- Report of the Board Audit Committee
- Report on Customers’ Complaints and Feedback
- Report on Enterprise Risk Management
- Sustainability Banking Report 2020
- Whistle-Blowing Procedure

OUR PEOPLE

BOARD COMPOSITION AND ROLE

The Board is made of ten (10) members, consisting of eight (8) Non-Executive Directors (including the Chairman) and two (2) Executive Directors. Among the non-executive directors, three are independent and their involvement helps the Board to reach impartial and independent decisions. There are no shadow or alternate directors in the Board.

The directors who served during the financial year and up to the date of this report are:

Chairman
Mr. Babatunde Folawiyo

Directors

Mr. Adebanjo Adegbohungbe	- Managing Director/Chief Executive Officer
Mrs. Funke Feyisitan Ladimeji	- Executive Director/Chief Operating Officer
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

Below are the profiles of the Board members.

Mr. 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 a member of the Nigerian Bar Association since 1986.

He is the Chairman, Board of Directors of Coronation Merchant Bank Limited.

Mr. 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) and 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 (Chairperson)
- Board Risk Management Committee
- Board Governance and Nominations Committee
- Board Audit Committee

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

Ms. 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 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 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

Mr. 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 after his retirement as the Group Managing Director/Chief Executive Officer of UAC of Nigeria Plc (UACN) in 2018.

He holds 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. Before his retirement in December 2017 as Group Managing Director of UACN, he chaired, at various times, the Boards of 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. He equally chaired Pro-Health HMO.

Some of his numerous achievements include election as 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 is a member of the following Board Committees of Coronation Merchant Bank Limited:

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

Ms. 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 board 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

Mr. 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 Limited, 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.

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.

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 MB). 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 Credit and Investment Committee

MANAGEMENT TEAM

Mr. Banjo Adegbohungbe
Managing Director / Chief Executive Officer

BSc, Mechanical Engineering -
Obafemi Awolowo University Ile-Ife

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

FCIB
Fellow, Chartered Institute of Bankers of Nigeria

Banjo holds an MBA in Business Administration from the International Institute for Management (IMD), Switzerland and a B.Sc. in Mechanical Engineering from Obafemi Awolowo University, Ife. He is a Fellow of the Chartered Institute of Bankers of Nigeria.

With over 29 years of full-breadth banking experience covering investment banking, operations, technology and product management, Banjo is a well-respected banking strategist having been involved in some of the most iconic developments in leading banks across the country.

He spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Limited) in various functions including technology, business process improvement and trade operations, rising to become the Head, Trade Operations in 2005. He left Citibank Nigeria as an Assistant General Manager to join Access Bank in March 2007.

At Access Bank, Banjo was strategically involved in the transformation of Access Bank UK to one of the leading trade finance banking franchises out of Nigeria into the UK. He oversaw Corporate Operations, Global Trade and Global payments successively at Access Bank and was part of integrating acquired entities into Access Bank over the years he was with the bank.

Under his supervision, Access Bank's market share for trade volumes in Nigeria grew from 5% to 12% and the Bank became number 2 for trade volumes in Nigeria. He was directly involved in the development of the operational framework for Access Africa – a franchise strategy that has been pivotal to the inorganic growth of one of Nigeria's largest banks. He joined Coronation Merchant Bank as an Executive Director and Chief Operating Officer in July 2018 and was subsequently promoted to become the Managing Director/ Chief Executive Officer of the Bank within two (2) years. Under his watch, Coronation Merchant Bank became the first and only merchant Bank in Nigeria to have an international risk rating – a rating of B- with a stable outlook from FitchRatings.

Banjo oversaw the process that led to the receipt of a $60million Trade Finance Guarantee facility from the IFC, making Coronation Merchant Bank the first bank in Nigeria to receive such a facility from the IFC in five (5) years. The Investment Banking franchise of the Bank has attained a dominant status in the market under his dynamic and deliberate leadership. The Bank is a Top 5 on the FMDQ DCM League Table. His leadership has ensured that the execution capabilities of the Bank has improved significantly with deal origination, execution and closes rising astronomically over the last 3 years. He led the team that executed the NGN3.2 Trillion Promissory Note Issuance Programme for the Debt Management Office, Nigeria and supervised the acquisition advisory of two foreign banks within the short time he has led the Bank.

Banjo is widely travelled and has gained significant exposures by being trained by some of the world's leading institutions such as IMD, McKinsey and INSEAD.

Banjo is a member of the Governing Council of The Chartered Institute of Bankers of Nigeria and the Board Audit Committee Chairman – FMDQ Holdings Plc.

Mrs. 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.

Mr. 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 Post-Graduate 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 belongs to some professional bodies.

Mrs. 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 (ABLACS).

Mr. 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 Head, Corporate & Investment Banking at Coronation Merchant Bank Limited, he is responsible for the development of strategies for marketing, sales, products, and services for the Division. His remit also includes the origination and management of 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 in Corporate Finance, Global Financial Markets Division. He joined Coronation Merchant Bank in August 2015 as Assistant General Manager, 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, establishment and developing of the Coronation Merchant Bank Limited Corporate Bank.

Mr. 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.

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).

Mr. 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.

Mrs. 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

Ms. Abby Quadri is an experienced banker whose banking experience has covered Wealth Management, Corporate Banking and Business Strategy. As the Group Head of Private Banking at Coronation Merchant Bank, she is responsible for the development and implementation of marketing and sales strategies, as well as products and services for the private banking segment of the Bank. She is also responsible for developing and maintaining the Bank's relationships with High and Ultra-High Net-worth clients.

Abby began her banking career in 1993 as a Wealth Management Officer in Citibank. Over the course of 17 years, she worked in various sectors covering Wealth Management and Corporate Banking across several banks. Beyond her experience in the financial sector, Abby has also gained valuable experience in the Oil & Gas sector having served as the Managing Director of Petroserv Oil and Gas. Prior to joining Coronation Merchant Bank, she was a Corporate Banking Client Manager in Standard Chartered Bank after having worked as a marketing campaign specialist for 9 years at Standard Chartered Bank.

Mr. Chukwukadibia Okoye
Chief Financial Officer

MBA (Finance),
Edinburgh Business School, UK

FRM, ACA, FCCA, ACMA, CGMA, ACTI

Chukwukadibia is an experienced transformational finance and investment executive with over than 13 years industry experience spanning assurance, consulting across various industry sectors.

He is a treasury and credit subject matter expert, with expertise in financial and management reporting, risk management and controls, equity valuations, corporate finance, and financial assurance and analysis.

His professional experience began at PricewaterhouseCoopers (PwC), where he trained in Business Assurance and Advisory Services. After his time in PwC, he joined United Bank for Africa as a Team Lead and Head of Financial and Technical Analysis and was responsible for IFRS Compliance and Financial Reporting.

In November 2015, he joined Coronation Merchant Bank as the Chief Financial Officer. As the CFO, he oversees the Bank's corporate strategy, directs the fiscal functions of the Bank; covering budgeting, performance reporting, financial and regulatory reporting for the bank.

He holds a bachelor's degree from Federal University of Technology Owerri, a Master's in Business Administration from Edinburgh Business School, Heriot-Watt University UK. He is a member of Global Association of Risk Professionals, an associate member of Nigeria Institute of Management, a fellow of Association of Chartered Certified Accountants UK, an associate member of Institute of Chartered Accountants of Nigeria, an associate member of Chartered Institute of Taxation of Nigeria and an associate member of Chartered Institute of management Accountant UK.

He has attended various international courses including Harvard Business School, London Business School, on Finance, Strategy and Risk Management.

Mrs. Iyobosa Sorae

Treasurer

BSc Business Administration, MBA

Iyobosa is a Fixed Income expert with experience in Fixed Income Trading, Portfolio Management, and Operational Management. As the Treasurer at Coronation Merchant Bank, 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. . 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 and 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 was the generation of net income of 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).

Mr. 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.

Kesiena 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 and audit. In 2016, Kesiena 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, he 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.

Mr. 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).

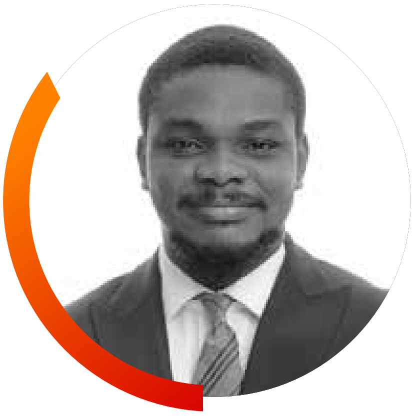
Mr. Eshiovaze Momoh
Chief Technology Officer

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.



Mr. Ayodele Odufuye
Head, Human Resources

BSc (Actuarial Science),
SPHR

Ayo is a versatile Human Resource professional with business development and human resource consulting background. With over ten years working experience in the Financial Services Industry, Ayo serves as the Head of the Bank's Human Resources Department and is responsible for the articulation and implementation of its people strategy aimed primarily at turning the Bank into 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).

Mrs. Adeola Awe
Acting Chief Audit Executive

BSc, Management & Accounting
MBA, Financial Management

Adeola was appointed the Acting Chief Audit Executive in August 2021. She has over 20 years banking experience which cuts across Finance, Domestic Operations, Clearing, Trade Services, Internal Control and Internal Audit.

She provides independent assurance to the Board of Directors (through the Board Audit Committee) and Senior Management on the quality and effectiveness of the Bank internal control, risk management, governance systems, and processes.

In September 2006, Adeola joined Guaranty Trust Bank (now GTCO) as a Banking Officer, where she worked for 12 years and rose to the level of the Group Head, Internal Audit. She joined Coronation Merchant Bank as the Head of Internal Control Department in 2018.

She obtained a Bachelor's degree in Management & Accounting and an MBA in Financial Management.Adeola is a fellow of the Institute of Chartered Accountant of Nigeria, a member of the Institute of Internal Auditors and the Risk Management Association of Nigeria.

Corporate Information

as at 31 December 2021

Company Secretary
Mrs. Cornelia Utuk

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

Auditors
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
P.M.B 40014, Falomo
Lagos

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 ("the Bank") and the Bank's Audited Financial Statements with the External Auditors' Report for the financial year ended December 31, 2021.

1. Legal Form

The Company was incorporated in Nigeria as a private limited liability company 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 as Associated Discount House Limited (ADHL). However, due to regulatory imperative, ADHL sought for and obtained a Merchant Banking License on the 30th of April 2015 as Coronation Merchant Bank Limited and commenced banking operations 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. Operating results

The profit before tax recorded by the Bank for the year ended 31 December 2021 was N2.795 billion (31 December 2020: N5.784 billion)

Highlights of the Bank's operating results for the year are as follows:

	31-Dec-2021	31-Dec-2020
	N'000	N'000
Net operating income	10,339,202	11,858,847
Operating expenses	(7,543,204)	(6,074,425)
Profit before tax	**2,795,998**	**5,784,422**
Taxation	(788,886)	(743,758)
Profit after tax	**2,007,112**	**5,040,664**
Other comprehensive income	(650,650)	2,168,619
Total comprehensive income	1,356,462	7,209,283
Basic and diluted earnings per share (kobo)	**40**	**100**

5. Ownership of the Bank

As at 31 December 2021, the shareholding structure of the Bank consisted of 14 institutional investors with the details and holdings shown below:

SN	Shareholder	Current Holding 2021	% Holding 2021	Current Holding 2020	% Holding 2020
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	*Barracuda Capital Partners Limited	235,397,741	4.66	186,718,491 48,679,250	3.70 0.96
8	DTD Holdings Limited	226,415,094	4.48	226,415,094	4.48
9	Afdin Construction Limited	188,679,245	3.74	188,679,245	3.74
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	Tonibso Limited	18,867,925	0.37	18,867,925	0.37
	Total	**5,050,546,285**	**100**	**5,050,546,285**	**100**

Notes

* Following the CBN's approval, the sales of 186,718,491 units of UNICO (CPFA) Limited's shares and 48,679,250 units of UNICO (CPFA) Gratuity Fund's shares to Barracuda Capital Partners Limited has been reflected in the Bank's books and at the Corporate Affairs Commission.

6. Analysis of the Shareholding Structure

The shareholding pattern of the Bank as at 31 December 2021 was as follows:

Range	Number of Share	% Holding	Current Holding	% Holding
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**

7. Substantial Interest in Shares

According to the register of members at 31 December 2021, 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-21		**31-Dec-20**	
Coronation Insurance Plc	1,151,522,548	23.00	1,151,522,548	23.00
Marina Mars Proprietary Investments Ltd	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 Ltd	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

8. 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:

Number of Ordinary Shares of N1.00 each held as at:				
	31-Dec-21		**31-Dec-20**	
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	-	235,397,741
A. Atta (Non-ED)	-	-	-	-
E. Oputu (Non-ED)	-	-	-	-
B. Dabiri (Independent)	-	-	-	-
S. Iroche (Independent)	-	-	-	-

O. Fayokun (Independent)	-	-	-	-
A. Adegbohungbe (MD/CEO)	-	-	-	-
Feyisitan F. (ED)	-	-	-	-

9. Details of Indirect Holdings of Directors

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

SN	Name	Company	Indirect Holdings	Total Indirect Holding
1	Babatunde Folawiyo	DTD Holdings Ltd	226,415,094	226,415,094
2	Larry Ettah	Barracuda Capital Partners Ltd	235,397,741	235,397,741

10. 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.	Paid annually in arears.
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.

11. Retiring Directors

No director retired from the Bank during the 2021 financial year.

12. 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, Mr. Larry Ettah, Mr. Babatunde Dabiri and Mrs. Suzanne Iroche shall retire by rotation and being eligible have offered themselves for re-election. The directors have continued to demonstrate commitment to their roles as Non-Executive Directors and the Board is convinced that they will continue to add value to the Bank.

13. 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 transaction or contract with the Bank.

14. 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.

15. 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 charitable and non-charitable organizations during the year:

SN	Purpose	Amount (N'000)	
		2021	**2020**
1	Police Trust Fund	250,000	-
2	COVID-19 Contribution	79,828	100,000
3	Capital Market Support on COVID-19 by the AIHN	-	250
4	Sponsorship of 14th Annual Bankers Conference	5,000	-
5	Sponsorship of Bankers Committee Financial Literacy Awareness	5,500	-
6	2021 Annual Bankers Dinner	3,000	-
7	Donation to Ovie Brume Foundation	2,315	-
		345,643	**100,250**

16. Post Balance Sheet Events

There were no significant events after the balance sheet date.

17. 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 approved Gender Diversity Policy targeted at addressing gender equality within the Bank and to actively facilitate a more diverse and representative workforce across management structure. As a result of a deliberate implementation of this Policy, the Bank has continued to maintain a gender balance in its staff strength that is well above the industry average.

ii. Composition of Employees by Gender

Gender	2021	2020
Female	59 (45%)	67 (47%)
Male	71 (55%)	75 (53%)
Total	**130 (100%)**	**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 2021, 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**

The Bank achieved a 33.33% female representation at Senior Management level and 40% female representation on the Board.

iv. Composition of Board Members by Gender

2021	Number	%
Female	4	40
Male	6	60
Total	**10**	**100**

2020	Number	%
Female	4	40
Male	6	60
Total	**10**	**100**

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 2021, the Bank had no physically disabled person in its employment.

vi. Health, Safety and Welfare of Employees

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 encourages the participation of employees in arriving at decisions in respect of matters affecting their wellbeing. The Bank places a high premium on the development of its manpower and sponsors its employees for various training courses. Our learning interventions are driven by the Competency Framework, Succession Plan and the Key Talent Management Framework. We also continue to develop subject matter experts internally who can drive internal learning. 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 its 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 to guarantee 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 Meetings as an ordinary business. Managers for the purpose of this disclosure include employees on the grade of Assistant General Managers and above. In compliance with the above provisions, the Bank's Managers were paid a total of N406,862,181 in 2021 excluding other benefits, bonuses and allowances. The entire package was a reflection of the banking industry's competitive salary package and the extent to which the Bank's objectives have been met for the financial year.

18. Credit Ratings

The prudential guidelines, as released by the CBN, requires that banks should have themselves 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.

In assessment of the Company's compliance with Corporate Governance Best Practice, Agusto & Co, Nigeria's foremost rating agency rated Coronation MB an 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	B- (Viability Rating (VR)) BBB+ (nga) (Long-Term Rating (LTR))	Stable	December 2021	B- (VR) BBB (nga) (LTR)
Agusto & Co	A+	Stable	June 2021	A+ (stable outlook)
GCR	A-	Stable	August 2021	A- (stable outlook)

The Bank continued its practice of international rating with Fitch Ratings Inc and was assigned a Long-Term Issuer Default Rating (IDR) of B- with a Stable Outlook, a Viability Rating (VR) of B- and a Long-Term Rating of 'BBB+' (nga) an improvement from the previous year rating of BBB.

19. Disclosure Of Customer Complaints In Financial Statements For The Year Ended 31 December 2021

In line with the Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved a total of 156 customer complaints during the period. The details of the Complaints, including the underlying triggers are provided in the report on customers' complaints.

20. Dividends

The Board of Directors has proposed a final dividend of 12kobo 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 will be deducted at the time of payment.

21. Auditors

At the last Annual General Meeting, KPMG Professionals was appointed the Bank's Auditors in place of Pricewaterhouse-Coopers, whose tenure ended in 2020 in line with the requirement of S. 5.2.1.2 of the CBN's Code of Corporate Governance 2014. KPMG Professionals have indicated their willingness to continue in office and pursuant to section 401 of the Companies and Allied Matters Act 2020, a resolution will be passed at the coming Annual General Meeting to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Stanley Ubani
Company Secretary

FRC/2021/002/00000025010

Corporate Governance Report

Coronation Merchant Bank Ltd ("Coronation MB" 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, the Securities and Exchange Commission's Codes of Best Practice and the Nigerian Code of Corporate Governance 2018 ("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's corporate governance structures have sufficiently been aligned with the requirements of the NCCG. Guided by our core values of trust, innovation and leadership, 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 practice of international rating continued in 2021 with another rating exercise by Fitch Ratings Inc, which retained the Bank's previous year rating of B- with stable outlook for Long-Term Issuer Default Rating (IDR) and B- for Viability Rating (VR). Remarkably, the Bank's Long-Term Rating moved a notch from BBB (nga) in 2020 to BBB+ (nga) in 2021.

In assessing the Bank's compliance with Corporate Governance Best Practice, Nigeria's foremost rating firm, Agusto & Co, retained Coronation MB's rating of 'A+ with a stable outlook', a confirmation of the Bank's strong corporate governance processes, the existence of effective risk management structure and an affirmation of its ability to meet the financial obligations and stakeholder expectations.

Coronation MB 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, outlining the roles of Board Committees and engagement with key stakeholders on issues that require wider consultations.

The Bank is governed under a framework that enables the Board to discharge its oversight functions while providing strategic direction to the Bank in a manner that complies with applicable regulations.

The Directors have the pleasure in presenting their report on the affairs of CoronationMB and the Audited Financial Statements with the external Auditors' Report for the financial year ended 31 December 2021.

Developments on the Board in 2021

The effectiveness of any board is 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, the Chairman, the Managing Director, other directors and the engagement of such 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 then 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.

In Q1 2021, the Board reconstituted three (3) of its Committees to prevent a deadlock in situations that require resolution through voting. The reconstituted Committees are Board Audit Committee, Board Governance and Nominations Committee and the Board Risk Management Committee. The new membership of the Committees following the reconstitution are provided in the later part of this Report.

Other than the directors that will retire by rotation as required by the Companies and Allied Matters Acts 2020 and the Bank's Article of Association and who being eligible, will present themselves for re-election, there was no resignation or retirement from the Board in 2021.

It is however worthy to note that in the course of the year, the Company Secretary, Mrs. Cornelis Utuk indicated her intention to disengage from the employment of the Bank with effect from May 1, 2022, to pursue other personal interests. Mrs. Utuk's journey with the Board started in 2014 when she was appointed the Group Head, Corporate Services and Company Secretary of the erstwhile Associated Discount House Limited, preparatory to its conversion to a merchant bank. With the grant of the merchant banking license by the Central Bank of Nigeria in 2015, she was appointed the pioneer Company Secretary/Legal Adviser of Coronation Merchant Bank Limited and later, Group Company Secretary/Legal Adviser of the Bank and its former subsidiaries. The Board remains grateful to her for her dedication and contributions to both the legacy institution and the Bank in the last 7 years.

In line with the Bank's Senior Management Succession Plan, the Board had initiated and concluded, in Q4 2021, the process for the engagement of a suitable replacement for Mrs. Utuk. A detailed program for seamless transition between Mrs. Utuk and the incoming Company Secretary was also instituted.

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. Larry Ettah, Mr. Babatunde Dabiri and Mrs. Suzanne Iroche 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 re-election will continue to add value to the Bank as 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 Report.

Board Effectiveness

The evolving expectations for governance, accountability and effectiveness have necessitated that deliberate actions be institutionalized to refresh Board positions in ways that promote diversity of skills, relevant knowledge, experience and background. Consequently, succession planning has become a key imperative for building a Board with the right complements for effectiveness in executing its core mandates.

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. In this regard, 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 in the articulation of specifications relevant for every appointment. 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 and rigorous evaluation process.

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 both the applicable Governance Codes and global best practice on the parity of Non-Executive Directors to Executive Directors. In 2021, the Board had more Non-Executive Directors than Executive Directors, with three of the 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 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

The continued restriction on movement as a result of the Covid-19 pandemic (the Pandemic) impacted on the full implementation of the Training Plan for the year 2021, particularly the foreign component.

General Training

All directors attended the following trainings in 2021:

SN	NAME OF TRAINING	VENUE & DATE	ORGANIZERS
1	Effective Board Governance and Oversight for Sustainable Growth in VUCA	Virtual Training 24 -25 November 2021	Central Bank of Nigeria / Financial Institutions Training Centre
2	Understanding Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) - the Role of the Board	Hybrid Training Coronation House – 10, Amodu Ojikutu street, VI, Lagos 11 December 2020	Nigeria Capital Market Institute (Securities & Exchange Commission)
3	Guideline on the Commencement of the Implementation of Basel III	Hybrid Training Coronation House – 10, Amodu Ojikutu street, VI, Lagos 11 December 2021	Ernst & Young

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 13, 2021, where the strategy for 2022 was rigorously debated and agreed between Management and the Board.

As part of its oversight function, the Board receives quarterly updates on implementation of the strategy, affording its members the opportunity to monitor and assess progress, review significant issues, risks or challenges encountered in strategy implementation. Deliberation on the updates also provides a common platform for the Board and Management to jointly work for the mitigation of the risks and management of the challenges encountered in the implementation of the strategy. 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 and proffer suggestions/directives for enhanced results. Peer comparison is also a crucial component of Management reporting to the Board to benchmark performance against competition.

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 for the 2021 financial year was undertaken by Ernst and Young Professional Services. The exercise covered the Directors' self-assessment and peer assessment in addition to the assessment of the Board Standing Committees.

The choice of an independent consultant encouraged openness in discussions during the review sessions as the independent consultant was not connected with the Bank or any of its Directors. It also enhanced 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 its Committees. It also covered the Board's structure and composition, processes, relationships, competencies, roles, and responsibilities. The effectiveness of the Independent Directors vis-à-vis the CBN Guidelines on Independent Directors of Banks was also evaluated. 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 followed the provisions of the CBN Code of Corporate Governance for Banks. The summary result of the independent evaluation will be presented by Ernst & Young at this meeting.

To further deepen the Bank's culture of governance, the Board recently approved the amendment of its Charter to enable the meeting of independent non-executive directors, when necessary, to deliberate on significant issues concerning the Bank. An amendment was also made to allow individual directors access to independent external expert advice, at the expense of the Bank, on issues arising from meetings of the Board or any of its Committees. With this amendment, both the Board as a body or an individual director, can access external professional/expert advice at the Bank's expense.

Shareholders and Regulatory Engagement

The Board is committed to maintaining high standards of corporate disclosure to existing/potential shareholders and regulators for the making of informed decisions about the operations of the Bank.

Shareholders' meetings are held as required by the Bank's Articles of Association and extant laws and regulations, to deliberate on issues affecting the Bank. Notices of such general meetings are sent to all shareholders of the Bank. In April 2021, the Bank built on the experience of its first virtual Annual General Meeting in 2020 to deliver a hybrid 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 representatives of the Central Bank of Nigeria, the Securities and Exchange Commission and other Regulators are usually in attendance while members of the press monitor the proceedings.

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 2021.

The implementation of the Bank's robust investor and regulatory engagement strategies enable us to understand stakeholders' views about the Bank for appropriate and effective response. The Bank's Investors Engagement Policy requires the Board and Management to ensure that communication with shareholders is timely, factual, broadly disseminated and accurate in line with applicable legal and regulatory requirements. The Bank's reports and communications to shareholders and other stakeholders are in plain, readable and understandable formats. Also, 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 always, 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.

To further ensure the rights of its stakeholders, the Board has approved a Human Rights Policy which seeks, amongst other things, to install zero tolerance for all manner of human rights infringements including but not limited all forms of discrimination, harassment and intimidation within the Bank and in the operation of its business. The Policy, which is a testament to the Bank's determination to protect the rights of its employees, vendors, customers, shareholders and communities, also encourages the Bank's partners to uphold the principles embedded in the Policy in their respective operations.

Access to Information and Resources

Management recognizes the importance of free flow of complete, adequate and timely information to the Directors for the effective discharge of their responsibilities. The Heads of Strategic Business Units are invited to make presentations and provide clarifications, where necessary, to the Board. The Bank's External Auditors also make presentations on the Bank's audited Financial Statements to the Board Audit Committee. Directors have unrestricted access to Management and company information in addition to the necessary resources to carry out their responsibilities.

Board Responsibilities

The primary responsibility of the Board is to provide effective leadership and direction, within the applicable regulatory and legal framework, for the enhancement of 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, annual budget, vital operational initiatives, significant funding and investment proposals, financial performance, and corporate governance practices. The Board is the Bank's decision-making body primarily 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 MB's desire to sustain long-term value creation for shareholders and aims to:

a. Promote excellence and balance between short and long-term performance such that Coronation MB's financial goals and shareholders' expected returns are met and sustained.

b. Enable Coronation MB 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. 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 made up of only Non-Executive Directors recommends the remuneration for the Board and the remuneration packages of Executive Directors in all its forms. Executive Directors play no part in deciding their remuneration.

The compensation of the Managing Director (MD) and the Executive Directors includes 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 consist of both fixed and variable remuneration components as may be contained in their contracts of employment.

The Board Governance and Nominations Committee sets 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 are measured against these criteria at the end of the financial year and their evaluation results are used in determining the variable element of their remuneration.

Executive Directors are not entitled to sitting allowances for attendance at meetings of the Board and its Committees.

Components of Non-Executive Directors Remuneration

Non-Executive Directors' fees reflect the extent of the Director's responsibilities, expected contributions and liabilities. The remuneration of the Non-Executive Directors consists 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 Meetings from time to time.

Non-Executive Directors will be reimbursed for 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 Man-

aging Director and other Executive Officers serves to:

a. attract, retain and motivate outstanding management staff who add value to the 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 board remuneration policy.

   d. on the compensation and benefits of staff

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

Compensation Review

To ensure that the Bank's compensation structure remains competitive, the applicable policies shall be reviewed periodically to reflect changing realities. The Committee's review should consider the Board's performance and Coronation MB's remuneration vis-à-vis the industry's peer group. The peers should be selected based on Coronation MB'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 and or engage the services of an external consultant on the appropriateness of the remuneration package based on agreed compensation benchmarks.

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 MB 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 the board renumeration policy and the compensation and benefits policy once every two (2) years or as may be deemed necessary. The board renumeration policy last reviewed in April 2021 while the compensation and benefits policy was last reviewed in August 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 Bank is committed to upholding the tenets of good governance as enshrined in the applicable Governance Codes. The Board confirms 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 2021 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 strategies and policies approved by the Board. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee (EMC), which he chairs. Membership of the EMC 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.

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 ensures 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 strategies, 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.

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 strategies/objectives and monitoring delivery of the strategies and performance against approved plans.
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. Attending to matters of succession planning, appointments, remunerations, retirement and disengagement 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, approval and oversight over the operation and effectiveness of the Bank's risk management framework.
9. Oversee, review and monitor the operation, adequacy, and effectiveness of the Bank's reporting systems and the overall 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 adopting appropriate 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 an approved Charter which regulates its operations. The approved Charter and every subsequent renewal of same have 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 of the Chairman is to provide leadership and direction to the Board. The Chairman is accountable to the Board and shareholders and liaises directly with the directors and the Management of the Bank, through the Managing Director/Chief Executive Officer ('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 an integral role in ensuring that the Board and its Committees have the relevant skills, competencies for the achievement of their objectives.
5. Ensuring proper conduct of Board meetings and achievement of efficiency and cohesiveness in 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 ensuring that 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

The Company Secretary supports the overall effectiveness of the Board by, amongst other things, assisting in the development of good corporate governance practices and culture within the Bank. The role of the Company Secretary is central to the achievement of the objectives of the Board and includes the following:

1. 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 Members in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.
2. Assisting the Chairman in ensuring good information flow within the Board and its Committees and between Management and Non-Executive Directors.
3. Facilitates the orientation of new directors and coordinating their professional development.
4. Attending and preparing the minutes for all Board meetings and ensuring efficient and effective coordination between the Board, the Board Committees and Management.
5. The Company Secretary also assists in the development of the agenda for the meeting of the Board and its Committees.

The Company Secretary is properly empowered by the Board to discharge his duties and all Directors have independent access to the Company Secretary. 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 confirms that it has effectively and efficiently discharged its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committees' Charters, and the relevant Governance Codes during the 2021 financial year. The 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, BoardEffect, 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 devoted considerable time and efforts on the following issues in 2021 amongst others:

- Review of Board Committee Charters/Policies.
- Consideration and approval of the 2022 budget.
- Approval of credit facilities.
- Consideration of top management 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 was as indicated in the table below:

SN	Names of Directors	2020 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	Olubunmi Fayokun	1	4	1
8	Idaere Gogo Ogan	1	4	1
9	Adebanjo Adegbohungbe	1	4	1
10	Funke Feyisitan Ladimeji	1	4	1

Meetings of the Board and Board Committees in 2021

The Board and its Committees held the following meetings in the period ended 31 December 2021:

TYPE OF MEETING	DAY / DATE
Board Credit & Investment Committee	Monday, January 18, 2021
Board Credit & Investment Committee	Thursday, March 4, 2021
Board Credit & Investment Committee	Monday, April 19, 2021
Board Credit & Investment Committee	Thursday, June 3, 2021
Board Credit & Investment Committee	Monday, July 19, 2021
Board Credit & Investment Committee	Tuesday, September 7, 2021
Board Credit & Investment Committee	Monday, October 18, 2021
Board Credit & Investment Committee	Monday, December 6, 2021
Board Risk Management	Monday, January 18, 2021
Board Risk Management	Monday, April 19, 2021
Board Risk Management	Monday, July 19, 2021
Board Risk Management	Monday, October 18, 2021
Board Governance & Nominations	Tuesday, January 19, 2021
Board Governance & Nominations	Tuesday, February 16, 2021
Board Governance & Nominations	Tuesday, April 20, 2021
Board Governance & Nominations	Thursday, May 6, 2021
Board Governance & Nominations	Monday, June 7, 2021
Board Governance & Nominations	Thursday, July 22, 2021
Board Governance & Nominations	Monday, August 16, 2021
Board Governance & Nominations	Wednesday, September 22, 2021
Board Governance & Nominations	Wednesday, October 20, 2021
Board Governance & Nominations	Friday, November 19, 2021

Board Audit Committee	Tuesday, January 19, 2021
Board Audit Committee	Monday, February 15, 2021
Board Audit Committee	Tuesday, April 20, 2021
Board Audit Committee	Thursday, June 3, 2021
Board Audit Committee	Tuesday, July 20, 2021
Board Audit Committee	Tuesday, October 19, 2021
Board Meeting	Friday, January 22, 2021
Board and Annual General Meeting	Friday, April 23, 2021
Board Meeting	Friday, July 23, 2021
Board Meeting	Friday, October 22, 2021
Board Business Strategy/Budget Retreat and meeting to approve the Budget 2022	Monday, December 13, 2021

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.

All members of the Board, apart from the Chairman, are members of the Board Risk Management Committee. Meetings of the Committee are held at least once a quarter. Members' attendance at the Committee's meetings held in 2021 is indicated in the table below:

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

B. Board Credit and Investment Committee

The Board Credit and Investment 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. Members' attendance at the Committee's meetings held in 2021 is indicated in the table below:

SN	Members	Capacity	Number of Meetings Held	Number of Meetings Attended
1	Babatunde Dabiri	Chairman	8	8
2	Suzanne Iroche	Member	8	8
3	Larry Ettah	Member	8	8
4	Babatunde Dabiri	Member	8	8
5	Adamu Atta	Member	8	8
6	Olubunmi Fayokun	Member	8	8
7	Idaere Ogan	Member	8	8
8	Banjo Adegbohungbe	Member	8	8
9	Funke Feyisitan-Ladimeji	Member	8	8

C. Board Governance and Nominations Committee

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

Membership of the Committee consisted of 6 Non-Executive Directors at the beginning of the year but was eventually reconstituted in Q1 2021 to 5 Non-Executive Directors, 3 of whom are independent directors. The Committee sits quarterly and as need arises. Members' attendance at the Committee's meetings held in 2021 is indicated in the table below:

SN	Members	Capacity	Number of Meetings Held	Number of Meetings Attended
1	Larry Ettah	Chairman	10	10
2	Suzanne Iroche	Member	10	10
3	Babatunde Dabiri	Member	10	10
4	Adamu Atta	Member	10	10
5	Olubunmi Fayokun	Member	10	10
6	*Idaere Ogan	Member	10	1

*Following the reconstitution of the Board Committees in Q1 2021, Mr. Idaere Ogan ceased to be a member of the Board Governance & Nominations Committee.

D. Board Audit Committee

The Board Audit 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 had as its members, 6 Non-Executive Directors at the beginning of 2021 but following its reconstitution in Q1 2021, its membership was streamlined to 5 Non-Executive Directors, three of whom are independent directors. The Committee meets at least once a quarter. The number of meetings held in 2021 and attendance of members at those meeting is as follows:

SN	Members	Capacity	Number of Meetings Held	Number of Meetings Attended
1	Suzanne Iroche	Chairperson	5	5
2	Babatunde Dabiri	Member	5	5
3	Evelyn Oputu	Member	5	5
4	Olubunmi Fayokun	Member	5	5
5	Idaere Ogan	Member	5	5
6.	*Larry Ettah	Member	5	1

*Following the reconstitution of the Board Committees in Q1 2021, Mr. Larry Ettah ceased to be a member of the Board Audit Committee.

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 about 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 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.
- Digital Information Technology and Security 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

KPMG Professional Services acted as our external auditors for the 2021 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 previous Auditor, Messrs PricewaterhouseCoopers (PwC) ended on 31 December 2020 and in accordance with S.5.2.12 of the CBN Code of Corporate Governance, KPMG Professional Services was appointed in its place.

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 of the Bank's Code of Conduct. 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 MB 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, customer-complaints@coronationmb.com, which automatically sends alerts 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 the Bank's 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 MB 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, in compliance with this requirement, the Bank currently has 4 women on its Board, namely, Ms Evelyn Oputu, Mrs. Suzanne Iroche, Ms. Olubunmi Fayokun and Mrs. Funke Feyisitan-Ladimeji.

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 2021

Statement of Directors' Responsibilities in relation to the Financial Statements for the year ended 31 December 2021.

The Companies and Allied Matters Act 2020 and the Banks and Other Financial Institutions Act 2020, 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 financial statements give a true and fair view of the state of the financial affairs of the Bank, its 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. Adebanjo Adegbohungbe
Managing Director/CEO
FRC/2019/CIBN/00000019814

CORPORATE RESPONSIBILITY

Further to the provisions of section 405 of the Companies and Allied Matters Act (CAMA), 2020, we, the Managing Director/CEO and Chief Financial Officer, hereby certify the financial statements of Coronation Merchant Bank Limited for the year ended 31 December 2021 as follows:

a) That we have reviewed the audited consolidated and separate financial statements of the Bank for the year ended 31 December 2021.

b) That 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, in the light of the circumstances under which such statement was made.

c) That 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 year ended 31 December 2021.

d) That we are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Bank is made known to the officer by other officers of the Bank, particularly during the year ended 31 December 2021.

e) That we have evaluated the effectiveness of the Bank's internal controls within 90 days prior to the date of the audited financial statements, and certify that the Bank's internal controls are effective as of that date.

f) That there were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our evaluation, including any corrective action with regard to significant deficiencies and material weaknesses.

g) That we have disclosed the following information to the Bank's Auditors and Audit Committee:

   (i) there are no significant deficiencies in the design or operation of internal controls which could adversely affect the Bank's ability to record, process, summarise and report financial data, and have identified for the Bank's auditors any material weaknesses in internal controls, and

   (ii) there is no fraud that involves management or other employees who have a significant role in the Bank's internal control.

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

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 2021 as follows:

- We have exercised our statutory functions under section 407 of the Companies and Allied Matters Act of Nigeria and acknowledge 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 2021 were satisfactory and reinforce the Bank's internal control systems.
- As required by the provisions of the CBN circular BSD/1/2014 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.

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SUZANNE IROCHE (MRS.)
Chairperson
Audit Committee
FRC/2019/CIBN/00000019186

Members of the Audit Committee are:

Mr. Babatunde DABIRI	Member
Ms Evelyn OPUTU	Member
Mr. Idaere OGAN	Member
Ms. Olubunmi FAYOKUN	Member

CUSTOMERS' COMPLAINTS AND FEEDBACK

REPORT ON CUSTOMERS' COMPLAINTS AND FEEDBACK

Coronation Merchant Bank recognizes that providing exceptional customer experience is pivotal to sustaining our core value of trust. Delivering quality service and maintaining responsiveness to the needs and concerns of our clients cannot be over emphasized. To accomplish this, the Bank has provided various touchpoints through which its customers can reached. 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 all customer complaints are treated with the sensitivity and empathy they deserve. Our strategy is to ensure our customer's feedback affects the way we will conduct our business with them in the future. Resources are made available 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 meet our customers' expectation of fit, finish, durability, and function. All complaints are collated, logged, graded, and tracked for resolution. We promptly and proactively review complaints to identify and address root causes to avoid reoccurrence.

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'000)		Amount Refunded (N'000)	
			2021	2020	2021	2020	2021	2020
1	NGN	Transaction Alert complaints	1	4	-	-	-	-
2	NGN	Non-payment of tenured funds	-	-	-	-	-	-
3	NGN	Discrepancy and re-imbursement of accrued interest	1	2	39,533	21,692	39,533	20,368
4	NGN	Delay in processing/service delivery	25	18	-	-	-	-
5	NGN	Internet/Mobile banking usage & token complaint *	110	59	-	-	-	-
6	NGN	Excess charges/fees	1	13	8,856	4,051	8,856	7,033
7	NGN	Erroneous debit from account **	6	13	3,180	275,629	3,419	265,686
8	NGN	Discrepancy with Account balance/ Statement	12	7	-	12,730	-	-

Note:

***The significant increase in Internet banking and Token usage complaints was attributed to user profile issues encountered by some customers as a result of the change in the Bank's Corporate Identity on the Entrust application hosted on App/Play stores. Steps were taken to ensure immediate resolution of all complaints and support was provided to customers by the Contact Center.

**The income refund of NGN 3,418,501 was credited to a customer who complained of an erroneous debit of NGN 3,180,001 for account maintenance charge. Further to the investigation conducted, a reversal was made along with VAT (NGN 238,500.07) which accounted for the disparity in the amount refunded.

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 feedback received from customers are reviewed and used to improve upon the quality of products and services offered to our clients.

ENTERPRISE RISK MANAGEMENT

Overview

Merchant Banking 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 MB 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.

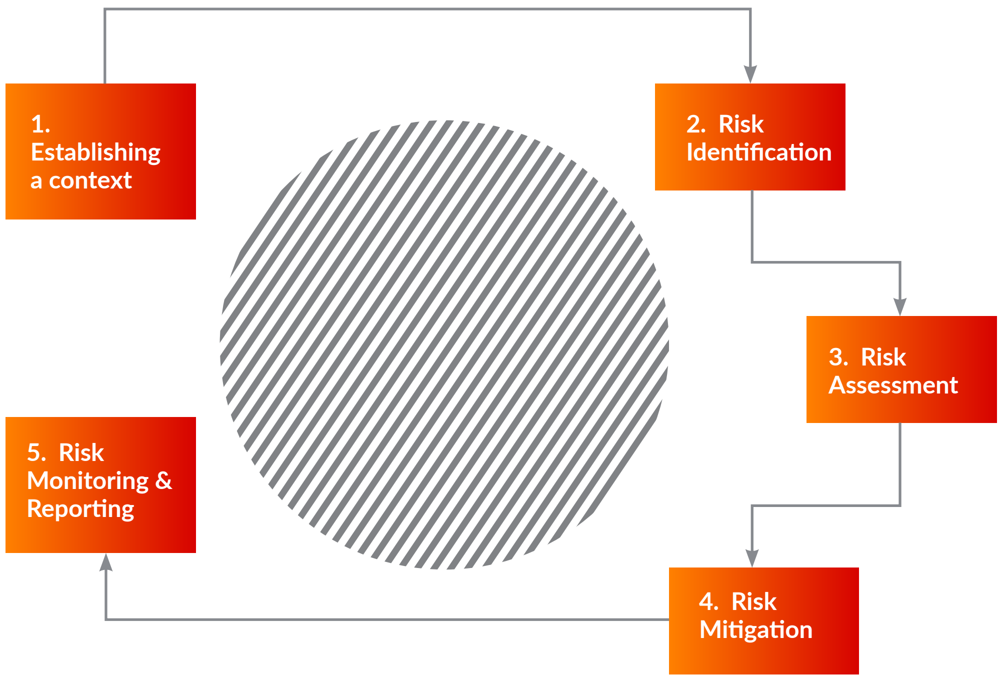
As a Bank, we understand that risk is:

- 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 MB 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: CMB Risk Management Process

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 MB 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 MB'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 objec-

tives;

- 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: • Rigorous credit analysis to unearth the risk issues and proffer mitigant for same • Counterparty credit search • Setting and enforcement of credit authorization limits • Proper due diligence and complete documentation before loans are granted • Effective loan monitoring, with a dedicated team that monitors the credits on a portfolio and client bases for risk reporting • Back testing of rating models to ensure optimum functionality • Cooperation among all departments involved in the lending process. Collateralization: Potential credit losses from any given exposure are mitigated using a range of collateral support such as cash, investments, legal mortgages, debentures as well as different forms of guarantees.
2	Market Risk	Coronation MB 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 interest rate 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 MB 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 Management, Third Party Risk Management etc.

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
4	Liquidity Risk	This is the risk to Coronation MB'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: • Robust ILAAP Framework in place, with quarterly reporting to the BoD. • Frequent monitoring and reporting of all Basel II/III liquidity monitoring ratios to relevant stakeholders. • Balance sheet trend showing key ratios performance in terms of capital, liquidity, asset quality and concentration. • Limit trigger and/or breach escalation. • Daily monitoring of interbank placement with counterparties to ensure the bank's capital is protected. • The activation of a contingency funding plan as last resort where necessary 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 limits 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. 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 de-emphasize to manage down the Bank's re-pricing gap risk.
6	Reputational Risk	Reputational risk is the potential threat that the reputation of Coronation MB 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 Operational risk department, supported by 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. 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. Periodic review and monitoring of established reputational risk matrix. Development of a robust Crisis Management and Communication Framework. Active engagement of the Crisis Management Committee who has the overall responsibility to manage all forms of crisis in the Bank.
7	Environmental, Social & Governance Risk	The Environmental & Social (E and S) risks of Coronation MB 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 communitiesof people (e.g., employees, customers, residents).	• The Bank deliberately manages its exposure to ESG risk under the scope: Our Business Activities, Our Business Operations, Women Economic Empowerment, Capacity Building, Human Rights, Clients Collaboration, Information Disclosure. • The Board-approved ESG Framework provides an effective tool to manage ESG risks within the Bank. • Partnership with various Development Finance Institutions (DFIs) has further strengthened ESG management in the Bank. • In managing E & S risk, the Bank continuously monitors its portfolio of risk assets and investments under the auspices of financial performance and environmental and social risk considerations via Environmental and Social Due Diligence, Environmental and Social Risk Screening, Environmental and Social Risk Categorization, Environmental & Social Risk Review and Monitoring.

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
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. • To effectively manage this risk, the Herfindahl-Hirschman Index (HHI) is used to measure the level of concentration risk within both borrowing customers as well as depositors/ counterparties. • Single name concentration, Sectorial concentration, deposit, counterparty and concentration of products are various levels of monitoring concentration risk in the Bank.
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: • Significant investments approved by the Board after review by top Management • Stringent portfolio selection and diversification strategies • Highly experienced professionals in the Investment Banking unit advise on strategic investments
10	Legal Risk	Coronation MB sees legal risk as potential loss due to type and nature of agreements and contracts. Legal risk is the current or potential risk of loss to earnings and capital arising from violations or non-compliance with agreements, laws, rules, regulations, prescribed practices, or ethical standards and the possibility of inappropriate interpretation of effective laws or rules.	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: • Recruitment of qualified Legal team • Training and retraining of all staff in basic legal precept with regards to business relationships • 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. • Review of all disputes involving the Bank to ensure that the best approach is adopted in resolving them. • 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. • Actively supporting the solicitors with the necessary information and documents and follow up on the matters to ensure effective representation. • Continuous monitoring of all pending legal disputes to prevent avoidable losses to the Bank. • Development and enforcement of a Legal Risk Management framework • Proactive allocation of capital to absorb the impact of possible claims on the Bank

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
11	Cyber/ information Security Risk	CMB 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 • Leverages on standard frameworks. E.g. ISO 27001, ISO 22301 • Aligns to CBN IT blueprint on Information Technology security • Implementation of Nigeria Data privacy regulation requirements to address data Privacy NDPR • Implements Layered security to address all enterprise security architecture • Continuous review of the information security strategies to measure effectiveness and to identify areas of improvement. • Capacity Building • Partner with cybersecurity companies and consulting firm(s) for the management of cybersecurity operations. • Subscription to security organizations for knowledge sharing • Enhanced due diligence before onboarding vendors • Adopts practical approach to improving critical cybersecurity infrastructure i.e. processes to Identify, Protect, Detect, Respond, and Recover from incidences. • Tailored awareness training/publication for staff and customers. • Develops a process of measuring the effectiveness of our information security controls • Seeks stakeholders' expectations of information security to align their goals to security strategies

Risk Management Philosophy And Culture

The focus of Enterprise Risk Management at CMB is the assessment of significant risks and the implementation of suitable risk responses. At Coronation MB, 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 MB'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 MB 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 MB 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 MB'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, cybersecurity/ information security risk, Environmental, Social and Governance (ESG) risk and other material risks.

The risk management vision of Coronation MB is "To institutionalize a world class risk management framework that supports the achievement of our corporate vision and preserves 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 MB'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 MB.

Scope and Coverage

Enterprise Risk Management will cover all the risks arising out of the business of CMB irrespective of whether they arise at exposure level or at settlement level.

Risk Management Strategy

Coronation MB 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 identification, 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 MB'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 MB's Risk Appetite is reflected in its ***moderate*** appetite for risk.

"Coronation MB 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 MB'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.

Non-Qualifying Risk Transactions

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

Coronation MB shall not finance the following projects:

- Production or trade in any product or activity deemed illegal under Nigerian laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labour /harmful child labour.
- 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.

Other Items which the Bank shall not finance:

- To support act/acts of terrorism.
- To purchase illegal firearms.
- To support illegal military activity.
- To support production and distribution of illicit drugs.
- Racist or anti-democratic media.
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
- Any business relating to pornography or prostitution.
- Significant conversion or degradation of Critical Habitat; Production and distribution of racist and anti-democratic media.
- Significant alteration, damage, or removal of any critical cultural heritage.

Relocation of Indigenous Peoples from traditional or customary lands.

The Bank's risk appetite is defined using qualitative and quantitative measures where appropriate. CMB 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. All Basel III capital ratios are strictly adhered to, monitored and reported to management, the BoD and regulators as applicable.

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's Operational risk appetite is defined by conducting an Incident Event Analysis and Risk Event classification. These values are then multiplied to arrive at a classification level of Very Low, Low, Medium, Above Average, High and/or Very High for the risk.

Risk Type	Objective	Rating	Probability Number	Likelihood	Frequency
Incident Event Analysis	To quantify probability and likelihood of occurrences of operational risk events	Rare	1	May occur in exceptional circumstances	There is a 1 – 5% chance that the event will occur once in the next 12 months
		Unlikely	2	May occur at some time	There is a 5-15% chance that the event will occur once in the next 12 months
		Possible	3	Should occur at some time	There is a 16-50% chance that the event will occur once in the next 12 months
		Likely	4	Probably occur in most circumstances	There is a 51-85% chance that the event will occur once in the next 12 months
		Almost Certainly	5	Will occur in most circumstances	There is a >85%-100% chance that the event will occur once in the next 12 months

Risk Type	Objective	Rating	Impact Number	Loss amount
Risk Event classification	To measure the extent of loss incurred when operational risk events crystallise	Insignificant	1	NGN Below 40,000
		Minor	2	NGN 40,000 - 1,000,000
		Medium	3	NGN 1,000,001 - 5,000,000
		High	4	NGN 5,000,001 – 11,000,000
		Significant	5	NGN 11,000,001 and above

Reputational Risk Appetite

The reputational risk grid is the representation of likelihood and severity of the risk factors in a scale (from 1 to 5) to portray their relative importance and initiate action plans based on relative importance. Action plans are initiated for only those risks which can severely impacts the reputation of the bank.

Risk Rating Grid		Severity/Impact				
		1	2	3	4	5
Likelihood of occurrence	1	5 (M)	10 (AV)	15 (H)	20 (H)	25 (H)
	2	4 (M)	8 (AV)	12 AV)	16 (H)	20 (H)
	3	3 (L)	6 (M)	9 (AV)	12 (AV)	15 (H)
	4	2 (L)	4 (M)	6 (M)	8 (AV)	10 (AV)
	5	1 (L)	2 (L)	3 (L)	4 (M)	5 (M)

Key:
L – Low
M – Medium
AV – Average
H – High

Other Qualitative Expressions of Reputational risk appetite are;

- Zero tolerance for association with disreputable individuals and organizations
- Zero appetite for unethical or illegal and/or unprofessional conduct by our directors and staff
- Zero tolerance for adverse publicity in local and international press

- Zero tolerance for unfavorable reports from the auditors, regulators, and external rating agencies

Market Risk Appetite

The Bank has a comprehensive Risk Rating and Limit policy from which its market risk appetite derives from. 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 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. 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 carried out.
- Counterparty Limit- The Bank has a comprehensive Internal Rating Model from which it determines the threshold of its investment in an entity/security.
- Dealers' Limit - The Bank sets dealer limit based on the dealers level, structure and knowledge in trading an instrument.
- Value at Risk (VaR) Limit – This represents a portion of the capital set aside for market risk purposes. It is measured as a percentage of shareholders' funds.
- Security Position Loss Limit – This refers to mark-to-market loss on each security position.

Capital Management

Overview

Capital is core to the Bank's financial strength and long-term sustainability. It is the residual interest in a Bank after deducting liabilities from its assets. Capital provides a stable resource to absorb any losses and thus provides a measure of protection to investors, creditors, and other key stakeholder's interest in the event of liquidation.

Capital is used principally to support assets in the Bank's businesses and to absorb credit, market, operational losses, as well as any losses that may crystallize from Pillar II risks. 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 MB 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.

The Bank identifies the need to have sound capital management practices. In the business of risk taking, the Bank expects that projections will evolve from strategies. These projections may/may not be realized thereby resulting in some form of losses. The key objective of capital management is to achieve expected returns on capital employed, prevent losses, and have buffers for losses where necessary. This Capital Management Policy documents the guidelines for the allocation and management of capital and resources among all the business lines within the Bank. The framework comprises principles and governance structures as well as monitoring and reporting requirements which are necessary for efficient allocation of capital by the Bank.

Therefore, annually, the Bank develops a plan for maintaining adequate capital. This plan includes:

- The Bank's capital projections;
- Underlying assumptions supporting the projection;
- Quantity, quality, and sources of additional capital required (if any);
- Availability of any external sources identified; and
- Estimate of the financial impact of raising additional capital.

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 audit 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 which are determined as part of the ICAAP.

Capital Management Strategy

The bank considers capital management to be the process of monitoring and controlling the bank's vulnerability to industry changes. Coronation MB 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 MB'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; ands
- 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).

Capital Allocation

Capital allocation is a system of distributing financial resources to various sectors (business lines) in the Bank to increase efficiency and thereby maximize profits. Overall, it is management's goal to optimize capital allocation so that it generates as much wealth as possible for its shareholders.

While the goal is to maximize shareholders' equity, the challenge lies in determining the allocation to each line of business to carter for the risks associated with the line of business and yield the most significant benefit.

Given limited capital and higher expectations from shareholders, the board of directors serve the interests of investors by guiding management to direct capital to the highest return alternatives after providing appropriate oversight to help management fully consider and manage the risks of the enterprise.

Specifically, the Bank considers the following parameters in allocating its capital.

- Risk appetite
- Expected return such as:
  - Return on Equity (ROE)
  - Internal Rate of Return (IRR)
  - Return on Investment (ROI)
  - Net Present Value (NPV)
- Risk Adjusted Performance Measure such as:
  - Risk Adjusted Return on Capital (RAROC)
  - Economic Value Added (EVA)
  - Return on Embedded Value (ROEV)
- Cost of capital
- Impact of solvency requirements (i.e. regulatory and economic capital)
- Regulatory constraints
- Market growth potential
- Pay Back Period (PBP) (For non-business as usual investments or projects/products) and
- Reputational Impact.

Regulatory Capital Structure

The Bank's capital is broadly divided Tier 1 Capital and Tier 2 Capital.

1. Tier 1 Capital (Core Capital)

   This includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 (AT1) capital. Common Equity Tier 1 comprises an entity's core capital and includes common shares, stock surpluses resulting from the issue of common shares, retained earnings, common shares issued by subsidiaries and held by third parties.

   Additional Tier 1 capital is defined as instruments that are not common equity but are eligible for inclusion in this tier. An example of AT1 capital is a contingent convertible or hybrid security, which has a perpetual term and can be converted into equity. This is however subject to acceptability of the regulator (eg CBN)

Common equity absorbs losses immediately when they occur while Additional Tier 1 capital (AT1) provides loss absorption on a going-concern basis

2. Tier 2 Capital Tier 2 is a bank's supplementary capital.

   This includes fair value reserves, revaluation reserves, hybrid capital instruments, subordinated term debt—also known as junior debt securities—and general loan-loss, or uncollected, reserves.

The bank does not hold any Hybrid capital instrument.

Capital Measure	
Tier 1 Capital	
Paid-up Common Equity Share	5,050,546,000
Share Premium in respect of Common Equity Share	3,655,348,000
General Reserves (Retained Profit)	16,479,949,000
Statutory Reserves	8,665,908,000
Total Before Deduction	**33,851,751,000**
Tier 1 Deductions	
Intangible assets	1,417,354,000
Deferred tax assets	4,489,197,000
CET1 After Regulatory Deduction	**27,945,200,000**
Additional Tier 1 Capital	-
Tier 2 Capital	
Subordinated term debt with remaining maturity of:	
a. One year or less	-
b. Over one year through two years	-
c. Over two years through three years	-
d. Over three years through four years	14,916,059,400
e. Over four years through five years	-
f. Over five years	-
Other Comprehensive Income	2,400,379,000
Total Tier 2 Capital*	**9,239,987,286**
Total Eligible Capital, i.e., (CET1 +AT1+T2)	**37,185,187,286**

- CBN regulatory guidance requires that elements of Tier 2 capital be limited to a maximum of one-third (i.e. 33.33%) of Tier 1 capital.

Capital Adequacy

The purpose and objective of the ICAAP is to ensure that the methodology used to calculate the internal capital requirements of the Bank takes into account all the material risks faced by the Bank and is reflective of the actual risk profile of the Bank. The approach followed in undertaking the ICAAP covers both qualitative and quantitative assessments of risks and controls, including a

- Review of the adequacy of the Bank's risk governance.
- Review of the financial model used in calculating capital requirement; and
- Stress testing of the future business projections to assess the adequacy of capital and liquidity profile under adverse conditions

The ICAAP takes into account forward-looking factors such as the Bank's strategic plans and conceivable external changes, including but not limited to the Bank's nearand-longer term capital needs, capital expenditures required for the foreseeable future, target capital levels, and external capital sources.

The Bank performs rigorous and forward-looking stress tests that identify plausible severe events or adverse changes in market conditions and assess their impact on the Bank's capital adequacy. In cases where a stress event or scenario is identified which may severely affect the capital adequacy and liquidity of the Bank, management shall decide on an appropriate corrective/remedial action to be taken under such an event/scenario to restore/ bring back the capital adequacy and liquidity of the Bank to acceptable levels within the Bank's risk appetite limits.

The whole ICAAP process is governed by an ICAAP policy which the Bank shall develop to ensure an integrated view of all aspects related to the ICAAP process and its management, as well as providing guidelines for its effective implementation by the Bank.

The Bank's ICAAP document shall include 6 major components:

1. Senior management oversight
2. Sound capital assessment and planning
3. Comprehensive assessment of risks

4. Stress testing
5. Monitoring and reporting
6. Internal Audit review

The Bank shall carry out capital planning in alignment with its strategic objectives and business plans. The capital requirements shall be assessed to ensure adequacy of capital for supporting business growth envisaged in the business plans and that changes expected in the risk profile of the Bank in the near future are adequately considered. Consequently, the Bank shall maintain buffer in excess of regulatory minimum level and preferably higher than the average industry level capital. 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. The Bank shall use the value at risk methodology to arrive at the unexpected loss value or stressed conditions and tagged same as stressed capital requirements.

Capital Requirement per exposure class

Exposure Class	Risk weighted assets (RWA)
Central Governments and Central Banks	-
State Govt and Local Authorities	278,737,400
Public Sector Entities (PSEs)	-
Multilateral Development Banks (MDB)	-
Supervised Institutions	1,942,428,293
Corporate and Other Persons	135,681,246,044
Regulatory Retail Portfolio	542,809,500
Secured by Mortgages on Residential Properties	-
Exposures Secured by Mortgages on Commercial Real Estates	-
Past Due Exposures	-
High Risk Exposures	25,978,440,000
Unsettled and Failed Transactions	-
Other Assets	15,245,916,000
Securitization Exposures	-
Regulatory Adjustment	(3,549,085,000)
Total RWAs	**176,120,492,237**

Capital Ratios

Measure	Ratio	Required regulatory minimum
CET1 to TRWAs	13.48%	7.00%
T1 Capital to TRWAs	13.48%	7.50%
Total Eligible Capital to TRWAs (CAR)	17.94%	10.00%

Capital Monitoring & Reporting

Coronation MB monitors its capital levels using different definitions of capital. This method helps it to stay in compliance with regulatory limits. The practice of Basel principles has also influenced some of the capital considerations.

To this end, there are 5 levels of capital monitoring and requirements described below:

S/N	Capital Type	Brief Description	Monitoring Frequency
1	Regulatory Capital	The minimum capital required by the Apex bank as part of its regulatory guidelines.	Daily
2	Economic Capital	This capital is calculated for all risks to which the Bank is exposed. It considers both Pillar I & II Risks. The Economic capital consider all the risks computed for regulatory capital in addition to others but may be lower in value due to difference in models.	Annually
3	Stressed Capital	This is derived from calculation of unexpected losses from the three Pillar I risks.	Quarterly
4	Desired Capital	The is obtained from the addition of stressed capital and the pillar II economic capital requirements. It is the ideal amount of capital a Bank should keep.	Annually
5	Capital Buffer	In compliance with the Basel III capital Buffers, the Bank shall maintain a minimum capital adequacy ratio 200 - 500 basis points above the regulatory 10%	Daily

The purpose of capital management reporting is to enable stakeholders to evaluate the adequacy, effectiveness, and efficiency of capital management processes.

The capital management reporting process includes internal and external reporting. The reporting system is expected to be accurate, informative, timely and relevant to the needs of the different stakeholders.

Regulatory Reporting: The regulatory reports on capital management by the Bank includes all reports as stipulated by the applicable regulatory bodies (CBN, FMDQ,FRCN, SEC etc). Examples: CAR report, ICAAP report, etc.

Management/ Board Reporting: These include reports that are not regulatory but are required by Management and the BoD for effective decision making. Example: Stress test report, Dashboard report.

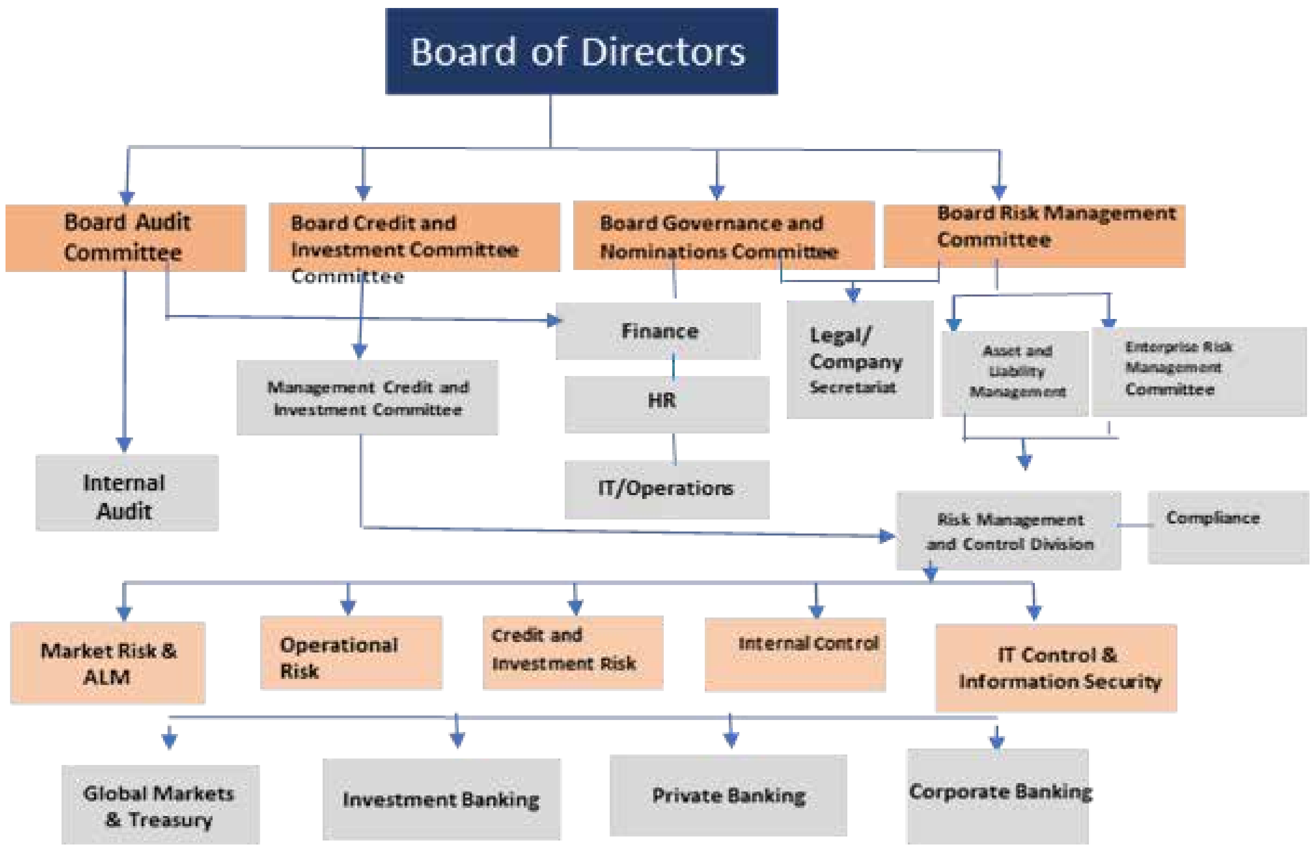
RISK MANAGEMENT GOVERNANCE STRUCTURE

In Coronation MB, the Board has the ultimate responsibility for risk management and is supported by four Board-level committees. The Board approves the Enterprise Risk Management Framework and the Bank's Risk Appetite Policy based on the recommendation from the Board Risk Management Committee.

The risk management governance structure ensures that the Board has oversight functions through its standing Board Committees, each of which has a separate Charter that clearly defines its purpose, composition and structure, frequency of meetings, duties, tenure, and reporting lines to the Board. Although the Board functions may be delegated to the Board Committees, the ultimate responsibility for risk management in the Bank lies with the Board. Hence, in line with best practice, the Chairman of the Board does not sit on any of the Board Committees.

The Board Risk Committees are responsible for the effective implementation of the Enterprise Risk Management Framework. The Chairman of the Committee approves the use of sub-committees to support the Risk Committees overseeing risks at Business, Segments, and Risk Type levels. The Board Risk Committee receives regular reports on risk management, including the portfolio trends, prudential ratios, policies and standards, stress testing, liquidity, and capital adequacy, and is authorized to investigate or seek any information relating to an activity within its terms of reference.

In Coronation MB, the day-to-day risk management function is effectively anchored through the machinery of the approved risk management governance structure as shown below:



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 MB'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:

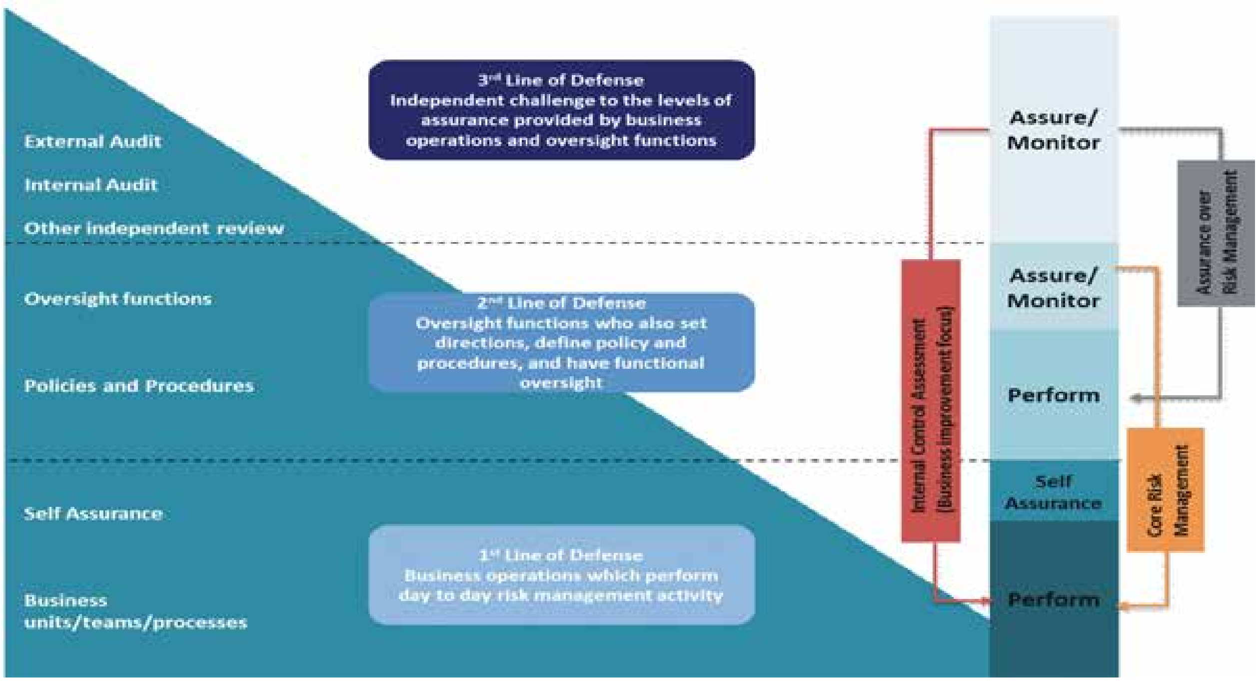
- Assist in determining risk capacity, risk appetite, allocations, and strategies for managing risk
- Establishing risk management policies, methodologies, and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (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 MB'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;

Three Lines of Defense



Roles and Responsibilities

Coronation MB'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 MB 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 MB.
- Establishing Coronation MB's overall strategy and policies relating to the management of individual risk elements to which the Bank is exposed.
- Approval of Coronation MB's risk appetite and monitoring the risk profile against this appetite.
- Ensuring risk strategy reflects Coronation MB's risk tolerance.
- Ensuring that Coronation MB 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 MB possess the required expertise and 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 MB 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 MB. 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 MB, 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 MB;
- Evaluate the adequacy of Coronation MB's risk management systems and control environment;
- Review Coronation MB'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 MB'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 MB'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 MB'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 MB's liquidity strategies, key assets and funding programs and balance sheet composition;
- Monitoring the performance of Coronation MB'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 MB'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 MB's overall risk management framework. The policy shall define risks and risk limits that are ac-

ceptable to Coronation MB.

- 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 MB's risk management systems and the adequacy of the Bank's control environment with management and the internal and external auditors;
- Evaluate Coronation MB'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 performs the following roles:

- Spearhead the implementation of the enterprise-wide risk management framework across Coronation MB 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 MB's risk strategy and appetite in line with Coronation MB's overall business objectives.
- Ensure that controls, skills and systems are in place to enable compliance with Coronation MB'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 MB'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 MB's portfolio
- Perform mark to model valuation of instruments for which models have been approved by the senior management of Coronation MB
- 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 man-

agement 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 MB'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 2021

Overview

Sustainability is now increasingly recognized as central to the growth of emerging market economies. Financial institutions, as the providers of finance for businesses, have a pivotal role to play in promoting sustainability across industries, sectors, and communities. Sus¬tainability also offers vast potential for financial institutions to improve their own products and services.

In a bid to secure the environment and social well-being of the economy amongst other objectives whilst carrying out its fiduciary function, Coronation MB 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 adopts 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.

Coronation MB's Sustainability Framework articulates its strategic commitment to sustainable development, and it is an integral part of Bank's approach to risk management. Our Sustainability framework comprises the Bank's 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) on the international front.

The Bank uses the 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. This is achieved through the following:

- Obtaining and sustaining Senior Management buy-in
- Developing bank wide homogenous high awareness for E&S
- Incorporating sustainable banking into its Enterprise Risk Management practices
- Making sustainability banking a key part of decision making
- Evaluating on an annual basis the risk maturity and the sustainable banking maturity of the institution.

Coronation Merchant Bank's Commitment to Sustainable Banking

The Bank's commitment to sustainable banking is underpinned under the following:

- Provision of loans and credit facilities to transactions only where the borrower can comply with our respective environmental and social policies and procedures.
- Promote work life practices that conform to its human right polices.

- Render advisory services only to businesses that are socially responsible and reflect sound environmental management practice. By doing so, negative impacts on ecosystems and communities would be avoided.
- Contribute its quota regularly through Corporate Social Responsibility (CSR) and Sustainability in its strategy by:
  - Pledging to 'Do No Harm': The Bank commits to preventing and minimizing the environmentally and/or socially detrimental impacts of our portfolios and operations.
  - Commitment to Accountability: Coronation MB remains accountable to its stakeholders, particularly those that are affected by the activities and side effects of companies we finance.

Scope of Application

Application of ESG in CMB covers the entire spectrum of the Bank's Business Operations and Activities under the nine cardinals of Environmental and Social (E&S) sustainability as follows:

S/N	Scope
1	Our Business Activities* - Environmental and Social Risk Management
2	Our Business Operations** - Environmental and Social Footprint
3	Human Rights
4	Women Economic Empowerment
5	Financial Inclusion
6	Environmental and Social Governance
7	Capacity Building
8	Collaborative Partnerships
9	Disclosure and Reporting

*Business Activities refer to the provision of financial products and services to clients including, but not limited to corporate finance, investment banking (corporate advisory, structured lending and capital, trading), equity investments, project finance, project finance advisory, structured commodity finance, trade and leasing, and other forms of direct lending.

**Business Operations refer to the undertakings of employees and the physical human capital, assets and infrastructure (such as offices, branches, equipment) that the bank engages in the course of facilitating its Business Activities. This would also include suppliers, contractors and third-party providers engaged by a bank while facilitating its Business Operations and Business Activities.

Applicable E & S Standards

Coronation MB 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.

Environmental and Social Risk Management (ESRM) Governance Structure

The availability of a clearly defined governance structure for the effective implementation of the E&S risk management framework cannot be over emphasized. The Coronation MB's ESRM governance structures are aligned with the existing operating model for the management of other risk categories, particularly credit risk. The ESRM governance structure involves personnel across all segments of the bank's business

The Board of Directors has the ultimate responsibility of managing the Bank's exposure to ESG risk.

This is supported by the recommendations from the Board Risk Management & Credit Committees. The Management committees, Managing Directors, Chief Risk Officer, Risk Management, Legal and Internal Control/ Audit departments and Strategic Business Units all have clearly defined roles and responsibilities towards achieving the Bank's ESG risk management objectives.

ESRM Procedures

The Bank continues to implement a robust Environmental and Social Management System (ESMS) to enhance the predictability, transparency, and accountability of its actions and decision making. An ESMS is a systematic process to assess the E&S risks and opportunities arising from our clients' business activities, manage the Bank's exposure to them, and improve operating efficiency and effectiveness. The ESMS forms part of the Bank's overall Enterprise Risk Management system. It is embedded into the structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, and maintaining the system. The system offers a more strategic approach, with defined objectives to manage risk in a holistic manner.

1) **Environmental and Social Risk Due Diligence:** E&S due diligence involves the systematic identification, quantification and assessment/evaluation of E&S risks

associated with a proposed transaction. This process also helps identify the mitigation measures that are necessary to reduce any environmental and social risks that are identified. E&S due diligence typically includes the following key components:

a. Reviewing all available information, records, and documentation related to the E&S risks and impacts of the business activity.

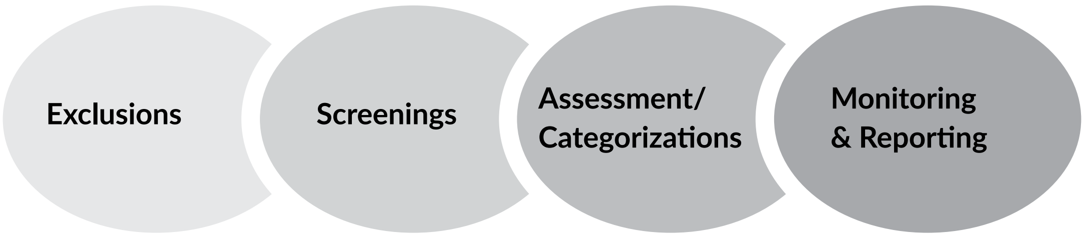
b. Conducting site inspections and interviews with client personnel and relevant stakeholders.

c. Analyzing the business activities, where appropriate in relation to the requirements of the IFC Performance Standards and provisions of the World Bank Group Environmental, Health and Safety Guidelines or other internationally recognized sources, as appropriate; and

d. Identifying any gaps therewith, and corresponding mitigation measures and actions beyond those identified by the client's management practices.

In lending/investment transactions where the use of proceeds is known and a clearly defined E&S footprint, the Bank's requirements regarding ESRM will apply to the specific activities being financed. Additionally, Coronation MB will also take into consideration its clients' ability to manage E&S risks consistently across all their operations through a Client Risk Assessment.

i. Environmental and Social Risk Screening: The Bank screens all credit facilities/investment against its exclusion list. Coronation MB also reviews each proposed advisory activity for environmental and social risk. The E&S risk screening and due diligence process is structured along the following lines:



Rapid E&S Screening includes:

- Confirming compliance with national laws and regulations.
- Identifying any activities on the Exclusion and Referral Lists.
- Screening the Business Activities for inherent sector-based E&S risk.
- Identifying any E&S risk 'red flags' at an early stage to tailor E&S due diligence.

The Bank's exclusion list outlines activities it will not support through the provision of financial products and services. In line with best practices, Coronation MB do not finance the following projects:

- Production or trade in any product or activity deemed illegal under Nigerian laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
- Production or trade in weapons and amunitions.[1]
- Production or trade in alcoholic beverages (excluding beer and wine).[1]
- Production or trade in tobacco.[1]
- Gambling, casinos and equivalent enterprises.[1]
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labour[2] /harmful child labour.[3]
- 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.

Other Items which the Bank shall not finance:

- To support act/acts of terrorism
- To purchase illegal firearms
- To support illegal military activity
- To support production and distribution of illicit drugs
- Racist or anti-democratic media

- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations
- Any business relating to pornography or prostitution
- Significant conversion or degradation of Critical Habitat; Production and distribution of racist and anti-democratic media
- Significant alteration, damage, or removal of any critical cultural heritage
- Relocation of Indigenous Peoples from traditional or customary lands

[1] This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

[2] Forced labour means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

[3] Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

ii. Environmental and Social Risk Assessment: A more detailed assessment of client's commitment, capacity, and track record in managing its E&S risk and impacts is conducted. The client risk assessment would result in a high, medium, or low client E&S risk rating.

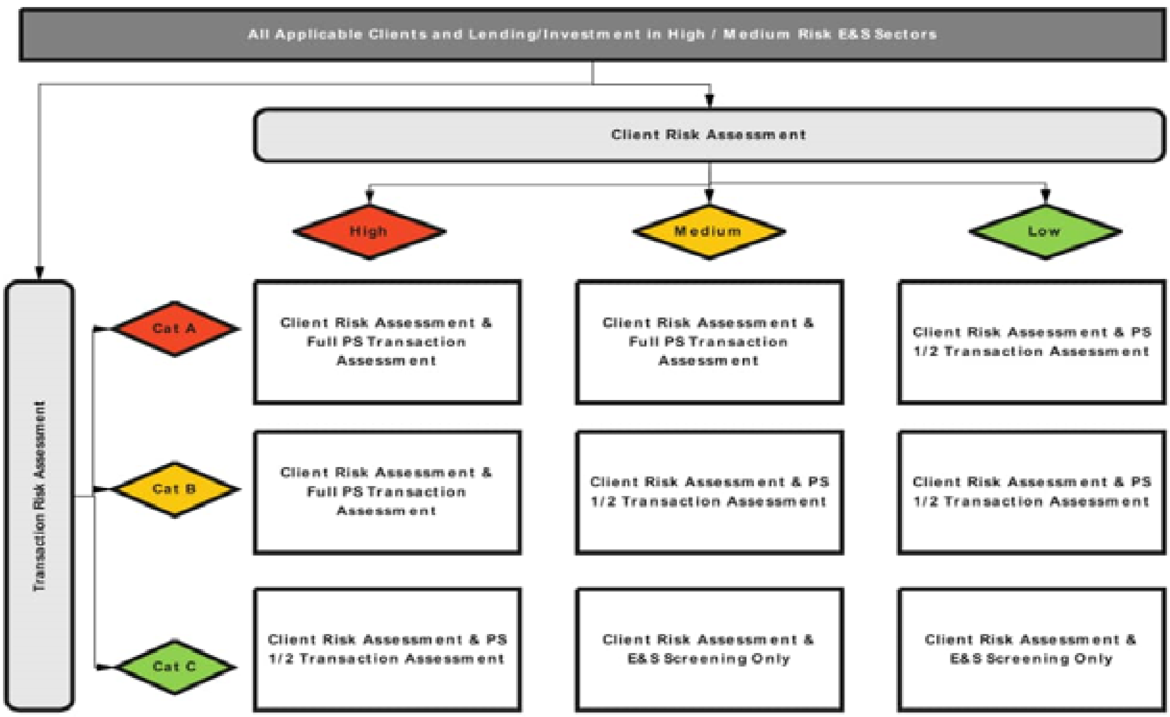
All clients and lending/investment transactions in inherently high E&S risk sector activities will require additional level of E&S due diligence and assessment.

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

- **TRANSACTION E&S RISK CATEGORISATION:** The final E&S risk categorization is given to transactions based on the World Bank Group methodology that is also contained in the IFC Performance Standards: Category A (High), Category B (Medium) and Category C (Low). The categories determine further E&S assessment required.

RISK RATINGS	DEFINATION	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

The combination of Client E&S rating and Lending/Transaction E&S rating 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.



iii. Environmental and Social Risk Action Plans

The Bank documents all findings from the E&S due diligence, which are considered during the decision-making process before proceeding with a transaction. The scope of a corrective action plan to each client is tailored according to the specific risks identified during the E&S due diligence process or during subsequent transaction monitoring. Depending on the nature of E&S risks associated with a client's operations, bank staff may develop a corrective E&S Action Plan with a timeframe for the client to implement appropriate mitigation measures to comply with its E&S requirements. The purpose of a corrective action plan is to mitigate potential E&S risks in the context of a transaction to an acceptable level for the bank. Corrective action plans range from simple mitigation measures to detailed management plans with actions that can be measured quantitatively or qualitatively. The corrective action plan may include a description of the specific mitigation actions to be taken by the client, a timeframe for implementation and a reporting requirement to inform the bank on the status of completion.

iv. Environmental & Social Risk Monitoring and Reporting

Coronation MB's approach to ESRM contains procedures to monitor and measure client compliance with, and progress in, meeting the Bank's E&S standards. Client and transaction E&S risks are recorded and documented to track performance and establish client progress over the life of the loan through regular relationship reviews. Such annual reviews ensure ongoing compliance with the Bank's ESRM policies. Strategic Business Units and Credit/Investment Analysts document the progress of E&S results and, with the support of the E&S Officer, identify any necessary corrective and preventive actions for clients or the Bank.

Once a transaction has been approved, the relevant Business and Risk Officers monitor the client's ongoing compliance with the E&S clauses stipulated in the legal agreement. E&S risks or compliance status may change from the time of transaction approval. E&S portfolio monitoring is done for all Category A and B transactions.

The monitoring process generally involves a review of periodic E&S performance reports submitted by the client and regular site visits of the client's operations.

CORONATION MB'S E&S FOOTPRINT MANAGEMENT PROGRAMME

Business Operations

The Bank seeks to avoid, minimize, or offset the negative impacts of its Business Operations on the environment and in the local communities where it operates, and where possible promote positive impacts.

To the above end, it strives to:

- Promote the efficient use of materials and resources such as energy and water
- Ensure compliance with applicable labour and social standards in its operations
- Incorporate national goals for economic and social development into the Bank's community investment programs.
- Encourage the application of sustainable principles by its vendors.

The Bank has a commitment to manage the footprint associated with its internal operations. This commitment includes implementing global best practices in environmental and social management with the objective of achieving carbon neutrality in its operations. This commitment shall be inculcated among staff through sustainability banking awareness and maturity evaluation. The progress in this regard will be tracked using the performance measurement metrics

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 labour 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 a Sexual Harassment Policy
- Development and implementation of an effective mechanism for handling grievances and disputes
- Awareness communique to staff on the availability and applicability of this policies
- Integration of Human Rights due diligence into E&S Risk Management Procedures
- Investment in resources, and training of staff on Human Rights issues.

These help the Bank to 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 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 trainings on a regular basis. Coronation MB endeavors to train staff on a regular basis (e.g. through internal or third-party training, on-line or in-class) on E&S risk and opportunities management (including on human rights issues), and on how E&S considerations are integrated into the bank's decision-making activities.

The E&S Officer, with support from the Human Resources Department and where necessary from third-party training providers, provides training to relevant staff on E&S risk management. In the review year, the International Finance Corporation (IFC), Risk Management Association of Nigeria (RIMAN) and EBS Advisory all collaborated with the Bank to deliver virtual trainings to staff of the Bank.

The bank also 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.

Women Economic Empowerment & Gender Equality Consideration

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 does not discriminate against women.

At Coronation MB, 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.

In the financial year, the following were recorded:

- Percentage of female employees to total employees – 45%
- Percentage of females in management positions– 33%
- Percentage of females on the Board of Directors – 40%

The Bank 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.

Clients Collaboration

The Bank strives 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 MB 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 Principal 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 start 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.

Collaborative Partnerships

The Bank leverages on national and international partnerships to accelerate the implementation and growth of sustainable banking. The collaboration with international partners helps us gauge alignment with international standards and global best practices.

The Bank also on an ongoing basis invite subject matter experts and external sustainability banking consultants to examine the process in Coronation MB with a view of identifying gaps not previously noted and advising the Bank on how best to tackle such challenges.

The Bank is presently an active participant in the Nigerian Sustainable Banking Principles steering committee leveraging on the knowledge that abounds amongst the pioneers of sustainability in the banking industry. The Bank shall also work towards international affiliations and solicit both pro bono and paid services to experts for seminars and presentations on environmental and social risk management.

Information Disclosure

The Bank considers disclosure and reporting as an integral part of its sustainability process. To this end, the Risk Management Unit reports monthly to the Executive Management on progress of implementation of ESG. The Central Bank of Nigeria also receives a report from the Bank on a bi-annual basis in conformity to its template.

To promote transparency and accountability, the bank also provides accurate and timely information regarding its credit and operational processes and/or activities as well as more general institutional information.

At the end of every financial year, the sustainability banking report forms part of the Bank's annual financial reports. The Bank 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 on its progress in meeting the principles of disclosure at the individual, institution, and sector level.

OUR SUSTAINABILITY JOURNEY IN 2021

- Coronation Merchant bank relentlessly drives the implementation of the Nigerian sustainable banking Principles across all of its units.
- The Bank's conscious efforts to drive continuous management of Environmental and Social Risks inherent in its business are highlighted in the updates below.

E & S Management System for Business Actions

- The Bank continued to implement a robust environmental and Social Management System (ESMS) to enhance the predictability, transparency, and accountability of its actions and decision making.
- All the transactions approved during the year were screened for E & S Risks using the world class E & S Assessment Toolkit.
- These transactions were all categorized as Low/Medium risk as all the customers operate in low impact areas.

Women's Economic Empowerment

- 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 its structure, from the board to the management team and the whole workforce.
- The Bank's female employees constituted 45% of the total workforce, 33% of which were in Management positions, whilst 40% were in members of the Board of Directors.
- Policy outlook has always been balanced, recognizing the rights of all General employees regardless of gender, age, ethnicity or creed.

E & S Footprint Management for Business Operations

- The Bank sees to avoid, minimize, or offset the negative impacts of its Business Operations on the environment and in the local communities where it operates and where possible promotes positive impacts. Success is measured as follows:

Measure	FY 2021	Comment
Paper Use (Kg)	16.13	Paper consumption in the bank decreased due to the bank's remote working model as well as the drive to reduce the use of papers
Energy Consumption	396,573KW (Energy from the National Grid) 107,225 liters or diesel fuel	This represents a significant reduction from the energy usage for previous year. 2 of the branches are powered by solar energy and inverters. Also energy saving bulbs are installed in all rooms/restrooms to conserve energy usage
No of Air travels	83	Air travel increased due to rise in the number of business trips taken during the period owing to reduced travel restrictions.
CO_2 Emission (tonnes)	9.94	The increase in CO_2 was due to the rise in the air travel.

Capacity Building

- 55 staff members were trained on ESG during the period, trainings facilitated by both local ESG consultants and international entities.
- The bank partnered with the IFC to train staff on environmental & social risk management and social responsibility
- Institutional Knowledge Sharing Sessions were anchored for all staff of the bank, ESH awareness materials were also periodically disseminated to all staff.

Financial Inclusion

- Financial literacy programmes were organized/sponsored by the bank dung the year
- 153 individuals were reached during the financial literacy programme.

Human Rights

- All approved transactions were screened for Human Rights, with no violations identified
- The Bank instituted a Human Rights policy (Approved by the Board of Directors) to promote the rights of all stakeholders. Other policies to strengthen the protection of Human Rights e.g., Sexual Harassment and Grievance Mechanism policies were developed, approved and communicated to all staff during the year.

Collaborative Partnerships

- The Bank continued to participate actively in the Nigeria Sustainable Banking Principles (NSBP) Steering Committee initiatives during the period.
- The Bank continued to strengthen its partnership with the International Finance Corporation (IFC).

Reporting

- The Bank regularly reviews and reports its progress in meeting the NSBP principles. The biannual Sustainability Banking report is submitted to the Central Bank of Nigeria as required.
- ESG implementation progress reports were also submitted to other DFIs.
- Also, Sustainable Banking reports are included in the Annual reports, which are approved by the Board of Directors and submitted to the regulators.

WHISTLE-BLOWING PROCEDURE

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

Email
ethicsoffice@cbn.gov.ng
anticorruptionunit@cbn.gov.ng

Financial Statements

4

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

KPMG

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Coronation Merchant Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Coronation Merchant Bank Limited (the Bank), which comprise:

- the statement of financial position as at 31 December, 2021;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in equity;
- the statement of cash flows for the year then ended; and
- the notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011 "the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

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 are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Bank as at and for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on the financial statements on 22 February 2021.

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. We have determined the matters described below to be the key audit matters to be communicated in our report:

Expected Credit Loss (ECL) allowance on loans and advances

We focused on this area because of the significant judgments required in determining the impairment allowance on loans and advances in line with the expected credit loss methodology as prescribed by IFRS 9. We have considered this as a key audit matter due to the significance of the judgement used in estimating the impairment amounts.

Key areas of judgment include:

- the Bank's definition of default considering qualitative and quantitative criteria for assessment of significant increase in credit risk (SICR);
- determination of appropriateness of macro-economic variables to be used in ECL estimation
- assignment of probability weightings for multiple macroeconomic scenarios;
- determination of the key inputs used in determining the lifetime exposure at default (EAD);
- methodologies adopted by the bank in modelling the 12-month probability of default (PD) used in the ECL model;
- estimation of Loss Given Default (LGD) by considering collateral values and the haircut adjustments as well as estimation of recoveries on unsecured exposures

We performed the following procedures in response to the identified key audit matter:

- checked that the Bank's definition of default is consistent with the requirements of IFRS 9, also considering the Bank's business model
- assessed the reasonableness of the Bank's definition of significant increase in credit risk
- we evaluated appropriateness of the Bank's classification of its loan portfolio into stages
- we evaluated the reasonableness of collateral values adopted by the Bank
- we checked the accuracy of underlying data used by the Bank in computing the ECL allowance
- using our financial risk management specialists,
    - We assessed the reasonableness of the Bank's methodology for determninig probability of default
    - We checked the reasonableness of the forward looking information incorporated into the impairment calculations
    - We challenged the multiple economic scenarios adopted by management as well as their probability weights
    - We assessed the reasonableness of cost of recovery applied on collateral values for the purpose of estimating secured LGD
    - We assessed the reasonableness of time to realization adopted by the Bank in estimating secured LGD
    - We assessed the reasonableness of the Bank's estimation of recoveries on unsecured exposures.
    - Assessed the reasonableness of credit conversion factors used in determining the exposure at default for off-balance sheet exposures
    - We reperformed the ECL calculation to determine the accuracy of the ECL allowance

Recoverability of Deferred Tax Assets

We focused on this area because of the materiality of the deferred tax asset balance in relation to the financial statements, and the significant judgments applied by management in determining the recoverability of recognized deferred tax assets.

Recognition of deferred tax assets is based on the assessment of recoverability. The assessment entails estimation of the Bank's ability to generate sufficient future taxable profits to utilize the tax losses. Therefore, the amount recognized as at the end of the year is based on management's forecast of future taxable profits, driven by assumptions of expected growth rates of revenue streams that would generate future taxable income for the Bank.

- We obtained and assessed the accuracy of the Bank's computation of deferred taxes considering the substance of the underlying transactions and the applicable tax rates

- We obtained management's profit projections and forecast of future taxable profits and performed the following procedures:

  - checked that the base numbers used in the projection agree with the actual records of the base period
  - challenged the reasonableness of the assumptions underlying the taxable profit projections
  - checked the appropriateness of qualitative assumptions relating to application of tax laws in the forecast period
  - checked the accuracy of the underlying calculations in the projection
  - checked that the amount of recognized deferred tax asset aligns with the utilization of tax loss in the forecast period

- We obtained management's deferred tax asset computation and checked that the amount recognized is in line with the forecast of future taxable profits.

Other Information

The Directors are responsible for the other information. The other information comprises the chairman's statement, CEO's statement, corporate philosophy, corporate overview, 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 report and whistle blowing policy.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, 2020 and relevant Central Bank of Nigeria (CBN) Guidelines and Circulars, 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.

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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 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 the Board Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit Committeee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board Audit Committee, 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

Compliance with the requirements of Schedule 5 of the Companies and Allied Matters Act (CAMA), 2020

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
ii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
iii. The Banks's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

Compliance with Section 26 (3) of the Banks and Other Financial Institutions Act, 2020 and Central Bank of Nigeria circular BSD/1/2004

i. The Bank paid a penalty in respect of a contravention of the Securities and Exchange Commission regulations during the year ended 31 December 2021. Details of penalty paid are disclosed in note 40 to the financial statements.
ii. Related party transactions and balances are disclosed in note 37 to the financial statements in compliance with the Central Bank of Nigeria circular BSD/1/2004.

Nneka

Nneka Eluma, FCA
FRC/2013/ICAN/00000000785
For: KPMG Professional Services
Chartered Accountants
1 April 2022
Lagos, Nigeria

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Year Ended 31 December 2021

In thousands of Naira

	Notes	Dec 2021	Dec 2020
Continuing operations			
Interest income	7	34,107,042	19,275,207
Interest expense	8	(33,107,688)	(15,269,476)
Net interest income		**999,354**	**4,005,731**
Impairment charge on financial instruments	9	(503,923)	(229,203)
Net interest income after impairment charges		**495,431**	**3,776,528**
Fee and commission income	10	1,982,983	1,884,587
Net income from other financial instruments at FVTPL	11	1,813,122	130,926
Net trading income	12	5,643,437	5,679,623
Other operating income	13	404,229	387,183
Personnel expenses	14	(2,138,720)	(1,833,629)
Other operating expenses	15	(5,404,484)	(4,240,796)
Profit before tax		**2,795,998**	**5,784,422**
Taxation	16	(788,886)	(743,758)
Profit for the year		**2,007,112**	**5,040,664**
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	17	1,914,319	2,260,841
Items that may be subsequently reclassified to the income statement:			
- Fair value changes on debt investments during the year	17	(2,564,969)	(92,222)
Other comprehensive profit, net of related tax effects		**(650,650)**	**2,168,619**
Total comprehensive income for the year		**1,356,462**	**7,209,283**
Profit for the year attributable to owners of the parent include:			
Continuing operations		**2,007,112**	**5,040,664**
		2,007,112	**5,040,664**
Total comprehensive income for the year attributable to owners of the parent include:			
Continuing operations		1,356,462	7,209,283
		1,356,462	7,209,283
Earnings per share attributable to ordinary shareholders			
-continuing operations			
Basic/Diluted (kobo)		40	100

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

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Naira	Notes	Dec 2021	Dec 2020
Assets			
Cash and balances with banks	19	13,003,129	12,773,734
Due from financial institutions	20	11,588,361	35,806,050
Non pledged trading assets	21	16,579,573	10,343,935
Derivative financial assets	22	3,381,961	5,500,493
Investment securities	23	64,046,328	108,219,301
Pledged assets	24	69,892,088	16,104,307
Loans and advances to customers	25	151,223,003	122,682,497
Other assets	26	131,520,125	87,952,775
Right of use assets	27	35,948	53,994
Intangible assets	28	1,417,354	1,116,582
Property and equipment	29	6,788,859	6,586,596
Deferred tax assets	30	4,489,196	5,050,346
Total assets		**473,965,925**	**412,190,610**
Liabilities			
Due to financial institutions	31	44,795,696	52,319,291
Due to customers	32	177,359,031	195,161,465
Non-pledged trading liabilities	21	27,828	4,643
Commercial paper liabilities	33(a)	55,355,146	8,887,242
Surbodinated liabilities	33(b)	24,860,099	24,806,884
Other borrowings	33(c)	8,405,291	-
Derivative financial liabilities	22	3,332,522	5,429,271
Current tax liabilities	16	246,453	166,568
Other liabilities	34	119,782,644	85,303,814
Total liabilities		**434,164,710**	**372,079,178**
Equity			
Share capital	35	5,050,546	5,050,546
Share premium	35	3,655,348	3,655,348
Statutory reserve	35	8,665,908	8,364,841
Fair value reserve	35	2,400,379	3,051,029
Regulatory risk reserve	35	3,549,085	3,577,093
Retained earnings	35	16,479,949	16,412,575
Total equity attributable to owners of the Bank		**39,801,215**	**40,111,432**
Total liabilities and equity		**473,965,925**	**412,190,610**

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 17 March 2022 and signed on its behalf by:

Babatunde Folawiyo
Chairman
FRC/2015/NBA/00000006371

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

Additional certification by:

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of Naira

	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Fair value reserve	Total
Balance at 1 January 2021	**5,050,546**	**3,655,348**	**16,412,575**	**8,364,841**	**3,577,093**	**3,051,029**	**40,111,432**
Profit for the year	-	-	2,007,112	-	-	-	2,007,112
Other comprehensive income, net of tax							
Fair value changes during the year	-	-	-	-	-	(650,650)	(650,650)
Total comprehensive income	**-**	**-**	**2,007,112**	**-**	**-**	**(650,650)**	**1,356,462**
Final dividend paid to shareholders	-	-	(1,666,680)	-	-	-	(1,666,680)
Transfer between reserves	-	-	28,008	-	(28,008)	-	-
Transfer to statutory reserve	-	-	(301,067)	301,067	-	-	-
Transactions with equity holders, recorded directly in equity	-	-	(1,939,738)	301,067	(28,008)	-	(1,666,680)
Balance at 31 December 2021	**5,050,546**	**3,655,348**	**16,479,949**	**8,665,908**	**3,549,085**	**2,400,379**	**39,801,215**

	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 OCI 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	-	-
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**

STATEMENT OF CASH FLOWS

In thousands of Naira	Notes	Dec 2021	Dec 2020
Cash flows from operating activities			
Profit before income tax from continuing operations		2,795,998	5,784,422
Adjustments for non-cash items:			
Depreciation charge on property and equipment	29	583,016	534,172
Depreciation charge on right of use assets	27	28,567	26,945
Amortisation of intangible assets	28	382,148	164,141
Loss on disposal of property and equipment	15	12,597	26,256
Impairment on asset held for sale	15	-	5,000
Impairment charge on loans and advances	9	43,639	174,706
Impairment charge on placements	9	3,589	(62,243)
Impairment charge on investment securities at FVOCI	9	223,822	4,141
Impairment charge on investment securities at Amortised cost	9	4,416	-
Impairment charge on cash	9	2,995	-
Impairment charge on off balance sheet items	9	117,955	21,332
Impairment charge on other asset	9	107,507	91,267
Write off of unquoted equity	15	22,707	-
Net income from financial instruments designated as at FVTPL	11b	(1,790,668)	(34,547)
Unrealised revaluation loss	12	301,459	29,850
Interest income	7	(34,107,042)	(19,275,207)
Interest expense	8	33,107,688	15,269,476
Dividend income	13	(264,260)	(261,604)
		1,576,133	**2,498,107**
Changes in working capital			
Non-pledged trading assets	46(ii)	(4,150,239)	1,380,559
Due from financial institutions	46(v)	10,090,399	(2,920,339)
Derivative financial instruments	46(vi)	21,783	(81,429)
Restricted deposit with CBN	46(vii)	(49,523,698)	(63,569,043)
Loans and advances to customers	46(viii)	(26,467,042)	(49,326,422)
Pledged assets	46(ix)	(53,787,781)	222,491
Other assets	46(x)	5,848,841	(13,744,052)
Due to customers	46(x)	(19,373,076)	56,265,552
Deposits from financial institutions	46(xi)	(8,352,706)	25,639,998
Non-pledged trading liabilities	46(xii)	23,185	(519,233)
Other liabilities	46(xv)	35,183,474	49,362,929
Cash (used in)/generated from operations		**(108,910,728)**	**5,209,118**
Interest received	46(xvi)	32,852,464	18,213,593
Interest paid	46(xvi)	(28,807,269)	(14,538,348)

Income taxes paid	16	(147,852)	(282,894)
Net cashflows (used in) / generated from operating activities		**(105,013,385)**	**8,601,469**
Cash flows from investing activities			
Dividend received	13	264,260	261,604
Sale of FVTOCI investment securities	46(iii)	82,406,152	14,525,350
Purchase of FVTOCI investment securities	46(iii)	(46,998,547)	(49,966,891)
Purchase of property and equipment	29	(799,677)	(787,897)
Addition to right of use assets	27	(10,521)	(4,078)
Purchase of intangible assets	28	(682,920)	(577,599)
Sale of amortised cost investment securities	46(iv)	11,001,065	-
Purchase of amortised cost investment securities	46(iv)	(2,207,900)	(9,757,670)
Proceeds from sale of property and equipment	46(i)	1,802	53,058
Net cash generated from/(used) in investing activities		**42,973,713**	**(46,254,123)**
Cash flows from financing activities			
Proceed from issuance of commercial paper liabilities	33(a)	71,291,624	10,107,168
Principal repayment on commercial paper liabilities	33(a)	(28,306,479)	(14,191,014)
Net proceeds from issuance of subordinated liabilities	33(b)	-	24,664,318
Net proceeds from other borrowings	33(c)	8,391,723	-
Dividend paid to equity holders	41	(1,666,680)	(1,666,680)
Net cash generated from financing activities		**49,710,188**	**18,913,792**
Decrease in cash and cash equivalents		**(12,329,483)**	**(18,738,861)**
Analysis of changes in cash and cash equivalents			
At start of year		34,925,873	53,664,734
At end of year		22,596,390	34,925,873
Decrease in cash and cash equivalents		**(12,329,483)**	**(18,738,861)**
Cash and cash equivalents comprise:			
Balances with banks	19	11,555,654	8,732,402
Unrestricted balances with central banks	19	102,503	1,088,351
Placement with other financial institutions with maturity of less than 90 days	20	10,938,233	25,105,120
		22,596,390	**34,925,873**

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

NOTES TO THE FINANCIAL STATEMENTS

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.
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive incomes

(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 were 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 standard is effective for the financial year beginning on or after 1 January 2021 which has been considered by the Bank in the preparation of its financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform - Phase 2

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 undertaken preliminary exposure analysis of LIBOR-linked instruments on its statement of financial position and is currently in the process of determining the pricing methodology to adopt upon LIBOR discontinuation. The Bank has considered the amendment and concluded that the prescribed approach is not likely to have a material impact on the Bank

(b) New and amended standards issued

(i) New standards and interpretations effective during the year

A number of new standards, amendments to standards and interpretations, are effective for the year ended 31 December 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform
- Amendment to IFRS 16 - COVID-19 Related Rent Concessions beyond 30 June 2021

These standards do not have any impact on the December 2021 financial statements of Coronation Merchant Bank

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new and amended standards in preparing these financial statements. The standards will be adopted in the period that they become mandatory unless otherwise indicated.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

Standard/Interpretation		**Date Issued by ISAB**	**Effective date Periods beginning on or after**	**Summary of the requirements and impact assessment**
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	May 2020	1 January 2022	The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that costs of fulfilling a contract comprise both: • the incremental costs – e.g. direct labour and materials; and • an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification is applicable for companies that apply the 'incremental cost' approach and they will need to recognise bigger and potentially more provisions. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 to contracts at the date when the amendments are first applied. This standard has no impact on the Company.
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual improvements 2018- 2020	May 2020	1 January 2022	* IFRS 1 First Time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary (as a first-time adopter of IFRS that applies IFRS later than its parent) that applies IFRS 1.D16(a) to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • IFRS 9 Financial Instruments - The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. • IFRS 16 Leases – The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. • IAS 41 Agriculture - The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. This standard has no impact on the Company.

Amendments to IAS 16	Property Plant and Equipment: Proceeds before Intended Use	May 2020	1 January 2022	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produce d before its intended use by management. As such, proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs. Companies will therefore need to distinguish between: • Costs associated with producing and selling items before the item of property, plant and equipment is available for use; and • Costs associated with making the item of property, plant and equipment available for its intended use. Making this allocation of costs may require significant estimation and judgement. The amendments also clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.
Amendments to IFRS 3	Reference to the Conceptual Framework	May 2020	1 January 2022	The amendment has: • updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; • added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and • added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. This standard has no impact on the Company.

IFRS 17 including amendments Initial application of IFRS 17 and IFRS 9 – Comparative Information	Insurance contracts	"May 2017, June 2020 and December 2021 for the amendments	1 January 2023	IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as: • Reinsurance contracts held; • Direct participating contracts; and • Investment contracts with discretionary participation features. Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements. The standard is effective for annual periods beginning on or after 1 January 2023. This standard has no impact on the Company.
Amendments to IAS 1	Classification of liabilities as current or non-current	January 2020	1 January 2023	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation The standard is effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure Initiative: Accounting Policies	February 2021	1 January 2023	The amendments were issued to assist companies provide useful accounting policy disclosures. The key amendments to IAS 1 include: • requiring companies to disclose their material accounting policies rather than their significant accounting policies; • clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and • clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements; The amendments are consistent with the refined definition of material: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements". The amendments are effective from 1 January 2023.
Amendments to IAS 8	Definition of Accounting Estimates	February 2021	1 January 2023	This amendment provides clarifications to companies on how to distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The amendment introduces a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarifies the following: • an entity develops an accounting estimate to achieve the objective set out by an accounting policy. • developing an accounting estimate includes both selecting a measurement technique (estimation or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. • a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

				• a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods. The definition of accounting policies remains unchanged. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
Amendments to IAS 12	"Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"	May 2021	1 January 2023	The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition arising from these transactions. The standard is effective for annual periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If an entity previously accounted for deferred tax on these transactions using the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.
Amendments to IFRS 10 and IAS 28	"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	"September 2014	The effective date of this amendment has been deferred indefinitely by the IASB	The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. "The definition of a business is key to determining the extent of the gain to be recognised. When a parent loses control of a subsidiary in a transaction with an associate or joint venture (JV), there is a conflict between the existing guidance on consolidation and equity accounting. Under the consolidation standard, the parent recognises the full gain on the loss of control. But under the standard on associates and JVs, the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV.

				In either case, the loss is recognised in full if the underlying assets are impaired. The IASB has decided to defer the effective date for these amendments indefinitely. This standard is not expected to have any impact on the Company.

3.3 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.

The Bank in the normal course of business sets up Structured Entries (SEs) for the sole purpose of raising finance in foreign jurisdictions. The SEs raises finance in the currency of their jurisdictions and passes the proceeds to the Bank entity that set them up. All costs and interest on the borrowing are borne by the sponsoring Bank entity. These SEs are deemed to be extensions of the sponsoring entity, and hence, their functional currency is the same as that of the sponsoring entity.

(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.

3.4 Operating income

(a) Interest income and expense

i. Effective interest rate

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

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

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

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

ii. Amortised cost and gross carrying amount

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

iii. Calculation of interest income and expense

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

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

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

(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 income from other financial instruments at FVTPL

Net income from other financial instruments at FVTPL relates to trading and non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, and interest.

(d) Net trading income

Net trading income include the following:

- all income from trading
- foreign exchange trading gains,
- unrealised foreign exchange gains on revaluation,

(e) Dividends

Dividend income is recognised when the right to receive payment is established. Dividends are reflected as a component of other operating income.

3.5 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.

3.6 Income tax

The tax expense for the period comprises current tax (company income tax, tertiary education tax, National Information Technology Development Agency levy, Nigeria Police Trust Fund levy, National Agency for Science and Engineering Infrastructure) 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.

3.7 Financial assets and liabilities

(a) 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.

(b) 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."

(c) 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.

(d) 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 con tractual 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.

(e) 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.

(f) 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.

(g) 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/discount). 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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. The Bank's derivatives are held for risk management purpose and do not form part of qualify hedging relationship. Changes in fair value are recognised immediately in the statement of profit of loss

(l) 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.

(m) 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 realise 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 comparison 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.

3.8 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 default 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.

- Stage2: 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 approximation to the original EIR.

- Stage3: 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.

3.9 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 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.

3.10 Intangible assets

(a) 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.

3.11 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. Goodwill 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.

3.12 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.

3.13 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. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Liabilities arising from financial guarantees and loan commitments are included within provisions.

3.14 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.

3.15 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 outstanding 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) Regulatory risk reserves

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.

3.16 Segment Reporting

The Bank is a private company that has no debt or equity traded in a public market therefore there is no disclosure required for segment reporting.

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) Assessment of recoverability of deferred tax assets

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).

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		**Dec-21**	**Dec-20**
In thousands of Naira			
Bank	**Note**		
Loans & advances:			
Expected Credit Loss (ECL) on loans and advances to customers			
- Loans to individuals	25(b)	10,481	62,263
- Loans to corporates	25(b)	266,147	170,726
- Impairment on contingents	34(iii)	147,850	29,895
Total impairment allowances on loans per IFRS		**424,478**	**262,884**
Regulatory credit impairment based on prudential guidelines		3,895,129	3,839,977
Other known losses		78,434	-
Total regulatory impairment based on prudential guidelines		3,973,563	3,839,977
Required Regulatory Risk Reserve		**3,549,085**	**3,577,093**
Movement in Regulatory Risk Reserve			
Balance, beginning of the year		3,577,093	2,460,504
Transfers (from)/to regulatory risk reserve		(28,008)	1,116,589
Balance, end of the year		**3,549,085**	**3,577,093**

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 2021

In thousands of Naira

	Notes	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Non pledged trading assets					
Treasury bills	21	4,927,920	1,106,350	-	6,034,271
Unquoted securities - FVTPL	21	-	-	1,852,512	1,852,512
Corporate Eurobond	21	1,510,145	-	-	1,510,145
Government bonds	21	7,182,645	-	-	7,182,645
					-
Derivative financial assets	22	-	3,381,961	-	3,381,961
Pledged assets					-
Treasury bills-FVOCI	24	11,817,169	1,259,865	-	13,077,034
Treasury bills-FVTPL	24	3,366,563			3,366,563
Special bills	24	42,517,139	4,579,307	-	47,096,446
Investment securities:					
- Financial Instruments at FVOCI					
Treasury bills	23(a)	700,068	200,832	-	900,901
Special bills	23(a)	11,832,236	11,046,135		22,878,371
Promissory notes	23(a)	4,032,658	2,937,897	-	6,970,555
Bonds	23(a)	13,775,675	1,067,987	-	14,843,663
Equity securities	23(a)	-	-	15,466,448	15,466,448
		101,662,219	**25,580,335**	**17,318,960**	**144,561,514**
Liabilities					
Derivative financial liabilities	22	-	3,332,522	-	3,332,522
Non pledged trading liabilities:					
Treasury bills	21(b)	27,828	-	-	27,828
Government bonds	21(b)	-	-	-	-
		27,828	**3,332,522**	**-**	**3,360,350**

December 2020

	Note	Level 1	Level 2	Level 3	Total
Assets					
Non pledged trading assets					
Treasury bills	21	6,981,852	-	-	6,981,852
Government bonds	21	3,362,083	-	-	3,362,083
Pledged assets					
Treasury bills	24	5,318,267	182,226	-	5,500,493
Derivative financial assets	22	15,031,130	-	-	15,031,130
Investment securities					
- Financial Instruments at FVOCI					
Treasury bills	23(a)	69,801,647	-	-	69,801,647
Bonds	23(a)	12,399,228	853,484	-	13,252,712
Equity securities	23(a)	23,226	-	13,551,575	13,574,801
		112,917,433	**1,035,710**	**13,551,575**	**127,504,718**
Liabilities					
Derivative financial liabilities	22	-	5,429,271	-	5,429,271
Non pledged trading liabilities:	21(b)				
Government bonds	21(b)	4,643	-	-	4,643
		4,643	**5,429,271**	**-**	**5,433,914**

4.2.2 Financial instruments not measured at fair value

December 2021

In thousands of Naira

	Note	Level 1	Level 2	Level 3	Total
Assets					
Cash and balances with banks	19	-	13,006,124	-	13,006,124
Due from financial institutions	20	-	11,594,180	-	11,594,180
Loans and advances to customers	25	-	-	151,499,631	151,499,631
Pledged assets					
Bonds	24	5,785,767	-	-	5,785,767
Investment securities					
- Financial assets at amortised cost					
Bonds	23(b)	2,779,032	-	-	2,779,032
Other assets	26	-	-	130,985,421	130,985,421
		8,564,799	**24,600,304**	**282,485,052**	**315,650,155**

Liabilities					
Deposits from financial institutions	31	-	-	44,795,696	44,795,696
Due to customers	32	-	-	177,359,031	177,359,031
Commercial paper liabilities	33(a)	-	-	55,355,146	55,355,146
Surbodinated liabilities	33(b)	-	-	24,860,099	24,860,099
Other Borrowings	33(c)	-	-	8,405,291	8,405,291
Other liabilities	34	-	-	118,393,019	118,393,019
		-	**-**	**429,168,282**	**429,168,282**

December 2020

In thousands of Naira		**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Cash and balances with banks	19	-	12,773,734	-	12,773,734
Due from financial institutions	20	-	35,808,280	-	35,808,280
Loans and advances to customers	25		-	122,682,497	122,682,497
Pledged assets					
Bonds	24	1,073,177	-	-	1,073,177
Investment securities					
- Financial assets at amortised cost					
Bonds	23(b)	1,620,005	-	-	1,620,005
Other assets	26	-	-	87,254,867	87,254,867
		2,693,182	**48,582,014**	**209,937,364**	**261,212,560**
Liabilities					
Deposits from financial institutions	31	-	-	52,319,291	52,319,291
Due to customers	32	-	-	195,161,465	195,161,465
Commercial paper liabilities	33(a)	-	-	8,887,242	8,887,242
Surbodinated liabilities	33(b)	-	-	24,806,884	24,806,884
Other liabilities	34	-	-	83,997,174	83,997,174
		-	**-**	**365,172,056**	**365,172,056**

(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) Commercial Paper

The estimated fair value of commmercial papers represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at effective interest rates to determine fair value.

(x) Subordinated Bond

Estimated fair value of subordinated bond coupon payable as at end of year and amount payable at maturity of the bond at effective interest rate

(xi) Other borrowings

The estimated fair value of other borrowings is the amount repayable at maturity of the debt which also includes the associated cost incurred in sourcing the debt.

(xii) 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-2021 (N'b)	Valuation technique	Significant unobservable input	Fair value measurement sensitivity to unobservable input
Unquoted equities carried at FVOCI	N15.5b (2020:N 13.6b)	Average of price to book value, price to earnings (P/E) and recent transaction price	Risk adjusted discount rate	Significant increase in the spread above the risk free rate would result in a lower fair value

Type of financial instrument	Fair value as at 31-Dec-2021 (N'b)	Valuation technique	Significant unobservable input	Fair value measurement sensitivity to unobservable input
Unquoted equities at FVTPL	N1.85b (2020:Nil)	Average of price to book value and price to earnings (P/E)	- Risk adjusted discount rate	Significant increase in the spread above the risk free rate would result in a lower fair value

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 Nbillion	Unfavourable Nbillion
Unquoted equities	Average of price to book value, price to earnings (P/E) and recent transaction price was used	Risk adjusted discount rate	From (5%) to 5%	1.90 (2020: 4.33)	0.35 (2020: 4.33)

Type of financial instrument	Valuation technique	Significant unobservable input	Variance in fair value measurement	Effect on OCI	
				Favourable Nbillion	Unfavourable Nbillion
Unquoted equities at FVTPL	Average of price to book value and price to earnings (P/E)	Risk adjusted discount rate	From (5%) to 5%	1.36 (2020: nil)	1.18 (2020: nil)

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 Assessment of recoverability of deferred tax assets

The deferred tax assets include an amount of N4.489bn (2020: N5.050bn) 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.

4.4 Financial instruments

The Bank's financial instruments are categorised as stated below:

	Notes	Financial assets			Financial liabilty	
December 2021 *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**
Cash and balances with banks						
Cash and balances with banks	19	-	-	13,003,129	-	-
					-	-
Due from financial institutions	20	-	-	11,588,361	-	-
Derivative financial assets	22	3,381,961	-	-	-	-
Non pledged trading assets					-	-
Treasury bills	21(a)	6,034,271	-	-	-	-
Government bonds	21(a)	7,182,645	-	-	-	-
Unquoted securities - FVTPL	21(a)	1,852,512				
Corporate Eurobond	21(a)	1,510,145				
Investment securities at FVTOCI						
Federal government bonds	23(a)	-	209,597	-	-	-
Treasury bills	23(a)	-	900,901	-	-	-
Special bills	23(a)		22,878,371			
Promissory notes	23(a)		6,970,555			
State government bonds	23(a)	-	1,393,687	-	-	-
Eurobonds	23(a)	-	6,612,379	-	-	-
Corporate bonds	23(a)	-	6,627,999	-	-	-

Equity securities with readily determinable fair values	23(a)	-	-	-	-	-
Unquoted equity securities at fairvalue	23(a)	-	15,466,448	-	-	-
Investment securities at amortised cost						
Federal government bonds	23(b)	-	-	2,986,391	-	-
Pledged assets						
Government bonds	24	-	-	6,352,045	-	-
Treasury bills	24	3,366,563	13,077,034	-	-	-
Special bills		-	47,096,446	-		
Loans and advances to customers	25	-	-	151,223,003	-	-
Other assets	26	-	-	130,759,464	-	-
Financial liabilities						
Deposits from financial institutions	31	-	-	-	-	44,795,696
Due to customers	32	-	-	-	-	177,359,031
Non pledged trading liabilities						
Government bonds	21(b)	-	-	-	-	-
Treasury bills	21(b)				27,828	-
Commercial paper liabilities	33(a)					55,355,146
Subordinated liabilities	33(b)					24,860,099
Other Borrowings	33(c)					8,405,291
Derivative financial liabilities	22	-	-	-	3,332,522	-
Other liabilities	34	-	-	-	-	118,393,019
		23,328,097	**121,233,417**	**315,912,393**	**3,360,350**	**429,168,282**

December 2020 *In thousands of Naira*	**Notes**	**Financial assets** **At fair value through profit or loss**	 **At fair value through other comprehensive income**	 **At amortised cost**	**Financial liabilty** **At fair value through profit or loss**	 **At amortised cost**
Cash and balances with banks						
Cash and balances with banks	19	-	-	12,773,734	-	-
					-	-
Due from financial institutions		-	-	35,808,280	-	-
Derivative financial assets	22	119,279	-	-	-	-
Non pledged trading assets					-	-
Treasury bills	22	6,981,852	-	-	-	-
Government bonds	22	3,362,083	-	-	-	-
Investment securities						
Investment securities at FVTOCI		-				
Federal government bonds	23(a)	-	12,148,974	-	-	-
Treasury bills	23(a)	-	69,801,647	-	-	-
State government bonds	23(a)	-	185,395	-	-	-

Eurobonds	23(a)	64,859 -	-	-	-	-
Corporate bonds	23(a)	-	853,484	-	-	-
Equity securities with readily determinable fair values	23(a)	-	23,226	-	-	-
Unquoted equity securities at fairvalue	23(a)	-	13,551,575	-	-	-
Investment securities at amortised cost						
Federal government bonds	23(b)	-	-	1,620,005	-	-
Pledged assets						
Government bonds	24	-	-	1,073,177	-	-
Treasury bills	24	-	15,031,130	-	-	-
Loans and advances to customers	25	-	-	122,682,497	-	-
Other assets	26	-	-	87,254,867	-	-
Financial liabilities						
Deposits to financial institutions	31	-	-	-	-	52,319,291
Due to customers	32					195,161,465
Non pledged trading liabilities		-	-	-		-
Government bonds	21(b)	-	-	-	4,643	-
Commercial paper liabilities	33(a)	-	-	-	-	8,887,242
Subordinated Liabilities	33(b)	-	-	-	-	24,806,884
Derivative financial liabilities	22	-	-	-	111,004	-
Other liabilities	34	-	-	-	-	83,997,174
		10,463,214	**111,660,290**	**261,212,560**	**115,647**	**365,172,056**

4.5 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.

In thousands of Naira **December 2021**	**Note**	**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	19	-	13,003,129	-	-	-	13,003,129	13,006,124
Due from financial institutions	20	-	11,588,361	-	-	-	11,588,361	11,594,180
Non pledged trading assets					-			
-Treasury bills	21	6,034,271	-	-	-	-	6,034,271	6,034,271
-Government bonds	21	7,182,645	-	-	-	-	7,182,645	7,182,645
-Unquoted securities - FVTPL	21	1,852,512					1,852,512	1,852,512
-Corporate Eurobond	21	1,510,145					1,510,145	1,510,145
Derivative financial assets	22	3,381,961	-	-	-	-	3,381,961	3,381,961
Loans and advances to customers	25	-	151,223,003	-	-	-	151,223,003	151,499,631
Pledged assets								
-Treasury bills	24	3,366,563	-	13,077,034	-	-	16,443,597	16,443,597
-Special bills	24	-	-	47,096,446			47,096,446	47,096,446
-Government Bonds	24	-	6,352,045	-	-	-	6,352,045	5,785,767
Investment securities								
-Financial assets at FVTOCI								
-Treasury bills	23(a)	-	-	900,901	-	-	900,901	900,901
-Special bills	23(a)	-	-	22,878,371			22,878,371	22,878,371
-Promissory notes	23(a)	-	-	6,970,555			6,970,555	6,970,555
-Bonds	23(a)	-	-	14,843,662	-	-	14,843,662	14,843,662
-Equity	23(a)	-	-	15,466,448	-	-	15,466,448	15,466,448
-Financial assets at amortised cost								
-Bonds	23(b)	-	2,986,391	-	-	-	2,986,391	2,779,032
Other assets	26	-	130,985,421		-	-	130,985,421	130,985,421
		23,328,097	**316,138,350**	**121,233,417**	**-**	**-**	**460,699,864**	**460,211,669**

Deposits to financial institutions	31	-	-	-	-	44,795,696	44,795,696	44,795,696
Due to customers	32	-	-	-	-	177,359,031	177,359,031	177,359,031
Non pledged trading liabilities								
- Treasury bills	21(b)	-	-	-	27,828	-	27,828	27,828
Commercial paper liabilities	33(a)	-	-	-	-	55,355,146	55,355,146	55,355,146
Surbodinated Liabilities	33(b)	-	-	-	-	24,860,099	24,860,099	24,860,099
Other Borrowings	33(c)	-	-	-	-	8,405,291	8,405,291	8,405,291
Derivative financial instruments	22		-	-	3,332,522	-	3,332,522	3,332,522
Other liabilities	34	-	-	-	-	118,393,019	118,393,019	118,393,019
		-	**-**	**-**	**3,360,350**	**429,168,282**	**432,528,632**	**432,528,632**

In thousands of Naira **December 2020**	**Note**	**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	19	-	12,773,734	-	-	-	12,773,734	12,773,734
Due from financial institutions	20	-	35,806,050	-	-	-	35,806,050	35,806,050
Non pledged trading assets					-			
-Treasury bills	21	6,981,852	-	-	-	-	6,981,852	6,981,852
-Bonds	21	3,362,083	-	-	-	-	3,362,083	3,362,083
Derivative financial assets	22	119,279	-	-	-	-	119,279	119,279
Loans and advances to customers	25	-	122,043,931	-	-	-	122,043,931	73,707,279
Pledged assets								
-Treasury bills	24	-	-	15,031,130	-	-	15,031,130	15,031,130
-Bonds	24	-	1,073,177	-	-	-	1,073,177	1,026,669
Investment securities								
-Financial assets at FVTOCI								
-Treasury bills	23(a)	-	-	69,801,647	-	-	69,801,647	69,801,647
-Bonds	23(a)	-	-	13,252,712	-	-	13,252,712	13,252,712
-Equity	23(a)	-	-	13,597,391	-	-	13,597,391	13,597,391
-Financial assets at amortised cost								
-Treasury bills	23(b)	-	-	-	-	-	-	-
-Bonds	23(b)	-	1,620,005	-	-	-	1,620,005	1,551,889
Other assets	26	-	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	31	-	-	-	-	52,319,291	52,319,291	52,319,291
Due to customers	32	-	-	-	-	195,161,465	195,161,465	195,161,465
Non pledged trading liabilities								
-Bonds	21(b)	-	-	-	4,643	-	4,643	4,643
Commercial paper liabilities	33(a)	-	8,887,242	-	-	-	8,887,242	8,887,242
Derivative financial instruments	22		-	-	5,429,271	-	5,429,271	5,429,271
Other liabilities	34	-	-	-	-	83,997,174	83,997,174	83,997,174
		-	**8,887,242**	**-**	**5,433,914**	**331,477,930**	**345,799,086**	**345,799,086**

5 FINANCIAL RISK MANAGEMENT

5.1 Credit risk management

In Coronation MB, credit risk is the single largest risk; this is in line with the Bank's primary business of financial inter mediation in the merchant banking space. The Bank is also exposed to credit risks arising from investments 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 include 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 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 MB 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 provisions 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), and the Enterprise Risk Management Committee (ERMC) 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 of Credit Policies and Standards to the Board Credit Committee.

All other functions with regards to credit risk management is at the Risk Management level.
As evident in the role of the Board in credit risk management, the development and approval of polices play 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 credit risk exposures that are brought under the ambit of Credit Risk Management Policy by putting in place robust credit risk management systems 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) throughout Coronation Merchant Bank 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 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.

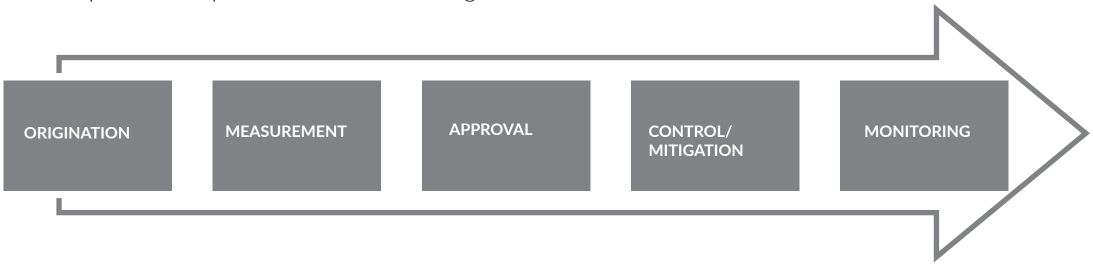
Notwithstanding who derives the risk rating, Credit Risk Management unit is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Coronation Merchant 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 Risk Management has the final authority if there is a question about a specific rating.

Credit process

The Bank's credit process starts with portfolio planning and target market identification which form part of the origination process. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

On-going management of loans is undertaken by both relationship management and our Credit Risk Management team. The complete credit process is shown the diagram below:



(a) Credit Origination

The credit origination process encompasses all activities before a credit facility reaches the credit risk management team. 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 & III 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
    - Telecommunications and ICT 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 obligor.

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 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 credit quality with reference to the internal rating system adopted by the Bank

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+	Obligors are judged to be of high quality and are subject to very low credit risk.
1-	AA	
2+	AA-	
2	A+	Obligors are judged to be upper-medium grade and are subject to low credit risk.
2-	A	
3+	A-	
3	BBB+	Obligors are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3-	BBB	
4+	BBB-	
4	BB+	Obligors are judged to be speculative and are subject to substantial credit risk.
4-	BB	
5+	BB-	
5	B+	Obligors are considered speculative and are subject to high credit risk.
5-	B	
6+	B-	
6	CCC+	Obligors are judged to be speculative of poor standing and are subject to very high credit risk.
6-	CCC	
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.

> *"Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capa ity. 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.

Provisioning policy

A loan or loan portfolio is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or loan portfolio that can be reliably estimated.

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 MB, 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	December 2021	December 2020
Cash and balances with banks	19	13,003,129	12,773,734
Due from financial institutions	20	11,588,361	35,806,050
Non pledged trading assets			
- Treasury bills	21(a)	6,034,271	6,981,852
- Bonds	21(a)	8,692,790	3,362,083
Derivative financial assets	22	3,381,961	5,500,493
Loans and advances to customers	25	151,223,003	122,682,497
Pledged assets			
- Bonds	24	6,352,045	1,073,177
- Treasury bills	24	16,443,597	15,031,130
- Special bills	24	47,096,446	-
Investment securities			
Fair value through other comprehensive income			
- Treasury bills	23(a)	900,901	69,801,647
- Special bills	23(a)	22,878,371	-
- Promissory notes	23(a)	6,970,555	-
- Bonds	23(a)	14,843,662	13,252,712
Amortised cost			
- Bonds	23(b)	2,986,391	1,620,005
Other assets	26	130,759,464	87,254,867
Total		**443,154,947**	**375,140,247**
Off balance sheet exposures			
Guaranteed credit facilities	36	15,526,172	-
Clean line facilities for letters of credit and other trade commitments	36	83,945,013	63,490,663
Total		**99,471,185**	**63,490,663**

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 2021 and 31 December 2020, 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 is reflected in expected credit loss (ECL) allowance being recognised in accordance with the Bank's ECL 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	December 2021	December 2020
Agriculture	45,061,760	30,580,310
Construction	617,273	431,997
General	739,276	700,829
General commerce	10,260,532	9,904,268
Information And communication	1,496,433	721,359
Other Manufactiring (Industries)	74,179,577	69,555,905
Oil And Gas - Downstream	12,244,106	4,705,031
Minning & Quarrying	4,335,030	3,004,340
Logistics	2,565,643	3,311,447
	151,499,631	**122,915,486**

5.1.3 (a) Credit quality by class

December 2021

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	734,727	-	-	734,727	10,481	-	-	10,481	724,246
	734,727	-	-	734,727	10,481	-	-	10,481	724,246

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	71,721,881	-	-	71,721,881	30,907	-	-	30,907	71,690,974
Standard grade	79,043,023	-	-	79,043,023	235,240	-	-	235,240	78,807,783
	150,764,904	-	-	150,764,904	266,147	-	-	266,147	150,498,757

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	-	-	-	-	-	-	-	-	-
Standard grade	99,471,185	-	-	99,471,185	147,850	-	-	147,850	99,323,335
	99,471,185	-	-	99,471,185	147,850	-	-	147,850	99,323,335

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
Standard grade	-	-	-	-	-	-	-	-	-
Speculative	133,203,445	-	-	133,203,445	4,416	-	-	4,416	133,199,029
	133,203,445	-	-	133,203,445	4,416	-	-	4,416	133,199,029

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									
Speculative	11,594,180	-	-	11,594,180	5,819	-	-	5,819	11,588,361
	11,594,180	-	-	11,594,180	5,819	-	-	5,819	11,588,361

Other assets (Using simplified approach)

In thousands of Naira	Gross amount	ECL	Carrying amount
Non-Investment	130,985,421	225,957	130,759,464
	130,985,421	**225,957**	**130,759,464**

*There were no modifications of contractual cash flows during the year.

Credit quality by class

December 2020

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
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
Internal rating grade									
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
Internal rating grade									
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
Investment	35,808,280	-	-	35,808,280	2,230	-	-	2,230	35,806,050
Standard grade	-	-	-	-	-	-	-	-	-
	35,808,280	**-**	**-**	**35,808,280**	**2,230**	**-**	**-**	**2,230**	**35,806,051**

Other assets (Using simplified approach)

In thousands of Naira	Gross amount	ECL	Carrying amount
Investment	87,373,317	118,450	87,254,867
	87,373,317	**118,450**	**87,254,867**

5.1.3 (b) Credit quality by risk rating class

December 2021

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	734,727	-	-	734,727	10,481	-	-	10,481	724,246
		734,727	**-**	**-**	**734,727**	**10,481**	**-**	**-**	**10,481**	**724,246**

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	21,688,730	-	-	21,688,730	5,934	-	-	5,934	21,682,796
A-	Investment	50,033,151	-	-	50,033,151	24,973	-	-	24,973	50,008,178
BBB+	Standard	79,043,023	-	-	79,043,023	235,240	-	-	235,240	78,807,783
		150,764,904	**-**	**-**	**150,764,904**	**266,147**	**-**	**-**	**266,147**	**150,498,757**

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	-	-	-	-	-	-	-	-	-
B-	Speculative	133,203,445	-	-	133,203,445	4,416	-	-	4,416	133,199,029
		133,203,445	**-**	**-**	**133,203,445**	**4,416**	**-**	**-**	**4,416**	**133,199,029**

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

External Rating Equivalent	Grade	Gross amount Stage 1	Stage 2	Stage 3	Total	ECL Stage 1	Stage 2	Stage 3	Total	Carrying amount
AA	Investment	-	-	-	-	-	-	-	-	-
A-	Investment	88,896,766	-	-	88,896,766	-	-	-	-	88,896,766
BBB+	Standard	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**

Investment securities

External Rating Equivalent	Grade	Gross amount Stage 1	Stage 2	Stage 3	Total	ECL Stage 1	Stage 2	Stage 3	Total	Carrying
AAA	Investment	-	-	-	-	-	-	-	-	-
AA+	Investment	-	-	-	-	-	-	-	-	-
AA-	Investment	-	-	-	-	-	-	-	-	-
A+	Investment	-	-	-	-	-	-	-	-	-
A	Investment	94,644,500	-	-	94,644,500	-	-	-	-	94,644,500
A-	Investment	-	-	-	-	-	-	-	-	-
		94,644,500	**-**	**-**	**94,644,500**	**-**	**-**	**-**	**-**	**94,644,500**

Money market placements

External Rating Equivalent	Grade	Gross amount Stage 1	Stage 2	Stage 3	Total	ECL Stage 1	Stage 2	Stage 3	Total	Carrying amount
B	Speculative									
		11,594,180	-	-	11,594,180	5,819	-	-	5,819	11,588,361
		11,594,180	**-**	**-**	**11,594,180**	**5,819**	**-**	**-**	**5,819**	**11,588,361**

Derivative Financial Instruments

External Rating Equivalent	Grade	Gross Nominal Dec-21	Dec-20	Fair Value Dec-21	Dec-20
AAA	Investment	7,781,538	6,698,772	3,381,961	5,500,493
Gross amount		**7,781,538**	**6,698,772**	**3,381,961**	**5,500,493**

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 (c) Credit quality by staging

December 2021

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	188,685	-	-	188,685	8,118	-	-	8,118	180,567
Personal Loan	546,042	-	-	546,042	2,363	-	-	2,363	543,679
	734,727	**-**	**-**	**734,727**	**10,481**	**-**	**-**	**10,481**	**724,246**

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	8,472,361	-	-	8,472,361	94,896	-	-	94,896	8,377,465
Term Loan	142,292,543	-	-	142,292,543	171,251	-	-	171,251	142,121,292
	150,764,904	**-**	**-**	**150,764,904**	**266,147**	**-**	**-**	**266,147**	**150,498,757**

December 2020

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	178,947	-	-	178,947	15,990	-	-	15,990	162,957
Personal Loan	521,882	-	-	521,882	46,273	-	-	46,273	475,609
	700,829	**-**	**-**	**700,829**	**62,263**	**-**	**-**	**62,263**	**638,566**

Loans and advances to corporate customers

		Gross amount							Carrying
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Amount**
Overdraft	5,401,978	-	-	5,401,978	60,873	-	-	60,873	5,341,105
Term Loan	116,812,679	-	-	116,812,679	109,853	-	-	109,853	116,702,826
	122,214,657	**-**	**-**	**122,214,657**	**170,726**	**-**	**-**	**170,726**	**122,043,931**

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

	December 2021	December 2020
Against neither past due and not impaired		
Property	3,814,961	7,813,257
Equities	36,252,862	32,611,756
Cash	31,087,995	2,853,298
Pledged goods and assets	241,135,519	236,525,520
All asset debentures and guarantees	1,232,316	1,171,800
Total	**313,523,653**	**280,975,631**

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 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

December 2021

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	13,003,129	-	-	13,003,129
Due from financial institutions	-	11,588,361	-	-	11,588,361
Non pledged trading assets					
-Treasury bills	-	-	6,034,271	-	6,034,271
-Bonds	-	-	8,692,790	-	8,692,790
Derivative financial assets	-	1,406,813	1,975,148	-	3,381,961
Loans and advances to customers	150,498,757	-	-	724,246	151,223,003
Pledged assets					
-Treasury bills	-	-	16,443,597	-	16,443,597
-Special bills	-	-	47,096,446	-	47,096,446
-Bonds	-	-	6,352,045	-	6,352,045
Investment securities					
Fair value through other comprehensive income					
-Treasury bills	-	-	900,901	-	900,901
-Special bills	-	-	22,878,371	-	22,878,371
-Bonds	6,627,999	-	8,215,663	-	14,843,662

Amortised cost					
-Bonds	-	-	2,986,391	-	2,986,391
Other assets	7,660,448	-	123,099,016	-	130,759,464
Total	**164,787,204**	**25,998,303**	**244,674,639**	**724,246**	**436,184,392**

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
Amortised cost					
-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**

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 reviewed 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 Risk Committee daily (through a dashboard) and 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, which are reported to business risk governance and control committees. 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, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level.

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.

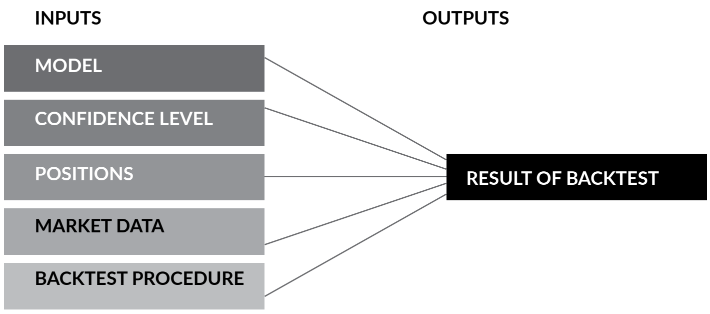
There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- 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:

	Re-pricing period						
In thousands of Naira **31 December 2021**	**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	-	-	-	-	-	13,003,129	13,003,129
Due from financial institutions	10,938,233	650,128	-	-	-	-	11,588,361
Non pledged trading assets							
-Treasury bills	3,693,352	570,290	1,770,628	-	-	-	6,034,271
-Bonds	498	-	-	3,052,338	5,639,954	-	8,692,790
Derivative financial assets	1,406,813	-	-	-	-	1,975,148	3,381,961
Loans and advances to customers	103,060,312	41,287,430	2,361,203	505,690	4,008,367	-	151,223,003
Pledged assets							
-Treasury bills	7,153,005	4,184,571	5,106,021	-	-	-	16,443,597
-Special bills	16,873,275	30,223,171	-	-	-	-	47,096,446
-Bonds	-	-	-	-	6,352,045	-	6,352,045
Investment securities						-	-
Fair value through other comprehensive income							-
-Treasury bills	546,904	225,502	128,494	-	-	-	900,901
-Special bills	12,463,402	10,414,968	-	-	-	-	22,878,371
-Promissory notes	-	-	-	6,970,555	-	-	6,970,555
-Bonds	50,755	-	-	5,771,366	9,021,542	-	14,843,663
Amortised cost							**-**
-Bonds	-	-	-	-	2,986,392	-	2,986,392
Other assets	-	-	-	-	-	130,759,464	130,759,464
	156,186,550	87,556,061	9,366,347	16,299,949	28,008,300	145,737,741	443,154,948
Deposits to financial institutions	44,795,696	-	-	-	-	-	44,795,696
Due to customers	158,299,142	6,657,162	11,085,760	1,316,966	-	-	177,359,031
Non pledged trading liabilities							
-Treasury bills	27,828	-	-	-	-	-	27,828
-Bonds	-	-	-	-	-	-	-
Derivative financial liabilities	1,357,152	-	-	-	-	1,975,370	3,332,522

Commercial paper liabilities	32,640,153	22,714,993	-	-	-	-	55,355,146
Surbodinated Liabilities	-	-	-	24,860,099	-	-	24,860,099
Other borrowings	-	-	8,405,291	-	-	-	8,405,291
Other liabilties	59,371,874	7,119,166	5,829,460	-	-	46,072,519	118,393,019
	296,491,846	**36,491,321**	**25,320,511**	**26,177,065**	**-**	**48,047,889**	**432,528,632**
Total interest re-pricing gap	(140,305,295)	51,064,740	(15,954,164)	(9,877,117)	28,008,300	97,689,852	10,626,315

	Re-pricing period						
In thousands of Naira	**Less than 3**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**More than**	**Non-Interest**	**Total**
31 December 2020	**months**				**5 years**	**bearing**	
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 comprehensive 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							
-Treasury bills						-	-
-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							
-Treasury bills	-	-	-	-	-	-	
-Bonds	-	-	-	-	4,643	-	4,643
Derivative financial liabilities	4,766,757	649,720	12,793	-	-	-	5,429,271
Commercial paper liablities	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	(52,358,947)	27,066,132	15,884,350	(21,532,626)	29,414,077	16,031,427	14,504,413

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.

In thousands of Naira

31-Dec-2021	**Fixed**	**Non-interest bearing**	**Total**
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	13,003,129	13,003,129
Due from financial institutions	11,588,361	-	11,588,361
Non pledged trading assets	14,727,061	-	14,727,061
Derivative financial assets	1,406,813	1,975,148	3,381,961
Loans and advances to customers	151,223,003	-	151,223,003
Pledged assets	69,892,088	-	69,892,088
Investment securities:			
- Fair value through other comprehensive income	45,593,489	15,466,448	61,059,937
- Amortised cost	2,986,391	-	2,986,391
Other asset	-	130,759,464	130,759,464
	297,417,206	**161,204,189**	**458,621,395**
LIABILITIES			
Deposits to financial institutions	44,795,696	-	44,795,696
Due to customers	177,359,031	-	177,359,031
Non pledged trading liabilities	27,828	-	27,828
Derivative financial liabilities	-	3,332,522	3,332,522
Commercial paper liabilities	55,355,146	-	55,355,146
Unsubordinated liabilities	24,860,099	-	24,860,099
Other borrowings	8,405,291		8,405,291
Other liabilities	72,320,500	46,072,519	118,393,019
	383,123,591	**49,405,041**	**432,528,632**

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**

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 group 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.

Interest sensitivity analysis - 31 December 2021

Impact on net interest income of +/- 100 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	1,403,053	(1,403,053)
6 months	(510,647)	510,647
12 months	159,542	(159,542)
	1,051,947	**(1,051,947)**

Interest sensitivity analysis - 31 December 2020

Impact on net interest income of +/- 100 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**

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.

December 2021	**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	8,692,790	(43,464)	(86,928)
T-bills at Fair value through Profit or Loss	6,034,271	(30,171)	(60,343)
	14,727,061	(73,635)	(147,271)
Impact on Other Comprehensive Income			-
Investments at Fair value through other comprehensive income	45,593,489	(227,967)	(455,935)
TOTAL	**60,320,550**	**(301,603)**	**(603,206)**

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)	(103,439)
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)**

5.2.3 (a) The table below summarises the Bank's financial instruments at carrying amount, categorised by currency:

Financial instruments by currency

December 2021	**Total**	**Naira**	**US**	**GBP**	**CNY**	**Euro**
Cash and balances with banks	13,003,129	2,756,627	10,153,678	(1,516)	100,617	(6,277)
Due from financial institutions	11,588,361	1,611,394	9,976,967	-	-	-
Non pledged trading assets						
-Treasury bills	6,034,271	6,034,271	-	-	-	-
-Bonds	8,692,790	7,182,645	1,510,145	-	-	-
-Unquoted securities - FVTPL	1,852,512	1,852,512	-	-	-	-
Derivative financial assets	3,381,961	3,381,961	-	-	-	-
Loans and advances to customers	151,223,003	89,480,888	60,760,249	35	905,274	76,558
Pledged assets						
-Special bills	47,096,446	47,096,446	-	-	-	-
-Treasury bills	16,443,597	16,443,597	-	-	-	-
-Bonds	6,352,045	6,352,045	-	-	-	-
Investment securities						
Fair value through other comprehensive income:						
-Treasury bills	900,901	900,901	-	-	-	-
-Bonds	14,843,663	8,231,284	6,612,379	-	-	-
-Equity	15,466,448	260,189	15,206,259	-	-	-
-Special bills	22,878,371	22,878,371	-	-	-	-
-Promissory notes	6,970,555	6,970,555	-	-	-	-
Amortised cost						
-Bonds	2,986,391	2,986,391	-	-	-	-
Other assets	130,759,464	124,166,004	6,551,406	2,539	32,746	6,769
	460,473,909	**348,586,081**	**110,771,083**	**1,057**	**1,038,638**	**77,050**
Deposits to financial institutions	43,765,075	33,079,938	10,685,137	-	-	-
Due to customers	177,341,031	166,335,982	11,004,268	772	-	10
Non pledged trading liabilities						
- Treasury bills	27,828	27,828	-	-	-	-
Derivative financial liabilities	3,332,522	-	3,332,522	-	-	-
Commercial papers	55,355,146	55,355,146	-	-	-	-
Subordinated bonds	24,860,099	24,860,099	-	-	-	-
Other borrowings	8,405,291	-	8,405,291	-	-	-
Other liabilties	118,393,019	49,752,346	67,529,157	297	1,030,621	80,598
	431,480,011	**329,411,339**	**100,956,375**	**1,069**	**1,030,621**	**80,608**
Net FCY Exposure	**9,819,156**	**19,174,742**	**9,814,708**	**(11)**	**8,017**	**(3,557)**

December 2020	**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	-	-	-	-
-Equity	-		-	-	-	-
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	-	-	-	-
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	-				-	
-Bonds	4,643	4,643	-	-	-	-
Derivative financial liabilities	111,004	111,004	-	-	-	-
Commercial papers	8,887,242	8,887,242	-	-	-	-
Subordinated bonds	24,806,884	24,806,884	-	-	-	-
Other liabilties	83,997,174	47,240,542	36,432,590	134,594	-	189,448
	365,287,702	**274,707,355**	**90,255,659**	**135,236**	**-**	**189,452**
Net FCY Exposure	**17,685,984**	**5,699,092**	**17,670,385**	**3,202**	**5,984**	**6,413**

5.2.3 (b) 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 2021. 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.

	Impact on statement of comprehensive income	**Impact on statement of comprehensive income**
In thousands of naira	**December 2021**	**December 2020**
Naira weakens by 10%	981,916	1,768,598
Naira weakens by 5%	490,958	884,299
Naira strengthens by 10%	(981,916)	(1,768,598)
Naira strengthens by 5%	(490,958)	(884,299)

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	9.7%
Low	0.6%
Average	7.2%

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.

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 Group 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. Discretionary Cash Reserves Ratio (CRR) debit by the CBN significantly impacted our liquidity plan in 2021. As at December 2021 CRR as a percentage of Total deposit was 69%, CRR as a percentage local deposit closed at 74% and the Bank also had 69.97bn in Special Bills which had significant impact on our performance and earnings for the year.

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 Group'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-21	**Dec-20**
At end of year/year	45.81%	50.93%
Average for the year/year	39.09%	39.73%
Maximum for the year/year	45.81%	54.77%
Minimum for the year/year	29.48%	32.27%

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.

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.

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.

5.3.1 Residual contractual maturities of financial assets and liabilities

	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
December 2021								
In thousands of Naira								
Cash and balances with banks	13,003,129	13,006,124	13,006,124	-	-	-	-	-
Due from financial institutions	11,588,361	11,720,735	697,351	10,429,222	594,162	-	-	-
Non pledged trading assets								
-Treasury bills	6,034,271	6,131,698	1,072,760	2,637,642	582,854	1,838,442	-	
-Bonds	8,692,790	27,030,302	10,982	139,814	313,351	463,647	6,709,119	19,393,389
Derivative financial assets	3,381,961	3,381,961	3,381,961	-	-	-	-	-
Loans and advances to customers	151,223,003	158,490,104	34,776,682	67,883,546	43,355,496	2,864,854	2,364,281	7,245,245
Pledged assets								
-Special bills	47,096,446	47,876,160	4,600,000	12,400,000	30,876,160			
-Treasury bills	16,443,597	16,780,000	3,450,000	3,750,000	4,280,000	5,300,000		
-Bonds	6,352,045	12,854,763	-	268,942	89,467	358,409	2,867,273	9,270,671
Investment securities								
Fair value through other comprehensive income								
-Special bills	22,878,371	23,134,133	11,092,332	1,429,491	10,612,310	-	-	-
-Promissory notes	6,970,555	8,267,259	-	-	-	-	8,267,259	-
-Treasury bills	900,901	911,719	227,701	322,077	229,042	132,899		
-Bonds	14,843,662	29,476,475	164,508	516,922	156,044	786,621	11,445,360	16,407,021
Amortised cost								
-Bonds	2,986,391	5,616,686	-	143,942	33,248	177,190	1,417,519	3,844,788
Other assets	130,759,464	130,985,421	1,292,945	-	-	6,593,460	123,099,016	-
	443,154,947	**495,663,539**	**73,773,346**	**99,921,598**	**91,122,133**	**18,515,522**	**156,169,827**	**56,161,114**
Deposits to financial institutions	44,795,696	44,999,715	34,160,288	10,839,427	-	-	-	-
Due to customers	177,359,031	189,452,510	108,136,724	65,616,673	5,344,129	9,037,901	1,317,083	-
Non pledged trading liabilities								
-Treasury bills	27,828	27,828	-	27,828	-	-	-	-
Derivative financial liabilities	3,332,522	3,332,522	3,332,522	-	-	-	-	-
Commercial paper liabilities	55,355,146	56,556,976	21,483,836	11,359,537	23,713,603	-	-	-
Surbodinated liabilities	24,860,099	31,250,000	-	-	781,250	781,250	29,687,500	-
Other borrowings	8,405,291	8,896,132	-	-	206,966	8,689,166	-	-
Other liabilities	118,393,019	118,560,448	67,493,245	37,802,232	7,251,826	6,013,145	-	-
	432,528,632	**453,076,131**	**234,606,615**	**125,645,697**	**37,297,774**	**24,521,462**	**31,004,583**	**-**
Gap (asset - liabilities)	10,626,315	42,587,408	(160,833,269)	(25,724,099)	53,824,359	(6,005,940)	125,165,244	56,161,114

The 0 - 30 days, 31 - 90 days and 181-365 days bucket have negative gaps during the review period. This is actively monitored and still within the Bank's acceptable gap limit. In addition, the Bank has sufficient high quality liquid asset (HQLA) in the other buckets which can be converted into cash at little or no cost to meet unexpected funding need as it arise. On a cummulative basis, the Bank closed with a positive gap in 2021.

December 2020	**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	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				-	-	-	3,126,158	9,982,027
-Treasury bills	-	-	6,817					
-Bonds	11,590,141	11,590,141						11,590,141
Other assets	87,254,867	87,952,775	73,323,285	-	-	14,629,490		-
	385,110,383	387,197,763	161,020,120	127,624,213	33,302,170	29,254,994	6,400,664	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								
-Treasury bills	-	-	-	-	-	-	-	-
-Bonds	4,643	4,643	-	-	-	-	-	-
Commercial paper liabilities	8,887,242	11,681,197	1,240,978	10,440,220	-	-	-	-
Derivative financial liabilities	5,429,271	5,479,586	45,571	55,964	240	-	-	-
Surbodinated liabilities	24,806,884	24,806,884	-	-	-	-	24,806,884	-
Other liabilities	83,997,174	82,599,893	39,876,467	30,518,499	12,204,927	-	-	-
	370,605,970	374,115,370	151,635,849	133,190,538	55,330,002	3,769,643	24,806,884	-
Gap (asset - liabilities)	14,504,413	13,082,393	9,384,271	(5,566,325)	(22,027,832)	25,485,351	(18,406,220)	42,710,604

5.3.2 Financial instruments below and above 1 year's maturity

	December 2021			December 2020		
	Within 12 months	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
In thousands of Naira						
Cash and balances with banks	13,006,124	-	**13,006,124**	12,773,734	-	**12,773,734**
Due from financial institutions	11,720,735	-	**11,720,735**	35,808,280	-	**35,808,280**
Non pledged trading assets						
-Treasury bills	6,131,698	-	**6,131,698**		-	**-**
-Bonds	927,793	26,102,508	**27,030,302**	-	3,362,083	**3,362,083**
Derivative financial assets	3,381,961	-	**3,381,961**	6,698,772	-	**6,698,772**
Loans and advances to customers	148,880,578	9,609,526	**158,490,104**	116,139,636	6,796,683	**122,936,319**
Pledged assets						
-Treasury bills	16,780,000	-	**16,780,000**	15,031,130	-	**15,031,130**
-Special bills	47,876,160	-	**47,876,160**			
-Bonds	716,818	12,137,944	**12,854,763**	-	1,073,177	**1,073,177**
Investment securities						
Fair value through other comprehensive income						
-Special bills	23,134,133	-	**23,134,133**	-	-	**-**
-Promissory notes	-	8,267,259	**8,267,259**	-	-	**-**
-Treasury bills	911,719	-	**911,719**	69,801,647	-	**69,801,647**
-Bonds	1,624,094	27,852,381	**29,476,475**	6,855	13,180,998	**13,187,853**
Amortised cost						
-Bonds	354,380	5,262,307	**5,616,686**	-	11,590,141	**11,590,141**
Other assets	7,886,405	123,099,016	**130,985,421**	14,629,490	73,323,285	**87,952,775**
	283,332,598	**212,330,941**	**495,663,539**	**270,889,542**	**109,326,368**	**380,215,911**
Deposits to financial institutions	44,999,715	-	**44,999,715**	52,319,291	-	**52,319,291**
Due to customers	188,135,427	1,317,083	**189,452,510**	195,161,465	-	**195,161,465**
Non pledged trading liabilities						
-Treasury bills	27,828	-	**27,828**	-	-	**-**
-Bonds	-	-	**-**	4,643	**-**	**4,643**
Derivative financial liabilities	3,332,522	-	**3,332,522**	111,004	**-**	**111,004**
Commercial paper liabilities	56,556,976	-	**56,556,976**	11,681,197	**-**	**11,681,197**
Surbodinated liabilities	1,562,500	29,687,500	**31,250,000**	**-**	24,806,884	**24,806,884**
Other borrowings	8,896,132	-	**8,896,132**	**-**	**-**	**-**
Other liabilities	118,560,448	-	**118,560,448**	82,599,893	**-**	**82,599,893**
	422,071,548	**31,004,583**	**453,076,131**	**341,877,493**	**24,806,884**	**366,684,377**
Gap (asset - liabilities)	**(138,738,951)**	**181,326,358**	**42,587,407**	**(70,987,951)**	**84,519,484**	**13,531,534**

6. 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 share holders 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.

In thousands of Naira	**Bank December 2021**	**Bank December 2020**
Tier 1 capital		
Ordinary share capital	5,050,546	5,050,546
Share premium	3,655,348	3,655,348
Retained earnings	16,479,949	16,412,575
Other reserves	12,214,993	11,941,934
	37,400,836	**37,060,403**
Less:		
Investments in subsidiaries	-	-
Deferred tax assets	(4,489,196)	(5,216,566)
Regulatory risk reserve	(3,549,085)	(3,577,093)
Intangible assets	(1,417,354)	(1,116,582)
Adjusted Tier 1	**27,945,201**	**27,150,162**
Tier 2 capital		
Fair value reserve	2,400,379	3,051,029
Other reserves	14,916,059	19,845,507
Total Tier 2	**17,316,438**	**22,896,536**
Eligible tier 2	**9,315,067**	**9,050,054**
Total regulatory capital	**37,260,268**	**36,200,216**
Risk-weighted assets	**207,323,560**	**182,180,847**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	17.97%	19.87%
Total tier 1 capital expressed as a percentage of risk-weighted assets	13.48%	14.90%

6b. Basel III Implementation

a. Introduction:

The CBN established the guidelines for Basel III implementation in 2020. However, this was halted due to the pandemic outbreak. Following the global economic recovery, the apex bank mandated implementation of the underlisted Basel III guidelines from November 2021.

- Guidelines on Regulatory Capital
- Guidelines on Leverage Ratio
- Guidelines on Liquidity Coverage Ratio
- Guidelines on Liquidity Monitoring Tools
- Guidelines on Large exposures
- Guidelines on Liquidity risk management and ILAAP
- Revised Guidelines on the Supervisory Review Process of ICAAP

Banks are expected to commence a parallel run concurrently alongside the exisiting Basel II guidelines."

b. Implementation Progress

The Bank commenced the process by setting up a committee of staff drawn from all relevant departments, charged with the ultimate responsibility of ensuring seamless implementation and transitioning to the Basel III reporting standard within the Bank. This was followed by an indepth gap analysis of current status vis-a-vis the new requirements, to ascertain the Bank's compliance level. So far the following milestones have been achieved:

- Prompt preparation and rendition of Basel III reports within the stipulated timeline
- Full compliance with all Basel III ratios and requirements, with no breaches recorded
- Bankwide awareness training for staff across all relevant departments
- Basel III awareness training for the Bank's Board of Directors
- Policy review, gap assessment and remediation of gaps identified in affected existing policies
- Development and approval (by the Board of Directors) of all required Basel III-related policies
- Commencement of automation of the Basel III process and calculators

c. Coronation Merchant Bank's Compliance With Basel III Ratios

There was full compliance in all the regulatory ratios as at 31st December 2021 as shown in the table below:

S/N	Guideline	Regulatory Threshold	31st December 2021	Comment
1	**Regulatory Capital:**			Satisfactory
a	CET 1 Capital Ratio	>=7%	13.48%	
b	Tier 1 Capital Ratio	>=7.5%	13.48%	
c	Capital Adequacy Ratio	>=10%	17.94%	
d	CET 1 Available to meet CCB1	1% of TRWA in CET 1 Capital	7%	
2	**Leverage Ratio**	>=4%	5%	
3	**Liquidity Coverage Ratio (LCR)**	>=100%	422%	
4	**Large Exposures**	8 x SHF (Shareholders' Funds)	2.25X SHF (After mitigation) 3.05X SHF (Before mitigation)	

d. Regulatory Capital Structure

The Bank's capital is broadly divided Tier 1 Capital and Tier 2 Capital.

i. Tier 1 Capital (Core Capital)

This includes Common Equity Tier 1 capital (CET1) and Additional Tier 1 (AT1) capital. Common Equity Tier 1 comprises an entity's core capital and includes common shares, stock surpluses resulting from the issue of common shares, retained earnings, common shares issued by subsidiaries and held by third parties.
Additional Tier 1 capital is defined as instruments that are not common equity but are eligible for inclusion in this tier. An example of AT1 capital is a contingent convertible or hybrid security, which has a perpetual term and can be converted into equity. This is however subject to acceptability of the regulator (eg CBN)
Common equity absorbs losses immediately when they occur while Additional Tier 1 capital (AT1) provides loss absorption on a going-concern basis.

ii. Tier 2 Capital Tier 2 is a bank's supplementary capital.

This includes fair value reserves, revaluation reserves, hybrid capital instruments, subordinated term debt—also known as junior debt securities—and general loan-loss, or uncollected, reserves.
The bank does not hold any Hybrid capital instrument.

Table: Capital Structure and Capital Ratios as at 31st December, 2021

Capital Measure	**31 Dec 2021**
Tier 1 Capital	
Paid-up Common Equity Share	5,050,546
Share Premium IRO Common Equity Share	3,655,348
General Reserves (Retained Profit)	16,479,949
Statutory Reserves	8,665,908
Total Before Deduction	**33,851,751**
Intangible assets	1,417,354
Deferred tax assets	4,489,196
CET1 After Regulatory Deduction	**27,945,201**
Additional Tier 1 Capital	-
Tier 2 Capital	
Subordinated term debt with remaining maturity of:	14,916,059
d. Over three years through four years	
Other Comprehensive Income	2,400,379
Total Tier 2 Capital	**17,316,438**
Tier 2 Capital recognized for capital adequacy	**9,315,067**
Total Eligible Capital, i.e., (CET1 +AT1+T2)	**37,260,268**
Total Risk Weighted Assets (TRWAs)	**207,323,560**
Capital Ratios :	
CET 1 to RWAs	**13.48%**
Tier 1 Capital to RWAs	**13.48%**
Total Eligible Capital to TRWAs	**17.97%**

Amount in thousands of Naira (N'000) unless otherwise stated

7 Interest income

		Dec-21	Dec-20
7a	**Financial assets at amortised cost**		
7a	Cash and balances with banks	15,069,310	4,877,015
	Loans and advances to customers	14,920,584	8,988,032
	Investment securities - Financial assets at amortised cost	644,461	160,346
		30,634,355	**14,025,393**
7b	Investment securities - Financial assets at FVTOCI	3,472,687	5,249,814
		3,472,687	**5,249,814**
		34,107,042	19,275,207

There are no stage 3 financial assets for which interest income was earned during the year ended 31 December 2021 (31 December 2020: NIL).

8 Interest expense

	Dec-21	Dec-20
Deposit from financial institutions	16,943,414	7,910,753
Deposit from customers	10,125,884	4,966,397
Other borrowed funds	6,038,390	2,392,326
	33,107,688	**15,269,476**

9 Net impairment charge on financial assets

	Dec-21	Dec-20
Allowance for impairment on loans and advances to customers [note 25]	43,639	174,706
Allowance for impairment on off balance sheet items (see note 34)	117,955	21,332
Allowance for impairment on investment securities at amortized cost [see 23b(ii)]	4,416	-
Allowance for impairment on other investment securities at FVOCI [see note 17]	223,822	4,141
Allowance/(Writeback) of impairment on placements [note 20 (i)]	3,589	(62,243)
Allowance for impairment on Cash [note 19 (i)]	2,995	-
Allowance for impairment on financial assets in other assets (see note 26)	107,507	91,267
	503,923	**229,203**

10 Fee and commission income

	Dec-21	Dec-20
Credit related fees and commissions	222,027	116,220
Account maintenance fees	81,156	65,484
Commission on bills and letters of credit	688,524	533,644

Treasury income	58,747	24,289
Investment banking fees	583,627	703,057
Commission on other financial services	348,902	441,893
	1,982,983	**1,884,587**

- 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.

(i) **Contract balances**

The following table provides information about contract balances	**Dec-21**	**Dec-20**
Receivables, which are included in 'other assets'	320,386	525,404

The contract balances primarily relate to fees receivable from the bank's customers on investment banking transactions. The amount of revenue recognised for the year ended 31 December 2021 was ₦584 million (31 December 2020: ₦703 million).

(ii) **Performance obligation and revenue recognition policy**

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.
The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

For the accounting policy for fees and commissions in the scope of IFRS 15, see note 3.4(b).

Type of service	**Nature and timing of satisfaction of performance obligations, including significant payment terms**	**Revenue recognition under IFRS 15**
Corporate banking service	The Bank provides banking services to corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The rates for the different class of accounts are set on an annual basis. Fees on loan commitment not expected to result in the drawdown of a loan are recognised on a straight-line basis over the commitment year. Transaction-based fees for foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place

Investment banking service	The Bank's investment banking group provides various finance-related services, including loan administration and agency services, administration of a loan syndication, execution of client transactions with exchanges and securities underwriting. Fees for ongoing services are recognised based on agreed milestones detailed in the contract agreement. Transaction-based fees for administration of a loan syndication, execution of transactions, and securities underwriting are charged when the transaction takes place.	Revenue from administrative agency services is recognised over time as the services are provided. The amounts to be collected from customers on 31 December are recognised as trade receivables. Revenue related to transactions is recognised at the point in time when the transaction takes place.

11 Net gains on investment securities

a Net income from financial instruments mandatorily measured at FVTPL other than those included in 'net trading income'

	Dec-21	**Dec-20**
Derivative gain	22,454	96,379
	22,454	**96,379**

b Net income from financial instruments designated as at FVTPL

	Dec-21	**Dec-20**
Equity	1,852,512	-
Treasury bills	(18,535)	(7,471)
Bonds	(43,309)	42,018
	1,790,668	**34,547**
Total	**1,813,122**	**130,926**

12 Net trading income

	Dec-21	**Dec-20**
Treasury bills	325,806	1,319,295
Bonds	5,200,592	4,070,458
Special bills	(50,277)	-
Net foreign exchange trading income	468,775	319,720
Unrealised foreign exchange loss on revaluation	(301,459)	(29,850)
	5,643,437	**5,679,623**

13 Other operating income

	Dec-21	**Dec-20**
Dividends on equity securities	264,260	261,604
Bad debt recovered	23,195	49,123
Other income (i)	116,774	76,456
	404,229	**387,183**

(i) Other income is majorly made up of rental income

14 Personnel expenses

	Dec-21	**Dec-20**
Salaries and wages	1,993,769	1,725,532
Defined contribution plan	144,951	108,097
	2,138,720	**1,833,629**

15 Other operating expenses

	Dec-21	Dec-20
Depreciation (see note (i) below and note 27 & 29)	611,583	561,118
Amortisation (see note 28)	382,148	167,425
Impairment on asset held for sale	-	5,000
Professional fees and legal expenses	209,301	129,980
Staff training	68,496	60,086
Insurance	112,387	116,555
Business travel expenses	66,109	68,157
Deposit insurance premium	841,227	225,958
Auditor's renumeration	38,000	46,391
Administrative expenses	581,802	1,120,240
Write-off of impairment on unquoted equities	22,707	-
Loss on disposal of property and equipment	12,597	26,256
Board and AGM expenses	232,872	183,883
Operating lease rentals	1,519	5,786
Consultancy and outsourcing	959,156	73,756
Repairs and maintenance	527,790	665,111
Advertisements, publications and marketing expenses	44,631	480,654
Donations and sponsorship	355,945	100,250
Event and corporate gifts	117,810	15,705
Periodicals and subscriptions	100,160	111,535
Stationeries, postage, printing and consumables	118,244	76,950
	5,404,484	**4,240,796**

(i) Depreciation comprises of depreciation charge on propoerty and equipment amounting to N583 million (31 December 2020: N534 million) and depreciation charge on right-of-use asset amounting to N28.6m (31 December 2020: N26.9m)

16 Income tax

	Dec-21	Dec-20
In thousands of Naira		
Current tax expense		
Corporate income tax	99,999	67,692
IT tax	27,960	57,844
Education tax	32,503	30,238
Capital gains tax	-	-
Nigerian Police Fund	101	-
NASENI	6,996	-
Prior year's under provision	60,178	26,835
	227,737	182,609
Deferred tax expense		
Origination of temporary differences (see note 32)	561,149	561,149
Total income tax expense	**788,886**	**743,758**

The movement in the current income tax liability is as follows:

	Dec-21	Dec-20
Balance at the beginning of the year	166,568	280,971
Tax paid	(147,852)	(279,560)
Income tax charge	167,559	155,773
Prior year's under provision	60,178	26,835
Additional tax liability	-	(3,335)
Withholding tax utilization	-	(14,118)
Balance at the end of the year	**246,453**	**166,568**

Income tax liability is to be settled within one year

In thousands of Naira		Dec-21	
	Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax			2,795,998
Income tax using the domestic tax rate		30%	838,799
Tax effects of :			
Corporate income tax	99,999	100%	99,999
NITDA levy	2,795,998	1%	27,960
Education tax levy	1,300,120	2.5%	32,503
Changes in unrecognised temporary differences	2,651,701	30%	795,510
Nigerian Police Fund	5,050	2%	101
Tax exempt income	(12,793,206)	30%	(3,837,962)
Non-deductible expenses	9,216,003	30%	2,764,801
NASENI	6,996	100%	6,996
Prior year under provision	60,178	100%	60,178
Effective tax rate		**28%**	**788,886**

		Dec-20	
In thousands of Naira	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
NITDA levy	5,784,422	1%	57,844
Education tax levy	1,511,876	2%	30,238
Changes in unrecognised temporary differences	1,870,497	30%	561,149

Recognition of previously unrecognised tax losses	(1,511,876)	30%	(453,563)
Tax exempt income	(14,048,860)	30%	(4,214,658)
Non-deductible expenses	9,776,314	30%	2,932,894
Prior year under provision	26,835	100%	(4,485,696)
Effective tax rate		**13%**	**743,758**

17 Other comprehensive income (OCI)

(a) Fair value changes on equity investments during the year	**Dec-21**	**Dec-20**
Gain on foreign exchange movement during the year	852,620	1,047,572
Gain on fair value as at year end	1,061,699	1,169,073
	1,914,319	**2,260,841**

(b) Fair value changes on debt investments during the year	**Dec-21**	**Dec-20**
Marked to market on OCI instruments		
Government bonds	(286,943)	161,292
Treasury bills	(90,838)	(61,646)
Special bills	(945,062)	-
State bonds	(90,552)	(64,349)
Corporate bonds	(740,823)	(149,565)
Promissory notes	(262,979)	-
Eurobonds	(371,593)	17,904
	(2,788,791)	**(96,363)**
Impairment on OCI instruments (see note 9)		
Treasury bills	3,551	-
Special bills	11,034	-
Government bonds	110	-
Promissory notes	3,664	-
State bonds	2,112	41
Corporate bonds	193,269	4,100
Eurobonds	10,081	-
	223,822	**4,141**
	(2,564,969)	**(92,222)**
Total fair value movement*	**(650,650)**	**2,168,619**

*Tax implication on this item is Nil (2020: Nil)

18 Earnings per share

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-21**	**Dec-20**
Profit for the year from continuing operations	2,007,112	5,040,664
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	40	100
Total basic earnings per share	40	100

There are no dilutive component in the Bank's capital

19 Cash and balances with banks

In thousands of Naira	**Dec-21**	**Dec-20**
Balances with banks (see note (i))	12,903,621	11,685,383
Unrestricted balances with central banks	102,503	1,088,351
Impairment on cash (see note 9)	(2,995)	-
	13,003,129	**12,773,734**

(i) Included in balances with banks is an amount of N1.3bn (31 Dec 2020: N2.95bn) 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 34). This has been excluded for cash flow purposes.

20 Due from financial institutions

Financial assets at amortized cost

In thousands of Naira	**Dec-21**	**Dec-20**
Placements	11,594,180	35,808,280
Impairment on placements (see note (i) below)	(5,819)	(2,230)
	11,588,361	35,806,050
Current	11,594,180	35,806,050
Non current	-	-
	11,594,180	**35,806,050**

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-21	Dec-20
Balance at the beginning of the year	2,230	64,473
Writeback for the year	3,589	(62,243)
Balance at the end of the year	**5,819**	**2,230**

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	**Dec-21**	**Dec-20**
Balances with banks	12,903,621	11,685,383
Unrestricted balances with central banks	102,503	1,088,351
Due from financial institutions - Placements	11,594,180	35,808,280
Impairment on cash	(2,995)	-
Impairment on placements	(5,819)	(2,230)
	24,591,490	**48,579,784**
b. Non-cash equivalents		
Cash collateral on customer's LCs	1,344,972	2,673,930
Money market placements (above 90 days) less impairment	650,128	10,662,103
	1,995,100	**13,336,033**
Cash and cash equivalents (a-b)	**22,596,390**	**35,243,751**

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-21**	**Dec-20**
Treasury bills	6,034,271	6,981,852
Unquoted securities - FVTPL	1,852,512	-
Corporate Eurobond	1,510,145	-
Government bonds	7,182,645	3,362,083
	16,579,573	**10,343,935**
Current	6,034,769	7,037,848
Non current	10,544,804	3,306,087
	16,579,573	**10,343,935**

(b) Non pledged trading liabilities

	Dec-21	**Dec-20**
Treasury bills	27,828	-
Government bonds	-	4,643
	27,828	**4,643**

Current	27,828	4,643
Non current	-	-
	27,828	**4,643**

22 Derivative financial instruments

	Derivative assets Dec 2021		Derivative liabilities Dec 2021	
	Notional amount	**Fair Value**	**Notional amount**	**Fair Value**
In thousands of Naira				
Foreign exchange forward contracts	5,894,248	1,975,148	(5,887,839)	(3,332,522)
Foreign exchange swap contracts	1,887,290	1,406,813	-	-
	7,781,538	**3,381,961**	**(5,887,839)**	**(3,332,522)**

	Dec 2020		Dec 2020	
	Notional amount	**Fair Value Assets / (Liabilities)**	**Notional amount**	**Fair Value Assets / (Liabilities)**
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)**

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

In thousands of Naira	**Dec-21**	**Dec-20**
Debt securities		
Federal government bonds	209,597	12,148,974
Treasury bills	900,901	69,801,647
Special bills	22,878,371	-
Promissory notes	6,970,555	-
State government bonds	1,393,687	185,395
Eurobonds	6,612,379	64,859
Corporate bonds	6,627,999	853,484
	45,593,489	83,054,359
Equity securities (designated)		
Quoted equity securities	-	23,226
Unquoted equity securities at FVTOCI[i]	15,466,448	13,551,575
	61,059,937	**96,629,160**

i) The Bank has designated some unquoted equity investments at FVTOCI. No unquoted equity investment was derecognised during the period.

(b) At Amortised cost

In thousands of Naira	**Dec-21**	**Dec-20**
Debt securities		
Federal government bonds	2,990,807	1,620,005
Corporate bonds	-	9,970,136
Gross Total	2,990,807	11,590,141
Impairment on investment securities at amortized cost	(4,416)	-
	2,986,391	**11,590,141**
Total investment securities	**64,046,328**	**108,219,301**
Current	23,830,026	83,383,303
Non current	40,216,302	24,835,998
	64,046,328	**108,219,301**

(i) Impairment / (writeback) on investment securities at amortized cost

In thousands of Naira	**Dec-21**	**Dec-20**
Balance, beginning of year	-	-
(Writeback) / charge for the year [see note 9]	4,416	-
Balance, end of year	4,416	-

24 Pledged assets

	Dec-21	Dec-20
Financial instruments at FVTOCI		
Special bills	47,096,446	-
Treasury bills	13,077,034	15,031,130
	60,173,480	**15,031,130**
Financial instruments at amortised cost		
Government bonds	6,352,045	1,073,177
	6,352,045	**1,073,177**
Financial instruments at FVTPL		
Treasury bills	3,366,563	-
	3,366,563	**-**
	69,892,088	**16,104,307**
Current	63,540,043	15,031,130
Non Current	6,352,045	1,073,177
	69,892,088	**16,104,307**
The related liability for assets pledged as collateral include:		
Deposits from financial institutions [see note (i) below]	44,795,696	52,319,291

(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.

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	Dec-21	Dec-20
Non-retail exposures		
Personal loan	188,685	178,947
Mortgage loan	546,042	521,882
	734,727	700,829
Less: Allowance for impairment losses	(10,481)	(62,263)
	724,246	**638,566**
Loans to corporate entities and other organizations		
Overdraft	8,472,361	5,401,978
Term Loan	142,292,543	116,812,679
	150,764,904	122,214,657
Less: Allowance for impairment losses	(266,147)	(170,726)
	150,498,757	**122,043,931**
Total loans and advances to customers	151,499,631	122,915,486
Less: Allowance for impairment losses	(276,628)	(232,989)
Grand Total	**151,223,003**	**122,682,497**
Current	146,708,946	92,511,973
Non current	4,514,057	30,170,524
	151,223,003	**122,682,497**

b Impairment allowance on loans and advances to customers

	Dec 2021			
Loans to individuals				
In thousands of Naira				
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Standard grade	734,727	-	-	734,727
Total	**734,727**	**-**	**-**	**734,727**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment allowance as at 1 January 2020	62,263	-	-	62,263
Charge for the year	(51,782)			(51,782)
At 31 December 2021	**10,481**	**-**	**-**	**10,481**

Loans to corporate entities and other organizations

In thousands of Naira	Dec 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	71,721,881	-	-	71,721,881
Standard grade	79,043,023	-	-	79,043,023
Total	**150,764,904**	**-**	**-**	**150,764,904**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment allowance as at 1 January 2020	170,726	-	-	170,726
Charge for the year	95,421			95,421
At 31 December 2021	**266,147**	**-**	**-**	**266,147**

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 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	-	-	-	-
Standard grade	700,829	-	-	700,829
Total	**700,829**	**-**	**-**	**700,829**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL 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	December 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**
ECL 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**

26 Other assets

In thousands of Naira	Dec-21	Dec-20
Financial assets at amortized cost		
Accounts receivable (see note (i) below)	7,886,405	14,050,032
Contribution to AGSMEIS (See note 26(a) below)	1,248,299	996,266
Restricted deposits with Central Bank (See note 26(b) below)	121,850,717	72,327,019
	130,985,421	87,373,317
Allowance for impairment on account receivables	(225,957)	(118,450)
Net financial asset	**130,759,464**	**87,254,867**

Movement in allowance for impairment on account receivables	**Dec-21**	**Dec-20**
Balance at the beginning of the year	118,450	44,461
Charge for the year (see note 9)	107,507	73,989
Balance at the end of the year	**225,957**	**118,450**

(i) a. Included in account receivables is N6.553 billion (2020: N2.979 billion) correspondent bank charges on letter of credit transactions on behalf of customer awaiting foreign exchange purchase, the payable amount in respect of this is captured under trade related liabilities (refer to note (34)). N496 million (2020: N580 million) receivable from investment banking client in respect of several projects and N112 million (2020: nil) net settlement in suspense account as at 31 December.

b. In 2020, an amount of N83.99 million relating to items now in use by a divested subsidiary was included in accounts receivable. This has been fully paid for in current year.

	Dec-21	Dec-20
Non-financial assets		
Prepayments	470,381	331,671
Prepaid employee benefits	290,280	366,237
Net non-financial asset	**760,661**	**697,908**
Net other assets	**131,520,125**	**87,952,775**
Current	8,421,109	14,629,490
Non current	123,099,016	73,323,285
	131,520,125	**87,952,775**

(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.

The Funds are currently held with the Central Bank of Nigeria pending investments in such agricultural businesses and SMEs.

(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-21**	**Dec-20**
Balance as at 1 January	118,450	27,183
- Charge for the year (see note 9)	107,507	91,267
Balance, end of the year	**225,957**	**118,450**

27 Right of use assets

	Building
In thousands of Naira	**Dec-21**
Cost	
Balance at 1 January 2021	96,246
Acquisitions	10,521
Balance at 31 December 2021	106,767
	Dec-20
Balance at 1 January 2020	92,168
Acquisitions	4,078
Balance at 31 December 2020	96,246
Amortization	**Dec-21**
Balance at 1 January 2021	42,252
Amortization for the year	28,567
Balance at 31 December 2021	70,819
	Dec-20
Balance at 1 January 2020	15,307
Amortization for the year	26,945
Balance at 31 December 2020	42,252
Carrying amount	
Balance at 31 December 2021	**35,948**
Balance at 31 December 2020	53,994

Amount in thousands of Naira (N'000) unless otherwise stated

28 Intangible assets

In thousands of Naira

In thousands of Naira	**Purchased Software**	**Total**
Cost		
December 2021		
Balance at 1 January 2021	1,594,470	1,594,470
Acquisitions	682,920	682,920
Balance at 31 December 2021	**2,277,390**	**2,277,390**
December 2020		
Balance at 1 January 2020	1,548,069	1,548,069
Acquisitions	555,549	555,549
Reclassification from Other Assets	22,050	22,050
Write off	(531,198)	(531,198)
Balance at 31 December 2020	**1,594,470**	**1,594,470**
Amortization and impairment losses		
Balance at 1 January 2021	477,888	477,888
Amortization for the year	382,148	382,148
Balance at 31 December 2021	**860,036**	**860,036**
Balance at 1 January 2020	841,657	841,657
Amortization for the year	164,141	164,141
Transfer	3,284	3,284
Write off	(531,194)	(531,194)
Balance at 31 December 2020	**477,888**	**477,888**
Carrying amounts		
Balance at 31 December 2021	**1,417,354**	**1,417,354**
Balance at 31 December 2020	1,116,582	1,116,582

Ammortization method used is straight line.

- Amortization method used is straight line.
- There were no contractual commitments for the acquisition of intangible assets (31 December 2020: Nil).
- Intangible assets are non-current assets

29 Property and Equipment

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 2021	284,274	497,246	384,400	1,210,479	289,092	3,991,152	1,181,758	34,005	7,872,406
Additions	24,966	209,781	48,447	110,245	213,785	4,340	27,455	160,657	799,677
Disposals	(3,778)	(22)	(2,677)	(39,900)	-	-	-	-	(46,376)
Write-offs	(19,336)	(1,797)	(40,658)	-	-	-	-	-	(61,791)
Reclassification	1,762	1,599	5,679	-	23,304	-	-	(32,344)	-
Balance at 31 December 2021	**287,889**	**706,807**	**395,192**	**1,280,824**	**526,181**	**3,995,492**	**1,209,213**	**162,318**	**8,563,916**
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	284,274	497,246	384,400	1,210,479	289,092	3,991,152	1,181,758	34,005	7,872,406

2020 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 following 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 2021	106,344	328,853	146,569	441,067	54,686	208,290	-	-	1,285,809
Charge for the year	55,569	96,236	53,514	253,508	44,386	79,803	-	-	583,016
Disposal	(2,457)	(22)	(2,161)	(39,900)	-	-	-	-	(44,539)
Write-offs	(16,511)	(1,797)	(30,922)	-	-	-	-	-	(49,229)
Balance at 31 December 2021	**142,945**	**423,271**	**167,001**	**654,675**	**99,072**	**288,093**	**-**	**-**	**1,775,057**
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
Carrying amounts:									
Balance at 31 December 2021	**144,943**	**283,536**	**228,191**	**626,149**	**427,109**	**3,707,399**	**1,209,213**	**162,318**	**6,788,859**
Balance at 31 December 2020	177,930	168,393	237,831	769,412	234,406	3,782,862	1,181,758	34,005	6,586,596

- There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (31 December 2020: Nil).
- There was no impairment loss (31 December 2020: Nil) on the office equipment class during the year.
- There were no property and equipment pledged as securities for liabilities (31 December 2020: Nil).
- There were no contractual commitments for the acquisition of property and equipment (31 December 2020: Nil).
- Property and equipment are non-current assets

30. Deferred tax assets and liabilities

(a) Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	Dec 2021			Dec 2020		
	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 carried forward	4,752,096	-	4,752,096	5,208,453	-	5,208,453
Exchange loss unrealised	-	88,273	(88,273)	452	-	452
Derivative transactions	-	16,068	(16,068)	-	-	-
Deferred tax assets (net)	4,759,757	270,561	4,489,196	5,216,566	166,220	5,050,346

	Bank December 2021	**Bank December 2020**
Deferred income tax assets		
– Deferred income tax asset to be recovered after more than 12 months	4,752,096	5,208,453
– Deferred income tax asset to be recovered within 12 months	7,661	8,113
	4,759,757	5,216,566
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 2021

	1 Jan 2021	**Recognised in P&L**	**Recognised OCI**	**31 Dec 2021**
PPE and intangible assets	(166,220)	-	-	(166,220)
Allowances for loan losses	7,661	-	-	7,661
Tax loss carry forward	5,208,453	(456,357)	-	4,752,096
Exchange loss unrealised	452	(88,725)	-	(88,273)
Derivative transactions	-	(16,068)	-	(16,068)
	5,050,346	**(561,150)**	**-**	**4,489,196**

December 2020

	1 Jan 2020	**Recognised in P&L**	**Recognised OCI**	**31 Dec 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**

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

	December 2021		December 2020	
	Gross amount	**Tax effect**	**Gross amount**	**Tax effect**
PPE and intangible assets	3,707,257	1,204,858	3,144,405	943,322
Allowances for losses	637,958	207,336	756,072	226,822
Tax loss carry forward	33,331,382	10,832,699	31,621,100	9,486,330
Exchange loss unrealised	-	-	30,335	9,100
	37,676,596	**12,244,894**	**35,551,912**	**10,665,574**

(d) Tax losses carried forward

Tax losses for which no deferred tax asset was recognised expire as follows:

	December 2021		December 2020	
In thousands of Naira	**2021**	**Expiry date**	**2020**	**Expiry date**
Expire	-	-	-	
Never Expire	33,331,382	-	31,621,100	-

31 Due to financial institutions

In thousands of Naira	**December 2021**	**December 2020**
Secured takings	44,795,696	52,319,291
	44,795,696	**52,319,291**

Deposit from financial institutions are all current in nature

32 Due to customers

In thousands of Naira	**December 2020**	**December 2019**
Current deposit	33,617,927	57,574,973
Call deposit	1,402,767	6,773,418
Customers' investment fund	142,338,337	130,813,074
	177,359,031	**195,161,465**

Due to customers are all current in nature

33a Commercial paper liabilities

In thousands of Naira	December 2021	December 2020
Commercial papers	55,355,146	8,887,242
	55,355,146	**8,887,242**

Commercial paper liabilities are all current in nature

The movement in commercial papers during the year is as follows:

Balance at 1 January 2021	8,887,242	12,610,440
Inflow	71,291,624	10,107,168
Interest expense	4,337,223	2,249,760
Interest payment	(854,464)	(1,889,112)
Principal payment	(28,306,479)	(14,191,014)
Balance at 31 December 2021	55,355,146	8,887,242

33b Surbodinated Liabilities

In thousands of Naira	December 2021	December 2020
Subordinated unsecured bond	24,860,099	24,806,884
	24,860,099	**24,806,884**
Current	-	-
Non current	24,860,099	24,806,884
	24,860,099	**24,806,884**

The movement in subordinated liabilities during the year is as follows:

	December 2021	December 2020
Balance at 1 January 2021	24,806,884	-
Inflow	-	25,000,000
Interest expense	1,687,599	142,566
Interest payment	(1,634,384)	
Fee payment	-	(335,682)
Balance at 31 December 2021	24,860,099	24,806,884

33c Other Borrrowings

	December 2021	December 2020
In thousands of Naira	8,405,291	-
Other borrowings (see note (ii) below)	8,405,291	-

The movement in other borrowings during the year is as follows:

	December 2021	December 2020
Balance at 1 January 2021	-	-
Inflow	8,482,200	-
Interest expense	13,568	-
Fee payment	(90,477)	-
Balance at 31 December 2021	**8,405,291**	**-**

(i) The unsecured subordinated bond was issued by the Bank on 30 November 2020 in connection with the N100billion Coronation Merchant Bank Funding SPV PLC Bond issuance programme. The amount issued is N25 billion for a duration of 5 years and at a coupon rate of 6.25% per annum, payable semi-annually in arrears and the principal payable at maturity in 2025.

(ii) The other borrowings relates $20 million working capital loan availed to the Bank by the International Finance Corporation (IFC) effective 22 December 2021. The loan is for a duration of 1 year and at an interest rate of the fixed based rate of 0.63% (determind by the IFC) plus a spread of 4.25% totaling 4.88% which is payable semi-annually in arrears and the principal payable at maturity in 2022 or may be rolled forward for an additional 1 year if and only if no Event of Default has occurred or is continuing, or the Event of Default is not, in the opinion of IFC, imminent.

34 Other liabilities

	December 2021	December 2020
Financial liabilities		
Sundry creditors	4,177,349	124,508
Cash collateral on customer's LCs	1,344,972	2,952,981
Trade related liabilities[1]	112,712,407	78,532,176
Other financial liabilities [see (i) below]	10,441	2,357,614
Impairment on contingents [see (iii) below]	147,850	29,895
	118,393,019	**83,997,174**

[1] This represents the Naira value of foreign currencies liabilities due to correspondent banks and customers on letter of credit transactions.

(i) Other financial liablilities largely relates to non-deliverable forward

Non-financial liabilites		
Other current non-financial liabilities	1,389,625	1,306,640
	1,389,625	**1,306,640**
Total other liabilities	**119,782,644**	**85,303,814**

Other liabilies are all current in naturex

(ii) Movement lease liabilities

	December 2021	December 2020
In thousands of Naira		
Balance at 1 January 2021	-	53,333
Payment	-	(53,333)
Balance at 31 December 2021	**-**	**-**

(iii) Movement in impairment on contingents

In thousands of Naira	December 2021	December 2020
Balance, beginning of year	29,895	8,563
Charge for the year (see note 9)	117,955	21,332
Balance, end of year	**147,850**	**29,895**

35 Capital and reserves

A Share capital

In thousands of Naira	December 2021	December 2020
(i) 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 2021	December 2020
(ii) 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.

In line with the deadline of 31 December 2022 as provided for in the Companies and Allied Matters Act (CAMA) 2020, the Bank is in the process of addressing the gap between the issued share capital and the authorised share capital in line with CAMA 2020.

B Share premium

Share premium is the excess paid by shareholders over the nominal value for their shares.

In thousands of Naira	December 2021	December 2020
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.15(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 investment carried at fair value through other comprehensive income until it 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.

36 Contingencies

(i) Legal proceedings

There were 8 (2020:8) outstanding legal proceedings with claims amounting to N2.1bn (31 December 2020: N1.8 bn) against the Bank as at 31 December 2021. The claims are being defended vigorously by the Bank as most of them are considered to be of no merit whatsoever. The Bank has made provision of N88 m (2020: nil) on one of the cases which has been on-going since 2012. given the substantial traction on the matter since 2020. The Directors believe that, based on currently available information and advice of external and internal legal counsels, 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 more than the provisions already made for the year ended 31 December 2021.

a. These comprise:

In thousands of Naira	**December 2021**	**December 2020**
Contingent liabilities:		
Clean Line Letters of Credit	83,945,013	63,490,663
Guaranteed credit facilities	15,526,172	-
	99,471,185	**63,490,664**

37 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
There were no changes in the composition of the board of directors during the year

(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**	**31 Dec 2021**	**31 Dec 2020**
		N'000	**N'000**
Coronation Registrars limited	Shareholder	363	1,403,017
Coronation Insurance Plc	Shareholder	203,072	1,645
Coronation Insurance Life	Common ownership	257,491	-
Coronation Securities Limited	Common ownership	1,765,527	3,602,415
Coronation Trustees Limited	Common ownership	107,468	64,709
Coronation Asset Management Limited	Common ownership	4,934,845	883,125
Coronation Capital Limited	Shareholder	546	3
Trium Networks Limited	Common ownership	652	1,704
Marina Mars Proprietary Investments Limited	Shareholder	70,067	25,211
UNICO CPFA	Shareholder	294	294
Trustbanc	Shareholder	590	-
DTD Holding Limited	Shareholder	97,813	30,568
Abubakar Jimoh	Former CEO/Chairman Trustbanc	1,216	1,148
Key management personnel	Employee	14,604	5,401
Directors	Directorship	125,689	937,710
		7,580,237	**6,956,950**

	Directors	Key management personnel	Shareholders and other affiliated companies
Movement in related party deposit			
Year ended 31 December 2021			
At 1 January	937,710	6,235	6,013,839
Net funds received during the year	(812,021)	8,369	1,426,105
At 31 December 2021	**125,689**	**14,604**	**7,439,944**
Year ended 31 December 2020			
At 1 January	232,232	51,414	4,756,616
Funds received during the year	705,479	(46,013)	1,257,223
At 31 December 2020	**937,711**	**5,401**	**6,013,839**

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:

	Nature of transaction	Notes	Relationship	31 Dec 2021 N'000	31 Dec 2020 N'000
Coronation Securities Limited	Intercompany payable	25	Common ownership	-	1,064
Coronation Asset Management Limited	Rental income	13	Common ownership	46,279	-
Coronation Asset Management Limited	Other receivables	25	Common ownership	36,164	57,808
Coronation Insurance Plc	Payment for insurance premium	15	Shareholder	29,088	-
Coronation Life Assurance ltd	Payment for insurance premium	15	Common ownership	23,445	-
				134,976	**58,872**

b Loans to related parties

Balances and transactions with related party as at:

Relationship	Facility type	Status	31 Dec 2021	31 Dec 2020
Executive management and directors	Mortgage, Personal and Car loan	Not impaired	840,665	866,959
			840,665	**866,959**
Interest earned on staff loan			42,078	43,348

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.

c	**Key management compensation**	**31 Dec 2021**	**31 Dec 2020**
	Salaries and other short-term employee benefits:		
	Salaries and wages	606,090	376,982
	Other staff benefits	340,448	223,484
		946,538	**600,466**

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.

38 Employees

The average number of persons employed by the Bank during the year was as follows:

	Number	**Number**
	31 Dec 2021	**31 Dec 2020**
Executive directors	2	2
Management	19	15
Non-management	109	125
	130	**142**

Compensation for the above staff (excluding executive directors):

	N'000	**N'000**
	31 Dec 2021	**31 Dec 2020**
Salaries and wages	1,763,541	1,425,215
Pension cost - defined contribution scheme	137,207	101,555
	1,900,748	**1,526,770**

The number of employees other than directors, who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Number	**Number**
	31 Dec 2021	**31 Dec 2020**
N300,001 - N2,000,000	12	24
N2,000,001 - N2,800,000	2	1
N2,800,001 - N3,500,000	8	14
N3,500,001 - N5,500,000	41	40
N5,500,001 - N10,500,000	32	35
N10,500,001 - N20,000,000	20	18
Above N20,000,000	15	10
	130	**142**

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.

39 Directors' emoluments and expenses

Remuneration paid to the Directors (excluding certain allowances) was:

	31 Dec 2021	**31 Dec 2020**
Fees and sitting allowances	184,550	162,550

Executive compensation	182,847	81,128
Pension cost - defined contribution scheme	15,611	7,530
Other director expenses	3,001	17,386
	386,009	**268,594**

Fees and other emoluments disclosed above include amounts paid to:

	31 Dec 2021	**31 Dec 2020**
Chairman	20,500	18,750
Highest paid executive director	24,800	32,370

The number of directors who received fees and other emoluments (excluding pension contributions and certain benefit) in the following ranges was:

	Number	
	31 Dec 2021	**31 Dec 2020**
N300,001 - N10,500,000	-	1
N10,500,001 - N20,000,000	-	2
Above N20,000,000	10	8
	10	**11**

40 Compliance with banking regulation

During the year under review, the following penalties were paid:

DESCRIPTION	Regulator	AMOUNT
Breaching of Rule 323 (17) of the Securities and Excahange Commission	SEC	1,000,000

The Bank is committed to ensuring consistent compliance with banking regulations.

41 Dividends

A dividend in respect of the year ended 31 Dec 2021 of 12 kobo per share (2020: 33 kobo) amounting to a total dividend of N 630 million (2020: N1.68 billion) is to be approved by the shareholders. These financial statements do not reflect this dividend payable.

42 Events after the reporting date

There were no subsequent events which could have a material effect on the financial position of the Bank as at 31 December 2021 or the profit for the year then ended on that date, that have not been adequately provided for or disclosed in the financial statements.

43 COVID-19

The COVID-19 pandemic has severely impacted global health, financial markets, consumer and business spending, and economic conditions in all of the jurisdictions where Citi operates. The extent of the future pandemic impacts remains uncertain but may include, among other impacts, disruption of the global supply chain, higher inflation or interest rates, financial market volatility, increase in credit costs for Coronation Merchant Bank (CMB), and public health impacts. The pandemic may continue to have negative impacts on CMB's businesses and overall results of operations and financial condition.

44 Non-Audit Services

During the year, the auditors Mssrs KPMG performed the following non -audit services

Service provided	Fee N'm
Development of Competency and Career Management Framework	13
Vulnerability Assessment and Penetration Testing Services	5
Customer experience survey	4
Total fees for non-audit services	**22**

45 Reclassification

Certain comparative figures have been reclassified in line with the current year's presentation.

46 Statement of cash flow notes

		Notes	Dec 2021	Dec 2020
(i)	Proceeds from disposal of property and equipment	29		
	Cost of property and equipment disposed during the year		**46,376**	**257,153**
	Cost of property and equipment written off during the year		**61,791**	**300,771**
	Accumulated depreciation on property and equipment disposed		(44,539)	(204,244)
	Accumulated depreciation on property and equipment written off		(49,229)	(274,365)
	Net book value of property and equipment disposed/written off		14,399	79,314
	Loss on disposal/write off of property and equipment	15	(12,597)	(26,256)
	Proceeds from disposal of property and equipment		1,802	53,058
(ii)	Non-pledged trading assets	21		
	Balance as at beginning of the year		10,343,935	11,408,065
	Balance as at end of year		(16,579,573)	(10,343,935)
			(6,235,638)	1,064,130
	Interest receivable	46(xvi)	294,731	281,882
	Unrealised fair value gain	11b	1,790,668	34,547
			(4,150,239)	1,380,559
(iii)	Investment securities FVTOCI	23(a)		
	Balance as at beginning of the year		96,629,160	58,635,755
	Balance as at end of year		(61,059,937)	(96,629,160)
			35,569,223	(37,993,405)
	Interest receivable	46(xvi)	489,032	383,245
	Unrealised fair value gain or loss	17	(650,650)	2,168,619
			35,407,605	(35,441,541)

	Explained by:			
	Purchase of FVTOCI investment securities		(46,998,547)	(49,966,891)
	Sale of FVTPL investment securities		82,406,152	14,525,350
			35,407,605	(35,441,541)
(iv)	Investment securities at amortised cost	23(b)		
	Balance as at beginning of the year		11,590,141	1,672,125
	Balance as at end of year		(2,986,391)	(11,590,141)
			8,603,750	(9,918,016)
	Interest receivable	46(xvi)	193,831	160,346
	Changes in ECL allowance	9	(4,416)	-
			8,793,165	(9,757,670)
	Explained by:			
	Purchase of FVTOCI investment securities		(2,207,900)	(9,757,670)
	Sale of FVTPL investment securities		11,001,065	-
			8,793,165	(9,757,670)
(v)	Due from financial institutions	20		
	Balance as at beginning of the year		10,700,930	7,507,350
	Balance as at end of year		(650,128)	(10,700,930)
			10,050,802	(3,193,580)
	Interest receivable	46(xvi)	43,185	210,998
	Changes in ECL allowance	9	(3,589)	62,243
			10,090,399	(2,920,339)
(vi)	Derivative financial instruments	22		
	Assets			
	As at January		5,500,493	2,410,142
	Balance as at end of year		(3,381,961)	(5,500,493)
			2,118,532	(3,090,351)
	Liabilities			
	As at January		5,429,271	2,420,349
	Balance as at end of year		(3,332,522)	(5,429,271)
			2,096,749	(3,008,922)
			21,783	(81,429)
(vii)	Restricted deposit with CBN	26(b)		
	As at January		72,327,019	8,757,976
	Balance as at end of year		(121,850,717)	(72,327,019)
			(49,523,698)	(63,569,043)
(viii)	Loans and advances to customers	25		
	As at January		122,682,497	72,683,949
	Balance as at end of year		(151,223,003)	(122,682,497)
			(28,540,506)	(49,998,548)

	Interest receivable	46(xvi)	2,117,103	846,832
	Changes in ECL allowance	9	(43,639)	(174,706)
			(26,467,042)	(49,326,422)
(ix)	Pledged assets	24		
	As at January		16,104,307	16,326,798
	Balance as at end of year		(69,892,088)	(16,104,307)
			(53,787,781)	222,491
(x)	Other assets (excluding restricted deposit with CBN)	26		
	As at January		15,625,756	1,987,089
	Changes in ECL allowance	9	(107,507)	(91,267)
	WHT utilization		-	(14,118)
	Balance as at end of year		(9,669,408)	(15,625,756)
			5,848,841	(13,744,052)
(xi)	Due to customers	32		
	As at January		195,161,465	138,087,891
	Balance as at end of year		(177,359,031)	(195,161,465)
			17,802,434	(57,073,574)
	Interest payable	46(xvii)	1,570,642	808,022
			19,373,076	(56,265,552)
(xii)	Non-pledged trading liabilities	21		
	As at January		4,643	523,876
	Balance as at end of year		(27,828)	(4,643)
			23,185	(519,233)
(xiii)	Deposits from financial institutions	31		
	As at January		52,319,291	25,978,923
	Balance as at end of year		(44,795,696)	(52,319,291)
			7,523,595	(26,340,368)
	Interest payable	46(xvii)	829,111	700,370
			8,352,706	(25,639,998)
(xv)	Other liabilities	34		
	As at January		85,303,814	38,712,890
	Changes in ECL allowance on contingents	9	117,955	21,332
	Customer liability for LCs		(1,344,972)	(2,952,981)
	Interest payable	46(xvii)	522,373	159,644
	Balance as at end of year		(119,782,644)	(85,303,814)
			35,183,474	49,362,929
(xvi)	Interest received			
	Interest income	7	34,107,042	19,275,207

	Interest receivable on loans - prior year	46(viii)	846,832	351,710
	Interest receivable on non-pledged trading assests - prior year	46(ii)	281,882	40,306
	Interest receivable on FVTOCI investment securities - prior year	46(iii)	383,245	169,482
	Interest receivable on amortised cost investment securities - prior year	46(iv)	160,346	237,058
	Interest receivable on placements - prior year	46(v)	210,998	23,133
	Interest receivable on loans	46(viii)	(2,117,103)	(846,832)
	Interest receivable on non-pledged trading assests	46(ii)	(294,731)	(281,882)
	Interest receivable on FVTOCI investment securities	46(iii)	(489,032)	(383,245)
	Interest receivable on amortised cost investment securities	46(iv)	(193,831)	(160,346)
	Interest receivable on placements	46(v)	(43,185)	(210,998)
			32,852,464	18,213,593
(xvii)	Interest paid			
	Interest expense	8	33,107,688	15,269,476
	Interest payable on due to customers - prior year	46(xi)	808,022	750,171
	Interest payable on deposits from financial institutions - prior year	46(xiii)	700,370	511,306
	Interest payable on subordinated liabilities - prior year	33(b)	142,566	-
	Interest payable on commercial papers - prior year	33(a)	360,648	-
	Interest payable on other liabilities - prior year	46(xv)	159,644	178,644
	Interest payable on due to customers	46(xi)	(1,570,642)	(808,022)
	Interest payable on deposits from financial institutions	46(xiii)	(829,111)	(700,370)
	Interest payable on subordinated liabilities	33(b)	(53,215)	(142,566)
	Interest payable on commercial papers	33(a)	(3,482,759)	(360,648)
	Interest payable on other borrowings	33(c)	(13,568)	-
	Interest payable on other liabilities	46(xv)	(522,373)	(159,644)
			28,807,269	14,538,348

VALUE ADDED STATEMENT

Bank	31 Dec 2021		31 Dec 2020	
	N'000	%	N'000	%
Gross income	43,950,813		27,357,526	
Interest paid	(33,107,688)		(15,269,476)	
	10,843,125		12,088,050	
Impairments	(503,923)		(229,203)	
Administrative expenses (local and foreign)	(4,410,753)		(3,512,253)	
Value added	5,928,449	100	8,346,594	100
Value added distribution				
To government				
- Taxation	788,886	13%	743,758	9%
To employees				
- Salaries and other benefits	2,138,720	36%	1,833,629	22%
The future:				
- Depreciation and amortisation of property and equipment, ROU assets and intangibles	993,731	17%	728,543	9%
Expansion (transfer to reserves)	2,007,112	34%	5,040,664	60%
	5,928,449	100%	8,346,594	100%

(*) - This information is presented for the purpose of the requirement of the Companies and Allied Matters Act

STATEMENT OF FINANCIAL POSITION

	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
	N'000	N'000	N'000	N'000	N'000
Cash and balances with banks	13,003,129	12,773,734	8,956,378	3,211,035	8,188,002
Due from financial institutions	11,588,361	35,806,050	57,473,891	36,914,556	29,509,041
Non pledged trading assets	16,579,573	10,343,935	11,408,065	8,101,708	1,137,667
Derivative financial assets	3,381,961	5,500,493	2,410,142	1,388,676	116,520
Investment securities					
At Amortised cost	2,986,391	11,590,141	1,672,125	12,820,508	7,447,089
At fair value through other comprehensive income	61,059,937	96,629,160	58,635,755	74,805,578	20,338,589
Pledged assets	69,892,088	16,104,307	16,326,798	10,168,280	18,840,555
Loans and advances to customers	151,223,003	122,682,497	72,683,949	54,312,459	32,239,585
Other assets	131,520,125	87,952,775	10,745,065	7,845,696	6,415,957
Right of use assets	35,948	53,994	76,861	-	-
Intangible assets	1,417,354	1,116,582	706,412	622,503	544,749
Property, plant and equipment	6,788,859	6,586,596	6,472,233	2,974,252	3,077,084
Investment in subsidiaries	-	-	-	4,614,711	4,614,711
Deferred tax asset	4,489,196	5,050,346	5,777,715	4,998,887	5,203,887
	473,965,925	412,190,610	253,345,389	222,778,848	137,673,436
Assets held for sale	-		5,000	-	-
Total assets	**473,965,925**	**412,190,610**	**253,350,389**	**222,778,848**	**137,673,436**
Liabilities					
Due to financial institutions	44,795,696	52,319,291	25,978,923	12,159,545	11,206,114
Due to customers	177,359,031	195,161,465	138,087,891	126,896,867	77,766,608
Non pledged trading liabilities	27,828	4,643	523,876	8,169,494	-
Derivative financial liabilities	3,332,522	5,429,271	2,420,349	1,373,716	106,457
Commercial paper liabilities	55,355,146	8,887,242	12,610,440	18,053,345	-
Surbodinated liabilities	24,860,099	24,806,884	-	-	-
Other borrowings	8,405,291				
Current income tax liabilities	246,453	166,568	280,971	520,248	266,686
Other liabilities	119,782,644	85,303,814	38,712,890	24,457,369	19,134,419
Deferred tax liability	-	-	166,220	-	-
Total liabilities	**434,164,710**	**372,079,178**	**218,781,560**	**191,630,584**	**108,480,284**
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	8,665,908	8,364,841	7,608,741	6,844,066	6,171,410
Fair value reserve	2,400,379	3,051,029	870,146	(545,267)	466,220
Credit risk reserve	3,549,085	3,577,093	2,460,504	1,403,384	647,767
Retained earnings	16,479,949	16,412,575	14,923,544	14,740,188	13,201,861
Total equity	**39,801,215**	**40,111,432**	**34,568,829**	**31,148,264**	**29,193,152**
Total equity and liabilities	**473,965,925**	**412,190,610**	**253,350,389**	**222,778,848**	**137,673,436**

STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
	N'000	**N'000**	**N'000**	**N'000**	**N'000**
	43,950,813	27,357,526	31,128,815	27,957,400	24,748,772
Interest and similar income	34,107,042	19,950,522	25,093,015	24,286,820	22,195,656
Interest and similar expense	(33,107,688)	(15,269,476)	(20,664,692)	(17,291,460)	(14,633,478)
Net interest income	**999,354**	**4,681,046**	**4,428,323**	**6,995,360**	**7,562,178**
Impairment (charge) / write back for credit losses	(503,923)	(228,240)	(90,521)	(85,559)	51,596
Net interest income after impairment charge for on financial assets	**495,431**	**4,452,806**	**4,337,802**	**6,909,801**	**7,613,774**
Fee and commission income	1,982,983	1,884,587	1,351,031	1,700,352	1,300,432
Net gains/(loss) on investment securities	1,813,122	4,748,985	4,011,964	1,661,263	881,968
Net trading income	5,643,437	386,249	314,810	129,349	225,931
Other operating income	404,229	387,183	357,995	179,616	144,785
Operating expenses	(7,543,204)	(6,075,388)	(5,349,718)	(5,384,634)	(5,234,061)
Profit before tax	**2,795,998**	**5,784,422**	**5,023,884**	**5,195,747**	**4,932,829**
Taxation	(788,886)	(743,758)	(257,172)	(711,375)	(314,433)
Profit for the year	**2,007,112**	**5,040,664**	**4,766,712**	**4,484,372**	**4,618,396**
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	(650,650)	2,168,619	175,520	(1,013,107)	(424,592)
- Net loss recycled to profit&loss on disposal of FVTOCI instruments	-	-	-	-	(32,227)
Other comprehensive income/(loss) for the year (net of tax)	(650,650)	2,168,619	175,520	(1,013,107)	(456,819)
Total Comprehensive Income For The Year	**1,356,462**	**7,209,283**	**4,942,232**	**3,471,265**	**4,161,577**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 7th Annual General Meeting of members of Coronation Merchant Bank Limited ("the Bank" or "the Company") will hold on the 25th day of April, 2022 at the 5th Floor of Coronation House, 10 Amodu Ojikutu Street, Victoria Island, Lagos at 11.00a.m to consider and, if thought fit, to pass the following resolutions:

A. ORDINARY BUSINESS

As Ordinary Resolutions

1. To receive the Audited Financial Statements for the year ended December 31, 2021, and the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a final dividend.
3. To re-elect Mr. Larry Ettah as a Non-Executive Director.
4. To re-elect Mr. Babatunde Dabiri as an independent Non-Executive Director.
5. To re-elect Mrs. Suzanne Iroche as an independent Non-Executive Director.
6. To re-appoint KPMG Professional Services Limited ("KPMG Professional Services") 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. To disclose the remuneration of the Bank's managers.

B. SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions as Ordinary Resolutions of the Bank:

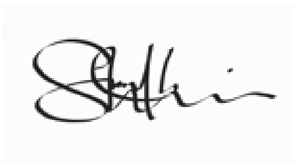
9(A) That pursuant to S. 305(3) of the Companies & Allied Matters Act 2020 and Article 48 of the Company's Articles of Association, the Directors be and are hereby authorized to take all steps necessary to comply with the requirement of S.124 of the Companies & Allied Matters Act 2020 and Regulation 13 of the Companies Regulation 2021 in relation to the unissued shares standing to the capital of the Company, including but not limited to the allotment or cancellation of such unissued shares.

9(B) That the Directors be and are hereby authorized to enter into and execute any agreements, deeds, notices or any other documents and to appoint any such professional parties and to perform all such other acts and do all such other things as may be necessary or incidental to giving effect to Resolution 9(A) above.

10. That the Directors' fees for the financial year ending December 31, 2022, be and is hereby fixed at N20,000,000.00 (Twenty Million Naira only) for the Chairman and N18,000,000.00 (Eighteen Million Naira only) for each of the Non-Executive Directors. That the sitting allowance for Directors be and is hereby fixed at N250,000.00 per sitting for the Chairman and N200,000.00 per sitting for the Non-Executive Directors.

11. To consider the report of the Board Performance Appraisal for the year ended December 31, 2021 and re-appoint the firm of Ernst & Young as Consultants for the Board Performance Appraisal for the year ending December 31, 2022.

DATED THIS 4th DAY OF APRIL 2022



STANLEY UBANI
COMPANY SECRETARY
FRC/2021/002/00000025010

NOTICES

1. 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.

2. COVID-19 and Challenges of Convening a Physical Meeting

In line with the subsisting protocol for management of the COVID-19 pandemic, and as allowed by the Company's Article of Association, the meeting shall be conducted in a manner that does not compromise the safety of lives of the Company's stakeholders. Accordingly, each member shall be entitled to send a single representative to attend the meeting physically while other representatives are encouraged to attend the meeting virtually through the electronic link that will be made available by the Company.

3. 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 participate remotely in the proceedings at the meeting.

Each shareholder will be able to participate in the proceedings through a link that will be accessible via the internet. The Board of Directors hereby encourage Shareholders to explore these virtual (electronic) means of attending the meeting.

Shareholders are therefore requested to submit their completed Proxy Forms appointing any of the listed proxies in compliance with the CAC's Guidelines to the office of the Company Secretary at 2nd Floor, Coronation House, 10 Amodu Ojikutu Street, Victoria Island Lagos or through his email address: Subani@coronationmb.com or legal@coronationmb.

com not later than 48 hours prior to the time of the meeting. The early submission of the Proxy Forms would enable the Bank to stamp the Proxy Forms and lodge them with the Registrars (Coronation Registrars Ltd) not later than 24 hours before the meeting.

All Shareholders may on Monday, 25th April 2022, 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 attendance. Where any difficulty is encountered, kindly call these technical support numbers – 08012 155 8519 (Eshi), 0708 505 8527 (Azeez) or 0803 374 6749 (Tony).

4. Dividend

If approved, the proposed final dividend of 12 kobo per ordinary share will be credited on the date of the Annual General Meeting to shareholders whose names were in the register of members at the close of business on 20th April 2022.

5. Closure of Register

The Register of Members of the Bank will be closed on 20th April 2022 to enable the Company Secretary to prepare for payment of dividend.

6. 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 18th April 2022.

7. Profiles of Directors

Biographical details of Directors standing for election or re-election are provided in the explanatory notes.

PROXY FORM

The 7th Annual General Meeting of CORONATION MERCHANT BANK LIMITED will hold at the 5th Floor of Coronation House at 10, Amodu Ojikutu Street, Victoria Island, Lagos at 11.00a.m. on 25th April 2022.

I/We ____ being a member/members of CORONATION MERCHANT BANK LIMITED hereby appoint ____ (or failing him, the Chairman of the meeting) as my/our proxy to act and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 a.m. on 25th April 2022 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 attend the meeting either in person or virtually.
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 above 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 Form 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 under 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 S8, Laws of the Federation of Nigeria 2004 (as amended) 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 Business	For	Against	Abstain
1	To receive the Audited Consolidated Financial Statement together with the Reports of the Directors, Auditor and Audit Committee thereon for the period ended December 31, 2021.			
2	To declare a final dividend of 12 kobo per ordinary share and that the Directors be and are hereby authorized to distribute dividends from the profit of the Company during the Financial Year ended December 31, 2021, to Members whose names appear on the register of the Bank as at the close of business on 20th April 2022.			
3	That pursuant to Article 54 of the Articles of Association of the Company, Mr. Larry Ettah, be and is hereby re-elected as a Non-Executive Director in the Bank.			
4	That pursuant to Article 54 of the Articles of Association of the Company, Mr. Babatunde Dabiri, be and is hereby re-elected as an Independent Non-Executive Director in the Bank.			
5	That pursuant to Article 54 of the Articles of Association of the Company, Mrs. Suzanne Iroche, be and is hereby re-elected as an Independent Non-Executive Director in the Bank.			

6	That KPMG Professional Services be and is hereby re-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 Professional Services for 2021 financial year.			
8	To disclose the remuneration of the Bank's managers.			
	Special Business			
9	(A) That pursuant to S. 305(3) of the Companies & Allied Matters Act 2020 and Article 48 of the Company's Articles of Association, the Directors be and are hereby authorized to take all steps necessary to comply with the requirement of S.124 of the Companies & Allied Matters Act 2020 and Regulation 13 of the Companies Regulation 2021 in relation to the unissued shares standing to the capital of the Company, including but not limited to the allotment or cancellation of such unissued shares.			
	(B) That the Directors be and are hereby authorized to enter into and execute any agreements, deeds, notices or any other documents, and to appoint any such professional parties and to perform all such other acts and do all such other things as may be necessary or incidental to giving effect to Resolution 9(A) above.			
10	That the Directors' fees for the financial year ending December 31, 2022, be and is hereby fixed at N20,000,000.00 (Twenty Million Naira only) for the Chairman and N18,000,000.00 (Eighteen Million Naira only) for each of the Non-Executive Directors. That the sitting allowance for Directors be and is hereby fixed at N250,000.00 per sitting for the Chairman and N200,000.00 per sitting for the Non-Executive Directors.			
11	That Ernst & Young be and is hereby appointed the external Consultant for the Board Performance Appraisal for the year ended December 31, 2022.			

Please indicate how you wish your votes to be cast on the resolutions set out above by marking 'X' in the appropriate space.

Dated this _________ day of ____________________ 2022

Signature of the shareholder: ____

The common seal of the shareholder ____ was hereunto affixed in the presence of:

___________________________ ___________________________________

DIRECTOR DIRECTOR/SECRETARY

NOTES


CORONATION

CORONATION

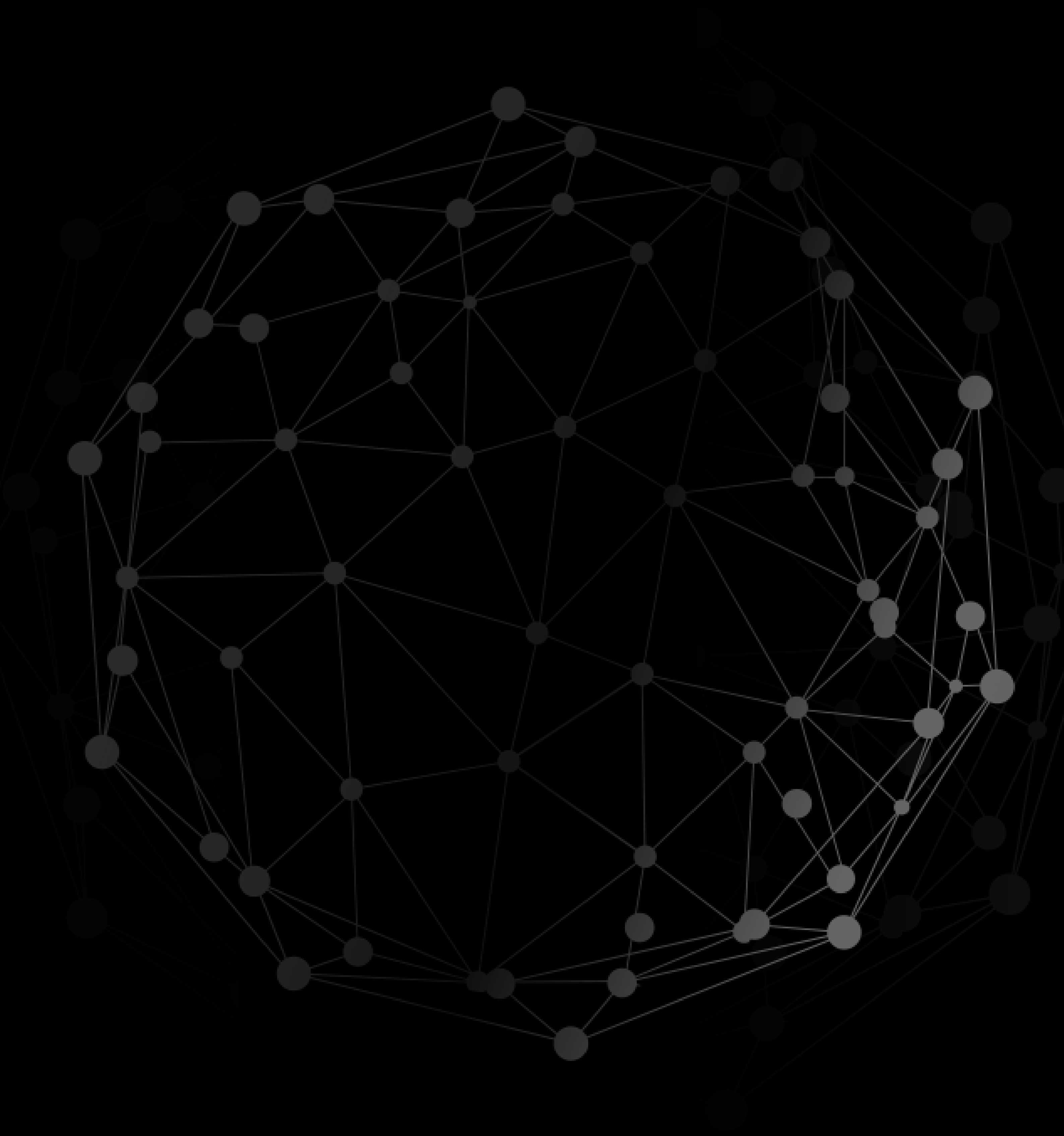
Globally Acclaimed

Best Investment Bank, Nigeria 2022

Your partnership has continuously propelled us to greater heights. You have earned us yet again the awards of the Best Investment Bank, Nigeria 2022 from **Global Finance and Global Banking and Finance.**

Thank you for believing in us.

@coronationmb



www.coronationmb.com