CORONATION
MERCHANT BANK

Connecting customers to opportunities

ANNUAL REPORT
AND ACCOUNTS 2018

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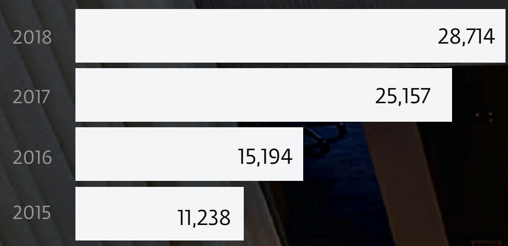
Financial Highlights

37%*

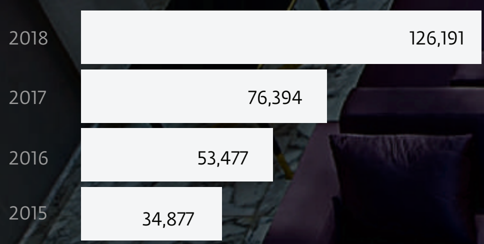
Gross Earnings
(N'million)



32%*

Profit Before Tax
(N'million)

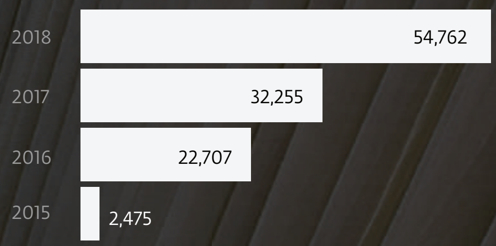
54%*



*CAGR - Compounded Annual Growth Rate

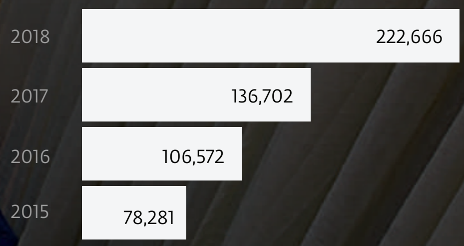
181%*

Loans and Advances
(N'million)



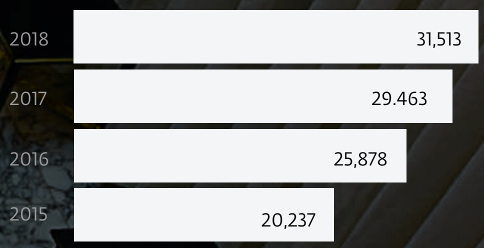
42%*

Total Assets
(N'million)



16%*

Shareholders Fund
(N'million)



*CAGR - Compounded Annual Growth Rate

Overview
Coronation Merchant Bank

Coronation Merchant Bank and its subsidiaries ("The Group") 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 Group offers investment and corporate banking, private banking/wealth management and global markets/treasury services to its diverse clients. It also offers securities trading/brokerage, asset management and trustee service via its subsidiaries; Coronation Securities Limited, Coronation Asset Management Limited and Coronation Trustees Limited respectively.

Driven by its vision of becoming Africa's premier Investment Bank and with an asset base of over N222bn, the Group is certain to leverage its privileged direction by some of Nigeria's individuals who excelled and rose to the top of merchant banking sector at its height of excellence to become the industry model for risk management, corporate governance and responsible business practices.

Going into the next five years, Coronation Merchant Bank plans to rank top 3 position across specific areas of the banking business and in all its capital market operations. 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 Group.

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 Group

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

Our Locations

Lagos Office

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

Abuja Office

Coronation House
Plot 158, Aminu Kano Crescent
Wuse 2, Abuja
T: +234 (0)9 481 0574

Port Harcourt Office

Charis Plaza, Evo Road Junction
141 Olu Obasanjo Road
Port Harcourt
T: +234 (0)84 464 240

Chairman's
Statement

Distinguished Shareholders,

I am delighted to welcome you to the 4th Annual General Meeting of Coronation Merchant Bank Limited (the Bank), and present the Bank's scorecard for the 2018 financial year.

At the beginning of the year, we set out with two main objectives; to consolidate our position as a leading African financial services platform, and to grow our businesses across all the sectors where we have a foothold.

I am happy to report that we achieved the above objectives and received recognition for those achievements. We received a number of awards from international organizations, notable amongst which were Best Investment Bank in Nigeria by World Finance, Fastest Growing Investment Bank by Global Banking & Finance Review, Best Investment Bank by Global Business Outlook, Best Investment Bank and Best Fund Managers by International Finance Magazine and Best Investment Bank in Nigeria by BusinessDay. The Group Managing Director/CEO, Mr. Abubakar Jimoh also received the 2018 CEO of the Year award from CEO Today Africa.

These awards reinforce the progress we made in positioning ourselves as a premier investment bank in Africa. Besides, the commendable financial performance we recorded is an attestation of the hard work and dedication of our Staff, Management and Board in building a truly vibrant organization for our shareholders.

As a fast paced, result driven and innovative bank, we are boldly setting standards of excellence in the financial services industry. Despite a challenging operating environment in the 2018 fiscal year, our Bank stayed the course and returned a modest performance. Our ability to remain profitable through the years is reflective of the effectiveness of our policies and processes, the efficacy of our Board/ Management and the nimbleness of our strategy.

Operating Environment

Global Economic Environment

The configuration of global growth and interest rates changed significantly in 2018. Although aggregate global growth remained steady at 3.7% year-on-year, the growth rates peaked in several key economic zones. In the Asia-Pacific region, total growth slowed from 5.2% year-on-year in 2017 to 4.9% year-on-year in 2018; in the Eurozone, growth slowed from 2.4% in 2017 to 1.9% in 2018. However, in the United States of America (US), economic growth accelerated from 2.2% in 2017 to an estimated 2.9% in 2018, leading to a rise in interest rates with significant adverse effects on emerging markets. The US Federal Funds rate rose by one percentage point to 2.5% during 2018. Although the rate rise was long-expected, several emerging markets had trouble adapting to the new environment.

In 2018, the following international currencies devalued against the US Dollar in these percentages; Argentinian Peso (50.6%), Turkish Lira (28.2%), Russian Ruble (17.3%), Brazilian Real (14.6%), and South African Rand (13.7%).

There were questions over the sustainability of the growth rate and future of the interest rate regime in the US, as well as concerns around the strained trade relations between the US and China, China's future growth rates, and the effect of BREXIT on the United Kingdom and the European Union.

The global political scene was unsettled in 2018, with the President and the House of Representatives in the US at loggerheads, leading to an impasse over budget spending. In France, there were widespread street protests against the government's fiscal reforms. In the United Kingdom, the Prime Minister lost her BREXIT Bill in the House of Commons by a significant majority, though she survived a vote of no-confidence by her party.

The last quarter of 2018 witnessed some worrying developments in commodity prices and markets. The S&P 500 Index fell by 14.0% during the quarter, while the oil price fell by 29%.

Overall, 2018 ended with an uncertain outlook for global politics, and the financial and commodity markets.

Domestic Economic Environment

The Nigerian economy witnessed consistent growth from the first quarter of 2017 through to the end of 2018, albeit with inconsistent growth patterns in different sectors of the economy. The economy experienced weak consumer demand, a low level of investment, and slack credit development which was as much a reflection of demand as it was of supply.

Nigeria's monetary authorities faced the task of balancing economic growth, controlling inflation, and maintaining the exchange rate. To this end, market interest rates, which were initially lowered with the inflation rate in the first part of the year, were raised later in the year to sustain the currency. The result was that inflation was brought down from 15.13% at the beginning of 2018 to 11.44% at the end of the year, while the Naira was stable against the US dollar throughout the year.

Banks continued to lend cautiously in 2018 due to the availability of high yields on Federal Government of Nigeria-backed bills and bonds. Some of them took the opportunity to trim their loan exposure and to consolidate, while making the most of new opportunities afforded by internet and mobile banking services.

PERFORMANCE REVIEW

In 2018 the pace of growth in Nigerian economy accelerated to 1.93% year-on-year, compared with growth of 0.82% in 2017. Delay by parliament in approving the 2018 budget also had ripple effects on the economy's performance, affecting budget implementation and increasing fiscal uncertainty.

The market witnessed declining yield for almost first 3 quarters in the year compared to 2017. This exerted pressure on the Group's interest earnings. Notwithstanding, the Bank maximized opportunities in its core business to deliver stable and sustainable revenue. Coronation Merchant Bank Group continued to deepen its non-interest lines of income significantly and this cushioned the headwinds occasioned by the decreasing yields as non-interest income increased by 46% compared to 2017. The Group recorded growth of 4% in Profit Before Tax (PBT) compared 2017, as PBT grew from N5.1bn to N5.3bn. The Group also recorded growth of 14% in gross earnings compared 2017, as gross earnings grew from N25.2bn to N28.7bn. The performance was on the back of increased share of customer wallet and market penetration amongst its customers, through innovative product offerings and excellent customer service.

The Bank grew its earning assets significantly by 70% y/y to cushion the gap from reduced market-driven decline in yield. This resulted resulted in a slight decline in net interest income by 5% to achieve N7.6bn (2017: N8.0bn). There was increase in FX, trading volumes, loan disbursement and electronic channel transactions which saw our non-interest income grow by 46% y/y to achieve N4.1bn (2017: N2.8bn). Several cost-reduction initiatives implemented in the year helped the Group manage our operating expenses amidst significant growth in the Bank's business and operations.

The Group maintained its sound prudential ratios above the regulatory limits with capital adequacy ratio (CAR) and liquidity ratios of 19.99% and 59.59% respectively. The Group maintained its sound risk management practices as non-performing-loan remained zero % even on the back of consistent growth in risk assets. The cost of risk increased marginally to 0.03% from 0% on the back of IFRS 9 implementation.

The Group grew its total assets significantly by 63% y/y to N222.7bn from N136.7bn largely from increased loans and advances, as it continued to improve on the stability of its funding. Customer deposits increased by 65% y/y to N126.2bn from N76.4bn. Loan to deposit ratio remained very strong & stable at 43.4% compared to 42.2%. We have continued to expand our sector reach and meet customers' financing needs by offering products with high value for money. We deliberately increased our exposures to high quality obligors in Agriculture and Manufacturing who fall within our risk acceptance criteria.

> " The Group also recorded growth of 14% in gross earnings compared to 2017, as gross earnings grew from N25.2bn to N28.7bn. The performance was on the back of increased share of customer wallet and market penetration amongst its customers, through innovative product offerings and excellent customer service"

The Bank floated a commercial paper instrument during the year which was well received in the market, as we succeeded in raising N20bn in the first tranche. In line with our five-year asset funding plan, the Group has obtained all relevant regulatory approvals to commence 100bn bond programme.

The Board has proposed a dividend of 33kobo per ordinary share of N1.00 upon shareholder's approval at the Annual General Meeting of the Bank

SUBSIDIARIES

As an organization dedicated to the growth of the financial services industry in Nigeria, we are players in the banking sector and other sectors within the industry. It is worthy of note that our foray into these other sectors has continued to yield positive returns for the Bank; with contributions from the subsidiaries increasing from 12% in 2017 to 18% in 2018.

During the period under review, Coronation Trustees Limited, a subsidiary of the Bank, was appointed trustees to critical transactions in the Public and Private sectors such as the Lagos State N300bn Infrastructure Bond and the Mixta N100bn Bond issues. Our ability to win these mandates reflects the growing level of public acceptance and emergence of the company as a leading Trustee in Nigeria. Leveraging on our growing prominence, we successfully grew our Security Assets Under Trust to over N20bn and our Assets Under Custody to N200bn within the past year.

Coronation Asset Management grew its Assets Under Management from N2bn in 2017 to N20bn in 2018, while the Funds' client base increased by an additional 1,000 new clients. The significant progress we recorded in 2018 earned us a position amongst the top 3 best performing Money Market Funds in Nigeria. In addition to this, we were recognized as the 2018 Best Fund Managers at the International Finance Awards which held in London, UK.

As a financial services platform dedicated to helping customers grow, we understand that to stay relevant in the industry; we must leverage digital innovations and simplify our processes to deliver seamless financial service to our customers; whether it's through making a payment, buying into an investment option or utilizing our advisory services.

To this end, Coronation Securities Limited recently launched the Coronation Online Trading Portal to enable customers buy and sell equities through the Nigerian Stock Exchange (NSE) from anywhere in the world.

Through our partnerships and collaborations with key institutions in the Primary Market space and top brokers in Europe and the US, we have increased our influence and created a more robust and responsive platform to grow our customers' businesses and investments. Most recently, we were appointed brokers to Access Bank's Commercial Paper and placement agent to the proposed MTN Nigeria Listing on the Nigerian Stock Exchange.

Going into 2019, we will continue to build on our digital solutions, recognizing that technology remains the future of equities trading in Nigeria.

BOARD DEVELOPMENTS

As a Bank committed to strong corporate governance standards, we ensure all our Board appointments are in line with global best practices and industry standards. This year, in line with our Memorandum and Articles of Association and regulatory requirements, a third of our Non-Executive Directors will be up for re-election. Following a formal evaluation, myself, Mr. Babatunde Dabiri, and Mrs. Suzanne Iroche have continued to demonstrate the commitment to our roles as Non-Executive Directors and therefore, being eligible for re-election, we will submit ourselves for re-election at this AGM.

Earlier this year, Mr. Banjo Adegbohungbe joined the Board of the Bank as an Executive Director and Chief Operating Officer. He oversees Group Operations; Information Technology; Digital Channels, Facilities, and Administration Departments.

Banjo comes with a rich portfolio of experience garnered over the years in various leadership capacities. He could not have joined us at a more promising time in our journey to become Africa's premier investment bank. Therefore, I am confident that his appointment will further strengthen and position the Bank for improved performance. His appointment has been approved by the Central Bank of Nigeria and will be presented for your approval at this Meeting.

MACROECONOMIC OUTLOOK

Global Markets are unlikely to be robust in 2019 due to slow growth rates in several economic zones, but some of the key uncertainties facing the global economy have been resolved without significant disruption.

Contrary to expectations, Nigeria has continued to attract foreign portfolio investment which, though not as long-term and economically generative as foreign direct investment, suggests a degree of stability in our financial markets going forward. This scenario, in turn, may enable the monetary authorities to loosen the interest rate regime later in the year. Although economic growth is unlikely to be strong in 2019, conditions in the second half of the year may be more favourable to enable the acceleration of growth towards its trend rate.

While it remains unclear as to what the 2019 financial year will bring in terms of new regulations, we look ahead with greater optimism knowing that we finished 2018 stronger and better equipped to serve our customers and clients.

Going into the future, we must remain nimble but fully committed to the values of innovation, excellence, and teamwork that have helped us through the years. We must stay determined to make the lives of our customers and host communities better by connecting them to the resources they need to thrive. We are poised to leverage our firm foundation, our cutting-edge strategy focused on the customers we serve, and our experienced leadership to continue to build sustainable wealth for our stakeholders.

Thank you for your continued support

Babatunde Folawiyo

Chairman

Coronation Merchant Bank

CEO's
Statement

Distinguished Shareholders, Members of the Board of Directors, Ladies and Gentlemen, it is my esteemed pleasure to welcome you to the 4th Annual General Meeting of our Bank. In accordance with the mandate of my office as Group Managing Director/CEO, I am pleased to present an overview of the 2018 macroeconomic environment, a review of our operating results for the year and our outlook for 2019.

During the year, our Group demonstrated resilience and character while making steady progress towards fulfilling our commitments to our clients, shareholders and other stakeholders. We achieved this by staying nimble, building local expertise and investing in our digital capabilities to enable us serve customers better.

I am happy to report that despite a difficult operating environment, our company stayed the course, recording modest growth across most financial indices. The growth we recorded in our profitability and capital position is a testament to the strength of our business model and the commitment of our people.

Perhaps, nothing more aptly depicts the level of our progress like the numerous awards and recognitions we received from reputable local and international organizations for product and service innovation and sound corporate governance principles. Some of the international awards we received include Best Investment Bank in Nigeria by World Finance, Fastest Growing Investment Bank by Global Banking & Finance Review, Best Investment Bank by Global Business Outlook, Best Investment Bank and Best Fund Managers by International Finance Magazine and Best Investment Bank in Nigeria by BusinessDay awards.

Truly, 2018 has been another successful year with commendable progress both financially and strategically. We have continued to transform the group into a safer, more agile and customer focused organisation whilst increasing profitability and providing cheaper, simpler solutions to our customers.

When we look at where we stand today, our company is stronger, simpler, and better positioned to deliver long-term value to our shareholders, thanks to the straightforward way in which we serve our customers and clients. As a platform for improving lives, our aim is to be where the growth is, enabling businesses thrive, economies grow, and ultimately, helping people fulfil their hopes and realise their ambitions. Clearly, the path forward is one of responsible growth and we are attaining it by connecting our customers with the opportunities they need to thrive.

MACROECONOMIC REVIEW

In the world at large, economic growth turned a corner in 2018 and equity markets reacted accordingly. The slowdown in growth rates in Asia-Pacific and the Eurozone, combined with rising US rates and fears over the future of global trade, led to a decline of investor confidence. In the US the S&P 500 Index fell by 7.0%. In US dollar terms the Euro Stoxx index fell by 18.4%; the Shanghai SE Composite Index fell 28.7%; and the MSCI Emerging Markets Index fell 16.9%. The Nigerian Stock Exchange All-Share index fell by 18.6% in US dollar terms.

Nigeria's economic recovery continued to be a weak recovery, though it was significant that non-oil growth began to make a sizeable contribution to overall growth. However, although Nigerian GDP growth in 2018 reached 1.93% year-on-year, it was weaker than in many other economic zones in the world, and weaker than in some other African nations.

In these circumstances a key challenge was to maintain investor confidence in Nigeria's fixed income markets and the Naira itself. It was a positive development that oil prices stayed high. The oil price, combined with average Nigerian production at some 1.7 million barrels per day during 2018, was supportive of Nigeria's monetary and fiscal objectives.

The Naira maintained its US dollar value in the Nigerian autonomous foreign exchange market in 2018. The Central Bank of Nigeria used its interventions to move Nigerian Treasury bill rates up from 13.0% in the middle of 2018 to 17.3% in December. This had the effect of stabilising domestic and foreign investor confidence in the currency.

At the same time, the CBN gradually raised its inter-bank foreign exchange rate from NGN331.66/US$1 in January to NGN358.79/US$1 (at the wholesale window) in December so that it ended the year trading close to the autonomous rate. In effect, the currency markets, including the parallel market, were aligned. The CBN's foreign exchange reserves rose from US$38.8bn to US$43.1bn during the year.

FINANCIAL SCORECARD

The Bank maximized opportunities in its core business to deliver stable and sustainable revenue growing the topline revenue by 8% compared to 2017. Coronation Merchant Bank recorded N5.3bn Profit Before Tax compared to its 2017 performance of N5.1bn. The performance was on the back of increased share of customer wallet, increased customer centricity in service delivery and innovative solutions to our customers' business challenges. This is despite the significant economic headwinds in the year and the fragile recovery from recession in 2018.

The Bank grew its earning assets significantly by 70% y/y to cushion the huge gap from reduced market-driven decline in yield. This resulted in a slight decline in net interest income by 5% to achieve N7.6bn (2017: N8.0bn). There was increase in foreign exchange and fixed income trading volumes, loan disbursement and electronic channel transactions which saw our non-interest income grow by 46% y/y to achieve N4.1bn (2017: N2.8bn). We implemented several cost-reduction initiatives which helped us manage our operating expenses amidst significant growth in the Bank's business and operations. The impact of the adoption of IFRS 9 increased our cost of risk marginally from 0% to 0.03% with all our risk assets in the stage 1 classification according to IFRS 9 classification.

> As a platform for improving lives, our aim is to be where the growth is, enabling businesses thrive, economies grow, and ultimately, helping people fulfil their hopes and realise their ambitions"

The Bank grew its total assets significantly by 63% y/y to N223bn from N136bn largely from increased loans and advances. We have continued to expand our sector reach and meet customers' financing needs by offering products with high value for money. We deliberately increased our exposures to high quality obligors in Agriculture and Manufacturing who fall within our risk acceptance criteria. This is evidenced by our zero NPL status which we have maintained for the third year running. Our dollar asset base grew by over 100% which are mainly related to self-liquidating trade finance transactions and are well managed under the robust risk management framework of the Bank.

The Bank's commercial paper program which was launched in the year helped to provide a relatively stable funding base to support the growth in the year. The Bank's customer deposits also grew significantly by 65% in 2018 from N76bn in 2017. This improved performance reflects increasing market acceptance of the brand.

PRODUCT & SERVICE CHANNEL IMPROVEMENTS

As we look across our business, our cost leadership position remains a key source of competitive advantage and strategic priority for the Group. Hence, we continue to invest significantly in Digital and IT infrastructure with a focus on ensuring that our systems and processes are both efficient and resilient and that our customers' experiences are improved through the end-to-end automation of key customer journeys.

To be the preferred financial services provider of tomorrow, we have to constantly refine our processes to meet customers wherever they may be - whether it's on a mobile device, an internet enabled platform or a remote office location – they expect us to always be there for them, when they need us and where they want us. Fuelled by this conviction, in 2018, we became the first merchant bank in Nigeria to introduce a fully interactive and digital responsive call centre; Coronation Resolution Centre. Using this platform, we have been able to provide our customers with personalized service, investment advisory, complaint resolution and general financial & non-financial information.

As a high finance organisation, we have always supported various state entities, private companies and public firms in raising funds to finance various projects in the country. We remain committed to developing products and playing a deeper role in supporting various projects that help the economy thrive.

In June 2018, we launched our inaugural Commercial Paper, which recorded very strong performance in the market. From an initial target of NGN 15bn, we received commitments of more than NGN 30bn from various investors. Essentially, we have contributed immensely to the development of the capital markets - both equity and debt capital. We have differentiated ourselves as a formidable player in the capital market having raised in excess of NGN 300bn for various companies in multiple sectors of the economy.

As part of efforts to make financial services simpler, we consciously focused on improving our customer experience across all touch points. First, we proactively expanded the range of functionalities available on our Mobile & Internet Banking platforms to allow our customers do more without needing to come to us. Next, we pioneered new and innovative ways to settle customer transactions quicker, easier and safer. One of the ways we achieved this was through the launch of Direct Debit; a platform which enables customers fund their Capital Market investments from their bank accounts.

Recently, we launched the Coronation e-trader, an online trading platform that allows users to buy and sell equities through the Nigerian Stock Exchange (NSE) from anywhere in the world. The platform guarantees investors' convenience as it enables investors open virtual stockbroking accounts. In addition to this, the platform gives real-time notifications on trade executions and provides convenience for the investor to trade the way he/she wants, whilst taking full control of their investments at all times. It also provides users with market data and information on all quoted companies, which is accompanied with top quality research reports that help our customers make safer investment decisions

Furthermore, we launched Coronation PayDirect; a secure web-based solution that enables instant receipt of payments from distributors, agents and customers from any bank in Nigeria.

While our strategic actions are improving our systems and processes, we are also anticipating and adapting to the social, economic and technological trends that are changing our operating environment. Of key importance is the impact mobile based technologies are having on customer expectations and lifestyle. Recognizing this, we have further simplified our service offerings in the equities market with the introduction of a Mobile App for securities trading.

Overall, we have remained focused on our goal of becoming a financial services platform dedicated to helping customers grow, businesses thrive and communities prosper. With our dynamic and purpose-driven team, we are determined to achieve more and consolidate our position as Africa's premier investment platform whilst creating value and sustainable growth for our customers, our people, the communities we serve and for you, our shareholders.

CORPORATE SOCIAL RESPONSIBILITY

Our winning sense of purpose continues to drive us to be the financial services platform that tomorrow needs today. As a bank with a global outlook, we have to be there for our clients at all times. And we understand that being there for them, goes beyond providing financial services to making real impact in the lives of real people.

We believe that building a great institution and creating a better world are not exclusive imperatives but one and same goal. By giving more people the opportunity to share in the rewards of a growing economy, we help build the foundation for more prosperous communities – and in the process, help secure our firm's long-term future.

Organizations like ours not only have a responsibility and a vested interest in helping solve the challenges facing our communities but also a vital contribution to make. Hence, we seek to be active and long-term corporate citizens in the communities in which we operate. Given our position in the capital markets, our mission is to drive positive change in our work with clients by helping them to grow their businesses, be on a stronger financial footing, provide access to key services and contribute to economic growth.

> "Our unwavering sense of purpose fuels our commitment to go beyond just providing financial services to becoming a platform for improving lives."

In some cases, this means taking the lead in sponsoring impact initiatives such as WIMBIZ and WISCAR projects that have helped empower women and promote gender equality. In other cases, it means financing projects that can improve the living standards in traditionally underserved communities. In 2018, we financed the renovation of Bethesda Primary School in Matogun, Ogun State to help children learn in a more conducive environment . In addition to this, we partnered with numerous agencies (Nigerian Stock Exchange, CFA Nigeria Association, Nigerian Economic Summit Group, and a host of others) in building expertise within the financial sector and promoting our capital markets to the rest of the world. Our goal is simple; to conduct philanthropy with a purpose — making meaningful contributions where our skills and leadership can make a clear difference

For us, helping to develop the economy and promoting sustainability is not just a stated commitment, but something that applies to every facet of our organisation. Far from a box-ticking exercise, we seek to deliver positive development to society, while protecting the communities and environments in which we operate. We achieve this by assessing and mitigating the direct and indirect impacts that arise from our business operations and respecting human rights in all our activities, while also implementing robust and transparent environmental and social governance practices. We also promote women's economic empowerment through a gender inclusive workplace culture, encourage diversity of thought and actively nurture a collaborative workforce. We believe that such an approach towards sustainable banking practices is consistent with our business objectives, and can stimulate further growth and opportunity, as well as enhance innovation and competitiveness.

We are able to do our part in supporting communities and businesses across Nigeria, because we are strong, stable and profitable. And because of this strength and stability, we can continue to support our clients in good times and, more importantly, in the toughest of times. For us, the most important thing we can do, is to keep our company profitable so that we can continue to serve the needs of customers, our stakeholders and most importantly, help our host communities grow.

As Africa's premier investment platform, we have a huge obligation to society – not only must we never fail, we need to be steadfast. Never failing means having the financial strength to navigate any storm. It also means having the ability to adapt, survive and thrive through economic cycles.

Our unwavering sense of purpose fuels our commitment to go beyond just providing financial services to becoming a platform for improving lives.

OUR PEOPLE

Our most important long-term competitive advantage remains our people. When we look across the business, our people make us who we are; a young, dynamic and innovative financial services company. With that in mind,

> "For us, helping to develop the economy and promoting sustainability is not just a stated commitment, but something that applies to every facet of our organisation. Far from a box-ticking exercise, we seek to deliver positive development to society, while protecting the communities and environments in which we operate"

we continue to invest heavily in attracting, developing and retaining extraordinary professionals that can serve our clients and deliver sustainable value for our shareholders.

In 2018, we continued to enrich our employee's career journey through function-specific capacity building initiatives at renowned institutions such as Harvard, INSEAD, Digital Marketing Institute of Ireland, Booth School of Business and Lagos Business School. Our people-development initiatives also focused on leadership development, temperament discovery and inter-personal skills development for our staff.

To ensure the long term sustainability of our future, we built on the successes of Coronation Academy – an in-house Graduate Trainee Programme launched in 2017 to groom the next generation of Finance Leaders – by expanding the programme with over 43% increase in trainee recruits. I am happy to report that all successful graduates of the 2018 Class have been deployed to suitable units across the Group and are all yielding positive results in their contributions. As a Bank, we remain committed to taking strides that will continue to improve the conditions and quality of life of our people, making necessary investments to secure an even more prosperous future for them.

Recognising the importance of culture & employee engagement, we organized a staff retreat in August titled "Aligning Culture with Strategy" to help promote our core values within the organization. Leveraging on the retreat, we provided resources and strategies, to help guide and equip our staff to become all they want to be in their career.

In addition to this, we actively promoted gender equality within the organization through deliberate policy developments, recruitments and staff reward exercises. We recognize that talented and culturally diverse employees deliver loyal and satisfied customers who create brand equity and shareholder value for us. Simply put, happy employees produce happy customers who stay with us year after year. As an organization committed to making banking simple for customers, we are committed to making banking simple for the men and women who work here.

We appreciate the hard work and commitment of our people in pursuance of our vision, and as an ethical institution, we remain committed to rewarding and recognizing the contributions of our staff to the growth of our organization.

Through our recruitment programs and partnerships, we believe we are investing in the future of Nigeria by bringing the best and brightest to work at Coronation Merchant Bank Group. Together, we will continue to grow the Bank and deliver more value to you, our esteemed shareholders.

SUBSIDIARIES

The strong economic growth potential of Nigeria's financial market is well acknowledged, and underpins our belief in becoming a truly diversified financial services platform. Of significant importance, are the achievements of our subsidiaries whose steady growth has continued to resonate the success of our business model.

As of today, the bank generates over 88% of its revenue from its corporate banking and global market business. However, over the last three years, we have seen a significant uptick in contributions from our subsidiary businesses. Since December 2017, our Asset Management business has recorded 39% growth in revenues while our securities and trustees business have also made commendable progress. Overall, operating income contributions from our non-core banking business has increased from about 12% in 2017 to approximately 18% percent in 2018.

MACROECONOMIC OUTLOOK

Going into 2019 we note with satisfaction that the world economy has largely adapted to the long-awaited rise in US interest rates, and that, while there were some casualties among emerging market economies in 2018, Nigeria was not one of them. Markets are unlikely to be robust in 2019 as growth rates slow in several economic zones, but some of the key uncertainties facing the global economy were resolved without significant disruption in 2018.

Nigeria itself is forecast to grow 2.0% in 2019 by the IMF, which again is slower than some other African nations, but represents an ongoing recovery. In this low-growth but steadily improving economic environment, we will face business challenges with confidence and resolve in 2019.

There is of course much more to do as we face a rapidly changing and challenging world. However, given our clear strategy and approach to transforming the business, our strong track record of delivery, our customer focused values and the dedication and commitment of our staff, we have all the components to succeed in building a great African institution we can all be proud of.

I urge you to continuously support the Board and Management of this Bank as we continue our journey towards becoming a leading financial services platform - committed to building sustainable long term value - for our customers, our people, the communities we serve and, for you, our shareholders.

Thank you for your loyalty and continued support

Abubakar Jimoh

Group Managing Director/CEO

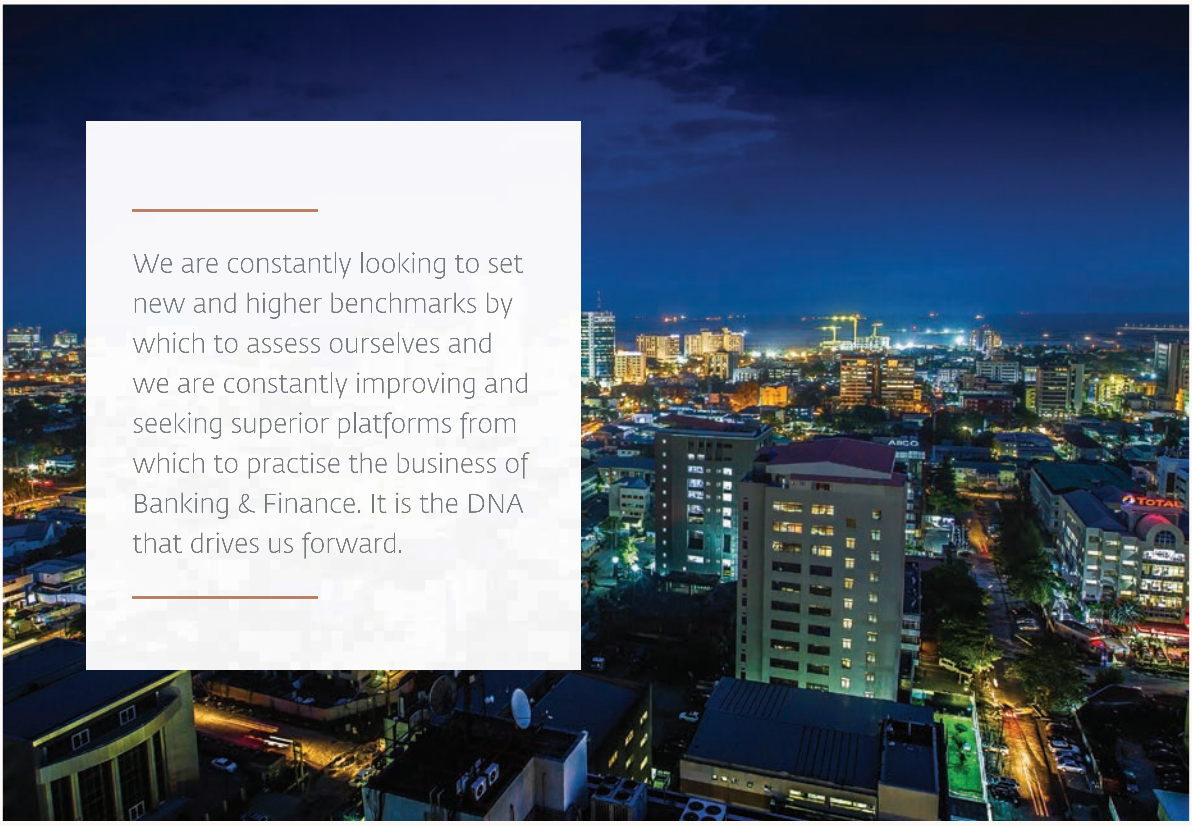
Coronation Merchant Bank Group

Corporate Philosophy

Our Vision:

To be Africa's premier Investment Bank

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



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

A guide to understanding the elements of our vision:

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

Global Recognition

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

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

The transformation we will introduce will make global industry players to reckon with Coronation MB 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.

Service and Solution Innovations

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

Strong Risk Management / Governance

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

At Coronation MB we will not under any circumstance compromise on sustainable long term growth or good reputation for short term gains.

Market Leadership

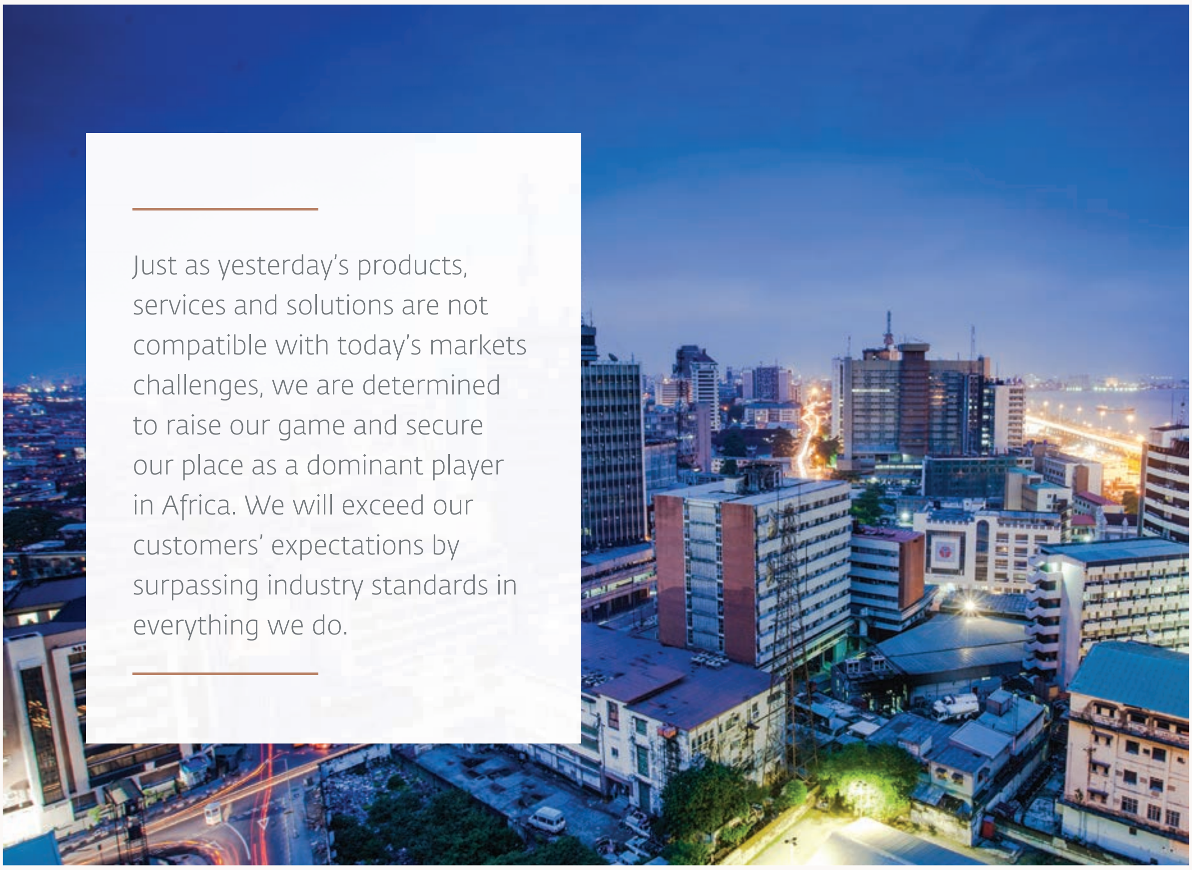
We are committed to being the first among peers. We will be the first to develop innovative products and become industry leader in our chosen markets and segments. We will constantly strive to set the pace for others to follow. Coronation MB hopes to be known publicly for pioneering industry redefining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

The Bank's innovativeness and creativity will earn it the confidence of regulatory authorities and in the process, gain the attention of international financial organizations and foster partnerships and collaborations with leading agencies, companies and Fintechs.

Our Mission:
To be the engine room of Africa's financial markets

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

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



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

Our Core Values

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

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

Innovation

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

Integrity

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

Developng People

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

Teamwork

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

Excellence

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

Leadership

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

How we are structured

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

Fig 1: OUR INTEGRATED CORPORATE AND INVESTMENT BANKING MODEL

Coronation Merchant Bank Group

	Banking Group			Capital Market Group			
Business Segments	Corporate Banking	Global Market & Treasury	Private Banking	Investment Banking	Asset Management	Brokerage	Trustees
Products & Segments	• Working Capital • Corporate Lending • Asset Financing • Letters of Credit • Trade Finance • Liquidity Management • Corporate Current Account • Payments and collections	• Tenured Deposits • Fixed Income (Bonds, T-Bills &CPs) • Foreign Exchange (FX) • Treasury Sales • Derivatives	• Cash Management Accounts • Investment Products • Specialized Wealth Management Advisory • Concierge Services • Investment/ Portfolio Advisory	• M&A • DCM (Govt. Bonds & Corporate Bonds) • ECM (IPOs, Right Issues & Private Placements) • Project Finance • Structured Finance • Financial Advisory	• Mutual Funds • Structured Products • Wealth Management • Institutional Investment Solutions • Collective Investment Schemes • Investment/ Portfolio Advisory	• Equities Brokerage • Fixed Income Brokerage • Alternative Investments (Derivatives products) • Security Advisory	• Trustee Services (Corporate, Private & Public) • Agency Services • Safe Keeping Services (Custodial Services)
Customer Focus & Client Segmentation	• Oil &Gas • FMCG • Manufacturing • Telecoms • Construction • Infrastructure	• Institutional Investors (local & foreign) • Financial Institutions • PFAs and CPFAs • Corporates	• Ultra High Networth Individual (UHNI) • High Networth Individual (HNI)	• Oil & Gas • FMCG • Manufacturing • Telecoms • Construction • Infrastruture	• UHNIs/ HNIs • Mass affluent • Mass Market • Corporates • Fund Managers • Financial Advisors	• Retail (HNI, UHNI & Mass Affluent) • Corporate • Institutional • Foreign Investors	• UHNI & HNI • Multinational • Large & Small Corporates • Government Agencies
Role/ Responsibility	Coverage for Capital Markets	Distribution support for Capital Market		Coverage for the Bank	Distribution agents for the Capital Market Group		

Integrated Cross Selling Model

Enablers	Research	Compliance	Finance	Human Resources	Risk Management

Business Overview

Investment Banking

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

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

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

Product & Service offerings

Capital Markets: Coronation MB provides capital raising advice and novel financing solutions relating to issuance and distribution of debt and equity securities in the capital markets to our clients and investors (individuals, corporate, government and supranational institutions).

Mergers and Acquisitions: Through our M&A product, we offer our clients distinctive corporate finance and strategic advice on complex transactions including buy-side and sell-side financial advisory services on business combinations, acquisitions, divestments, hive-offs, asset and company valuation buy outs, and business restructuring transactions.

Project & Structured Finance: We provide project finance advisory services that cover the entire lifecycle of a project to sponsors seeking to develop long term infrastructure and other large-scale projects (across various economic sectors).

On the structured finance side, we focus on achieving client's financing objectives by providing tailor-made innovative solutions that allow clients to minimise their cost of finance and hedge or manage credit exposures, while ensuring the bankability of identified transaction structures.

Product Coverage

Capital Markets		Mergers & Acquisitions		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 • Tender offer • 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 • Takeovers • Leveraged/ Management Buy Outs • Distressed Sales	• Corporate Finance Advisory • Privatisation Advisory • Restructurings	• Project Finance Advisory & Structuring • Project Equity/ Mezz/Debt Syndications • Public Private Partnerships ("PPP")	• Multilateral Funding • Syndicated Loans and Bridge Financing • Asset Based Financing & Securitisations • Capital Restructuring • Derivatives Structuring

Sector Focus

Product Coverage

Capital Markets	
Equity Capital Markets	Debt Capital Markets
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 & other fabrications • Tool and Machinery

Product Coverage

Capital Markets	
Equity Capital Markets	Debt Capital Markets
Telecoms	• Mobile Operators • Data Service Providers • Infrastructure and Services
Agriculture	• Inputs i.e. Seeds, fertilisers • Farming: Plantation • Processing and Trade
Infrastructure	• Power • Transport • Mining • Health
Real Estate	• Commercial • Retail • Hospitality • Residential • Industrial

Achievements in 2018

Our performance demonstrates our extensive experience, bespoke delivery of holistic end-to-end transaction execution process, increasing robust distribution capabilities and increased Investment Banking coverage. The Division further deepened its market presence by participating in some landmark deals executed in 2018.

Lead Financial Adviser

Issuance of 50,000,000 Variable Return Linked Notes at US$1.90 per Note backed by the shares of a leading development funding institution worth US$95,000,000

Joint Lead Arranger

UACN Property Development Company Plc on its Series 26-34 Commercial Paper Issue under a ₦24 billion Commercial Paper Program

Joint Lead Arranger

Access Bank Plc on its Series 17 and 18 Commercial Paper Issue under the Bank's ₦100 billion Commercial Paper Issuance Programme

Lead Arranger

₦1.3 billion Equity Capital Raise for a petroleum storage company

Joint Issuing House

UACN Property Development Company on its ₦4.35 billion Bond Issue under the Company's ₦20 billion Bond Issuance Programme

Joint Lead Arranger

Coronation Merchant Bank Limited on its ₦20 billion Commercial Papers (Series 1 & 2) under the ₦100 billion Commercial Paper Issuance Programme

Joint Issuing House

Mixta Real Estate Plc on its ₦5.28bn Series 2 Bond Issue under the Company's ₦30 billion Medium-Term Note Programme

Independent Expert Opinion

Corporate Restructuring of Continental Reinsurance PLC

The success of various transactions and deals executed by the Coronation MB's Investment Banking franchise in 2018 further evidenced our fast-paced journey to become Africa's Premier Investment Bank.

Strategic Business Opportunities, Outlook & 2019 Priorities

The Nigerian economy, though vulnerable to the uncertainties and outcome of the 2019 general election, will also continue to be driven by factors that shaped 2018 – stable crude oil price, production volumes and a managed foreign exchange regime. Apprehensions about the election will probably subdue economic activities in Q1'19, and possibly into Q2' 19, if the result is contentious. In the same vein, the outcome of the election will shape policy, possible reforms across key sectors of the economy and overall momentum of growth in H2' 19.

We are however quite optimistic that a smooth process and favourable outcome of the 2019 election will restore and increase investor confidence that would consequently lead to a significant boost in the real sector, the financial system and positively affect the overall economic performance. These provide us with opportunities to further augment our growing bottom line as we continue to expand our spheres of influence in the various sectors which we cover.

The strategic priorities of Coronation MB's Investment Bank in 2019 is to continue to deliver uncompromised excellent services that further deepen our existing client relationships, enhance our distribution and transaction execution capabilities, expand sector coverage and grow market share by targeting sectors where we see opportunities.

Corporate Banking

The Corporate Banking Division is responsible for Coronation Merchant Bank's largest clients with unique and often complex banking needs.

The Division focuses on delivering best in class service leveraging our unique and unrivaled industry expertise to provide an array of wholesale financial services covering: Treasury, Structured Trade Solutions and efficient Working Capital Management in meeting these needs.

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

Strategic Intent

To position Coronation Merchant Bank Limited as one of the leading Corporate Banking Institutions in Nigeria, within the next 5 years. This will be driven by excellent customer satisfaction facilitated via efficient financial service delivery platform.

Our strategic intent is guided by Coronation Merchant Bank's Vision, and Mission, reinforced by the ultimate aim is to epitomize excellence in corporate banking.

Our KPIs towards Excellence

Client Selection: Exclusively Selected "Niche" Clientele

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

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

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

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

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

Products and Services

Financing

We provide access to financing to support working capital, Capex and other financing needs with products and services tailored to your organization's needs

Working Capital	Overdraft, Invoice reports, Discounting, LPO.
Corporate Lending	Revolving Credit Facility Time / Term Loans Guarantees & Bonds Commercial Papers Bankers' Acceptance

Cash Management

We aid your efficiency in working capital management with our tailored financial products and services aimed to optimize your funds and streamlining operational processes

Liquidity Management	Money Market Currency Deposits Derivatives & Swaps Currency Hedges
Corporate Accounts	Current Accounts Call Accounts Investment Accounts Domiciliary Accounts Escrow Account Arrangements
Payments & Collections	Collections Payments (Domestic & International) Internet Banking

Trade Solutions

We offer a range of trade solutions, expertly designed to enhance your trade operations and get you on a global scale

Import Services	Letter of Credits Documentary collections Guarantees *End to end solutions that help to manage import & FCY payment needs*
Export Financing	Export Financing Forfaiting *Provide solution to challenges and helps reap you benefits of Export*
Trade Settlements & Finance Solutions	Trade Loans Trade Collections *The future is to provide fast, efficient, secure applications covering the full range in international trade finance*

Key Focus Areas

Corporate Banking Division is structured to provide tailor-made financial services to its customers in various sectors of the economy. The Division comprises of various business units that are structured along the major sectors to provide the much-needed focus and financial solutions that are specific to customers' needs

Achievements

The Corporate Banking Division came into operation at the inception of the Bank in September 2015. Despite the problematic operating terrain, we saw an opportunity in "chaos." Within a short period Coronation MB established itself as one of the leading Corporate Banks within the Merchant Banking space. We leveraged our unique expertise and high-quality resources in onboarding key players and market leaders in our primary area of focus, i.e., FMCG, Energy, Agriculture, Real Estate & Construction and General Commerce. We strategically grew a portfolio of high quality and selected Risk Assets class of over N55 billion with zero non-performing loans to date.

Given the operating landscape, the massive strides made by the Bank have been laudable. These gains have been possible due to the partnership and support of our clients who continue to drive us to greater heights. This is a major feat given the tight operating landscape and lean resources available in the past year. This is only possible due to the commitment and support of our esteemed clients who continue to motivate and propel us to new heights. This effort was rewarded with the award of the Best Investment Bank for the year 2018.

Outlook

2018 was a year of stabilization and recovery for Nigeria and with the increased positive developments across its economic landscape. In 2019, we project significant growth upsides and opportunities for discerning Corporates in the Country; as the economy continues to be bolstered by substantial foreign direct investments and portfolio inflows. Stability in oil prices also assures us of the ability of the Government and regulatory authorities to embark on expansionary policies in the run-up to the next election.

We expect that key viable sectors of the economy will drive growth as they attract investment and create jobs. To fully maximize opportunities, we have aligned our priorities to envisaged growth areas. Our sectorial coverage will be as follows:

Agriculture, Steel, Metal & Commodities: The sector covers complete agricultural value chain ranging from large-scale plantations, agro-processing, commodities trading, livestock farming and processing, agro-based trading.

Construction, Infrastructure, Real Estate & Services: The sector provides financial services to well-structured Real Estate Development Firms, Major Construction Firms, and Infrastructure Companies.

Fast Moving Consumer Goods: This Unit focuses on Food & Beverages, Breweries, Personal Care, Household & Utilities, Pharmaceuticals

Industrial and Consumer Goods: this unit focuses on Chemical Processing, Building Materials, Metals, Steel Sectors of the economy.

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

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

Transportation, Shipping & Logistics: Unit focuses on the providing banking services to transportation, shipping, maritime and logistics businesses.

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

Global Markets & Treasury

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

The division is made up of two broad units;

Asset and Liability Management (ALM): The ALM has an oversight function on the Bank's local and foreign currency exposures and ensures efficient and optimal management of the balance sheet to ensure liquidity and drive profitability

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

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

Product Coverage

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

S/N	Products	Description
1	Money Market	Tenured deposits, Treasury bills and Bond Linked Notes, Commercial Papers and Negotiable Certificate of Deposit.
2	Fixed Income	Treasury Bills, Local currency Bonds (Sovereign, Sub-national, Corporate) and Eurobonds, Prime Brokerage Services
3	Foreign Exchange	Foreign Exchange spot and Derivatives
4	Structured Products	REPOs, Forwards (Deliverable and Non-Deliverable) and Swaps

Key Focus Areas

Global markets and treasury covers the following sectors;

- Pension Funds/Asset Managers
- Insurance
- Brokerage

Notable Achievements

Global Markets and Treasury has carved a niche for itself within the fixed income space in Nigeria's financial markets. In 2018, Global Markets and Treasury dominated fixed income trading in Nigeria, this enabled the Bank to obtain a Top 5 ranking of Fixed income market makers by turnover. In 2018, the Bank moved up 7 places across all products on the FMDQ league table compared to the previous year

We also automated the prime brokerage settlement process leading to a straight through security and cash settlement for client transactions. This was key to the growth of the prime brokerage customers and revenues generated during the year. In the future, we hope to provide more innovative solutions as we anticipate a growth in fixed income trading capacity and widened investor base.

The currencies desk achieved a 160% growth in the size of Fx derivatives book, this was predominantly driven by interest from corporates and foreign investors opting to hedge their foreign currency exposures.

Global Markets and Treasury expanded its product offering to new offshore clients, increasing our client flows and executing larger orders for our institutional clients. These activities boosted our Non-Interest Revenues and bolstered our trading franchise.

Outlook for 2019

We expect the positive economic developments encountered by the country in 2018 will continue in 2019. We are however cautious of the impact of the election cycle on the domestic markets. This should cause the CBN to maintain its current monetary policy stance in the first quarter of the year to keep in inflation at low double digits and mitigate capital outflows.

Our expectations provides an opportunity to consolidate the gains achieved on the fixed income trading while we continue to drive the activities on the currency trading business. This will be supported by growth in the foreign currency balance sheet and a more diversified foreign currency deposit liability base.

Finally, we see opportunities for decent growth in revenues from derivatives and structured products.

Coronation Securities

Coronation Securities Limited ("Coronation SEC") is a licensed broker - dealer Company. Established as Marina Securities Stockbroking Services Limited, a wholly owned subsidiary of Marina Securities Limited ("MSL" or "the parent company"), grew to become a respected brokerage and an investment advisory firm.

Following the restructuring of Marina Securities Group's, Coronation Securities now operates independently as an investment securities and financial advisory company. Coronation Securities Limited is regulated by Securities and Exchange Commission ("SEC") as a broker – dealer and Issuing house, as well as the Nigerian Stock Exchange as a Dealing Member. Coronation Securities Limited is a wholly owned subsidiary of Coronation Merchant Bank.

Products & Services

Corporate/ Institutional Brokerage

We act as Stockbrokers to Issuers (for both Debt and Equity) by liaising with the Nigerian Stock Exchange (NSE) on behalf of Corporates and State Governments for requisite listing approvals on their primary market issues such as Public Offer for Subscriptions, Offer for Sales, Right Issues, Listings by Introduction etc. We also distribute Primary market products, acting as receiving agents to Issuers on such primary market offerings. We act as financial advisers to primary market issues by leveraging on our industry experience to provide needed guidance in raise long term capital. We are also authorised Distribution Agents of the Debt Management Office (DMO) for the FGN Savings Bonds. We offer bespoke brokerage services to foreign brokers, Pension Fund Administrators (PFAs) and Institutional clients by executing large ticket mandate in a seamless and timely manner.

Retail Brokerage

We provide bespoke brokerage services in equities and fixed income trading to our clientele. Our mobile online trading platform empowers our brokerage clients to access the market on-the-go, supported by sound investment advice and professional guidance. Our online trading solution allows users to initiate and execute trades on the NSE seamlessly, view and edit account information, portfolio performance, access leading online news sources and a wealth of in-depth equity research as well as market intelligence on companies. We also provide access to the Over-the-Counter (OTC) NASD platform that grants clients access to trade in non-listed securities.

Proprietary Trading

As a Broker-Dealer, our dealership license enables us to execute firm trades. We leverage on our proprietary books which is largely driven by our research desk which guides the proprietary team to make sound investment decisions and help in achieving an α-alpha return on equities investments.

We ensure investment decisions are based on sound fundamentals in line with the direction of the economy and company-specific research. We also make available our qualitative research offerings to our numerous clients to aid their decision making.

Ancillary Services

Our offerings to clients also includes Account Reconciliation and Share Transmission Services. We liaise with CSCS to conduct “Global Search” on shareholders holdings with a view to unlock the value of outstanding and unclaimed entitlements of investments in Nigerian quoted securities (equities) on behalf of our clients. We leverage on our cordial relationships with various company registrars to promptly reconcile actual shareholding, benefits and facilitate entitlements payouts.

Sector Focus

Focus on Retail investors

Coronation Securities will increase focus on growing retail participation as a key component of a well-functioning and resilient market. To this end, we will leverage on the best technology to reach out to numerous clients and bring them closer to the market. We will deepen our research and investor outreach initiatives as well as undertake new strategies that can help broaden our coverage in the retail space. At the crux of our efforts is the formulation of a new retail strategy “banker-to-broker initiative” which will provide an easy pathway for onboarding and acquisition of new investors thereby increasing participation and awareness about the capital market.

Our development and publicity will offer simple, affordable and efficient investment products and services that can effectively support the Nigerian populace to create durable wealth.

Focus on Corporates and foreign brokers

We will formulate strategies to deepen our penetration in the institution segment of the market. To this end, we will leverage on our expertise and industry experience to reach out to foreign & local institutional clients and deepen our corporate access for large ticket mandates. We will expand our research and market intelligence skills to better service these class of investors by undertaking new initiatives that can help drive a more radical change in the institutional brokerage space.

Achievements so far

Coronation Securities Limited has consolidated and maintained strong prominence in the brokerage industry. We are extending our footprints beyond the continent of Africa by onboarding prime brokers in Europe and the U.S. We signed on leading PFAs and successfully positioned ourselves at the fore front in the equities market. We also launched our online trading portal "Coronation Trade" which has been a pivotal retail-based platform to reach out to our numerous clients. Our "banker-to-broker" initiative has reached an advanced stage and will be deployed in the first quarter of 2019.

Despite the macroeconomic challenges in 2018, we remain optimistic of an improved performance in 2019. We have formed partnerships and strategic alliances with other institutions in the Primary Market space and this has translated to us being appointed as brokers to offers such as Access Bank Commercial Paper and placement agent to the proposed MTN Nigeria Listing on the Nigerian Stock Exchange. Going into 2019, we are poised that our long-term alliances and strategic initiatives in digital innovations and process efficiency to attain greater heights in years to come.

Business Opportunities

Equities market kicked off the year 2018 on a bullish note as activities rallied in January. This set a positive start for the year as the NSE All-Share Index peaked at a year high of 45,092.83 points on January 19 following strong demand for equities preempted on strong expectation of a robust world economy and expectation for mild tightening in monetary policy by central banks in the developed world. Investors were hopeful about global economic growth and a better-than-expected data from China together with corporate earnings gains from tax-cut in the U.S catalyzed investors' demand. These developments revitalized foreign and institution interest in frontier and emerging equities, which translated to inflow of Foreign Portfolio Investors (FPIs) into Nigerian market. The rally was further bolstered by improved financial performance from the banks buoyed by foreign exchange gains as well as gains on treasury investments. The first half of the year (H1 2018) ended marginally down as the ASI dipped by 0.10%.

The second half of the year (H2 2018) witnessed series of events that doused investors' appetite for equities. Concerns about a Trade War between the U.S. and China, the materialization of an actual Brexit, rising interest rates in developed market as well as slowing global economic growth amplified risks to an already fragile emerging market, thus making the road bumpier in the last quarter of the year for Nigerian investors. Most of the gains amassed from the bullish ride in the first half of the year were eroded as the All-Share Index plunged, settling with a YTD return of -17.81%. According to the IMF, net flows to equities and bonds across EMs tumbled from $10.9bn and $21.0bn in Jan-18 to -$1.2bn and $0.9bn respectively in Sep-18.

Going into 2019, we expect economic outcomes to remain broadly pressured. Election-related uncertainties spooked FPIs in Nigeria while underwhelming economic growth depressed domestic participation keeping local investors by the sideline. The Federal Government borrowing plan continued at elevated interest rate. Asset Managers went underweight in equities while increasing their exposure to risk-free assets to mitigate against asset volatility.

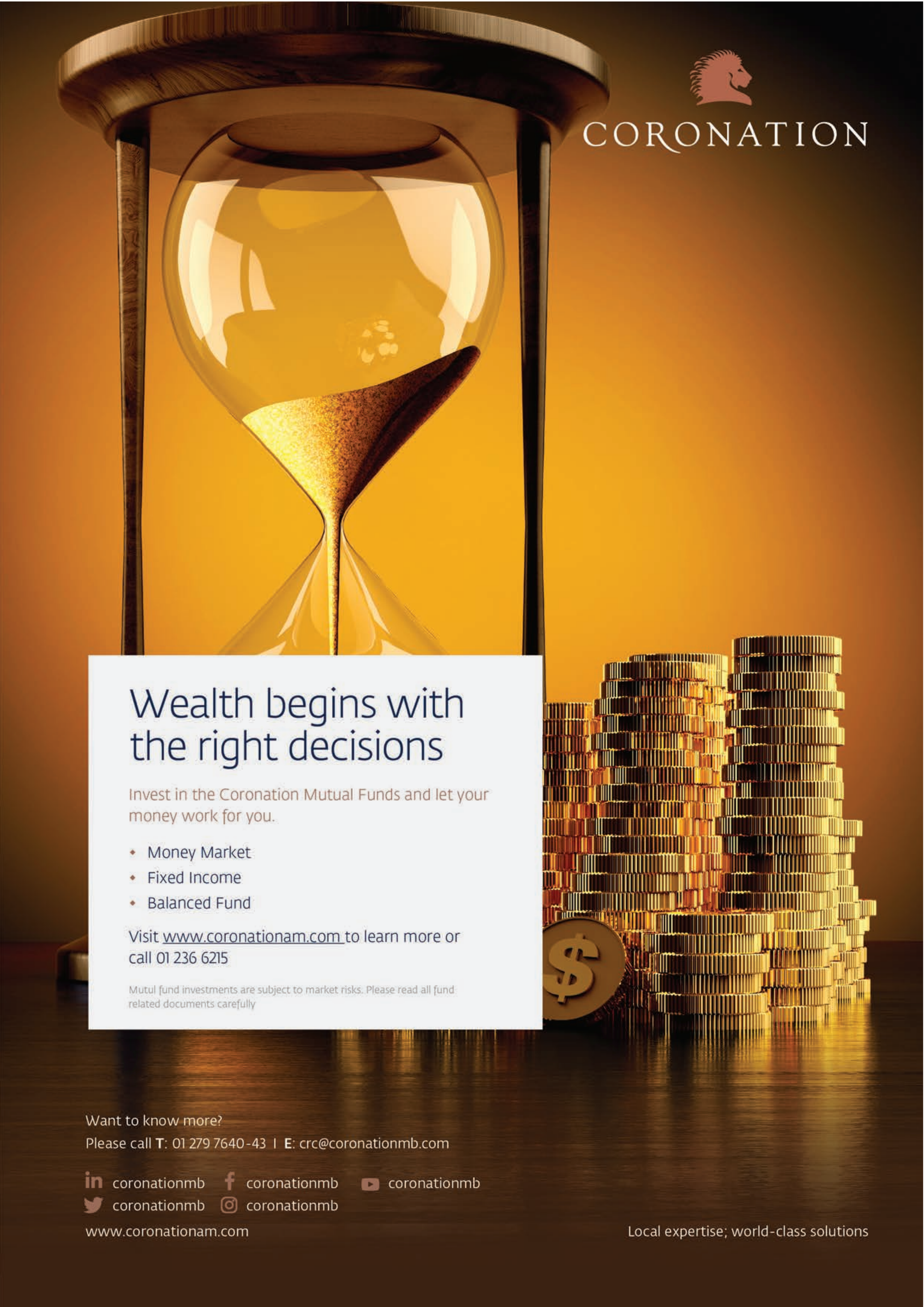
In 2019, we expect local firms to source for capital via Rights Issue and Debt Issuance. The capital market presents a platform to raise long term capital and we anticipate that a number of primary market transactions will come live in 2019 which will present Coronation Securities more opportunities to play in this space.

Outlook and 2019 Priorities

Outlook for equites in 2019 remain conservative and is anchored on the outcome of the general election on one hand and the change of guard at the Central Bank of Nigeria (CBN) on the other. Overall, we imagine a flat performance in H1-19 and a quick rebound in H2-19, especially if the outcome of the election culminate into a smooth and peaceful transition of power.

Against the backdrop of a better balance of risks going into 2019 and considering the extreme valuation differences between Nigeria (9.0x) and the rest of the world (EM: 11.6x, FM: 10.9x, and the world: 15.6x), we anticipate net-capital inflow into Nigeria, especially after the elections. Foreign Portfolio Investors (FPIs) are unlikely to return until after the election. We anticipate that the MPC will continue to hold off any rate cut in first half of 2019 till the tenure of the current CBN Governor. In view of elevated uncertainties in the polity. Hike in interest rates in the developed economies, stronger dollar to EM currencies, staggering crude oil prices as well as slowing global economic growth are factors which will shape the decision of the Apex bank in 2019.

As such, aggressive liquidity mop-up will continue, while expanded political spending and calls for a new minimum wage will probably push inflation higher. Fiscal operation is expected to be less expansionary, amid increasing cost of debt servicing and non-debt recurrent spending, amplified by recent calls for an upward adjustment of the minimum wage. However, capital expenditure is expected to be weaker.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Coronation Asset Management

Coronation Asset Management is a wholly-owned subsidiary of Coronation Merchant Bank licensed and regulated by the Securities and Exchange Commission of Nigeria. Coronation Asset Management offers the numerous clients the opportunity to create investment solutions based on a diversified portfolio by investing in global and domestic markets across multiple asset classes, including fixed income, money market, publicly and privately listed equities, real estate and commodities. Our focus is on delivering insightful investment solutions to a diverse client base which ranges from individuals, institutions, family services, financial advisors as well as cooperatives and foundations.

At Coronation Asset Management, we build strategic partnerships with individual client – including retail, ultra and high net-worth individuals, financial advisers and institutions – in order to fully understand their financial requirements, and to develop products and services that deliver optimal returns while effectively managing risk. In sustaining the trust with our clients, our highly experienced asset management team upholds the principle of transparency in executing all its investment decisions.

Product and Service Offerings

Our services predominantly provide tailor-made investment solutions for individuals (Ultra-high and High Net-Worth Individuals, Mass Affluent, and Retail clients) and Institutional clients.

Ultra and High Net-Worth Individuals

- Wealth Planning and Management (Discretionary, and Execution-Only Portfolio Management Solutions)
- Strategic Corporate Advisory and Execution
- Multi-asset class investment strategies and structured products
- Family Office Investment Management Solutions

Mass Affluent

- Life cycle Investment Solutions and Financial Advisory
- Goal Base Investment Solutions such as Education, Home Ownership and Retirement Financial Planning

Retail

- Individual Savings Plan
- Investment Club Solutions
- Mutual Funds

Institutional

- Liability and Liquidity Management Solutions
- Multi-asset class investment strategies and structured products
- Staff Benefit and Co-operative Fund Management Solutions
- Investment Insight and Research

Achievements So Far

Successful launched three (3) Mutual Funds in Q3 2017:

- Coronation Mutual Fund
- Coronation Fixed Income Fund
- Coronation Balanced Fund

Achieved 173% Net Asset Value (NAV) growth rate in the Coronation Money Market Fund from inception to year end.

Coronation Trustees

Coronation Trustees Limited is a member of the Coronation Merchant Bank Group, licensed by the Securities and Exchange Commission as a trust service provider. Our goal is to be the premier trust service provider in Africa, a goal we are committed to achieving by providing best-in-class services to our served markets.

At Coronation Trustees, we partner with our clients to thoroughly understand and articulate their goals and objectives and provide bespoke solutions that fit each client's requirements. We do not stop here. We also partner with the best experts in different fields to ensure excellent management of our client's assets. Thus, we provide end-to-end trust services and dedicate resources to ensure our clients' trust objectives are met as spelt out in the trust deed.

Our clientele base cuts across Governments (National and Sub-National), individual and corporates in various sectors including manufacturing, oil and gas and real estate. Our team consists of carefully selected individuals who are well versed in the industry with a wealth of knowledge and combined experience in law, finance and risk management which enables us to deliver superior services in asset preservation, wealth creation and succession planning solutions to our diverse range of clients.

We benchmark ourselves against leading global trust service providers without compromising risks and compliance best practices. This has placed us on the path to achieving our goal of being the premier trust service provider in Africa supported by partnerships within the Coronation Group as well as key external local and international players.

Market Overview

We provide trust solutions and services under three broad headings namely:

S/N	Private Trust	Corporate Trust	Public Trust
1	Wills	Corporate Bonds	Government Bonds
2	Estate Planning	Debentures	Private Public Partnership/ Government Asset sale or leases
3	Philanthropy	Loan syndications	Agency
4	Safekeeping	Collective Investment Schemes (mutual funds)	Escrow Services
5	Nominee Services	Trustee agency	
6	Endowment Funds	Employee Benefit Scheme	

Sector Focus

We are able to engage all key sectors of the economy where there is need to secure assets. However, our client focus essentially consists of:

- Governments (national and subnational),
- Local and international financial institutions,
- Conglomerates and companies.

High Net-Worth Individuals and Families with assets abroad and within the country as well as charities, schools and foundations.

2018 Achievements

In 2018, we were appointed Joint Trustee to the Mixta N60 Billion Bond Series II, as well as three other Bonds valuing about N600Billion across the financial and manufacturing sectors in the country..

Assets under the security trust arrangement as well as nominee arrangements have grown to over N20B, while assets under custody grew to N200B at the close of the year.

Our goal is to grow assets under custody to N500B in the year 2019 without compromising our standard and quality of service.

Business Opportunities

We recognize that market knowledge, innovation and key partnerships are critical points needed to participate in grade "A" transactions. Supported by research and analysis, we have identified opportunities and positioned ourselves to add value and be part of the incubation and structuring process of quality transactions in order to ensure participation.

Risk management is at the core of our business. By delivering excellent service and ensuring protection and growth of our clients' assets we aim to become the preferred trustee in a private and corporate capacity.

Outlook & 2019 Priorities

2019 is an election year, as such activities may slow down generally in the country due to anxieties around the outcomes of elections and possible transitions in some respects. Nevertheless, we have strategically positioned ourselves to enable us to achieve our goal of being a Trust Company to be reckoned with. This we are poised to doing by applying our innovative abilities to develop new products and services which will create value for our clients across the various spheres.

Our major priority in 2019 is to create strong visibility for our brand and ensure participation in all major deals in the country even as we create new products and solutions for our clients. We intend to be more deliberate with meeting our clients' (both current and prospective) needs in the face of the uncertainties that accompany a typical election year in the country. Part of our agenda is to create retail products geared towards easing the burden of transfer and (or) transmission of assets. We will also make even more strategic alliances for add-on benefits for our clients.

Operations & Information Technology

The Operations and Technology Division has the strategic mandate of ensuring the service promises of the Bank are delivered and fulfilled. In performance of this responsibility, It ensures that all systems and processes are optimised and all aspects of risks involved in the bank's activities are evaluated and adequately mitigated based on extensively articulated policies and frameworks. Operations and Technology ethos of being the fastest and best is hinged on the levers of Enjoyable Customer Experience and fully automated processes driven by a cache of process experts.

The division has continued to build on the previous years' successes with a target of delivering customer friendly solutions that will enhance service delivery to our esteemed customers. With the support of a cohesive technology team that achieved major milestones such as offering of Finacle 10 and upgrade of the Bank's local and international payment systems, the bank is well positioned to deliver more bespoke solutions as we continue in the journey to greatness.

Operations: Review of 2018:

A number of initiatives were carried out during the year to increase operational efficiency to enable us cope with the growing transaction volumes. Some of these initiatives include streamlining of processes using the six sigma rule, reduction of transactions that require exceptional approvals, defining processes around outstanding KYC documents within the group and review of the principles for foreign exchange allocation. The successful implementation of these initiatives enabled us reduce our transaction processing time by 50%.

In addition to the process enhancements carried out in the course of the year, automation of key processes were carried out across major touch points and internal processes. This resulted in increased level of efficiency and increased local expertise. In addition to this, a number of cost savings initiatives were also implemented across all expense control units, which in turn gave rise to huge savings for the bank and a record cost-to-income ratio of 50.5%. Though we have witnessed a significant uptick in the number of transactions per processor, the efficient implementation of key process automation has enabled us cope with this.

Customer Experience

In 2018, we built on the platforms and technology deployed to create an impressive experience for our customers. The year recorded higher use of self-service platforms by our customers and deployment of easy banking initiates to our customers. It is our plan in 2019 to continue in this direction by adding more enjoyable platforms and introduction of efficient and effective processes across the bank to support the businesses of our esteemed customers.

Other achievements in 2018 in this area include setting up of a world class customer resolution centre that will take care of all after-sales enquiries and feedbacks of our esteemed customers and introduction of collections platforms to enable our customers run their revenue collections in an efficient manner.

As we strive for operational excellence, we have continued our focus on process automation and provision of stable platforms and infrastructure. This is being done to attain full technology coverage for key business operations, while improving productivity and eliminate manual processes. Some of the key business processes automated during the course of the year include FX Deal Processing and expense management process.

We optimized the existing electronic channels by introduction of new features and enhancing existing features, to ensure clients are able to manage their interactions with the Bank via their preferred platform. These initiatives will be improved on in 2019

In order to ensure we continue to improve on our customer service and experience for our customers, we decided to onboard the annual KPMG customer satisfaction survey. We expect that the insights we derive from the survey will improve our quality of service delivery and customer satisfaction

The immediate impact of these initiatives on our business has generated about 40% increase in transactions over that of the prior year. We have also withness about 40% increase in customer base which we believe is a reflection of the service initiatives put in place in 2018.

Priorities for 2019

Our priority will be to continue to provide very reliable channels for the use of our customers across the group. We believe this will free up significant time of the business facing units and allow them focus on the core mandate of business growth. Continuous improvement of our processes by way of automation will also be our focus as most critical processes will be automated to give room for faster turnaround time on all service offerings of the bank.

Information Technology

A known fact for us at Coronation Merchant Bank is that technology and business are becoming inextricably interwoven, with Information Technology offering a path to a sustainable competitive advantage in an ever increasing competitive operating environment...

The Bank has continued its transition into a technology driven Financial Services Provider, taking advantage of transformational trends in the Merchant Banking and Capital Market space to sustain its competitive edge in the financial services sector. We have invested significantly in new business solutions and optimization of existing technology in the course of the year and changes were made to the overall Technology landscape with the objective of increasing profitability, reduce costs, improve efficiencies and effectively improving customer service, whilst also taking cognizance of operational, risk and regulatory demands.

A view of emerging business trends and technologies brought about a strategic re-focus for IT in the course of the year, while ensuring alignment with the Bank's key strategic objectives. These focus areas include:

- provision of a suite of applications within a larger enterprise architecture capable of satisfactorily meeting business requirements.
- synchronisation of technology platforms to achieve efficient data exchange and eliminate siloed applications, while achieving a single point of data entry.
- extraction, transformation and loading of data and associated meta-data to provide insights that will drive innovation and business decisions.
- provision of an optimal but secured environment that proactively mitigates against known and emerging threats.
- agile and scalable platforms built to support business operations and interaction with internal and external components of our technology eco-system, to improve service delivery and achieve optimum uptime.
- incorporating best practices with the right skill set in the provision and management of technology services within the enterprise.

Our key focus for the year was to improve accessibility to our products and services as well as provide the needed flexibility and convenience required by our clients. A number of channels and platforms were deployed to facilitate client engagement and also enhance the capability of back-office functions to fulfil customer requests and respond adequately to customer enquiries. Notable among these platforms were our Internet Banking platform (a first for a Merchant Bank), an online portal for Asset Management, a mobile trading application for the brokerage business and an upgrade to our SWIFT processing platform.

To further support business operations, a number of our existing systems have been integrated to ensure an efficient and scalable Enterprise Architecture to surpass clients' expectation of the speed and efficiency required to fulfill transaction requests. We have also established strategic partnerships with other technology companies to build and provide access to other IT and digital services, including the establishment of payment gateways.

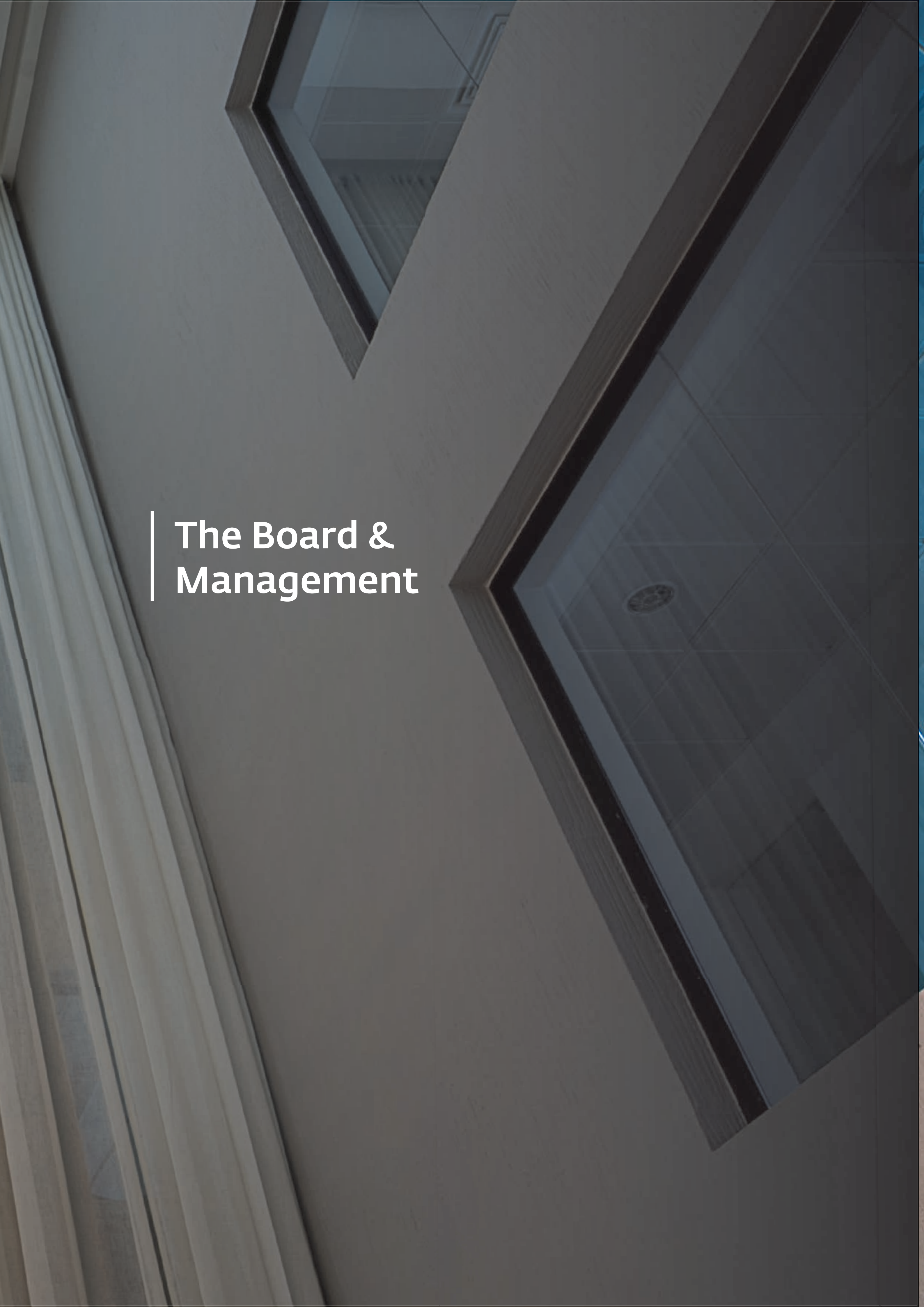
As the complexities and sophistication of threats evolve in a constantly changing environment, equally complex and sophisticated counter-measures and strategies are being employed by the Bank to enhance the bank's cyber-security programmes. The Bank has taken a number of proactive steps to manage its technology assets including the establishment of a hybrid Security Operations Centre setup for security monitoring and environmental scanning.

We also understand the value of information asset in a digital age and have introduced enterprise mobility management services to address security risks with the use of our work tools, while ensuring data is accessed on a need-to-know basis. These services have also been layered with access control tools and restriction mechanisms for protection.

We also recognize the value of enhancing continuity and recovery programmes for real-time sustainability of critical systems and operations. While, our data center has now been equipped to enable proper monitoring of services to effectively reduce occurrence of downtime, we are in the process of deploying an Enterprise Disaster Recovery Solution to achieve high-availability and real-time redundancy of critical systems.

In 2019, our focus will be to build a world class technology platform that will drive innovation, improve customer satisfaction and help us derive insight from our data to allow us achieve operational excellence and sustainable competitive advantage in the short and long term. As we look ahead, we shall continue to seek ways of leveraging on technology to improve the business, scan the operating environment to understand immediate and emerging needs of our clients and deploy new solutions to meet these needs and improve on the overall customer experience.

We also remain committed to innovation within the Financial Services Industry by deploying next generation technologies and setting new standards.



The Board & Management

The Board

Babatunde Folawiyo
Non-Executive Director (Chairman)

BSc Economics and LLB, LLM.

Mr. Folawiyo is Chairman of the Yinka Folawiyo Group, an organisation with interests in energy, agriculture, shipping, and real estate. A conglomerate that was founded by his father, Wahab Folawiyo, Mr. Folawiyo took over the organisation in 2008 when his father passed. He also serves as Director of MTN Nigeria Ltd, and founded Folawiyo Energy Ltd, a subsidiary of the Yinka Folawiyo Group of Companies.

He was called to the Bar of England and Wales in 1985, where he started his law practice in Nigeria with the firm Ogunsanya, but resigned from law in 1989. Since 1996, Mr. Folawiyo has also served as the Vice President of Nigeria Association of Indigenous Petroleum Explorers & Productions (NAIPEC).

During the 2005 recapitalization/ consolidation of the banking industry, he led Marina International Bank Ltd into a successful merger with Access Bank Plc, and served on the board of the Bank until February 2016. He was also a Director at Unic Insurance Plc.

He is the Honorary Consul of Barbados in Nigeria, the 2010 African Business Leadership Awardee and a member of the Nigerian Bar Association. Mr. Folawiyo is a fellow of the Duke of Edinburgh's World Fellowship, a member of the Governing Council of the Lagos State University and sits on the Board of Trustees of Crescent University in Abeokuta.

Mr Folawiyo joined Coronation Merchant Bank Board of Directors on 22nd April 2015. He is aged 58 as at the date of this meeting.

Adamu Mahmoud Atta
Non-Executive Director

BA International Relations/ International Economics, MA Development Economics, Masters Political Science

Mr. Atta founded and heads the consultancy firm of, Matad Group Nigeria Limited ("Matad"), and through this, he has gained over thirty 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.

Mr. Atta serves on the boards of various companies, including WAPIC Insurance Plc, Inter Foods Limited, Workwell, Engineering & Tractor Nigeria Limited and Supertex, amongst others.

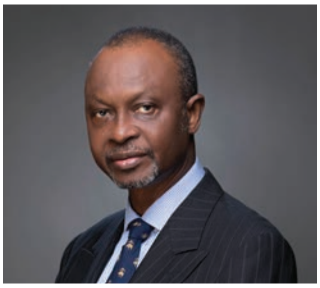
He is a member of the Nigerian Extractive Industry Transparency Initiative (N-EITI), an initiative of the Federal Government of Nigeria to coordinate systems for monitoring oil and gas supplies to industries and instilling transparency in the oil and gassector, the Nigerian Business Forum. To this end, he was involved in the creation and implementation of accounting solution that tracks developments in sector.

Mr. Atta was appointed to the board of Coronation Merchant Bank on April 22, 2014 and his appointment was approved by the Central Bank of Nigeria on April 30, 2015.

He is a member of the following Board Committees:

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

Mr. Atta is aged 52 as at the date of this meeting.



Babatunde Dabiri
Non-Executive / Independent Director

BSc Economics, MBA,

Mr. Dabiri is a retired bank CEO whose banking career spanned over three decades in various banks such as Prime Merchant Bank, Continental Merchant Bank, and Fountain Trust Merchant Bank Ltd. He served in various leadership positions until retirement in 2008 as the first GMD/ CEO of Sterling Bank Plc.

Mr. Dabiri was the founding Chairman of Lagos State Pensions Commission (LASPEC), a position he held for 6 years. He is a Director at Academy Press Plc and Mutual Benefits Assurance Plc, and Chairman at Lawson Thomas and Colleagues Ltd. He sits on the board of the University of Lagos Holding Company Ltd and on the Advancement Board of the University of Ibadan. He is also a Board Member of LEAP Africa, an organization committed to developing dynamic, innovative and principled youth leaders.

Between 2003 and 2005, he was the Alumni President of the Lagos Business School, and from 2004 to 2007, National President of the Igbobi College Old Boys Association (ICOBA). He served on the Governing Council of the Lagos State University for 8 years and has been on the Corona Schools Trust Council for 20 years.

Mr. Dabiri was appointed to the board of Coronation Merchant Bank on May 18, 2011 and his appointment was approved by the Central Bank of Nigeria on August 18, 2011.

He is a member of the following Board Committees:

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

Mr. Dabiri is aged 66 as at the date of this meeting.

Evelyn Ndali Oputu
Non-Executive Director

BSc Business Administration, Diploma .

Ms Oputu is a retired and accomplished banker with over 38 years of banking experience. Prior to her retirement in 2014 as the Managing Director of Bank of Industry, Ms Oputu worked in several banks in Nigeria such as 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 in banking operations – credit and marketing, corporate finance, corporate banking, investment banking etc.

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

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

Ms Oputu was appointed to the board of Coronation Merchant Bank on April 22, 2014 and her appointment was approved by the Central Bank of Nigeria on April 30, 2015.

She is a member of the following Board Committees:

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

Ms Oputu is aged 69 as at the date of this meeting.

Idaere Gogo Ogan
Non-Executive Director

B.Sc. (Hons) Economics, MBA International Finance.

Mr Ogan is an entrepreneur and the Chairman of Calvary Group (which is made up of 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 his foray into business, he had spent over 8 years in Banking and retired early from paid employment as the Head, Corporate banking (Pharmaceutical group) at Guaranty Trust Bank Plc. in 1998.

Mr. Ogan is the current Chairman of United Securities Limited (USL) and is a ranking member of Access Bank Plc Shareholders' Audit Committee,

He is a member, Institute of Directors of Nigeria which is an affiliate of Institute of Directors, United Kingdom.

Mr. Ogan was appointed to the board of Coronation Merchant Bank on July 21, 2017 and his appointment was approved by the Central Bank of Nigeria on 1st November 2017.

Mr Ogan is aged 53 as at the date of this meeting.

Larry Ettah
Non-Executive Director

BSc Industrial Chemistry, MBA Graduate of the Executive Programmes, GSB

Mr. Ettah is the Chairman of Barracuda Capital Partners Ltd, a company he formed after his retirement as the Group Managing Director/ CEO of UAC Nigeria Plc. As GMD/CEO of UAC Nig. Plc, he chaired the subsidiaries of the company which included UAC Property Development Company Plc. (UPDC), Chemical & Allied Products Plc (CAP), Portland Paints & Products Nigeria Plc. and Livestock Feeds Plc.

He began his career as a Management Trainee at UACN in 1988 and was promoted to the board of UACN in 2004. Prior to this promotion, he held several senior management positions within the company, including Executive Director, and Human Resources and Divisional Managing Director of the Mr Bigg's Division of UAC.

He has held executive positions at organisations such as Nigeria Employers' Consultative Association (NECA), Manufacturers Association of Nigeria (MAN), and Lagos Chamber of Commerce & Industry (LCCI).

Mr Ettah was appointed to the Board of Coronation Merchant Bank on the 30th April 2015. The Central Bank of Nigeria approved the appointment of Mr Ettah as a Board member on 27th February 2015.

Mr Ettah is a member of the following Board Committees:

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

He is aged 55 as at the date of the meeting.

Olubunmi Fayokun
Non-Executive / Independent Director

Bachelor of Laws (LL.B), LLB (Hons) Law. Admitted to the Nigerian Bar - 1985

Ms. Fayokun is a Senior Partner in the law firm of Aluko & Oyebode 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.

Ms. Fayokun has served on various committees established by the Securities and Exchange Commission for the purpose of promoting the development of the Nigerian capital market, including the CMC Rules and Compliance Sub-committee and the CMC Market Infrastructure Sub-committee.

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

Ms. Fayokun was appointed to the board of Coronation Merchant Bank on May 30, 2017 and her appointment was approved by the Central Bank of Nigeria on 1st November 2015.

She is aged 56 as at the date of this meeting.

Suzanne Olufunke Iroche
Non-Executive / Independent Director

BSc Economics, Masters of Management.

Mrs Iroche is currently the CEO of Marnaby Limited – a financial consultancy and advisory services firm.

She began her career in 1981 at First Bank of Nigeria as a Foreign Exchange Supervisor. Also, she got significant exposure in other areas of banking while at International Merchant Bank, Chatered Bank Plc, and UBA where she left as Executive Director, Global and Institutional Banking at United Bank for Africa (UBA) Plc.

In 2009, she was appointed MD/CEO of Finbank Plc. by the Central Bank of Nigeria, where she significantly reduced the loss position of the Bank.

Mrs Iroche was appointed to the Board of Coronation Merchant Bank (then Associated Discount House Limited) on the 13th October 2012. The Central Bank of Nigeria approved the appointment of Mr Ettah as a Board member on 31st October 2012.

Mrs. Iroche is a member of the following Board Committees:

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

She is aged 59 as at the date of the meeting.

Abubakar Jimoh
GMD/ CEO

B.Sc. and MSc Finance, AMP CFA, FRM, CGA, FCA, FCIB.

Mr. Jimoh is a hands-on leader who has held the position of Managing Director/Chief Executive Officer at Coronation Merchant Bank.

He commenced his banking career in 1988 as a Youth Corp member (Nigerian Youth Service Corp scheme), in the then Lion Bank Ltd. He continued his career progression with Prime Merchant Bank where he spent 3 years before joining Express Discount House and rose through the ranks to the role of Head, Securities Trading & Treasury. He served in this capacity until 1999 when he joined the Royal Bank of Canada (RBC) Financial Group in Toronto, Canada.

At RBC, he gained indepth experience in investment analysis and management, enterprise risk management and global securities lending as well as collateral management.

in 2005, he left RBS Financial Group to work with African Development Bank (AfDB) where he served as the Divisional Chief, and was in charge of Private Sector Portfolio Management and later as Lead Expert, Internal Control and Operational Risk.

In October 2008, Mr. Jimoh joined the UBA Group as General Manager and Divisional Head, Balance Sheet Management, Chief Risk Officer and Investor Relations for UBA Africa and its business segments. He left UBA Group in 2011 to join ADHL as the MD/CEO

One of his notable achievements include the transformation of ADH from a failing Discount House to a Merchant Bank (Coronation Merchant Bank Group) with an A rating.

Mr. Jimoh was appointed to the board of Coronation Merchant Bank (former Associated Discount House Limited) on December 18, 2010 and his appointment was approved by the Central Bank of Nigeria on 2nd February 2011.

He is aged 52 as at the date of this meeting.

Onome Komolafe
Executive Director, Enterprise Support

BSc Accounting, MBA

Onome's 21-year banking career began in 1997 at Guaranty Bank Plc (GTB), where she held various management positions and responsibilities, including Head of Branch Operations, Treasury Operations and Domestic Operations. Subsequent to that, she joined Access Bank Plc in 2007 as Head of Treasury Operations and rose to a Senior Management position, where she oversaw the bank's Centralized Operations Group.

Her achievements include creating standardized procedures for the Domestic Funds Transfer Teams, Credit and Corporate Operations in Access Bank. She also led the Treasury Software Implementation project at Access Bank. She is ACI certified, a member of Central Bank of Nigeria Financial Services Industry Infrastructure Transformation Programme, a member of the RTGS (Real Time Gross Settlement) Implementation team, and of the Payment Systems and Infrastructure Sub- Committee of the Bankers Committee.

As the Executive Director at Coronation Merchant Bank, Onome's responsibilities include implementing business strategies across the organisation and monitoring performance with regards to these strategic plans and goals; liaising with the various departments to enhance synergy across the company; and analyzing the bank's technology infrastructure and providing guidance, with a core focus on creating sustainable processes and structures.

Banjo Adegbohungbe
Executive Director, Chief Operating Officer

BSc. Mechanical Engineering, MBA

Banjo has over 25 years banking experience in operations, technology and product management spanning international trade, foreign and local payments, foreign exchange, fixed income, money markets and loans.

He spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Ltd) in various functions including technology, business process improvement and trade operations, rising to become the Head, Trade Operations in 2005 prior to joining Access Bank in March 2007. He was at various times group head, Global Trade, group head, Global Payments and group head, Corporate Operations before joining Coronation Merchant Bank in July 2018.

As Executive Director and Chief Operating Officer at Coronation Merchant Bank, he is responsible for the strategic direction for the back office, technology and electronic/digital channels for the group.

He was appointed to the Board of Coronation Merchant Bank Limited on May 7, 2018 and approved by the Central Bank of Nigeria in June 2018.

He is aged 48 as at the date of this meeting.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Head, Trade Services
T: 01 236 6214
Demola Adekoya
Head, Corporate Banking
T: 01 236 6219
Want to know more?
Please call T: 01 279 7640-43 I E: crc@coronationmb.com
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Local expertise; world-class solutions

Corporate Information as at 31 December 2018

These are the list of Directors who served in the entity during the period and up to the date of this report

Chairman

Mr. Babatunde Folawiyo

Directors

Mr. Adamu Atta

Mr. Babatunde Dabiri (Independent Director)

Ms Evelyn Oputu

Mr. Larry Ettah

Mrs. Suzanne Iroche (Independent Director)

Mr Idaere Gogo Ogan appointed on 1 Nov 2017

Mrs. Olubunmi Fayokun (Independent Director) appointed on 1 Nov 2017

Mr. Abubakar A. Jimoh (Managing Director/CEO)

Mrs. Onome Komolafe appointed on 11 Oct 2017

Mr. Banjo Adegbohungbe appointed on 12 June 2018

Company Secretary

Mrs. Cornelia Utuk

Registered Office

Coronation House

10 Amodu Ojikutu Street

Victoria Island

Lagos, Nigeria

E: cmb@coronationmb.com;

W: http//www.coronationmb.com

Auditors

PricewaterhouseCoopers

Landmark Towers

5B Water Corporation Drive

Victoria Island, Lagos

Tel: +234(0)1 271 1700

www.pwc.com/ng

Bankers

Access Bank

Guaranty Trust Bank

Sterling Bank

Wema Bank

RC No. 207138

FRC Registrar No.

FRC/2012/0000000000246

These are the list of Directors who served in the entity during the period and up to the date of this meeting.

Other Management Team

Abiodun Sanusi
Head, Investment Banking

BSc Accounting, MBA, CFA, FCA, ACITN

Abiodun is the Group Head, Investment Banking, and is responsible for the origination and execution of capital markets, mergers & acquisitions and project & structured finance transactions within the Coronation Merchant Banking group.

He began his career in 2003 as an Analyst in the Information Risk Management Department of KPMG Professional Services. In 2004, he joined Vetiva Capital Management Limited as an Investment Banking Analyst and then rose to become Deputy Head of Investment Banking between 2008 to 2009. He joined Renaissance Capital as Vice President, Investment Banking after being an Investment Adviser within in the Investment Division of African Finance Corporation. He later became a Director, Investment Banking at Renaissance Capital where he was responsible for the West African Investment Banking business. Abiodun has executed transactions more than USD 7 billion in his entire investment banking career as at date.

Abiodun holds a first-class degree in Accounting from the University of Lagos, where he was the best graduating student in the Faculty of Business Administration. He has an MBA with majors in Private Equity and Venture Capital from the Wharton School, University of Pennsylvania. He is a Chartered Financial Analyst (CFA) Charter holder, a Fellow of the Institute of Chartered Accountants of Nigeria (FCA) and an Associate Member of the Chartered Institute of Taxation of Nigeria (ACTI).

Magnus Nnoka
Chief Risk Officer

BSc. Economics, MBA, MSc. Risk Management

MAGNUS NNOKA- has over 24 years' experience in the banking sector that cuts across banks and core areas of Treasury, Branch Management/operations and enterprise risk management. He has spent over 15 years and developed expertise in different areas of risk management.

Magnus Nnoka has rich and hands-on experience in credit risk management (end to end) and design of risk management framework. He was at different times Project Manager for diverse risk management initiatives and process re-engineering and pioneered the establishment of various risk management groups at Diamond Bank (Nigeria)-including operational risk management and environmental and social risk management teams.

Prior to joining Coronation Merchant Bank, he also held Senior Management positions in Risk Management at Standard Chartered Bank and Union Bank Nigeria in addition to having a brief stint in Risk Management Consultancy.

He holds a first degree in Economics, an MBA in marketing; Master degree in Risk Management as well as an Alumnus of the prestigious Lagos Business School Senior Management Program.

Magnus is a Certified Risk Manager (CRM); Fellow, The Institute for Governance, Risk Management and Compliance Professionals and is currently the National President of the Risk Management Association of Nigeria.

Magnus has attended various professional, management and leadership courses both locally and off shore aside facilitation of risk management programs at professional training centers.

Olubunmi Odunowo
Head, Group Operations

BSc. (Hons) Accounting, MBA, CB, ACIB

Olubunmi is a Chartered Banker with over 25 years' experience that cuts across the financial services industry. Prior to joining Coronation Merchant Bank, she was the Head of Shared Sevices Operations and Country Head of Operations at Stanbic IBTC Bank (A member of the Standard Bank Group) where she provided oversight for the operations of the Bank's businesses .Whilst there she attended various leadership courses organized by the Standard Bank Group.

Prior to this she spent a significant portion of her Banking career as a staff of Guaranty Trust Bank Where she held positions in various departments which include Internal Control and Customer service. She also worked in the Commercial Banking Division and Operations/Transaction services group where she held Management positions.

Armed with her extensive experience, as she oversees the Operations of the Bank and the Capital markets group she is looking to significantly contribute to the positioning of the Coronation Group as the leading player in the financial services industry in Africa.

Cornelia Utuk
Group Company Secretary/ Legal Adviser

LLB, BL,, MBA

Cornelia is the Group Company Secretary/ Legal Adviser of Coronation Merchant Bank and its subsidiaries – Coronation Securities Limited, Coronation Asset Management Limited and Coronation Trustees Limited. Cornelia's responsibilities include providing advice and support on matters related to statutory regulations, employee relations, litigation, with the aim of mitigating Coronation Merchant Bank's legal exposure; leading the development and implementation of the Bank's legal strategy, as aligned with business goals; coordinating the identification of risks and their implications and advising accordingly; and reviewing the regulations of the organization.

She began her two-decade-long career in the Credit Office of the now-defunct Standard Trust Bank in June 1999 and remained there until 2005, when it merged with the United Bank of Africa (UBA) Plc. Whilst at UBA, she developed knowledge and experience in Credit Analysis, Credit Control, Credit Monitoring and Credit Administration. In 2007, she left UBA to join Marina Securities Limited (MSL), as the Company Secretary/Head of Corporate Services. During her time at MSL, she also served as the Company Secretary of its subsidiaries, Marina Securities Stockbroking Services Ltd. and United Securities Ltd. She joined Associated Discount House Limited (ADHL) in September 2014 as the Company Secretary/Legal Adviser and Group Head for Corporate Services.

Cornelia was enrolled as a Solicitor and Advocate of the Supreme Court of Nigeria in 1998. She is a member of the Business Law Section of the Nigerian Bar Association, the Commonwealth Lawyers Association, and an Affiliate Member of the Chartered Institute of Personnel Management in the UK.

Ademola Adekoya
Group Head, Corporate Banking

BSc Estate Management

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

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

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

Dele Dopemu
Chief Audit Executive

B.sc Zoology (Science), FCA, CISA, ACIN, IIA

Dele has acquired over two decades' professional Audit and Banking experience spanning across, Internal Control, Compliance, External & Internal Audit and Banking Operations.

Prior to 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 Delloitte (Audit) and was involved in some mergers and acquisition 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 series of management courses both Local and international including Wharton Business School

Ibrahim Bello
Chief Compliance Officer

BSc Accounting. FCA, MBA, ACAMS.

As Head of Compliance at Coronation Merchant Bank, Mr. Bello's responsibilities include the provision of operational and advisory support in the development and implementation of all compliance strategies and concerns. He is also charged with establishing strong compliance standards in accordance 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).

Onayimi Aiwerioghene
Group Head, Enterprise Management

BSc. Chemical Engineering, MSc. Chemical Process Engineering .

As the Group Head of Enterprise Management at Coronation Merchant Bank, Mrs. Aiwerioghene's core focus is on developing her knowledge and potential in Human Resources, Process Redesign, Business Effectiveness, Strategy Articulation, and Corporate Communications and Branding.

Her responsibilities include facilitating the development of the bank's long-term and annual strategic plans as well as monitoring and evaluating the implementation of same, providing strong leadership in establishing and communicating appropriate human capital strategies, policies, procedures, initiatives and systems to ensure understanding and buy-in of HR practices across the Group and developing the overall brand strategy and extending the brand consistently through multiple channels.

Over the course of her career, she has built a core expertise in HR and strategy advisory, project management and business planning. Her career began in 2007 at Ariosh Limited Nigeria. In October 2008, she joined the Management Consulting division of KPMG Professional Services, Nigeria, where she played a key role by providing deep knowledge of the oil and gas and financial services industries in Nigeria.

She has worked on projects for various clients designing and recommending optimal operating models and supporting business structures and was part of the team that developed the strategy blue print for one of Nigeria's leading banks. She was a member of the KPMG team that was responsible for the successful transition of Associated Discount House Limited (ADHL) to Coronation Merchant Bank and has developed leading policies and frameworks to guide the banks processes and operations. She has successfully facilitated the recruitment of majority of the banks existing workforce.

Chukwukadibia Okoye
Chief Financial Officer

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

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

Mr Okoye's accounting experience began at PricewaterhouseCoopers (PwC) Nigeria, where he trained in Assurance and Advisory Services. He was involved in several IFRS Conversion Engagements for the firm's clients. After his time in consulting, he joined United Bank for Africa as Team Lead of Financial Control and Head of Financial and Technical Analysis, where he was responsible for IFRS Compliance and Financial Reporting. In November 2015, he joined Coronation Merchant Bank as the Chief Financial Officer.

He is a member of Nigeria Institute of Management. He is a member of the Association of Chartered Certified Accountants UK and Associate member of Institute of Chartered Accountant of Nigeria.

Iyobosa Sorae
Group Head, Securities Dealing

BSc Business Administration, MBA

Mrs Sorae is a Fixed Income expert with experience in Fixed Income Trading, Portfolio Management, and Operational Management. As the Group Head of Securities Dealing at Coronation Merchant Bank since August 2015, Mrs Sorae'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. Thereafter, Mrs Sorae became Assistant Branch Operations Head, and in April 2007, she was appointed to lead the Fixed Income Department of Access Bank Plc. From there, she was transferred to the Corporate Finance Unit of the Bank in January 2011. Mrs Sorae joined Dunn Loren Merrifield in March 2011 as Head of Fixed Income Sales and Trading, where she was responsible for setting up the fixed income unit, as it was a start-up investment banking firm at the time.

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

Aigbovbioise Aig-Imoukhuede
MD, Coronation Asset Management

B.Sc. Business Studies

Aigbovbioise has approximately two decades of experience in Banking and Finance, many of which have been at the Senior Management Level. He started his career in 1998 as Relationship Officer at Fidelity Union Merchant Bank Limited, and later joined MBC International Bank Limited in 2001, where he rose to become Head of the Construction and Real Estate Unit. In 2007, he moved to Coronation Securities as Vice President of the Wealth Management Group. From there, he was promoted to the level of DMD as a result of his hard work and dedication.

Some of the Notable Capital Market Mandates he has been involved with include Access Bank Plc Rights Issue; Gombe and Lagos State Government Supplementary Shelf Prospectus; Wapic Insurance Global Depository Receipt; and the Access Bank Plc/Intercontinental Bank Plc Merger.

As Managing Director, Coronation Asset Management - A subsidiary of Coronation Merchant Bank, he is responsible for the bank's businesses in Investment Banking, Brokerage, Asset Management and Trust Services. He leads the team in the development and execution of business strategies; in the review of regulatory frameworks; and in ascertaining compliance with established rules and regulations by the capital markets entities under supervision.

Oladunni Elizabeth Olawuyi
Ag. MD, Coronation Securities

B.a Philosophy, MBA, ACS, ACIS

Oladunni is currently the Acting Chief Executive Officer of Coronation Securities Limited. She has over 10 years' experience in the Nigerian Capital Market. She started her Career with Marina Securities Limited and later Marina Stockbroking Services Limited where she worked in various capacities in Operations, Customer Service, Wealth Management and Sales Trading Units. She is currently responsible for providing proactive and timely support for the client on-boarding process, identify sales opportunities, sell product offering and services to potential clients and manage existing clients.

Oladunni holds a Bachelor's Degree in Philosophy from the University of Lagos and an MBA from the University of Calabar. She is an Associate Member of the Chartered Institute of Stockbrokers Nigeria, Chartered Institute for Investment & Securities UK, and also a member of the Associate of Certified Chartered Economist ACCE- USA . She is an Authorized Dealing Clerk of the Nigerian Stock Exchange and a sponsored individual of the Securities and Exchange Commission (SEC) Nigeria.

Oghogho Osula
MD, Coronation Trustees

B.Sc, Business Administration, CIS, MBA

Oghogho has over 27 years' Banking and finance experience ranging from Commercial Banking in Citizens International Bank plc, Private Banking in Citibank Nigeria Ltd, Investment Banking in First Securities Discount House Limited (now FSDH Merchant Bank), to Asset Management and Trust Services at Mainstreet Bank Trustees and DLM Trust Company Limited.

Her achievements so far include increasing the profitability and market share of Citizens Bank as a Senior Banking Officer in the Treasury and Financial Institution Group, growing personal deposits from N0 to N300 million in one year as the Executive Banking officer at Citibank Nigeria, winning several mandates ranging from N5 billion to N100 billion as the managing director of Mainstreet Trustees & Asset Management, and setting up the DLM Trust company as a subsidiary of the Dunn Loren Merrifield Group.

As the Managing Director of Coronation Trustees Limited – a subsidiary of Coronation Merchant Bank, Oghogho is responsible for developing innovative trust products and ensuring the protection of client's assets.

Directors' Report

The Directors have the pleasure in presenting their report on the affairs of Coronation Merchant Bank Limited and its subsidiaries (the Group), the Group and the Bank's Audited Financial Statements with the External Auditors' Report for the financial year ended December 31, 2018.

1. Legal Form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act, CAP C20, Laws of the Federation, 2004 as a Private Limited Liability Bank on October 22, 1992. It was granted license by the Central Bank of Nigeria on July 30, 1993 to operate as a discount house and commenced business on the next working day, August 2, 1993. However, due to regulatory imperative, Associated Discounted House Limited sought for and obtained a Merchant Banking license on the 30th of April 2015 and commenced operation on July 1, 2015.

2. Principal Activity 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
- Assets /Investment Management
- Securities Trading

3. Operating Results

Highlights of the Group's operating results for the year under review are as follows:

OPERATING RESULTS				
	GROUP	**GROUP**	**BANK**	**BANK**
	31-Dec-2018	31-Dec-2017	31-Dec-2018	31-Dec-2017
	N'000	**N'000**	**N'000**	**N'000**
Net Operating Income	11,636,232	10,787,352	10,665,940	10,115,294
Operating Expenses	(6,228,877)	(5,670,788)	(5,384,634)	(5,234,061
Profit Before Tax	5,307,333	5,120,226	5,195,747	4,932,839
Taxation	(730,634)	(368,128)	(711,375)	(314,433)
Profit After Tax	4,576,699	**4,752,098**	4,484,372	**4,618,396**

4. Ownership of the Bank

As at 31st December 2018, the shareholding structure of the Bank consisted of 13 shareholders made up of 12 institutional investors and 1 individual investor as shown below:

S/N	Shareholder	Shareholding	% Holding	Shareholding	% Holding
		31 Dec 2018		31 Dec 2017	
1	Wapic Insurance Plc	1,151,522,548	22.80	1,151,522,548	22.80
2	Marina Securities 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	United Securities Limited	407,836,646	8.08	407,836,646	8.08
5	Regali Estates Limited	377,358,491	7.47	377,358,491	7.47
6	Mikeade Investment Company Limited	283,018,868	5.60	283,018,868	5.60
7	DTD Holdings Limited	226,415,094	4.48	226,415,094	4.48
8	Afdin Construction Limited	188,679,245	3.74	188,679,245	3.74
9	UNICO (CPFA) Limited	186,718,491	3.7	186,718,491	3.7
10	Cream Cowry Links Limited	169,811,321	3.36	169,811,321	3.36
11	Abubakar Aribidesi Jimoh	103,773,585	2.05	103,773,585	2.05
12	Tropics Finance & Investment Ltd	68,449,624	1.36	68,449,624	1.36
13	UNICO (CPFA) Gratuity Fund	48,679,250	0.96	48,679,250	0.96
14	Tonibso Limited	18,867,925	0.37	18,867,925	0.37
	Total	**5,050,546,285**	**100**	**5,050,546,285**	**100**

5. Analysis of Shareholding

The shareholding of the Bank as at 31 December 2018 was as follows:

Range	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Shareholding
10,000,000–50,000,000	1	7.7	18,867,925	0.37
50,000,001–100,000,000	1	7.7	68,449,624	1.36
100,000,001–150,000,000	1	7.7	103,773,585	2.05
150,000,001–200,000,000	2	15.4	358,490,566	7.10
200,000,001–250,000,000	2	15.4	461,812,835	9.14
250,000,001–300,000,000	1	7.7	283,018,868	5.60
300,000,001-400,000,000	1	7.7	377,358,491	7.47
400,000,001 and above	4	30.8	3,378,774,391	66.90
	13	**100**	**5,050,546,285**	**100**

6. Substantial Interest in Shares

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

Shareholder	No. of Units of Shares Held	% of Shareholding	No. of Units of Shares Held	% of Shareholding
	31-Dec-2018		31-Dec-2017	
Wapic Insurance Plc	1,151,522,548	22.80%	1,151,522,548	22.80%
Marina Securities Limited	1,146,884,889	22.71%	1,146,884,889	22.71%
Coronation Capital (Mauritius) Limited	672,530,309	13.32%	672,530,309	13.32%
Regali Estates Limited	377,358,491	8.08%	377,358,491	8.08%
United Securities Limited	407,836,646	7.47%	407,836,646	7.47%
Mikeade Investment Company Limited	283,018,868	5.60%	283,018,868	5.60%

7. Directors and their Interests

The Directors who served during the year, together with their direct and indirect interests in the issued share capital of the Bank are recorded in the Register of Directors' Shareholding and as notified by the Directors for the purpose of Sections 275 and 276 of the Companies and Allied Matters Act is noted below:

	31-Dec-2018		31-Dec-2017	
Name of Director	Direct	Indirect	Direct	Indirect
B. Folawiyo (Chairman)	-	226,415,094	-	226,415,094
*I. Ogan (Non-ED)	-	1,554,721,535	-	1,554,721,535
*L. Ettah (Non-ED)	-	235,397,741	-	235,397,741
*A. Atta (Non-ED)	-	1,151,522,548	-	1,151,522,548
*E. Oputu (Non-ED)	-	1,332,907,667	-	1,332,907,667
B. Dabiri (Independent)	-	-	-	-
S. Iroche (Independent)	-	-	-	-
O. Fayokun (Independent)	-	-	-	-
A. Jimoh (GMD/CEO)	103,773,585	-	103,773,585	-
O. Komolafe (ED)	-	-	-	-
A. Adegbohungbe (ED)	-	-	-	-

* The directors are not beneficial owners of the shares, but represent the interests of the shareholders on the board.

8. Details of Indirect Holdings

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

	Name	Companies	Indirect Holdings	Total Indirect Holdings
1	Babatunde Folawiyo	DTD Holdings Ltd	226,415,094	226,415,094
2	*Larry Ettah	Unico (CPFA) Limited	186,718,491	235,397,741
		Unico (CPFA) Gratuity Fund	48,679,250	
3	*Evelyn Oputu	Coronation Capital (Mauritius) Ltd	672,530,308	1,332,907,667
		Regali Estates Limited	377,358,491	
		Mikeade Investment Limited	283,018,868	
4	*Adamu Atta	Wapic Insurance PLC	1,151,522,548	1,151,522,548
5	*Idaere Ogan	United Securities Limited	407,836,646	1,554,721,535
		Marina Securities Limited	1,146,884,889	

* The directors are not beneficial owners of the shares, but represent the interests of the shareholders on the board.

9. Retiring Directors

There were no retiring directors in the year. After year end, Onome Komolafe resigned as an Executive Director effective 01 January 2019

10. Directors Retiring By Rotation

The Directors to retire every year shall be those who have been longest in office since their last appointment. In accordance with the provisions of Section 259 of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004 and the Memorandum and Articles of Association of the Company, Mr. Babatunde Folawiyo, Mr Babatunde Dabiri and Mrs Suzanne Iroche shall retire by rotation and being eligible have offered themselves for re-election.

11. Directors' Interests in Contracts

For the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004, the Board received a declaration of interest from the under-listed Director in respect of a Company (contractor to the Bank) set against his name:

Related Director	Interest in Entity	Name of Company	Services to the Bank
Babatunde Folawiyo	DTD Holdings Ltd	Monterosa Construction Ltd	Construction Services
Olubunmi Fayokun	Senior Partner	Aluko & Oyebode	External Solicitors
Evelyn Oputu	Sole Proprietor	Aimas' Organic Box	Supply of Beverages/ Snacks
Idaere Gogo Ogan	Chairman/ Director	Calvary Airlines Travel Agency Ltd.	Logistics

12. Property and Equipment

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

13. 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:

PURPOSE	AMOUNT (N'000)
Sponsorship - The Lord of the Ribs Event	4,725
Sponsorship - CIBN Stakeholder's and Bankers' Night	3,500
Sponsorship - Annual Business Law Conference	3,000
Dreamland Foundation	2,000
Donation - Matthias Azaki Trust	2,000
Donation - Funmi Braithwaite	2,000
Sponsorship - Children's Finance Fair	1,000
Sponsorship - Port-Harcourt Club – Golf Session	1,000
Sponsorship – Women in Successful Careers	1,000
Donation – Carlton Gate Estate	1,000
Sponsorship – CFA Conference	1,000
Sponsorship – NSE Annual Conference	761
Donation – Channels for Widows Relief Initiatives	500
Sponsorship – RIMAN Conference	500
Sponsorship – 5th City of Knowledge Academy Honours Day	500
Donation – Ovie Brume Foundation	500
Sponsorship – Association of Professional Women Bankers Dinner	500
Sponsorship – WES Summit	250
Sponsorship – FICAN Conference	200
Donation – Nigerian Economics Students Association Conference	100
Total	**26,036**

14. Post Balance Sheet Events

There were no significant events after the balance sheet date.

15. Human Resources

i Diversity in Employment

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

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

ii Composition of Employees by Gender

Gender	Group	Bank
Female	62	47
Male	90	78
	152	**125**

iii Senior Management Composition by Gender

The Group's top management refers to employees in the positions of Assistant General Manager and above. As at 31 December 2018, the Group had 12 top management employees. The ratio of women in the Group at the top management positions as at 31 December 2018 was 4 broken down as follows:

	Female	Male	Total	% Female	% Male
AGM – GM	3	6	9	33.3	66.7
ED – MD/CEO	1	2	3	33.3	66.7
Total	**4**	**8**	**12**	**33.3**	**66.7**

iv Composition of Board Members by Gender

Gender	Board	%
Female	4	36.3
Male	7	63.7
	11	**100**

In line with CBN's directive, the Group achieved a minimum of 33.3% female representation at Senior Management level and 36.3% female representation on the Board.

v Employment of Disabled Persons

In the event of any employee becoming disabled in the course of employment, the Group 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 2018, the Group had no physically disabled person in its employment.

vi Health, Safety and Welfare of Employees

The Group 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 Group retains top-class hospitals where medical facilities are provided for its employees and their immediate families at its expense.

Fire prevention and fire-fighting equipment are installed in strategic locations within the office premises. The Group 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 participation of employees in arriving at decisions in respect of matters affecting their wellbeing. Towards this end, the Group provides opportunities where employees deliberate on issues affecting the Group and employee interests, with a view to making inputs to decisions thereon. The Group places a high premium on the development of its manpower and sponsors its employees for various training courses, both locally and overseas.

viii Statement of Commitment to Maintain Positive Work Environment

The Group shall strive to maintain a positive work environment that is consistent with best practice to ensure that business is conducted in a positive and professional manner and that equal opportunity is given to all qualified members of the Group's operating environment. Fire prevention and fire-fighting equipment are installed in strategic locations within the Bank's premises.

16. Disclosure of Customer Complaints in Financial Statements for the Year Ended 31 December 2018

In line with Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved seven (2017: six) customer complaints during the period. Refer to the report on customer complaints.

17. Credit Ratings

The prudential guidelines, as released by the CBN, requires that banks should have themselves credit rated by a credit rating agency on a regular basis. It is also required that the credit rating 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. Below are the credit ratings that Coronation Merchant Bank has been assigned by the various credit rating agencies that have rated the Bank in no particular order:

Rating Agency	Rating	Outlook	Issue Date	Previous Rating
Agusto & Co	A+	Stable	14 May 2018	A+ (stable outlook)
Global Credit Rating	A-	Stable	01 July 2018	A- (Positive outlook)

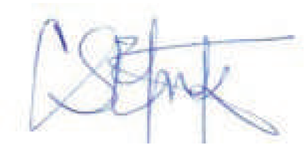
18. Dividends

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

19. Auditors

The Auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office and will so do pursuant to section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria, 2004. A resolution will be passed at the Annual General Meeting to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD



CORNELIA UTUK
COMPANY SECRETARY & LEGAL ADVISER
FRC/2014/NBA/00000007492

Corporate Governance Report

Coronation Merchant Bank Limited ("Coronation MB") 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 Codes of Corporate Governance for Banks in Nigeria issued by the Central Bank of Nigeria, other relevant CBN Circulars (Ref: BSD/GCA/CON/CMB/02/071 dated 15 October 2014 on "Re-Code of Corporate Governance for Banks and Discount Houses in Nigeria"), the Securities and Exchange Commission's Codes of Best Practice and Coronation Merchant Bank Limited's principles of Corporate Governance collectively provide the basis for promoting sound corporate governance in the Company.

In assessment of the Bank's compliance with Corporate Governance Best Practice, evidenced by its financial performance, Agusto & Co rated Coronated MB 'A+ with a stable outlook'. The achievement of commendable corporate governance standard connotes the existence of strong corporate governance processes, a strong ability to meet financial obligation and stakeholder expectation, with a strong governance process for risk management.

Internal Control and Monitoring

The internal control process is continually monitored and required modifications are made to improve internal control activities as a result of the monitoring process. When monitoring is designed and implemented appropriately, it is intended to benefit Coronation MB as an organization as it will continually ensure the following:

- Identification and correction of internal control problems in a timely basis;
- Production of reliable information for use in decision making;
- Preparation of accurate financial statements and;
- Be in apposition to provide periodic certifications or assertions on the effectiveness of internal control.

The above will facilitate effective monitoring that lead to organizational efficiencies and reduced costs associated with public reporting on internal control since problems are identified and addressed in a proactive, rather than reactive manner.

The Board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders.

Governance Structure

The Coronation Merchant Bank Limited is committed to upholding the tenets of good governance as enshrined in the various Regulators' Codes principally; "Code of Corporate Governance For Banks in Nigeria Post Consolidation" issued by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission's (SEC) "Code of Corporate Governance for Public Companies".

The Board opines that it has effectively and efficiently discharges its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committee Charters and the above Codes during the 2018 financial year. The Coronation MB 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

Shareholders' Meeting

Shareholders' meetings are duly convened and held in line with the Company's Articles of Association and existing statutory and regulatory regimes in an open manner, for the purpose of deliberating on issues affecting the Company's strategic direction. Attendance to AGM is open to shareholders or their proxies while proceedings at such meetings are usually monitored by members of the press, representatives of regulatory authorities such as the Central Bank of Nigeria, Nigerian Stock Exchange and Securities and Exchange Commission.

Board Composition and Role

The Board is comprised of eleven (11) members, which include the Chairman, seven (7) Non-Executive Directors and three (3) Executive Directors inclusive of the Managing Director/Chief Executive Officer. The Board is able to reach impartial decisions as it is comprised of a blend of independent and non-independent directors with no shadow or alternate directors to ensure independence in the decision-making process.

The Board is made up of the following members:

s/n	Name	Designation	Date of Appointment	Date of CBN Approval
1	Mr. Babatunde Folawiyo	Chairman	30 April 2014	22 April 2015
2	Mr. Babatunde Dabiri	Non-Executive Director /Independent	18 May 2011	18 Aug 2011
3	Mrs. Suzanne Iroche	Non-Executive Director /Independent	13 Oct 2012	31 Oct 2012
4	Ms. Olubunmi Fayokun	Non-Executive Director /Independent	30 May 2017	1 Nov 2017
5	Mr. Larry Ettah	Non-Executive Director	30 April 2014	27 Feb 2015
6	Ms. Evelyn Oputu	Non-Executive Director	30 April 2014	22 April 2015
7	Mr. Adamu Atta	Non-Executive Director	30 April 2014	22 April 2015
8	Mr. Idaere Ogan	Non-Executive Director	30 May 2017	1 Nov 2017
9	Mr. Abubakar Jimoh	Executive Director	18 Oct 2010	2 Feb 2011
10	Mrs. Onome Komolafe	Executive Director	14 Feb 2017	11 Oct 2017
11	Mr. Adebanjo Adegbohungbe	Executive Director	7 May 2018	12 Jun 2018

The roles of the Chairman and Chief Executive Officer are separated and clearly defined. The Chairman is primarily responsible for the working of the Board whilst the Chief Executive Officer is responsible for the running of the business and implementation of Board strategy and policy. The Chief Executive Officer is assisted in managing the business of the Bank on a day-to-day basis by the Executive Management Committee, which he chairs and comprises of an Executive Director, Divisional and Group Heads.

The Board has the primary responsibility of increasing Shareholders' wealth and is responsible and accountable for management of the relationships with its various stakeholders. The Executive Management is accountable to the Board for the development and implementation of strategy and policies.

The Board's responsibilities include the following amongst others:

1. Defining the Bank's strategy/objectives and monitoring delivery of the strategy and performance against plan.
2. Overseeing the Bank's capacity to identify and respond to changes in its economic and operating environment.
3. Approval of major projects including corporate restructuring/re-organizations, major capital expenditure, capital management, acquisitions and divestitures.
4. Performance evaluation and compensation of Board members and Senior Executives.
5. Attend to corporate governance appointments, remunerations and removal of board members, senior executive members including the Company Secretary and the Internal Auditor.
6. Ensuring the maintenance of a culture of responsibility, transparency, and accountability through good corporate governance and adherence to high ethical values.
7. Definition of the Bank's risk appetite, approve and oversee the operation of the Bank's risk management framework and assess its effectiveness.
8. 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.
9. Ensuring effective communication with shareholders and other stakeholders on the financial performance and other significant developments of the Bank.
10. Approve internal ratios and target rates of return on capital and assets and accounting policies to ensure accurate assessment of the financial health of the Bank.

11. Approve the audited financial statements of the Bank.
12. Review, approve and monitor implementation, compliance with, and effectiveness of all Policies, Guidelines and Operational and Procedural Manuals in the Bank.
13. Succession planning for key positions

Attendance at Board Meetings

The Board had a total of 5 Board meetings, 1 Annual General Meeting and 1 Strategy Session in 2018. The attendance at the meetings by members is as shown below:

	Names of Directors	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	Onome Komolafe	1	4	1
8	Abubakar Jimoh	1	4	1
9	Fayokun	1	4	1
10	Idaere Gogo Ogan	1	4	1
11	Adebanjo Adegbohungbe	-	2	1

*Mr. Adebanjo Adegbohungbe's appointment was confirmed by CBN on 12 June 2018.

THE 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 area are:

A. The Board Risk Management Committee

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

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

S/N	Members	Capacity	Number of Meetings Held	Number of Meetings Attended
1	Evelyn Oputu	Chairman	4	4
2	Suzanne Iroche	Member	4	4
3	Babatunde Dabiri	Member	4	4
4	Adamu Atta	Member	4	4
5	Onome Komolafe	Member	4	3
6	Abubakar Jimoh	Member	4	4
7	Olubunmi Fayokun	Member	4	4
8	Idaere Ogan	Member	4	4
9	*Adebanjo Adegbohungbe	Member	4	2

* Adebanjo Adegbohungbe was assigned to the Board Risk Management Committee in July 2018 after CBN approved his appointment 12 Jun 2018.

* Onome left the Bank on December 31, 2018 so did not attend the last Board meeting for the year in January 2018.

B. The Board Credit And Investment Committee

The Committee provides strategic guidance for the development and achievement of the Bank's lending and investment objectives. It advises the Board in relation to 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 the CBN Risk-based Supervision Framework.

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

S/N	Members	Capacity	Number of Meetings Held	Number of Meetings Attended
1	Babatunde Dabiri	Chairman	4	4
2	Suzanne Iroche	Member	4	4
3	Evelyn Oputu	Member	4	4
4	Adamu Atta	Member	4	4
5	Larry Ettah	Member	4	4
6	Onome Komolafe	Member	4	3
7	Abubakar Jimoh	Member	4	4
8	Olubunmi Fayokun	Member	4	4
9	Idaere Ogan	Member	4	4
10	Adebanjo Adegbohungbe	Member	4	2

*Adebanjo Adegbohungbe was assigned to the Board Credit and Investment Committee in July 2018 after CBN approved his appointment 12 Jun 2018.

* Onome left the Bank on December 31, 2018 so did not attend the last Board meeting for the year in January 2018.

C. The Board Audit Committee

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

a. The integrity of the Bank's consolidated financial statements, financial reporting process and systems of internal accounting and financial controls;
b. The effectiveness of the internal audit function;
c. The annual independent audit of the Bank's consolidated financial statements and effectiveness of the Bank's internal control over financial reporting;
d. The engagement of the Independent Auditors and the evaluation of the Independent Auditors' qualifications, independence and performance.

The Committee has a minimum of four (4) members made up of Non-Executive Directors only. The Committee meets at least once a quarter. The number of meetings and attendance by members was as follows:

S/N	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	Larry Ettah	Member	5	5
5	Olubunmi Fayokun	Member	5	5
6	Idaere Ogan	Member	5	5

D. The Board Governance And Nominations Committee

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

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

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

MANAGEMENT COMMITTEES

These are Committees comprising of senior management of the Bank. The committees are also risk driven as they are basically set up to identify, analyze, synthesize and make recommendations on risks arising from day to day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. 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 Group Asset and Liability Committee
- Management Credit and Investment Committee
- IT Steering Committee
- The Group Enterprise Risk Management Committee

BOARD TRAINING

Induction for New Directors

The Board ensures the regular training and education of Board members on issues pertaining to their oversight functions. In the course of the year, 3 new Directors were inducted at a forum where Senior Executives and Heads of Departments made presentations to the new Directors.

The new Directors were also given flash drives containing all the presentations made and copies of relevant laws, rules, regulations and codes of the Central Bank of Nigeria, Securities and Exchange Commission and Nigerian Stock Exchange, the board charters, past board minutes, governance policies, strategy documents and a host of other documents for reference.

Individual Trainings

In line with the training policy and training plan for the year, the following Board members attended overseas courses:

Babatunde Dibiri	Strategic Management in Banking: Insead Fontainbleau	June 2018
Idaere Ogan	Strategic Management in Banking: Insead Fontainbleau	June 2018
Evelyn Oputu	Becoming a leader of leaders: Wharton Business School	May 2018
Adamu Atta	Making Corporate Boards More Effective: HBS, Boston	July 2018
Larry Ettah	Leading from the Chair: Insead, Fontainbleau	June 2018

General Training

All the Directors were trained on the responsibilities of the Board of Directors in AML/CFT RegimeAML/CFT Compliance in the Age of Disruptive Technology by NFIU on 12th October 2018.

Performance Monitoring and Evaluation

In its discharge of oversight functions, the Board of Directors engages the Management in the definition of a clear strategy, planning and execution of the defined strategy. Management on the other hand provides regular update to the Board on the execution of the defined strategy via Management reports at Board meetings. Consequently, the Board can assess the effectiveness of the strategic objectives defined. The Bank continues to monitor its performance on Corporate Governance and periodic reports sent to the regulator.

In a bid to ensure the effectiveness of the Board, an independent consultant is engaged annually to review and evaluate the performance and effectiveness of the Board, its standing Committees and individual Directors. The choice of an independent consultant is to encourage the Directors to be open in the discussions during the review since the independent consultant does not have any connection with the Bank or any of its Directors.

In 2018 financial year, the Bank engaged the services of Ernst and Young Professional Services to review and evaluate the performance of the Board. The exercise covered Directors' self-assessment and peer assessment in addition to assessment of the Board Standing Committees. An assessment was also done against the CBN Guidelines on Independent Directors of Banks and the result confirmed that the Board is highly effective.

Strategic Direction

- To be the most efficient and profitable bank in the merchant banking space.
- To operate a lean and high-quality organization.
- To leverage technology to drive operational excellence
- To develop specialist capabilities required to become an investment bank of reference
- To maintain strong corporate governance and high ethical business practices.

Consumer Protection and Customer Complaints Management

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

Adoption of the Gender Diversity Policy

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

- Structures, policies and procedures are in place to assist employees to balance their work, family and other responsibilities effectively;
- Decision making processes in recruitment takes 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, colour, nationality, ethnic or national origin, religious belief, age or physical challenge.

Accordingly, the company currently has four women, Mrs Suzanne Iroche, Ms Evelyn Oputu and Ms Olubunmi Fayokun and Mrs Onome Komolafe (Executive Director) to sustain compliance with this policy.

Directors' Responsibility

FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the Year Ended 31 December 2018.

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

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

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

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

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

Nothing has come to the Directors to indicate that the Bank and Group 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
January 2019

Mr. Abubakar Jimoh
Managing Director/CEO
FRC/2013/ICAN/00000001481
January 2019

Report of the Board Audit Commitee

To the members of the Board Audit Committee

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Coronation Merchant Bank Ltd hereby report on the financial statements for the year ended 31 December 2018 as follows;

We have exercised our statutory functions under section 359(6) 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 and Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2018 were satisfactory and reinforce the Group's internal control systems.

As required by the provisions of the CBN circular BSD/1/20014 dated February 18, 2004 on "Disclosure of Insider-Related Credits in Financial in Financial Statements" we reviewed the insider-related credits of the Bank and found them to be as disclosed in the financial statements. We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses thereon and with the effectiveness of the Bank's system of accounting and internal control.

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

Members of the Audit Committee are:

Suzanne IROCHE (Mrs)	Chairperson
Babatunde DABIRI (Mr)	Member
Larry ETTAH (Mr)	Member
Evelyn Oputu (Ms)	Member
Idaere OGAN (Mr)	Member
Olubunmi FAYOKUN (Ms)	Member

Report on Enterprise Risk Management

Overview

Coronation Merchant Bank Limited (Coronation MB) is a wholesale Financial Institution; Our business activities and services cover Corporate Banking, Investment Banking, Project Finance, Private Banking, Wealth Management, Global Markets and Treasury

The above business and operational activities of the Bank therefore exposes it to the various risks inherent in our operating environment. These risks go beyond the traditional Credit, Market, and Operational risk and include Concentration as well as Strategic, Liquidity, Interest rate (in the Banking book), Reputational, Legal, Environmental, and Social risks, as well as "other" risks.

Coronation MB recognizes the fact that managing risk 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 management 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 our 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:

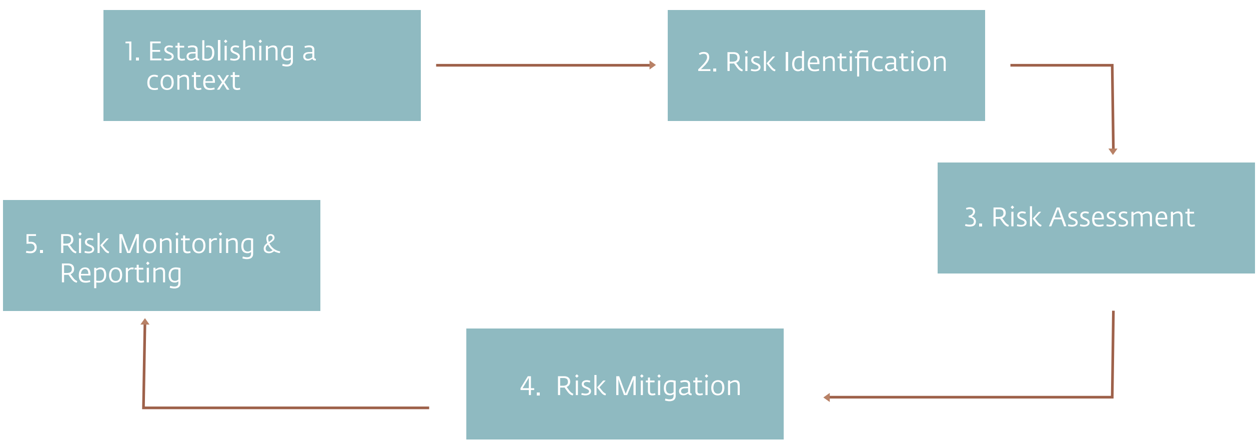
- a shared responsibility of everyone in the Group,
- an intrinsic part of every decision that we make
- either inherent or derived from business operations and/or the macroeconomic/operating environment.

The challenge therefore is to actively manage these risks to reduce their possible adverse impact and preserve the interest of our various Stakeholders.

The management of risks across the Group 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 management.

Coronation MB Risk Management Process

The Bank's risk management process commences with establishing a proper context.



Establishing a context

This 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:

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

Risk Management Framework

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 risk 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 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.

A clear understanding of potential barrier (s) or challenges to the management of risks identified is required. The overall approach to risk management derives from strategic stand point and value creation for our various Stakeholders.

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

The table below shows the Group'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 Group manages its credit exposures by following the principle of diversification across products, geographies, 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, 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.
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 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.
4	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 but excludes strategic and reputational risk.	The Group 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 Group's franchise. The management of Operational risk involves Risk Control Self-Assessment (RCSA) of all the processes in the Group, establishment of Key Risk Indicators (KRIs) and approaches for mitigating them, maintenance of loss database, etc.

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
5	Interest Rate Risk in Banking Book (IRRBB)	Interest rate risk on the banking book (IRRBB) is defined as "the current or perspective 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 banking book using defined limit for various instruments and securities. Typically, the banking book is priced on a floating interest rate basis with respect to the MPC decisions and the general market conditions. The management of IRBB is driven through regular reviews by ALCO. The committee also develop policies on the type of deposits to take and those to deemphasize to manage down the Bank's re-pricing gap risk.
6	Reputational Risk	Reputational risk is the potential threat that the reputation of Coronation MB can be damaged by one or more reputation events due to negative publicity, adverse rumours or public perceptions about the Bank's business practices, conduct or financial condition.	The control and mitigation of reputational risk is a key function of the Brand and communication unit of the Bank especially in the media space. They monitor media publication and information about the bank in a methodical manner. 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.
7	Environmental & Social Risk	The environmental and social (E and S) risks of Coronation MB are the potential negative consequences to our business that result from the impacts (or perceived impacts) of our client's activities on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, residents).	The Bank continuously monitors its portfolio of risk assets and investments under the auspices of financial performance and environmental and social risk considerations. This monitoring is achieved at an individual level for Category A and B, while category C is performed on portfolio basis.
8	Credit 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 group of related parties or an industry/geographical location.	The Group manages Concentration Risk by setting internal limits that guide concentration eg Single Obligor Limit (SOL=50% of SHF), Sectoral limits (18% of total exposure), insider related exposure limit (5% of total exposure) etc. These internal limits act as triggers for the regulatory limits. Stop lending decisions are the last resort when a sector or counterparty etc. has triggered the internal limits set.
9	Investment Risk	Investment risk is the probability or likelihood of occurrence of losses to the Bank relative to the expected return on investments due to changes in market prices of investments.	The management of Investment risk is achieved with the following: • Significant investments approved by the Board after review by top Management • Stringent portfolio selection and diversification strategies • Highly experienced professionals in the Investment unit advise on strategic investments • Strong supervision of the subsidiaries by the parent board
10	Legal Risk	Coronation MB sees legal risk as potential loss due to type and nature of agreements and contracts.	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 support 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 loss to the Bank.

Risk Management Philosophy and Culture

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 firm 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.

Thus, it is meant to facilitate:

- Increase in the likelihood of successful delivery on our goals and objectives;
- Proactive identification, management and reporting to all stakeholders;
- Assumption of risks that falls 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 exposure 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 and its subsidiaries
- 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 department and what is best for the bank 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 bring 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 of 'being the most efficient and profitable Merchant 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 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 from the business of Coronation MB 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 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 risk 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.

Principal Risk Types	Risk Definition	Risk Management Approach
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:

- To support illegal tenacities
- To purchase illegal fire arms
- To support gambling activity
- To support illegal military activity
- To support production and distribution of illicit drugs
- To support act/acts of terrorism
- To support production or activities involving forced labour or child labour;
- Trade in wildlife or wildlife products regulated under CITES;
- Racist or anti-democratic media

- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where CoronationMB considers the radioactive source to be trivial and/or adequately shielded.
- Significant alteration, damage, or removal of any critical cultural heritage; or
- Relocation of Indigenous Peoples from traditional or customary lands.

The Bank's risk appetite is defined using qualitative and quantitative measures where appropriate. CoronationMB 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 Group'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 avoid concentration risk, the Bank targets a Single Obligor Limit (SOL) of <=40% of shareholders' funds, 100 basis points lower than the regulatory SOL of <=50% of shareholders' funds

4. To ensure diversified portfolio across all sectors, loans to economic industrial sectors should not exceed 18% of total credit portfolio, which is 200 basis points lower than the regulatory 20% of total portfolio.

5. To maintain a good capital cover for credit risk exposures, the Group's Capital Adequacy Ratio (CAR) is capped at >=15%, above the 10% mandated by the regulatory body.

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

Operational Risk Appetite

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

- Zero tolerance for fraud both internal and external
- Zero tolerance for operational risk losses in the Strategic Support Groups

Market Risk Appetite

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

- Exposure Limits for various instruments in Trading Book - Exposure Limits are set such that performing non-maturity analysis of the liabilities are based on historical data. The core deposits of the Bank should be able to fund the Bond portfolio and Corporate Investment positions.
- Stop Loss Limits - Stop Loss limits are set based on the maximum that the Bank is willing to lose on its capital. Every position has a specific risk charge of 10% as capital that needs to be set aside hence 10% of the capital is the maximum that the Bank is willing to lose.
- Holding Period Limits - The Holding Period limit (up to 15days) is applicable for all trading book positions of the Bank.

- Management Action Triggers - The Management Action Trigger is the Cumulative Profit and Loss (Realized & Mark to Market) on a 23-day rolling basis set as a percentage of Value at Risk. This is set at 50%.
- Tenor limit for Bond Portfolio - Tenor limits which help in reducing the volatility of revenue by staggering the maturity thereby smoothening the effect of changes in market Interest rates affecting price of bonds.

Capital Management

Overview

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

Coronation 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

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; and governance structure. The Bank adopts a forward-looking approach for effective implementation of its ICAAP with the following main components

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

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

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

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

Capital Management Strategy

The bank considers capital management to be the process of monitoring and controlling the bank's vulnerability to industry changes. Coronation 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; and
- developing and implementing appropriate and effective procedures to monitor, on an ongoing basis, the bank's capital requirements and capital position to ensure that it meets its capital requirements and will continue to meet its future capital needs.

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

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

Value is added for shareholders if our process allows us to demonstrate sustainable risk-adjusted returns in excess of our cost of capital. The process provides security to our capital providers and clients by assuring them that we are not taking on incremental risks which adversely affect the outcomes we have contracted to deliver to them.

The bank's capital management strategy is focused on maximizing shareholder value by optimizing the level and mix of capital resources. Decisions on the allocation of capital resources are based on many factors including return on economic capital (EC) and on regulatory capital (RC), and are part of the Internal Capital Adequacy Assessment Process (ICAAP).

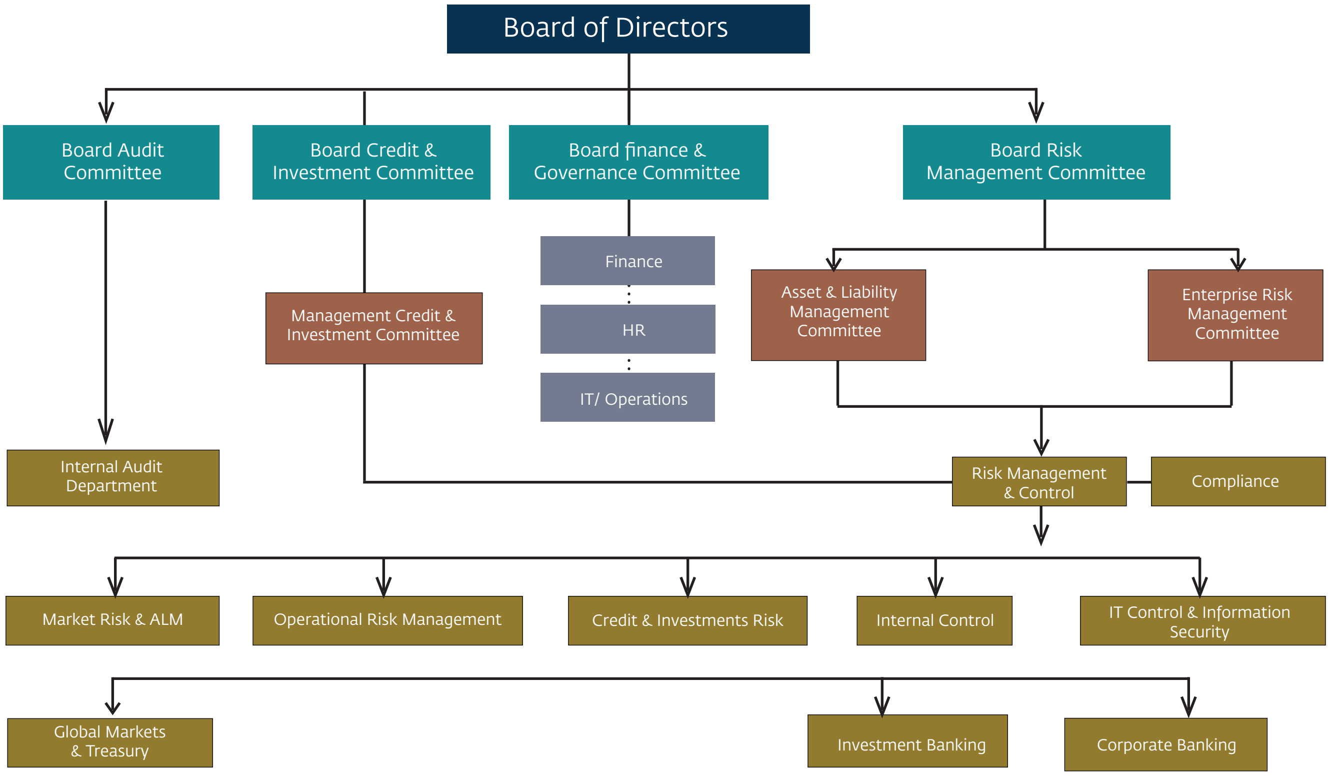
RISK MANAGEMENT GOVERNANCE STRUCTURE

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 Committees.

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 Committees, 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 structures 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), Head 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.

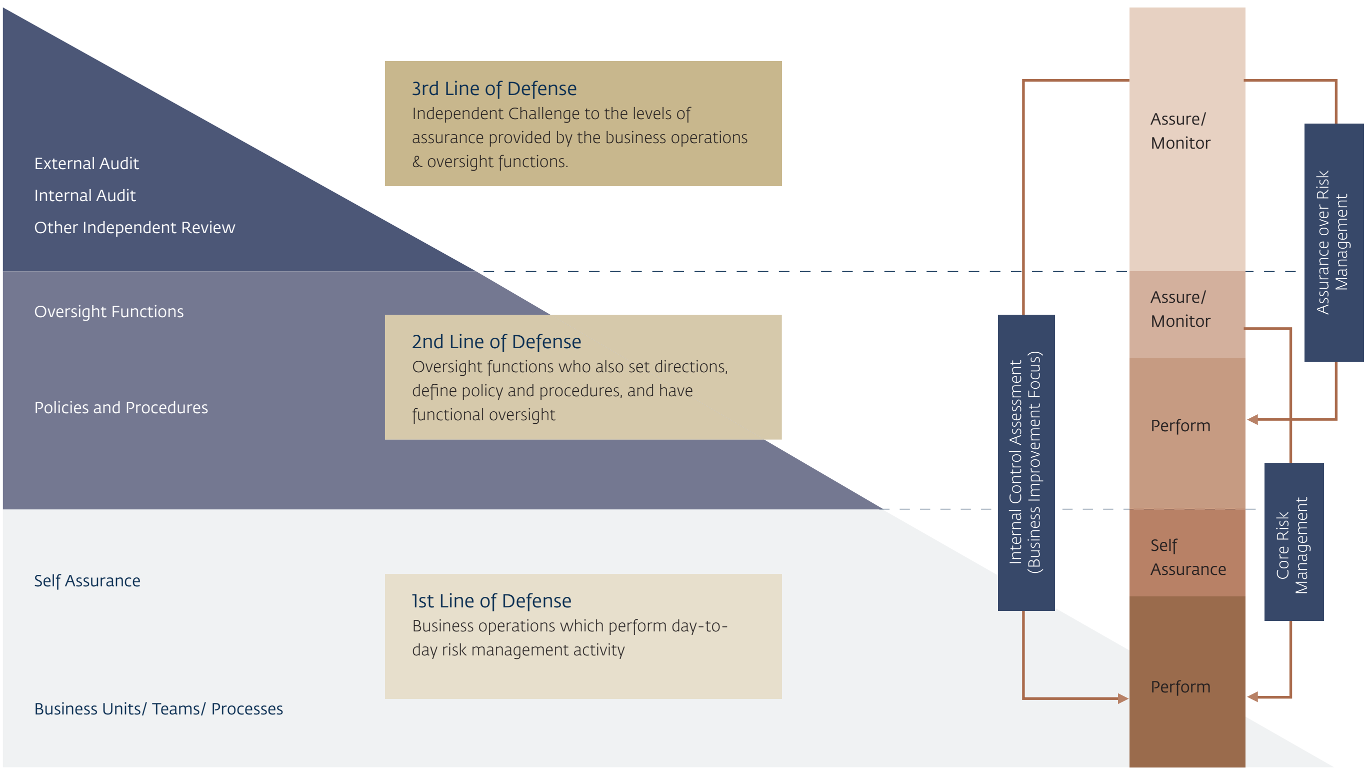
Third Line of Defense - Risk Assurance

The third line of defense consist 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;



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) representing 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 oversee 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.
- Establish Coronation MB's overall strategy and policies relating to the management of individual risk elements to which the Bank is exposed.
- Approve Coronation MB's risk appetite and monitor the risk profile against this appetite.
- Ensure risk strategy reflects Coronation MB's risk tolerance.
- Ensure 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.
- Ensure 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.
- Ensure senior management takes necessary steps to identify, measure, monitor, control and report all risks Coronation MB is exposed to.
- Ensure 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 Risk Management Committee (BRMC) & Board Audit Committee. 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 firm 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 (BCC)

The Board Credit and Investment Committee shall under delegated authority be responsible for the following:

- 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)
- Reviews 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 function includes

- Address all categories of material risks, and their components, to which the Bank is exposed.
- Manage significant/material risk exposures (individually or in the 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.
- Overseeing 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 acceptable to Coronation MB.
- Ensuring compliance with established policy through periodic review of reports provided by the risk management unit, internal auditors, external auditors, and the regulatory authorities.
- Approving the appointment of qualified officers for the risk management function.
- Overseeing the management of all other risks in the Company except for Credit and Investment risks.
- Evaluating 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;
- Evaluating Coronation MB's risk profile, developing action plans to manage risks, and monitor progress against plan;
- Approving the provision of risk management services by external service providers;
- Reviewing risk reports for presentation to the Board and/or Board committees;
- Developing policies and procedures for identifying, measuring, controlling, monitoring and reporting risk.
- Reviewing risk reports on a regular and timely basis;
- Providing 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 roles and responsibilities of the MCIC includes

- Recommend the credit risk framework for approval by BOD through BRMC and oversee the implementation across the enterprise.
- Review and recommend all amendments to the credit risk policy for the BRMC and BOD approvals.
- Formulation of credit and Investment risk policy and recommend the policy to the Board Credit & Investment Committee for approval.
- 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 BRMC 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.
- Coordinating with other committees over Asset Liability management and Liquidity issues and carrying out actions based on the same.

Enterprise Risk Management Department:

The Enterprise Risk Management Unit perform the 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 standards
- Perform stress testing on an enterprise-wide level; and ensure compliance with BASEL II and other international best practices in Risk Management
- Ensuring business continuity, defined as the ability to sustain operations in the event of major losses and have crisis management policies in place;
- Identifying and monitoring emergent risks that may be material for the Bank in future due to changes in the risk environment;
- Understanding 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.

- Identify inherent credit, financial and business risks in facility requests; and recommend 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.
- Monitor the performance of the credit rating system on a periodic basis by validating them.
- Protect 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.

Market Risk, ALM & Investment 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, Reputational & Strategic Risk Management Unit

- Evaluating internal processes by identifying, assessing, monitoring, managing and continuously improving key operational risk areas
- Recording of the 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 Management can undertake practical actions
- Strategic Risk Assessment workshops to assess the likelihood of occurrence and impact of the risk events.
- Management and reporting of Strategic risks on a periodic basis to the Senior Management

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 program.
- 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.

Role 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 the IAD 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 (IAD) 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;

Report on Customers' Complaints and Feedback

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

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

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

Complaints Tracking and Reporting

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

			Number		Amount Claimed (N'000)		Amount Refunded (N'000)	
S/N	Currency	Description	2017	2018	2017	2018	2017	2018
1	NGN	Delay in application of funds	1	1	1,200	-	1,200	-
2	NGN	Discrepancy and re-imbursement of accrued interest	1	4	-	15,940	-	15,940
3	NGN	Delay in Processing	2	2	677,236	-	677,236	-

Solicited Customer Feedback

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

- Customer forums
- Customer interviews

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

Sustainable Banking Report 2018

Overview

Coronation Merchant Bank appreciates the need to ensure that its lending and investment decisions meet the tripod objectives of environmental responsibility, economic viability and social relevance. Consequently,

Coronation Merchant Bank is committed to ensuring that her activities are designed to reduce negative social and environmental impact, while providing financial services and products with the intent to "do no harm" to the environment and the people.

Proposed activities that are determined to have moderate to high levels of environmental and/or social risk, or the potential for adverse environmental and/or social impacts will be assessed in accordance with the requirements of the Performance Standards. Our Sustainability framework comprises Performance Standards on Environmental and Social Sustainability. It is a hybrid of the principle and guideline of the Apex bank on the local front and a combination of the International Finance Corporation (IFC) and the equator principles on the international front.

Coronation Merchant Bank's Commitment to Sustainable Banking

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

- Provision of loans and credit facilities to projects only where the borrower can comply with our respective social and environmental policies and procedures that support the Equator Principles.
- Promote work life practices that conform with its human right polices
- Render advisory services only to businesses socially responsible and reflect sound environmental management practice. By doing so, negative impacts on project-affected 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 will commit to do no harm by preventing and minimizing the environmentally and/or socially detrimental impacts of our portfolios and their operations.
    - Committing to Responsibility: The Bank shall bear full responsibility for the environmental and social impacts of our transactions.
    - Commitment to Accountability: Coronation MB shall be accountable to its stakeholders, particularly those that are affected by the activities and side effects of companies we finance.

This commitment guides the bank to pursue best practices in environmental and social management in the following areas:

Environmental and Social Risk Management Governance:

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

1. Environmental and Social Due Diligence:

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

2. Environmental and Social Risk Screening:

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

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

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

- Significant alteration, damage, or removal of any critical cultural heritage; or
- Relocation of Indigenous Peoples from traditional or customary lands.

3. Environmental and Social Risk Categorization: The process of reviewing environmental and social risk and its impacts on prospective facilities/investments in the Bank follows an order that starts with a pre-assessment against Coronation MB's risk appetite and the sustainable banking exclusion list. This order helps the Bank to categorize the business activities and hence determine the appropriate environmental and social risk actions/assessment required. The order is shown in the steps outlined below:

- Carry out a preference check against risk appetite and exclusion list
- Identify the sector and industry
- Determine the Impact of E & S activity
- Determine the impact of business/activity on location
- Classify product exposure
- Obtain an E&S risk rating
- Use the E&S rating to Categorize the facility/ Investment

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

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

PRODUCTS CATEGORIZATION (LOANS & ADVANCES)	E & S RISK RATING
WORKING CAPITAL FINANCE	B/C
IMPORT/ TRADE FINANCE	B/C
AGRIC FINANCE	B/C
PROJECT AND REAL ESTATE FINANCE	A/B
OBJECT FINANCE	A/B
SPECIALIZED LENDING	A/B
OTHERS	A/B/C
INVESTMENT PRODUCTS	RISK RATING
CAPITAL MARKET SERVICES	B/C
FINANCIAL ADVISORY (M & A)	B/C
PRODUCT & STRUCTURED FINANCE	B/C
OTHER TREASURY INVESTMENT PRODUCTS	B/C

4. Environmental & Social Risk Monitoring and Review Process

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

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

Human Rights:

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

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

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

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

Capacity Building:

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

Women Economic Empowerment & Gender Equality Consideration:

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

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

At Coronation 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.

Information Disclosure:

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

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

Client Collaboration: The bank remains committed to working with different organizations who would be instrumental in helping the bank achieve its social and environmental goals. This includes working with specialized and unspecialized organizations that provide inputs into improving the bank's impact on the environment and its influence on the lives of people connected to the bank.

The bank seeks to work with environmental protection companies that have specialty in helping organizations reduce their carbon emission, reduce waste generation, and build efficiencies in the use of the firm's resources. The bank engaged external consultant to assist with its improvement on sustainable banking principles in other to emulate industry best practice on going green. The Bank already has an existing relationship with the Nigerian Sustainability Banking steering committee (NSBP) leveraging on the experience of members to drive the project in-house.

Whistle Blowing Procedure

Whistle-Blowing Procedure

In line with the bank's Whistle Blowing Policy, Coronation MB 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.

KPMG Telephone lines:

9Mobile: 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 Internal Auditor has the responsibility for monitoring and reporting on whistle-blowing issues. Quarterly reports are also rendered to the Board Audit and Board Risk Management Commiittees.

Individuals interested in reporting unethical conduct involving the Bank, its Directors or employees may also do so to the Central Bank of Nigeria (CBN) via the following channels:

Ethics & Anti-Corruption Helpline

+234 9 462 39246

+234 9 462 36000

ethicsoffice@cbn.gov.ng

anticorruptionunit@cbn.gov.ng

Audit Opinion

Consolidated Statement of Accounts

Independent auditor's report

To the Members of Coronation Merchant Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Coronation Merchant Bank Limited ("the bank") and its subsidiaries (together "the group") as at 31 December 2018, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Coronation Merchant Bank Limited's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment charge on financial assets – N100 million (refer to notes 3.8, 4.1 and 9) We focused on this area because management exercises significant judgement, using subjective assumptions when determining both the timing and the amounts to recognise as impairment on financial assets. Due to the significance of judgement used in estimating the impairment amounts, this is considered a key audit matter. The new IFRS 9 'Financial Instruments' standard introduced a new, forward looking, expected credit loss (ECL) model which required significant judgement in measuring ECL. The key areas of judgment are as follows: • the definition of default and credit impaired financial assets focusing on both the qualitative and quantitative criteria used by the Bank; • the identification of exposures with a significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank; • the determination of the 12 month probability of default (PD) for stage 1 loans using obligor specific and macroeconomic factors as well as extrapolation of lifetime PD by leveraging independent external rating scale; • estimating the Loss Given Default (LGD) by using collateral values from the workout process occurring during the recovery period and discounted by the effective interest rate (EIR) of the loans; • estimating the credit equivalent of loan commitments and the behavioural lifetime of revolving facilities used in determining the lifetime exposure at default (EAD); and • incorporating forward looking information in building the economic scenarios used in the ECL model and making judgment on the probability weights for the scenarios. This is considered a key audit matter in both the consolidated and separate financial statements.	Our procedures included: • applying a risk based target testing approach in selecting a sample of credit facilities for detailed reviews of related customer files and account statements to determine whether they were in default per management's definition; • assessing the reasonableness of the quantitative and qualitative thresholds set by management for Stage 2 and 3 classifications in line with the recommendations of the standard, Central Bank of Nigeria guidelines and our knowledge of the industry; • assessing the probability of default (PD) by agreeing assigned PDs for each rating scale to external source data and checking that PDs were correctly assigned to each customer based on the customer rating; • evaluating the reasonableness of the Loss Given Default (LGD) by agreeing collateral values, cost of recovery and time to dispose collateral to bank and industry data; • assessing the reasonableness of the credit conversion factor used in determining the exposure at default of loan commitments and the behavioural lifetime of revolving facilities; • assessing other significant areas of complexity and estimation uncertainty in the ECL model. With the assistance of our credit-modelling experts, we checked the reasonableness of forward looking information incorporated into the impairment calculations and challenged the multiple economic scenarios chosen as well as their probability weights.

Valuation of goodwill- N 675 million (refer to notes 3.12a, 4.3 and 28b)

Goodwill arose from the acquisition of Coronation Securities Limited. Management assesses goodwill for impairment on a yearly basis using a discounted cash flow model to determine the value in use of goodwill balances.

This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rate and discount rate applied.

This is considered a key audit matter in the consolidated financial statements only.

Our procedures included:

- gaining an understanding and assessing the reasonableness of business plans by comparing prior periods assumptions and budgets to actuals in the current year;
- assessing the reasonableness of the period of estimation used by management;
- evaluating the composition of management's future cash flow forecasts and assessing the reasonableness of assumptions made by management in relation to the growth rates;
- assessing the reasonableness of the model used by management in determining the discount rates;
- checking the mathematical accuracy of management's impairment model; and
- checking the adequacy of the Group's disclosure in respect of goodwill.

Recoverability of deferred tax assets – N5.0 billion (refer to notes 3.7b, 4.5 and 30)

We identified the recoverability of deferred tax assets as a key audit matter due to the fact that recognition of this asset requires management judgement as to its future realisation.

A significant part of the bank's revenue still remains non-taxable thereby reducing the taxable profits against which the deferred tax is expected to be realized. Future realisation is based on whether there will be sufficient taxable profits in future periods to support recognition, the expected growth rate and the tax rate applied to expected future profits.

This is considered a key audit matter in both the consolidated and separate financial statements.

Our procedures in relation to management's assessment about the recoverability of deferred tax assets included:

- checking the mathematical accuracy of the model used by management in estimating the deferred tax assets recognised in the financial statements;
- evaluating management's assessment of the sufficiency of future taxable profits in support of the recognition of deferred tax assets;
- assessing the reasonableness of the tax rate applied to future profits by checking for consistency with the applicable tax laws;
- checking the adequacy of the Group's disclosure in respect of deferred tax assets.

Other information

The directors are responsible for the other information. The other information comprises Corporate information, Directors' report, Corporate governance report, Statement of directors' responsibilities, Report of the statutory audit committee, Report on customer's complaints and feedback, Enterprise risk management, Sustainable banking report, Whistle blowing policy, Value added statement and Five-year financial summary (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the Coronation Merchant Bank Limited's 2018 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the Coronation Merchant Bank Limited 2018 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

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Report on other legal and regulatory requirements

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

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

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

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

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 37d to the consolidated and separate financial statements; and

v) as disclosed in Note 40 to the consolidated and separate financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2018.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0921376

Chidi Ojechi

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

8 March 2019

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

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of Naira	Notes	Group Dec 2018	Group Dec 2017	Bank Dec 2018	Bank Dec 2017
Continuing operations					
Interest income at amortised cost	7a	16,610,361	16,299,045	16,352,501	16,309,069
Interest income at FVTOCI	7b	6,783,008	4,658,488	6,673,663	4,470,598
Interest income at FVTPL	7c	1,260,656	1,415,989	1,260,656	1,415,989
Interest expense	8	(17,077,491)	(14,369,179)	(17,291,460)	(14,633,478)
Net interest income		7,576,534	8,004,343	6,995,360	7,562,178
Net impairment (charge) / write back on financial assets	9	(100,022)	3,662	(85,559)	51,596
Net interest income after impairment charges		7,476,512	8,008,005	6,909,801	7,613,774
Fee and commission income	10	2,169,164	1,658,062	1,700,352	1,300,432
Net gains on investment securities	11	1,664,153	898,266	1,661,263	881,968
Net foreign exchange income	12	134,366	216,243	129,349	225,931
Other operating income	13	92,015	10,438	179,616	144,785
Personnel expenses	14	(1,711,991)	(1,309,259)	(1,433,036)	(1,031,759)
Other operating expenses	15	(4,516,886)	(4,361,529)	(3,951,598)	(4,202,302)
Profit before tax		5,307,333	5,120,226	5,195,747	4,932,829
Taxation	16	(730,634)	(368,128)	(711,375)	(314,433)
Profit after tax		**4,576,699**	**4,752,098**	**4,484,372**	**4,618,396**
Items that may be subsequently reclassified to the income statement:					
Net changes in fair value of FVOCI financial instruments					
- Fair value changes during the year		(1,010,010)	(377,258)	(1,013,107)	(424,592)
- Net loss recycled to profit&loss on disposal of FVOCI instruments		-	(32,227)	-	(32,227)
Other comprehensive loss, net of related tax effects		(1,010,010)	(409,485)	(1,013,107)	(456,819)
Total comprehensive income for the year		**3,566,689**	**4,342,613**	**3,471,265**	**4,161,577**
Earnings per share attributable to ordinary shareholders					
Basic (kobo)	17	91	94	89	91
Diluted (kobo)	17	91	94	89	91

The accompanying notes form an integral part of the financial statements

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of Naira	Notes	Group Dec 2018	Group Dec 2017	Bank Dec 2018	Bank Dec 2017
Assets					
Cash and balances with banks	18	3,537,509	8,264,667	3,211,035	8,188,002
Due from financial institutions	19	37,035,896	29,509,041	36,914,556	29,509,041
Non pledged trading assets	20	8,101,708	1,137,667	8,101,708	1,137,667
Derivative financial assets	21	1,388,676	116,520	1,388,676	116,520
Investment securities	22	88,633,134	28,617,585	87,626,086	27,785,678
Pledged assets	23	10,168,280	18,840,555	10,168,280	18,840,555
Loans and advances to customers	24	54,762,067	32,254,859	54,312,459	32,239,585
Other assets	25	7,213,747	6,432,931	7,845,696	6,415,957
Investment in subsidiaries	26	-	-	4,614,711	4,614,711
Investment properties	27	1,903,592	1,657,107	-	-
Intangible assets	28	1,323,531	1,237,513	622,503	544,749
Property and equipment	29	3,591,631	3,430,111	2,974,252	3,077,084
Deferred tax assets	30	5,006,660	5,203,887	4,998,887	5,203,887
Total assets		**222,666,431**	**136,702,443**	**222,778,849**	**137,673,436**
Liabilities					
Due to financial institutions	31	12,159,545	11,206,114	12,159,545	11,206,114
Due to customers	32	126,190,780	76,394,498	126,896,867	77,766,608
Non pledged trading liabilities	20	8,169,494	-	8,169,494	-
Commercial paper liabilities	33	18,053,345	-	18,053,345	-
Derivative financial liabilities	21	1,373,716	106,457	1,373,716	106,457
Current tax liabilities	16	545,298	348,484	520,248	266,686
Other liabilities	34	24,658,400	19,181,664	24,457,369	19,134,419
Deferred tax liabilities	30	2,577	2,488	-	-
		191,153,155	**107,239,705**	**191,630,584**	**108,480,284**
Total liabilities					
Equity					
Share capital	35	5,050,546	5,050,546	5,050,546	5,050,546
Share premium	35	3,655,348	3,655,348	3,655,348	3,655,348
Statutory reserve	35	6,844,066	6,171,410	6,844,066	6,171,410
Fair value reserve	35	(506,647)	501,709	(545,267)	466,220
Regulatory risk reserve	35	1,403,389	647,767	1,403,389	647,767
Retained earnings	35	15,066,579	13,435,958	14,740,188	13,201,861
Total equity attributable to owners of the Bank		**31,513,276**	**29,462,738**	**31,148,265**	**29,193,152**
Total liabilities and equity		**222,666,431**	**136,702,443**	**222,778,849**	**137,673,436**

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 01 February 2019 and signed on its behalf by:

Babatunde Folawiyo
Chairman
FRC/2014/NBA/00000006371

Abubakar Jimoh
Managing Director/CEO
FRC/2013/ICAN/00000001481

Chukwukadibia Okoye
Chief Financial Officer
FRC/2013/ICAN/000000014293

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Fair value reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2018	**5,050,546**	**3,655,348**	**13,435,958**	**6,171,410**	**647,767**	**501,709**	**29,462,738**
Changes on initial application of IFRS 9 (see note 3.20)			(2,641)			1,654	(987)
Restated balance at 1 January 2018	**5,050,546**	**3,655,348**	**13,433,317**	**6,171,410**	**647,767**	**503,363**	**29,461,751**
Profit for the year	-	-	4,576,699	-	-	-	4,576,699
Other comprehensive income, net of tax							
Fair value changes during the year	-	-	-	-	-	(1,010,010)	(1,010,010)
Total comprehensive income/(loss)	-	-	4,576,699	-	-	(1,010,010)	3,566,689
Final Dividend paid to shareholders	-	-	(1,515,164)	-	-	-	(1,515,164)
Transfer between reserves	-	-	(1,428,273)	672,656	755,617	-	-
Transactions with equity holders, recorded directly in equity	-	-	(2,943,437)	672,656	755,617	-	(1,515,164)
Balance at 31 December 2018	5,050,546	3,655,348	15,066,579	6,844,066	1,403,384	(506,647)	31,513,275

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2017	**5,050,546**	**3,655,348**	**10,384,744**	**5,478,651**	**397,223**	**911,194**	**25,877,706**
Profit for the year	-	-	4,752,098	-	-	-	4,752,098
Other comprehensive income, net of tax							
Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	(32,227)	(32,227)
Fair value changes during the year	-	-	-	-	-	(377,258)	(377,258)
Total comprehensive income/(loss)	-	-	4,752,098	-	-	(409,485)	4,342,613
Disposal of treasury shares			(757.582)				(757.582)
Transfer between reserves	-	-	(943,302)	692,759	250,544	-	-
Transactions with equity holders, recorded directly in equity	-	-	(1,700,884)	692,759	250,544	-	(757,582)
Balance at 31 December 2017	**5,050,546**	**3,655,348**	**13,435,958**	**6,171,410**	**647,767**	**501,709**	**29,462,738**

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

BANK	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Fair value reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2018	**5,050,546**	**3,655,348**	**13,201,861**	**6,171,410**	**647,767**	**466,220**	**29,193,152**
Changes on initial application of IFRS 9 (see note 3.18)			(2,608)			1,620	(988)
							-
Restated balance at 1 January 2018	**5,050,546**	**3,655,348**	**13,199,253**	**6,171,410**	**647,767**	**467,840**	**29,192,164**
Profit for the year	-	-	4,484,372	-	-	-	4,484,372
Other comprehensive income, net of tax							
Fair value changes during the year	-	-	-	-	-	(1,013,107)	(1,013,107)
Total comprehensive income/(loss)	-	-	4,484,372	-	-	(1,013,107)	3,471,265
Final Dividend paid to shareholders	-	-	(1,515,164)	-	-	-	(1,515,164)
Transfer between reserves	-	-	(1,428,273)	672,656	755,617	-	-
Transactions with equity holders, recorded directly in equity	-	-	(2,943,437)	672,656	755,617	-	(1,515,164)
Balance at 31 December 2018	**5,050,546**	**3,655,348**	**14,740,188**	**6,844,066**	**1,403,384**	**(545,267)**	**31,148,265**

BANK	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2017	**5,050,546**	**3,655,348**	**10,284,349**	**5,478,651**	**397,223**	**923,039**	**25,789,157**
Profit for the year	-	-	4,618,396	-	-	-	4,618,396
Other comprehensive income, net of tax							
Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	(32,227)	(32,227)
Fair value changes during the year	-	-	-	-	-	(424,592)	(424,592)
Total comprehensive income/(loss)	-	-	4,618,396	-	-	(456,819)	4,161,577
Dividend paid to shareholders	-	-	(757,582)	-	-	-	(757,582)
Transfer between reserves	-	-	(943,302)	692,759	250,544	-	-
Transactions with equity holders, recorded directly in equity	-	-	(1,700,884)	692,759	250,544	-	(757,582)
Balance at 31 December 2017	**5,050,546**	**3,655,348**	**13,201,861**	**6,171,410**	**647,767**	**466,220**	**29,193,152**

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	GROUP DECEMBER 2018 N'000	GROUP DECEMBER 2017 N'000	BANK DECEMBER 2018 N'000	BANK DECEMBER 2017 N'000
Cash flows from operating activities					
Profit before income tax including continuing operations		5,307,333	5,120,226	5,195,747	4,932,829
Adjustments for non-cash items:					
Depreciation charge on property and equipment		423,149	363,368	402,513	347,985
Amortisation of intangible assets		201,177	214,963	190,001	208,991
Write off of intangible assets		-	55,768	-	55,768
Write off of property and equipment		118,880		95,146	-
Loss on sale of non-current asset held for sale		-		-	24,575
Loss on sale of property and equipment		-	4,302	(1,818)	174
Net impairment charge /(writeback) on loans and advances	9	22,073	(51,657)	21,333	(51,662)
Net impairment charge on placements	9	10,956		10,954	-
Net impairment charge on investment securities	9	6,256		3,864	
Net impairment writeback on off balance sheet	9	(211)	-	(211)	-
Net impairment charge on unquoted equity		-	66	-	66
Net impairment charge on other asset	9	60,948	47,929	49,619	-
Net interest income		(7,576,534)	(8,004,342)	(6,995,360)	(7,562,178)
Dividend earned	13	(1,480)	(655)	(93,548)	(137,573)
		(1,427,453)	**(2,250,032)**	**(1,121,760)**	**(2,181,025)**
Changes in working capital					
Financial assets held for trading (with original maturity > 90 days)		(7,430,117)	1,742,124	(7,430,117)	1,742,124
Derivative financial instruments		(4,897)	(10,063)	(4,897)	(10,063)
Increase in restricted deposit with CBN		(2,887,614)	(2,300,438)	(2,887,614)	(2,300,438)
Loans and advances to customers		(22,972,819)	(9,789,281)	(22,537,751)	(9,774,002)
Pledged assets		3,387,641	(4,608,107)	3,624,189	(4,608,107)
Other assets		1,963,788	(3,821,720)	1,339,428	(3,540,640)
Due to customers		46,481,947	21,256,505	45,815,924	21,958,758
Financial liabilities held for trading (with original maturity > 90 days)		8,014,437	-	8,014,437	-
Deposits from financial institutions		913,680	(7,400,000)	913,680	(7,400,000)
Other liabilities		6,094,182	13,370,655	5,940,396	13,373,698
Cash generated from operations		**32,132,775**	**6,189,644**	**31,665,915**	**7,260,305**
Interest received		18,536,225	23,250,594	18,169,020	23,072,728
Interest paid		(14,024,904)	(12,739,948)	(14,238,873)	(13,004,246)
Income taxes paid	16	(254,441)	(200,096)	(183,986)	(183,640)
Net cashflows generated from operating activities		**36,389,655**	**16,500,194**	**35,412,076**	**17,145,147**

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

	Notes	GROUP DECEMBER 2018 N'000	GROUP DECEMBER 2017 N'000	BANK DECEMBER 2018 N'000	BANK DECEMBER 2017 N'000
Cash flows from investing activities					
Dividend received		1,480	655	93,548	137,573
Investment in subsidiary		-	-	-	(1,300,000)
Acquisition of investment securities		(48,719,799)	(3,433,594)	(48,781,910)	(4,282,665)
Purchase of property plant and equipment		(739,557)	(513,295)	(415,217)	(440,799)
Purchase of intangible assets		(287,196)	(357,255)	(267,755)	(346,102)
Purchase of investment properties		(246,485)	(1,224,361)	-	-
Proceed from sale of non-current asset held for sale		-		-	5,000
Purchase of held to maturity investment		-	-	-	-
Redemption of held to maturity investments		-	8,137,137	-	8,137,137
Proceeds from sale of property and equipment		36,009	21,223	22,208	16,223
Net cash (used in) / generated from investing activities		**(49,955,548)**	**2,630,511**	**(49,349,126)**	**1,926,367**
Cash flows from financing activities					
Proceeds from issue of share capital		-	-	-	-
Commercial paper liabilities		18,509,901	-	18,509,901	-
Dividend paid		(1,515,164)	(757,582)	(1,515,164)	(757,582)
Net cash used in financing activities		**16,994,737**	**(757,582)**	**16,994,737**	**(757,582)**
(Decrease) / increase in cash and cash equivalents		**3,428,844**	**18,373,123**	**3,057,687**	**18,313,932**
Analysis of changes in cash and cash equivalents					
At start of year		35,443,163	17,081,404	35,366,506	17,063,927
At end of year		38,872,007	35,454,527	38,424,193	35,377,859
Increase in cash and cash equivalents		**3,428,844**	**18,373,123**	**3,057,687**	**18,313,932**
Cash and cash equivalents comprise:					
Balances with banks		1,833,340	1,013,981	1,506,866	937,315
Unrestricted balances with central banks		2,771	4,931,505	2,771	4,931,504
Placement with other financial institutions with maturity of more than 90 days		37,035,896	29,509,041	36,914,556	29,509,041
		38,872,007	**35,454,527**	**38,424,193**	**35,377,859**

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

CORONATION MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Reporting Entity

These are the financial statements of Coronation Merchant Bank Limited (formerly known as Associated Discount House Limited), a Group incorporated in Nigeria on 22nd October, 1992 as a discount house.

The Group 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 Group 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 Group as a Merchant Bank Group 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 consolidated and separate financial statements of the Group and Bank respectively, 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 consolidated 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 consolidated and separate financial statement comprise the consolidated and separate statement of comprehensive income, the consolidated and separate statement of financial position, the consolidated and separate statements of changes in equity, the consolidated and separate cash flow statement and the notes.

(a) Functional and presentation currency

These consolidated and separate 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 consolidated and separate financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value.
- Non-derivative financial instruments at fair value through profit or loss are measured at fair value.
- Hold to collect and sell financial assets are measured at fair value.
- Investment property is measured at fair value.

(c) Use of estimates and judgements

The preparation of the consolidated 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 consolidated and separate financial statements are described in note 4.

3.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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 2018 that are relevant to the group.

None of these standards were earlier adopted by the Group

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 for annual years on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Note 3.20

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the group's business model for managing the assets and the instruments' contractual cash flow characteristics.
The IAS 39 measurement categories of financial assets (Fair Value Through Profit or Loss - [FVPL], Fair Value through Other Comprehensive income - [FVOCI], Held-to-maturity and Amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Debt instruments at fair value through profit or loss (FVPL), with gains or losses recognised in profit or loss on derecognition
- Equity instruments at FVPL
- Equity instruments at FVOCI with gains or losses not recycled to profit or loss on derecognition
- Other Financial assets designated at FVPL.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.
Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The Group's classification of its financial assets and liabilities is explained in Notes 3.8. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 3.20

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's Incurred Loss Approach with a forward-looking Expected Credit Loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

Details of the Group's impairment method are disclosed in Note 3.8. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 3.20

- ### IFRS 15 – Revenue from contracts with customers

This note explains the impact of the adoption of IFRS 15 - Revenue from Contracts with Customers, - on the Group's financial statements and also discloses the related accounting policies that have been applied from 1 January 2018 where they are different to those applied in prior years.
The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in minor changes to the wording of the accounting policies. However, the adoption of IFRS 15 did not result in any adjustments to the amounts recognised in the financial statements as the Bank's previous accounting treatment is in line with the requirements of IFRS 15.

In accordance with the transition provisions in IFRS 15, the Bank has adopted the new rules retrospectively without restating comparatives for the 2017 financial year. Accordingly, the information presented for 2017 financial year is as previously reported - under IAS 18 and related interpretations.

There was no impact on the Group's retained earnings at the date of initial application (i.e. 1 January 2018).

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The International Accounting Standards Board (IASB) has published final amendments to IFRS 2 'Share-based Payment' on 20 December 2017 that clarify the classification and measurement of share-based payment transactions which contains the following: (a) accounting for cash-settled share-based payment transactions that include a performance condition; (b) classification of share-based payment transactions with net settlement features; and (c) the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The standard does not have any impact on the Group as the Group operates an equity settled share based payment scheme.

- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:
there is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:
The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

There is no material impact on the accounting policies, financial position or performance of the Group.

(b) Impact of standards issued that will have an impact but not yet applied by the entity
IFRS 16 Leases (Effective for years beginning on or after 1 January 2019)

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases which includes leases of land, buildings and printers. As at the reporting date, the Bank has no unpaid non-cancellable operating lease commitments as all operating leases are paid in advance.

3.3 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities and other structured entities) over which the Group exercises control. Control is achieved when the Group can demostrate it has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns

The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights are considered when assessing whether the group controls another entity.

The Group assesses existence of control where it does not have more than 50% of the voting power i.e when it holds less than a majority of the voting rights of an investee. An investor considers all relevant facts and circumstances in assessing whether or not its voting rights are sufficient to give it power, including:

- a contractual arrangement between the investor and other vote holders
- rights arising from other contractual arrangements
- the investor's voting rights (including voting patterns at previous shareholders' meetings)
- potential voting rights

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Subsidiaries are measured at cost less impairment in the separate financial statement.

(b) Business combinations

The Group applies IFRS 3 Business Combinations (revised) in accounting for business combinations.

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

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

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

When this total is negative, a bargain purchase gain is recognised immediately in statement of comprehensive income, after a re-assessment to ensure correctness.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the income statement.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

(c) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

(d) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments.

(e) Disposal of subsidiaries

"When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.
The gain/loss arising from disposal of subsidiaries is included in the profit/loss of discontinued operations in the statement of comprehensive income."

(f) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(g) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit/loss and other comprehensive income of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Investments in associates are measured at cost less impairment in the separate financial statement.

(h) Transactions eliminated on consolidation

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Naira', which is the group's presentation currency.

The Group in the normal course of business sets up Structured Entiries (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 group entity that set them up. All costs and interest on the borrowing are borne by the sponsoring group 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 available for sale 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 available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

3.5 Operating income

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the consolidated income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter year) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on available-for-sale investment securities calculated on an effective interest basis

(b) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. 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.

(c) Net gains/losses on investment securities

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

(d) Foreign exchange income

Foreign exchange income include the following:

- foreign exchange trading gains,
- unrealised foreign exchange gains on revaluation,
- gains and losses on changes in fair value of derivatives instruments

(e) Dividends

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

3.6 Leases

Leases are accounted for in accordance with IAS 17 and IFRIC 4. They are divided into finance leases and operating leases.

A group company is the lessee

(a) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to operating expenses in the income statement on a straight-line basis over the year of the lease.

(b) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or Due to customers depending on the counter party. The interest element of the finance cost is charged to the income statement over the lease year so as to produce a constant yearic rate of interest on the remaining balance of the liability for each year. The investment properties acquired under finance leases are measured subsequently at their fair value.

A group company is the lessor

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant yearic rate of return.

Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each year during the lease term so as to produce a constant yearic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.7 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the Nigeria where the bank and its subsidiaries operate and generate taxable income. Management yearically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated 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 group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.8 Financial assets and liabilities

Recognition and derecognition

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 trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership."

Classification

From 1 January 2018, the group 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 group 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 group reclassifies debt investments when and only when its business model for managing those assets changes."

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.
Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest."

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- 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. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in net gains/(loss) with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- 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. Foreign exchange gains and losses are presented in net gains/(loss) on investment securities and impairment expenses are presented as separate line item in net impairment charge on financial assets

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within net gains/(loss) on investment securities in the year in which it arises.

Equity instruments

The group initially measured all equity investments at fair value through profit or loss. Where the group'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 group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in net gains/(loss) on investment securities in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value."

From 1 January 2018, the Group only measures cash and balances with banks, Loans and advances to banks and customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.
The Group'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 Group'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 Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/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.

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.

The table below reconciles classification of financial instruments to the respective IFRS 9 category:

	Category (as defined by IFRS 9)	Class (as determined by the Group)	Sub classes
Financial assets	Financial assets at fair value through profit or loss	Non pledged trading assets	Debt securities
			Derivative financial assets
	Financial assets at amortised cost	Cash and balances with banks	Balances with banks
			Unrestricted balances with central banks
		Due from financial institutions	Money market placements
		Loans and advances to customers	Loans to individuals
			Loans to corporate entities and other organisations
		Other assets	
		Investment securities - debt securities	Listed
	Financial assets at fair value through other comprehensive income	Investment securities - debt securities	Listed
			Unlisted
		Investment securities - equity securities	Listed
			Unlisted
		Investment under management	
Financial liabilities	**Category (as defined by IFRS 9)**	**Class (as determined by the Group)**	**Sub classes**
	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	
	Financial liabilities at amortised cost	Due to financial institutions	
		Due to customers	Demand deposits
			Term deposits
			Term deposits
		Interest bearing borrowings	
		Debt securities issued	
		Other liabilities	

(h) Cash and balances with banks

Cash and balances with banks include notes and coins on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, unrestricted balances with foreign and central banks, money market placements and other short-term highly liquid investments with original maturities of three months or less.

(i) Pledged assets

Financial assets transferred to external parties that do not qualify for de-recognition are reclassified in the statement of financial position from financial assets held for trading or investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms.
Initial recognition of assets pledged as collateral is at fair value, whilst subsequent measurement is based on the classification of the financial asset. Assets pledged as collateral are either designated as held for trading, Fair value through other comprehensive income or Amortized cost. Where the assets pledged as collateral are designated as held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral designated as Fair value through other comprehensive income are measured at fair-value through equity. Assets pledged as collateral designated as Amortized cost are measured at amortized cost.

(j) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets (for example, for exchange-traded options), including recent market transactions, and valuation techniques (for example for swaps and currency transactions), including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Where applicable,the Group mitigates the credit risk of derivatives by holding collateral in the form of cash.

(k) Reclassification of financial assets

From 1 January 2018, the Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which Group changes its business model for managing a financial assets, the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

The following are not changes in business model;

- change in intention related to particular financial assets (even in circumstances of significant changes in market conditions).
- the temporary disappearance of a particular market for financial assets.
- a transfer of financial assets between parts of the entity with different business models.

Reclassification date
The first day of the first reporting year following the change in business model that results in an entity reclassifying financial assets.

A change in the objective of the Group's business model must be effected before the reclassification date. For example, if Group decides on 15 February to shut down its Corporate & investment Banking business and hence must reclassify all affected financial assets on 1 April (i.e. the first day of the Group's next reporting year), the Group must not accept new Corporate & investment Banking business or otherwise engage in activities consistent with its former business model after 15 February.

All reclassifications are applied prospectively from the reclassification date.
When the Group 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 Group reclassifies a financial asset out of the fair value through profit or loss measurement category, the effective interest rate is determined on the basis of the fair value of the asset at the reclassification date.

Derecognition of financial assets and liabilities
Derecognition due to substantial modification of terms and conditions

The Group 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 Group 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 Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification
Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group 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 Group has transferred the financial asset if, and only if, either:

- The Group 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 Group 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 Group 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 Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Group 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 Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group 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 Group 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 Group's continuing involvement, in which case, the Group 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 Group 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 Group 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.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group 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 group of similar transactions such as in the Group'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 banks, deposits from banks, 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.

Impairment of financial assets

Overview of the ECL principles

From 1 January 2018, the Group 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 Group 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.

Staging Assessment

The Group has established a policy to perform an assessment, at the end of each reporting period, 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 Group categorises its financial instruments into Stage 1, Stage 2,Stage 3 and POCI, as described below:

- 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 Group) 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 Group) 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 period 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 Group 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.

Changes 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 Group 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 Securirites, 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 Basel framework, 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 Basel framework, 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 Group 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. For accounts with no EIR information, the balance-weighted average EIR across all accounts, split by portfolio, is used as a proxy.

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 Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
  These expected 12-month macro-adjusted default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group 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.

- Stage 3: For loans considered credit-impaired, the Group 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 Group 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 Group 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 Group'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 Group 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 Group 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 hasn't been a significant increase 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 (as determined by the Bank) 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."

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;
- Backward transitions, i.e. from Stage 3 to Stage 2 or from Stage 2 to Stage 1, uses an assumed probation period 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."

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 Group 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 ineterest

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 above have been applied to all financial instruments held by the Group 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 Group'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 period 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 Group 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 Group'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 periodic basis.

To the extent possible, the Bank uses active market data for valueing 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 Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group'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 Group's policy.

Write-offs

The Group'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 Group 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 Financial assets and liabilities

Accounting policies applied until 31 December 2017

The group has applied IFRS 9 prospectively, and has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.
Until 31 December 2017, the group applied the following accounting policy on its financial assets and financial liabilities below:

In accordance with IAS 39, all financial assets and liabilities (which include derivative financial instruments) have to be reocognised in the consolidated statement of financial position and measured in accordance with their assigned category.

The table below reconciles classification of financial instruments to the respective IAS 39 category.

	Category (as defined by IAS 39)	Class (as determined by the Group)
Financial assets	Financial assets at fair value through profit or loss	Non pledged trading assets
		Derivative financial assets
	Loans and receivables	Cash and balances with banks
		Loans and advances to banks
		Loans and advances to customers
		Other assets
	Held to maturity	Investment securities - debt securities
	Available for sale financial assets	Investment securities -pledged and non-pledged
		Investment under management
Financial liabilities	Financial liabilities at fair value through profit or loss	Derivatives
	Financial liabilities at amortised cost	Deposit from banks
		Deposit from customers
		Interest bearing borrowings
		Debt securities issued
		Other liabilities

The purchases and sales of financial assets are accounted for in the Group's books at settlement date.

(a) Financial assets

The Group allocates financial assets to the following IFRS 9 categories: Financial assets at fair value through profit or loss; Financial assets at amortized cost; and financial assets at fair value through other comprehensive income (OCI). Management determines the classification of its financial instruments at initial recognition.

(i) Fair value through profit or loss

This category comprises financial assets classified as held for trading upon initial recognition.

A financial asset is classified as fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised measured at fair value through profit or loss unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market instruments, as well as financial assets with embedded derivatives. They are recognised in the consolidated statement of financial position as 'non-pledged trading assets '.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement and are reported as "Net loss/gains on investment securities. Interest income and expense and dividend income on financial assets held for trading are included in 'Interest income', "Interest expense' or 'Other operating income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising.

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. The fair value option is only applied when the following conditions are met:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

(ii) Amortized cost

Amortized cost financial assets are non-derivative assets with fixed or determinable payments and fixed maturity and which are not designated at fair value through profit or loss, or fair value through other comprehensive income.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method. Any sale or reclassification of a significant amount of amortized cost investments not close to their maturity would result in a reassessment of the Bank's business model for managing the assets. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- Sales or reclassification that are so close to maturity that changes on the market rate of interest would not have a significant effect on the financial asset's fair value.
- Sales or reclassification after the Group has collected substantially all the asset's original principal.
- Sales or reclassification attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Interest on amortized cost investments is included in the consolidated income statement and reported as 'Interest income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the consolidated income statement as 'net impairment loss on financial assets'. Amortised cost investments include treasury bills and bonds.

(iv) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities that have been elected as fair value through other comprehensive and other fair vlaue through other comprehensive income investments are carried at fair value.

Interest income is recognised in the income statement using the effective interest method. Dividend income is recognised in the income statement when the Group becomes entitled to the dividend. Foreign exchange gains or losses on such investments are recognised in the income statement.

Other fair value changes are recognised directly in other comprehensive income until the investment is sold or impaired whereupon the cumulative gains and loses previously recognised in other comprehensive income are recognised to the income statement as a reclassification adjustment.

Fair value through other comprehensive income instruments include investment securities and equity investments that are so elected.

(b) Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss.

(i) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'Interest expense' in the Statement of Comprehensive Income. Deposits and debt securities issued are the Group's sources of debt funding. When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements as pledged assets.

The Group classifies debt instruments as financial liabilities or equity in accordance with the contractual terms of the instrument. Deposits and debt securities issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at fair value through profit or loss. On this statement of financial position, other financial liabilities carried at amortised cost include deposit from banks, deposit from customers, interest bearing borrowings, debt securities issued and other liabilities.

(ii) Financial liabilities at fair value

The Group may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in Note 21 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are presented as financial assets or financial liabilities.

Derivative assets and liabilities are only offset if the transactions are with the same counterparty, a legal right of offset exists and the parties intend to settle on a net basis.

(c) De-recognition

(i) Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

The Group enters into transactions whereby it transfers assets recognised on its financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

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

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

Loans that are individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

(ii) Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(d) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group 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 group of similar transactions such as in the Group’s trading activity.

(e) 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 banks, deposits from banks, 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 trading income.

(f) Measurement

(i) Amortised cost measurement

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

(ii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in the income statement on initial recognition of the instrument.

In other cases, the difference is not recognised in the income statement immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(g) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the obligor, default or delinquency by a borrower resulting in a breach of contract, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

(i) Loans and receivables

The Group considers all loans and advances, financial assets at FVOCI and amortized cost investments at specific level for expected credit loss assessment.

In assessing expected credit loss, the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current and forecasted economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

(ii) Fair value through other comprehensive income securities

Impairment losses on fair value through other comprehensive income investment securities are recognised in profit or loss and the impairment provision is not used to reduce the carrying amount of the investment but recognised in other comprehensive income. For debt securities, the group uses the criteria referred to in (i) above to assess impairment.

For equity, a prolonged decline in the fair value of the security below its cost is also evidence that the asset is impaired. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent year, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the income statement; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Group writes off previously-impaired loans and advances (and investment securities) when they are determined not to be recoverable. The Group writes off loans or investment debt securities that are impaired (either partially or in full and any related allowance for impairment losses) when the Group credit team determines that there is no realistic prospect of recovery.

(h) Cash and balances with banks

Cash and balances with banks include notes and coins on hand, balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, unrestricted balances with foreign and central banks, money market placements and other short-term highly liquid investments with original maturities of three months or less.

(i) 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.
The Group mitigates the credit risk of derivatives by holding collateral in the form of cash.

(j) Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(l) 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 designated as held for trading, available for sale or held to maturity. Where the assets pledged as collateral are designated as held for trading, subsequent measurement is at fair value through profit and loss, whilst assets pledged as collateral designated as available for sale are measured at fair-value through equity. Assets pledged as collateral designated as held to maturity are measured at amortized cost.

3.10 Investment properties

An investment property is an investment in land or buildings held primarily for generating income or capital appreciation and not occupied substantially for use in the operations of the Group. An occupation of more than 15% of the property is considered substantial. Investment properties is measured initially at cost including transaction cost. They are subsequently carried in the statement of financial position at their fair value and revalued yearly on a systematic basis, except for investment property under construction where fair value cannot be reliably measurable, which are carried at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier). Investment properties are not subject to yearly charge for depreciation. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year which it arises as: "Fair value gain on investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in income statement inside operating income.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3.11 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other 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 Group and its cost can be measured reliably. 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 group 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 equipments	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, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(d) De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised.

3.12 Intangible assets

(a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill has an indefinite useful life and it is tested annually for impairment.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Goodwill has an indefinite useful life and is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Software has a finite useful life, the estimated useful life of software is between three and five years. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.13 Impairment of non-financial assets

The carrying amounts of the Group'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 grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU). Subject to an operating segment ceiling test, for the purposes of goodwil impairment testing, CGUs to which goodwill has been allcated 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 groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.14 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Investment property classified as non-current asset held for sale are measured at fair value, gain or loss arising from a change in the fair value of investment property is recognised in income statement for the year in which it arise."

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group 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 expense.

(a) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3.16 Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

3.17 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a seperate entity and will have no legal or constructive obliagtion 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 group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.18 Share capital and reserves

(a) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(b) Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognised in equity in the year when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting year are dealt with in the subsequent events note.

(c) Treasury shares

Where the Bank or any member of the Group 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 Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calcuated 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) Statutory credit reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group 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.

Classsificaiton	Percentage	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.

Following an examination, the regulator may also require more amounts to be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to the regulatory risk reserve.

3.19 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss. Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

3.20 A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follows:

Group

	IAS 39 measurement				IFRS 9	
In thousands of Naira	**Category**	**Amount**	**Reclassifications**	**Remeasurements ECL**	**Amount**	**Category**
Financial assets						
Cash and balances with banks	L&R *	8,264,667			8,264,667	AC **
Due from financial institutions	L&R *	29,509,041		(401)	29,508,640	AC **
Non pledged trading assets	FVPL	1,137,667			1,137,667	FVPL (Mandatory)
Derivatives	FVPL	116,520			116,520	FVPL (Designated)
Loans and advances to customers	L&R	32,254,859		1,119	32,255,978	AC
	L&R				-	AC
Pledged assets - AFS	AFS	-	-		N/A	
To: Debt instruments at FVOCI		-	-			
Pledged assets - HTM	HTM	11,017,169	(11,017,169)		N/A	
To: Debt instruments at amortised cost			(11,017,169)			
Pledged assets - FVPL	FVPL	7,823,386	(7,823,386)		N/A	
To: Debt instruments at FVPL			(7,823,386)			
Investment securities - Equities at Cost less impairment	CLI*	-	-		N/A	
To: Equity instruments at FVOCI			-			
Investment securities - AFS	AFS	21,170,496	(21,170,496)		N/A	
To: Debt instruments at FVOCI			(20,824,407)			
To: Equity instruments at FVOCI			(346,089)			
Investment securities - HTM	HTM	7,447,089	(7,447,089)		N/A	
To: Debt instruments at amortised cost			(7,447,089)			
Pledged assets						
Debt instruments at amortised cost		N/A	11,017,169	(686)	11,016,482	AC
From: Pledged assets - HTM			11,017,169			
Debt instruments at FVPL		N/A	7,823,386		7,823,386	FVPL (Mandatory)
From: Pledged assets - FVPL			7,823,386			

CORONATION MERCHANT BANK LIMITED
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Group

	IAS 39 measurement				IFRS 9	
	Category	**Amount**	**Reclassifications**	**Remeasurements ECL**	**Amount**	**Category**
Investment securities						
Debt instruments at amortised cost		N/A	7,447,089	(469)	7,446,620	AC
From: Investment securities - HTM			7,447,089			
Debt instruments at fair value through OCI		N/A	20,824,407		20,824,407	FVOCI
From: Investment securities - AFS			20,824,407			
Equity instruments at FVOCI		N/A	346,089		346,089	FVPL (Mandatory)
From: Investment securities - AFS			346,089			
Other assets- account receivables	L&R	3,260,722	-		3,260,722	AC
Total financial assets		**122,001,616**	**-**	**(437)**	**122,001,178**	
Financial liabilities						
Due to financial institutions	AC	11,206,114			11,206,114	AC
Due to customers	AC	76,394,498			76,394,498	AC
Derivative financial liabilities	AC	106,457			106,457	AC
Current tax liabilities	AC	348,484			348,484	AC
Other liabilities	AC	19,181,664		(550)	19,182,213	AC
Total financial liabilities		**107,237,217**		**(550)**	**107,237,766**	

* L&R: Loans and receivables

** AC: Amortised cost

CLI*: Cost less impairment

Bank

	IAS 39 measurement				IFRS 9	
In thousands of Naira	Category	Amount	Reclassifications	Remeasurements ECL	Amount	Category
Financial assets						
Cash and balances with banks	L&R *	8,188,002			8,188,002	AC **
Due from financial institutions	L&R *	29,509,041		(401)	29,508,640	AC **
Non pledged trading assets	FVPL	1,137,667			1,137,667	FVPL (Mandatory)
Derivatives	FVPL	116,520			116,520	FVPL (Designated)
Loans and advances to customers	L&R	32,239,585		1,118	32,240,703	AC
	L&R				-	AC
Pledged assets - AFS	AFS	-	-		N/A	
To: Debt instruments at FVOCI		-	-			
Pledged assets - HTM	HTM	11,017,169	(11,017,169)		N/A	
To: Debt instruments at amortised cost			(11,017,169)			
Pledged assets - FVPL	FVPL	7,823,386	(7,823,386)		N/A	
To: Debt instruments at FVPL			(7,823,386)			
Investment securities - Equities at Cost less impairment	CLI*	-	-		N/A	
To: Equity instruments at FVOCI			-			
Investment securities - AFS	AFS	20,338,589	(20,338,589)		N/A	
To: Debt instruments at FVOCI			(20,243,568)			
To: Equity instruments at FVOCI			(95,021)			
Investment securities - HTM	HTM	7,447,089	(7,447,089)		N/A	
To: Debt instruments at amortised cost			(7,447,089)			
Pledged assets						
Debt instruments at amortised cost		N/A	11,017,169	(686)	11,016,483	AC
From: Pledged assets - HTM			11,017,169			

Bank

	IAS 39 measurement				IFRS 9	
	Category	Amount	Reclassifications	Remeasurements ECL	Amount	Category
Debt instruments at fair value through OCI		N/A				FVOCI
From: Pledged assets - AFS			-			
Debt instruments at FVPL		N/A	7,823,386		7,823,386	FVPL (Mandatory)
From: Pledged assets - FVPL			7,823,386			
Investment securities						
Debt instruments at amortised cost		N/A	7,447,089	(469)	7,446,620	AC
From: Investment securities - HTM			7,447,089			
Debt instruments at fair value through OCI		N/A	20,243,568		20,243,568	FVOCI
From: Investment securities - AFS			20,243,568			
Equity instruments at FVOCI		N/A	95,021		95,021	FVPL (Mandatory)
From: Investment securities - AFS			95,021			
Other assets- account receivables	L&R	3,197,337	-		3,197,337	AC
Total financial asset		**121,014,385**	**-**	**(438)**	**121,013,947**	
Financial liabilities						
Due to financial institutions	AC	11,206,114			11,206,114	AC
Due to customers	AC	77,766,608			77,766,608	AC
Derivative financial liabilities	AC	106,457			106,457	AC
Current tax liabilities	AC	266,686			266,686	AC
Other liabilities	AC	19,134,419		(550)	19,134,969	AC
Non-financial liabilities						
Provisions	N/A					N/A
Total financial liabilities		**108,480,284**		**(550)**	**108,480,834**	

* L&R: Loans and receivables

** AC: Amortised cost

CLI*: Cost less impairment

3.20 (ii) The table below shows the analysis of the impact of IFRS 9 opening entries on equity

Group

	Impact of IFRS 9 Opening Entries on Equity		
	Retained earnings	**Fair value reserve**	**Total**
	N'000	**N'000**	**N'000**
Impairment analysis			
Loans and advances to customers	1,119		1,119
Bonds and Guarantee			-
Letter of credit	(550)		(550)
Money market placements	(401)		(401)
Debt securities			
FGN Bond			
- Amortised cost	(469)		(469)
- FVOCI	(255)	255	-
- Pledged (amortised cost)	(686)		(686)
- Pledged (FVOCI)		-	-
Treasury bills			
- Amortised cost			-
- FVOCI	(335)	335	-
- Pledged (amortised cost)			-
- Pledged (FVOCI)	(287)	287	-
Eurobond			
- Amortised cost			-
- FVOCI	(45)	45	-
Corporate bonds			
- Amortised cost			-
- FVOCI	(367)	367	-
State government bonds			
- Amortised cost			-
- FVOCI	(364)	364	-
Equity securities			
- FVOCI			-
Other assets			-
Litigation claims provision			-
	(2,641)	**1,654**	**(987)**

Bank

	Impact of IFRS 9 Opening Entries on Equity		
	Retained earnings	**Fair value reserve**	**Total**
	N'000	**N'000**	**N'000**
Impairment analysis			
Loans and advances to customers	1,118		1,118
Letter of credit	(550)		(550)
Money market placements	(401)		(401)
Debt securities			
FGN Bond			
- Amortised cost	(469)		(469)
- FVOCI	(254)	254	-
- Pledged (amortised cost)	(686)		(686)
- Pledged (FVOCI)			-
Treasury bills			
- Amortised cost			-
- FVOCI	(303)	303	-
- Pledged (amortised cost)			-
- Pledged (FVOCI)	(287)	287	-
Eurobond			
- Amortised cost			
- FVOCI	(45)	45	-
Corporate bonds			
- Amortised cost			
- FVOCI	(367)	367	-
State government bonds			
- Amortised cost			
- FVOCI	(364)	364	-
Equity securities			
- FVOCI			
Other assets			
Litigation claims provision			
	(2,608)	**1,620**	**(988)**

3.20 (iii) The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

Group

	Impact of IFRS 9 Opening Entries on Equity		
	Loan loss provision under IAS 39/ IAS 37 at 31 December 2017	**Remeasurement**	**ECLs under IFRS 9 at 1 January 2018**
	N'000	**N'000**	**N'000**
Loans and advances to customers	8,198	(1,119)	7,079
Bonds and Guarantee			-
Letter of credit		550	550
Money market placements		401	401
Debt securities			
FGN Bond			
- Amortised cost		469	469
- FVOCI		255	255
- Pledged (amortised cost)		686	686
Treasury bills			
- FVOCI		335	335
- Pledged (FVOCI)		287	287
Eurobond			
- FVOCI		45	45
Corporate bonds			
- FVOCI		367	367
State government bonds			
- FVOCI		364	364
	8,198	**2,641**	**10,839**

Bank

	Impact of IFRS 9 Opening Entries on Equity		
	Loan loss provision under IAS 39/ IAS 37 at 31 December 2017	**Remeasurement**	**ECLs under IFRS 9 at 1 January 2018**
	N'000	**N'000**	**N'000**
Loans and advances to customers	8,193	(1,118)	7,075
Bonds and Guarantee			-
Letter of credit		550	550
Money market placements		401	401
Debt securities			
FGN Bond			
- Amortised cost		469	469
- FVOCI		254	254
- Pledged (amortised cost)		686	686
Treasury bills			
- FVOCI		303	303
- Pledged (FVOCI)		287	287
Eurobond			
- FVOCI		45	45
Corporate bonds			
- FVOCI		367	367
State government bonds			
- FVOCI		364	364
Equity securities			
- FVOCI			
	8,193	**2,608**	**10,801**

4. Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5). Estimates where management has applied judgements are:

(i) Allowances for credit losses

(ii) Valuation of financial instruments

(iii) Determination of impairment of property and equipment, and intangible assets excluding goodwill

(iv) Assessment of impairment of goodwill on acquired subsidiaries

(v) Estimation of fair values of investment property

(vi) 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

(i) 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 both under IFRS 9 and IAS 39 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 Group'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 Group's internal credit grading model, which assigns PDs to the individual grades
- The Group'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 Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The Bank reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

The Bank makes use of estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed by the Credit Risk Management Department (CRMD).

Sensitivity of Exposure at default - Probability of Default (PD) & Loss Given Default (LGD)

If the PDs and LGDs were increased by 2%, impairment charge would have further increased by N0.56M but if the PDs and LGDs were decreased by 2%, there would have been a write back of impairment of N0.56m.

	Group Dec-18	Group Dec-17	Group Dec-18	Group Dec-17
	Loans and advances to individuals		Loans and advances to corporates	
Impact on profit before tax				
Increase in LGD and PD by 2%	12	5,552	549	325,439
Decrease in LGDs and PD by 2%	12	5,442	549	318,995
Increase in LGDs and PD by 10%	58	-	2,744	-
Decrease in LGDs and PD by 10%	58	-	2,744	-

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 incurred 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-18**	**Dec-17**
In thousands of Naira			
Bank	**Note**		
Loans & advances:			
Expected Credit Loss (ECL) on loans to customers			
- Loans to Individuals	23(b)	586	-
- Loans to Corporate	23(b)	27,822	-
Total impairment allowances on loans per IFRS		**28,408**	-
Collective impairment allowances on loans to customers			
- Loans to Individuals	23(b)	-	91
- Loans to Corporates	23(b)	-	6,984
Total impairment allowances on loans per IFRS		**28,408**	**7,075**
Total regulatory impairment based on prudential guidelines		1,403,354	655,960
		1,374,976	**648,885**
Balance, beginning of the year		647,767	397,224
Additional transfers to/(from) regulatory risk reserve		755,617	250,543
Balance, end of the year		**1,403,384**	**647,767**

4.1 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:

4.1.1 Recurring fair value measurements

In thousands of Naira

Group

December 2018

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	3,635,183	-	-	3,635,183
Government bonds	4,466,848	-	-	4,466,848
Derivative financial assets	-	1,388,676	-	1,388,676
Pledged assets				
Treasury bills	4,854,171	-	-	4,854,171
Investment securities				
- Financial Instruments at FVOCI				
Treasury bills	49,239,283	-	-	49,239,283
Bonds	2,852,866	12,426,413	-	15,279,279
Equity securities	158,112	10,899,414	-	11,057,526
	65,206,463	24,714,503	-	89,920,966
Liabilities				
Derivative financial liabilities	-	1,373,716	-	1,373,716
Non pledged trading liabilities				
Government bonds	8,169,494	-	-	8,169,494
	8,169,494	1,373,716	-	9,543,210

Group

December 2017

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	950,829	-	-	950,829
Government bonds	186,838	-	-	186,838
			-	-
Derivative financial assets		116,520	-	116,520
				-
Pledged assets				
Treasury bills	7,823,386	-	-	7,823,386
Investment securities				
Treasury bills	7,405,850	-	-	7,405,850
Bonds	10,339,022	2,560,855	-	12,899,877
Equity securities	346,089	-	-	346,089
	27,052,014	2,677,375	-	29,729,389
Liabilities				
Derivative financial liabilities	-	106,457	-	106,457
	-	106,457	-	106,457

Bank

December 2018

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	3,635,183	-	-	3,635,183
Government bonds	4,466,848	-	-	4,466,848
Pledged assets	**4,854,171**	**-**	**-**	**4,854,171**
Derivative financial assets	-	1,388,676	-	1,388,676
Investment securities				
- Financial Instruments at FVOCI				
Treasury bills	48,683,906	-	-	48,683,906
Bonds	2,776,209	12,382,412	-	15,158,621
Equity securities	63,637	10,899,414	-	10,963,051
	64,479,954	24,670,502	-	89,150,456
Liabilities				
Derivative financial liabilities	-	1,373,716	-	1,373,716
Non pledged trading liabilities				
Government bonds	8,169,494	-	-	8,169,494
	8,169,494	1,373,716	-	9,543,210

Bank

December 2017

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	950,829	-	-	950,829
Government bonds	186,838	-	-	186,838
Pledged assets				
Treasury bills	-	-	-	-
Derivative financial assets	-	116,520	-	116,520
Investment securities				
- Available for sale				
Treasury bills	6,850,685	-	-	6,850,685
Bonds	10,313,348	2,560,855	-	12,874,203
Equity securities	95,021	-	-	95,021
	18,396,721	2,677,375	-	21,074,096
Liabilities				
Derivative financial liabilities		106,457		106,457
	-	106,457	-	106,457

There were no transfers between levels 1 and 2 during the year.

4.1.2 Financial instruments not measured at fair value

Group

December 2018

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	3,537,509	-	3,537,509
Due from financial institutions	-	-	37,047,253	37,047,253
Loans and advances to customers	-		54,762,067	54,762,067
Pledged assets				
Bonds	5,314,109	-	-	5,314,109
Investment securities				
Financial assets at amortised cost				
Bonds	12,821,286	-	-	12,821,286
Treasury bills	236,547	-	-	236,547
Other assets		-	6,422,821	6,422,821
	18,371,942	3,537,509	98,232,141	120,141,592
Liabilities				
Deposits from financial institutions	-	-	12,159,545	12,159,545
Due to customers	-	-	126,190,780	126,190,780
Commercial paper liabilities	-	-	18,053,345	18,053,345
Other liabilities	-	-	23,506,587	23,506,587
	-	-	179,910,257	179,910,257

Group

December 2017

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	8,264,667	-	8,264,667
Due from financial institutions	-	-	29,509,041	29,509,041
Loans and advances to customers	-	-	32,254,859	32,254,859
Pledged assets				
Bonds	11,017,169	-	-	11,017,169
Investment securities:				
Held to maturity	7,447,089	-	-	7,447,089
Other assets	-	-	5,812,805	5,812,805
	18,464,258	8,264,667	67,576,705	94,305,630
Liabilities				
Deposits from financial institutions	-	11,206,114	11,206,114	11,206,114
Due to customers	-	76,394,498	76,394,498	76,394,498
Other liabilities	-	18,284,351	18,284,351	18,284,351
	-	105,884,963	105,884,963	105,884,963

Bank

December 2018

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	3,211,035	-	3,211,035
Due from financial institutions	-	-	36,925,911	36,925,911
Loans and advances to customers	-	-	54,312,459	54,312,459
Pledged assets				
Bonds	5,314,109	-	-	5,314,109
Investment securities				
Financial assets at amortised cost				
Bonds	12,821,286	-	-	12,821,286
Other assets	-	-	6,997,499	6,997,499
	18,135,395	3,211,035	98,235,869	119,582,299
Liabilities				
Deposits from financial institutions	-	-	12,159,545	12,159,545
Due to customers	-	-	126,896,867	126,896,867
Commercial paper liabilities	-	-	18,053,345	18,053,345
Other liabilities	-	-	23,367,355	23,367,355
	-	-	180,477,112	180,477,112

Bank

December 2017

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	8,188,002	-	8,188,002
Due from financial institutions	-	-	29,509,041	29,509,041
Loans and advances to customers	-	-	32,239,585	32,239,585
Pledged assets				
Treasury bills	11,017,169			11,017,169
Bonds				-
Investment securities:				
Held to maturity	7,447,089	-	-	7,447,089
Other assets		-	5,749,420	5,749,420
	18,464,258	8,188,002	67,498,046	94,150,306
Liabilities				
Deposits from financial institutions	-	-	11,206,114	11,206,114
Due to customers	-	-	77,766,608	77,766,608
Other liabilities	-	-	18,281,847	18,281,847
	-	-	107,254,569	107,254,569

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.

(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.

Investment securities (fair value through other comprehensive income) disclosed in the table above comprise only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other available for sale 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 from financial instituions

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.

4.1.3 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 balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, 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 group 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 trading securities or available for sale investments.

(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.

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.

(c) Financial instruments in level 3

The Group 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.

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.

4.2 Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Group applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

4.3 Assessment of impairment of goodwill on acquired subsidiaries

Goodwill on acquired subsidiaries was tested for impairment using discounted cash flow valuation method. Projected cash flows were discounted to present value using a discount rate of 23.40% and a cash flow growth rate of 2.25% over a year of five years. The Group determined the appropriate discount rate at the end of the reporting year. See note 28b for further details.

4.4 Estimation of fair values of investment property

"The Group obtains independent valuations for its completed investment properties at least annually. At the end of each reporting year, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences

- discounted cash flow projections based on reliable estimates of future cash flows
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

For investment property under construction, the cost incurred is the deemed fair value of the property.

To provide an indication about the reliability of the inputs used in determining fair values, the Group classifies its classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in note 4.2.3.

Group

December 2018

	Level 1	Level 2	Level 3	Total
Investment properties		-	1,903,592	1,903,592
	-	-	1,903,592	1,903,592

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

4.5 Assessment of recoverability of deferred tax assets

The deferred tax assets include an amount of N4.998bn (2017: N5.20bn) which relates to mainly carried forward tax losses of the bank. These losses arise due to tax-exempt nature of the Bank's income from government securities. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Bank. The Bank is expected to generate taxable income from 2020 onwards. The losses can be carried forward indefinitely and have no expiry date.

4.6 Financial Instruments

The Group’s financial instruments are categorised as stated below:

Group	Financial assets			Financial liabilty	
December 2018	**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**
In thousands of Naira					
Cash and balances with banks					
• Balances with banks	-	-	3,534,738	-	-
• Unrestricted balances with central banks	-	-	2,771	-	-
Due from financial institutions	-	-	37,047,253	-	-
Non pledged trading assets				-	-
Treasury bills	3,635,183	-	-	-	-
Government bonds	4,466,848	-	-	-	-
Derivative financial assets	1,388,676	-	-		
Investment securities at FVTOCI				-	-
Available for sale investment securities				-	-
Federal government bonds	-	610,765	-	-	-
Treasury bills	-	49,239,283	-	-	-
State government bonds	-	1,086,515	-	-	-
Eurobonds	-	1,155,586	-	-	-
Corporate bonds	-	12,426,413	-	-	-
Equity securities with readily determinable fair values	-	158,112	-	-	-
Unquoted equity securities at fairvalue	-	10,899,414	-	-	-
				-	-
Investment securities at amortised cost				-	-
Federal government bonds	-	-	12,821,286	-	-
Treasury bills	-	-	236,547		
				-	-
Pledged assets				-	-
Government bonds	-	-	5,314,109	-	-
Treasury bills	-	4,854,171	-	-	-
Loans and advances to customers	-	-	54,008,104	-	-
Other assets	-	-	6,422,821	-	-
Financial liabilities					
Deposits from financial institutions	-	-	-	-	12,159,545
Due to customers	-	-	-	-	126,190,780
Non pledged trading liabilities				-	-
Government bonds	-	-	-	8,169,494	-
Commercial paper liabilities	-	-	-	-	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-
Other liabilities	-	-	-	-	23,506,587
	9,490,707	**80,430,259**	**119,387,629**	**9,543,210**	**179,910,257**

Group	**Financial assets**				**Financial liabilty**	
December 2017	**At fair value through profit or loss**	**Available for sale**	**Loans and receivables**	**Held to maturity**	**At fair value through profit or loss**	**At amortised cost**
In thousands of Naira						
Cash and balances with banks						
Balances with banks	-	-	3,333,163	-	-	-
Unrestricted balances with central banks	-	-	4,931,504	-	-	-
					-	-
Due from financial institutions	-	-	29,509,041	-	-	-
Non pledged trading assets					-	-
Treasury bills	950,829	-	-	-	-	-
Government bonds	186,838	-	-	-	-	-
Derivative financial assets	116,520	-	-	-		
Investment securities					-	-
Available for sale investment securities					-	-
Federal government bonds	-	4,229,734	-	-	-	-
Treasury bills	-	7,405,850	-	-	-	-
State government bonds	-	6,109,288	-	-	-	-
Corporate bonds	-	2,560,855	-	-	-	-
Equity securities with readily determinable fair values	-	346,089	-	-	-	-
Unquoted equity securities at fairvalue	-	-	-	-	-	-
					-	-
Held to maturity investment securities					-	-
Federal government bonds	-	-	-	7,447,089	-	-
					-	-
Pledged assets					-	-
Government bonds	-	-	-	11,017,169	-	-
Treasury bills	-	7,823,386	-	-	-	-
Loans and advances to customers	-	-	32,254,859	-	-	-
Other assets	-	-	5,812,805	-	-	-
Financial liabilities						
Deposits from financial institutions	-	-	-	-	-	11,206,114
Derivative financial liabilities	-	-	-	-	106,457	-
Due to customers	-	-	-	-	-	76,394,498
Other liabilities	-	-	-	-	-	18,284,351
	1,254,187	**28,475,202**	**75,841,372**	**18,464,258**	**106,457**	**105,884,963**

Bank	Financial assets			Financial liabilty	
December 2018	At fair value through profit or loss	Available for sale	Loans and receivables	At fair value through profit or loss	At amortised cost
In thousands of Naira					
Cash and balances with banks					
Balances with banks	-	-	3,208,264	-	-
Unrestricted balances with central banks	-	-	2,771	-	-
				-	-
Due from financial institutions	-	-	36,925,911	-	-
Derivative financial assets	1,388,676	-	-	-	-
Non pledged trading assets				-	-
Treasury bills	3,635,183	-	-	-	-
Government bonds	4,466,848	-	-	-	-
Investment securities				-	-
Investment securities at FVTOCI				-	-
Federal government bonds	-	608,771	-	-	-
Treasury bills	-	48,683,906	-	-	-
State government bonds	-	1,086,515	-	-	-
Eurobonds	-	1,080,923	-	-	-
Corporate bonds	-	12,382,412	-	-	-
Equity securities with readily determinable fair values	-	63,637	-	-	-
Unquoted equity securities at fairvalue	-	10,899,414	-	-	-
				-	-
Investment securities at amortised cost				-	-
Federal government bonds	-	-	12,821,286	-	-
				-	-
Pledged assets				-	-
Government bonds	-	-	5,314,109	-	-
Treasury bills	-	4,854,171	-	-	-
Loans and advances to customers	-	-	53,699,243	-	-
Other assets	-	-	6,997,499	-	-
Financial liabilities					
Deposits from financial institutions	-	-	-	-	12,159,545
Due to customers	-	-	-	-	126,896,867
Non pledged trading liabilities				-	-
Government bonds	-	-	-	8,169,494	-
Commercial paper liabilities	-	-	-	-	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-
Other liabilities	-	-	-	-	23,367,355
	9,490,707	**79,659,749**	**118,969,083**	**9,543,210**	**180,477,112**

Bank	Financial assets				Financial liabilty	
December 2017	At fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	At fair value through profit or loss	At amortised cost
In thousands of Naira						
Cash and balances with banks						
Balances with banks	-	-	3,256,498	-	-	-
Unrestricted balances with central banks	-	-	4,931,504	-	-	-
Derivative financial assets	116,520	-	-	-	-	-
Due from financial institutions	-	-	29,509,041	-	-	-
Non pledged trading assets					-	-
Treasury bills	950,829	-	-	-	-	-
Government bonds	186,838	-	-	-	-	-
Investment securities					-	-
Available for sale investment securities					-	-
Federal government bonds	-	4,204,060	-	-	-	-
Treasury bills	-	6,850,685	-	-	-	-
State government bonds	-	6,109,288	-	-	-	-
Corporate bonds	-	2,560,855	-	-	-	-
Equity securities with readily determinable fair values	-	95,021	-	-	-	-
Unquoted equity securities at fairvalue	-	-	-	-	-	-
					-	-
Held to maturity investment securities					-	-
Federal government bonds	-	-	-	7,447,089	-	-
					-	-
Pledged assets					-	-
Government bonds	-	-	-	11,017,169	-	-
Treasury bills	-	-	-	-	-	-
Loans and advances to customers	-	-	32,239,585	-	-	-
Other assets	-	-	5,749,420	-	-	-
Financial liabilities						
Deposits from financial institutions	-	-	-	-	-	11,206,114
Due to customers	-	-	-	-	-	77,766,608
Derivative financial liabilities	-	-	-	-	106,457	-
Other liabilities	-	-	-	-	-	18,281,847
	1,254,187	**19,819,909**	**75,686,048**	**18,464,258**	**106,457**	**107,254,569**

4.7 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.

Group *In thousands of Naira*	Financial assets measured through FVTPL	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial liabilities measured through FVTPL	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
December 2018							
Cash and balances with banks	-	3,537,509	-	-	-	3,537,509	3,537,509
Due from financial institutions	-	37,035,896	-	-	-	37,035,896	37,035,896
Non pledged trading assets							
-Treasury bills	3,635,183	-	-	-	-	3,635,183	3,635,183
-Bonds	4,466,848	-	-	-	-	4,466,848	4,466,848
Derivative financial assets	1,388,676	-	-	-	-	1,388,676	1,388,676
Loans and advances to customers	-	54,762,067	-	-	-	54,762,067	54,762,067
Pledged assets							
-Treasury bills	-	-	4,854,171	-	-	4,854,171	4,854,171
-Bonds	-	5,314,109	-	-	-	5,314,109	5,314,109
Investment securities							
-Financial assets at FVTOCI							
-Treasury bills	-	-	49,239,283	-	-	49,239,283	49,239,283
-Bonds	-	-	15,279,279	-	-	15,279,279	15,279,279
-Equity	-	-	11,057,526	-	-	11,057,526	11,057,526
-Financial assets at amortised cost							
-Treasury bills	-	236,547	-	-	-	236,547	236,547
-Bonds	-	12,821,286	-	-	-	12,821,286	12,821,286
Other assets	-	-	-	-	-	-	6,422,821
	9,490,707	**113,707,414**	**80,430,259**	**-**	**-**	**203,628,380**	**210,051,201**
Deposits from financial institutions	-	-	-	-	12,159,545	12,159,545	12,159,545
Due to customers	-	-	-	-	126,190,780	126,190,780	126,190,780
Non pledged trading liabilities							
-Bonds	8,169,494	-	-	-	-	8,169,494	8,169,494
Commercial paper liabilities	-	18,053,345	-	-	-	18,053,345	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-	1,373,716	1,373,716
Other liabilities	-	-	-	-	23,506,587	23,506,587	23,506,587
	8,169,494	**18,053,345**	**-**	**1,373,716**	**161,856,912**	**189,453,467**	**189,453,467**

Group *In thousands of Naira*	Held for trading	Held-to-maturity	Available-for-sale	Fair value through profit or loss	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
December 2017							
Cash and balances with banks	-	8,264,667	-	-	-	8,264,667	8,264,667
Due from financial institutions	-	29,509,041	-	-	-	29,509,041	29,509,041
Non pledged trading assets							
-Treasury bills	950,829	-	-	-	-	950,829	950,829
-Bonds	186,838	-	-	-	-	186,838	186,838
Derivative financial assets	116,520	-	-	-	-	116,520	116,520
Loans and advances to customers	-	32,254,859	-	-	-	32,254,859	32,254,859
Pledged assets							
-Treasury bills	7,823,386	-	-	-	-	7,823,386	7,823,386
-Bonds	-	11,017,169	-	-	-	11,017,169	-
Investment securities							
-Available for sale							
-Treasury bills	-	-	7,405,850	-	-	7,405,850	7,405,850
-Bonds	-	-	13,418,557	-	-	13,418,557	13,418,557
-Equity	-	-	366,334	-	-	366,334	366,334
-Held to Maturity							
-Bonds	-	7,447,089	-	-	-	7,447,089	7,447,089
Other assets	-	-	-	-	-	-	5,812,805
	9,077,573	**88,492,825**	**21,190,741**	**-**	**-**	**118,761,139**	**113,556,775**
Deposits from financial institutions	-	-	-	-	11,206,114	11,206,114	11,206,114
Due to customers	-	-	-	-	76,394,498	76,394,498	76,394,498
Derivative financial liabilities	-	-	-	106,457	-	106,457	106,457
Other liabilities	-	-	-	-	18,284,351	18,284,351	18,284,351
	-	**-**	**-**	**106,457**	**105,884,963**	**105,991,420**	**105,991,420**

Bank *In thousands of Naira* **December 2018**	**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	-	3,211,035		-	-	3,211,035	3,211,035
Due from financial institutions	-	36,914,556		-	-	36,914,556	36,914,556
Non pledged trading assets	-			-			
-Treasury bills	3,635,183	-	-	-	-	3,635,183	3,635,183
-Bonds	4,466,848	-	-	-	-	4,466,848	4,466,848
Derivative financial assets	1,388,676	-	-	-	-	1,388,676	1,388,676
Loans and advances to customers	-	54,312,459		-	-	54,312,459	54,312,459
Pledged assets							
-Treasury bills	-	-	4,854,171		-	4,854,171	4,854,171
-Bonds	-	5,314,109	-	-	-	5,314,109	5,314,109
Investment securities							
-Financial assets at FVTOCI							
-Treasury bills	-	-	48,683,906		-	48,683,906	48,683,906
-Bonds	-	-	15,158,621		-	15,158,621	15,158,621
-Equity	-	-	10,963,051		-	10,963,051	10,963,051
-Financial assets at amortised cost					-		
-Bonds	-	12,821,286	-	-	-	12,821,286	12,821,286
Other assets	-	-		-	-	-	6,997,499
	9,490,707	**112,573,445**	**79,659,749**	**-**	**-**	**201,723,901**	**208,721,400**
Deposits from financial institutions	-	-	-	-	12,159,545	12,159,545	12,159,545
Due to customers	-	-	-	-	126,896,867	126,896,867	126,896,867
Non pledged trading liabilities							
-Bonds	8,169,494	-	-	-	-	8,169,494	8,169,494
Commercial paper liabilities	-	18,053,345	-	-	-	18,053,345	18,053,345
Derivative financial instruments		-	-	1,373,716	-	1,373,716	1,373,716
Other liabilities	-	-	-	-	23,367,355	23,367,355	23,367,355
	8,169,494	18,053,345	-	1,373,716	162,423,767	190,020,322	190,020,322

Bank *In thousands of Naira*	Held for trading	Held-to-maturity	Available-for-sale	Fair value through profit or loss	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
December 2017							
Cash and balances with banks	-	8,188,002		-	-	8,188,002	8,188,002
Due from financial institutions	-	29,509,041				29,509,041	29,509,041
Non pledged trading assets	-						
-Treasury bills	950,829	-	-	-	-	950,829	950,829
-Bonds	186,838	-	-	-	-	186,838	186,838
Derivative financial assets	116,520	-	-	-	-	116,520	116,520
Loans and advances to customers	-	32,239,585		-	-	32,239,585	32,239,585
Pledged assets							
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	11,017,169	-	-	-	11,017,169	-
Investment securities							
-Available for sale							
-Treasury bills	-	-	6,850,685		-	6,850,685	6,850,685
-Bonds	-	-	12,874,203		-	12,874,203	12,874,203
-Equity	-	-	115,266		-	115,266	115,266
-Held to Maturity							
-Bonds	-	7,447,089	-	-	-	7,447,089	7,447,089
Other assets	-	-		-	-	-	5,749,420
	1,254,187	**88,400,886**	**19,840,154**	**-**	**-**	**109,495,227**	**104,227,478**
Deposits from financial institutions	-	-	-	-	11,206,114	11,206,114	11,206,114
Due to customers	-	-	-	-	77,766,608	77,766,608	77,766,608
Derivative financial instruments		-	-	106,457	-	106,457	106,457
Other liabilities	-	-	-	-	18,281,847	18,281,847	18,281,847
	-	**-**	**-**	**106,457**	**107,254,569**	**107,361,026**	**107,361,026**

5. Financial Risk Management

5.1 Credit risk management

In Coronation MB, credit risk is the single largest risk; this is line with the Bank's primary business of financial intermediation in the merchant banking space. The Bank is also exposed to credit risks arising from 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 includes the following:

- Precise articulation of policies on exposures, concentrations, pricing, collateral, and portfolio liquidity.
- A risk appetite dependent strategic approach rather than an aggressive approach in the creation of its credit risk assets.
- Minimization of the risk arising from a build-up of concentration in its credit risk asset portfolio in any sector, obligor, or industry.
- Risk based pricing for all loans pricing.
- An integrated mechanism to measure actual against target risk assets, risk adjusted returns and other indicators of a healthy portfolio
- A balanced 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 yearic 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 one 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 Committee and Board Risk Management Committee with the following key roles:

i Approval 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 Committee seeks approval

At the Management level, Credit Risk is managed by Management Credit Committee (MCC), 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 to the Board Credit Committee of Credit Policies and Standards.

All other functions with regards to risk management is at the risk management level.
As if evident in the role of the Board in credit risk management, the development and approval of polices plays a key role in setting the context for which credit risk is managed.

Principal Credit Policies

The following are the principal credit policies of the Bank:

- **Credit Risk Management Policy:** The core objective is to enable maximization of returns on a risk adjusted basis from banking book 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 retail and non-retail exposures in the banking book covering credit and investment books of the Bank.

- **Internal Capital Adequacy Assessment Process (ICAAP) Policy:** The objectives of the policy are 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 Independent 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.

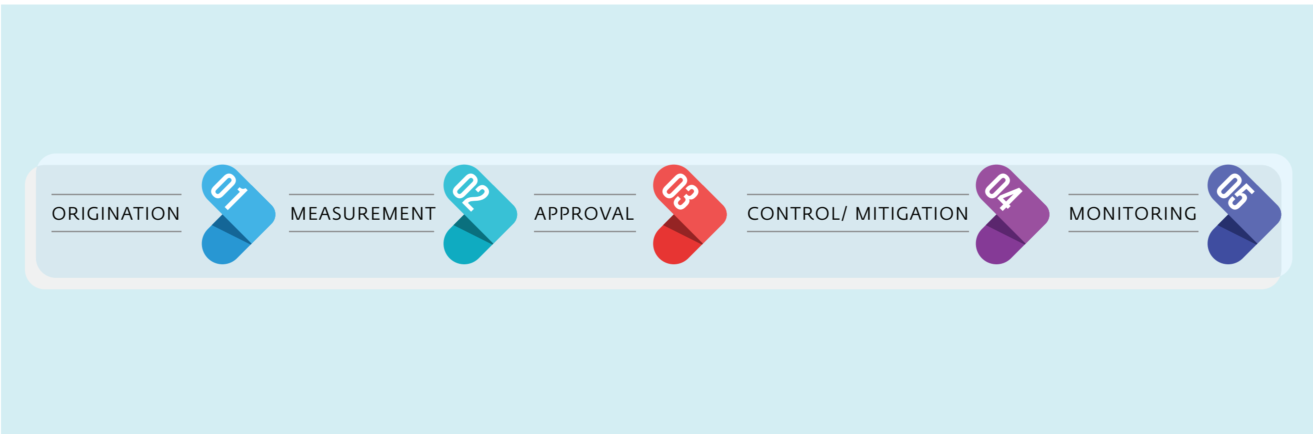
Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Coronation Merchant Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current.

Independent 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 forms part of the origination. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. Further to appropriate approvals, loans are disbursed to beneficiaries.

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



(a) Credit Origination

The credit origination encompasses all activities before a credit facility reaches the credit risk management. These activities include customer profiling, application of the risk acceptance criteria, account opening, customer's request for a facility, detailed analysis of the customer's financials and the subsequent preparation of the customer's credit application.

(b) Credit risk measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. Coronation Merchant Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Coronation Merchant Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

All Coronation Merchant Bank businesses that extend credit are subject to the Risk rating policy.

Credit Risk Rating Models in Coronation Merchant Bank

The Group has deployed the the credit risk rating models below

For Corporates, Financial Institutions and Large Commercial :

Obligor Risk Rating (ORR) Models have been developed for:

1. Bank and Non Banking Financial Institutions

2. Corporate;
   - Manufacturing Sector
   - Trading Sector
   - Services Sector
   - Real Estate Sector

3. Small and Medium Enterprises (SME) Without Financials

Facility Risk Rating (FRR) Models have been developed for

1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

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 Independent 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 years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

Responsibilities of Business Units and Independent 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-	

Grade	Scale	Explanatory Note
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 Committee and further by the Management Credit Committee.The principle of central management of risk and decision authority is maintained by the Bank.

Collateral Policies

It is the Group'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 capacity. 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
- Life Assurance Policies

Master Netting arrangements

It is the Group'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 Group'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 year.

(d) Credit Monitoring

Credit risk Monitoring has the responsibility of the Loan Monitoring Department which reports 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 (N'000)	**Group December 2018**	**Group December 2017**	**Bank December 2018**	**Bank December 2017**
Cash and balances with banks				
- Current balances with banks outside Nigeria	3,534,738	3,333,163	3,208,264	3,256,498
- Unrestricted balances with central banks	2,771	4,931,504	2,771	4,931,504
- Restricted balances with central banks				
Due from financial institutions	37,047,253	29,509,041	36,925,911	29,509,041
Non pledged trading assets				
Treasury bills	3,635,183	950,829	3,635,183	950,829
Bonds	4,466,848	186,838	4,466,848	186,838
Derivative financial assets	1,388,676	116,520	1,388,676	116,520
Loans and advances to customers	54,791,214	32,263,057	54,340,867	32,247,778
Pledged assets				
Bonds	5,314,109	11,017,169	5,314,109	11,017,169
Treasury bills	4,854,171	7,823,386	4,854,171	-
Investment securities				
Fair value through other comprehensive income				
Treasury bills	49,239,283	7,405,850	48,683,906	6,850,685
Bonds	15,279,279	12,899,877	15,158,621	12,874,203
Amortised cost				
Treasury bills	236,547	-	-	-
Bonds	12,821,286	7,447,089	12,821,286	7,447,089
Other assets	6,314,396	5,764,876	6,948,038	5,749,420
Total	**198,925,754**	**123,649,199**	**197,748,651**	**115,137,574**
Off balance sheet exposures				
Guaranteed credit facilities	623,000	4,062,500	623,000	4,062,500
Clean line facilities for letters of credit and other commitments	31,759,378	20,913,167	31,759,378	20,913,167
		-		-
Forward contracts	18,181,245	6,528,153	18,181,245	6,528,153
Total	**50,563,623**	**31,503,820**	**50,563,623**	**31,503,820**

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 Group as at 31 December 2018 and 31 December 2017, without taking account of any collateral held or other credit enhancements attached.

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	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
Agriculture	14,724,236	6,125,857	14,724,236	6,125,857
Construction	650,495	3,323,790	650,495	3,323,790
Finance and insurance	1	104,551	1	104,551
General	1,187,666	15,282	737,318	4
General commerce	9,273,338	7,716,057	9,273,338	7,716,057
Other Manufactiring (Industries)	24,113,539	7,935,791	24,113,539	7,935,791
Oil And Gas - Downstream	3,417,092	492,544	3,417,092	492,544
Real estate activities	328,038	5,032,723	328,038	5,032,723
Transportation and storage	1,096,809	1,062,915	1,096,809	1,062,915
Others	-	453,547	-	453,547
	54,791,213	**32,263,056**	**54,340,866**	**32,247,778**

5.1.3 Group

(a) Credit quality by class December 2018 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
Internal rating grade									
Standard grade	754,845	-	-	754,845	882	-	-	882	753,963
	754,845	-	-	754,845	882	-	-	882	753,963

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	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
Standard grade	16,067,949	-	-	16,067,949	7,644	-	-	7,644	16,060,305
	54,036,369	-	-	54,036,369	28,266	-	-	28,266	54,008,103

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	9,432,218	-	-	9,432,218	62	-	-	62	9,432,156
Standard grade	22,327,160	-	-	22,327,160	277	-	-	277	22,326,883
	31,759,378	-	-	31,759,378	339	-	-	339	31,759,039

Investment securities

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	77,576,395	-	-	77,576,395	787	-	-	787	77,575,608
	77,576,395	-	-	77,576,395	787	-	-	787	77,575,608

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									
Investment	29,042,870	-	-	29,042,870	525	-	-	525	29,042,345
Standard grade	8,004,384	-	-	8,004,384	10,832	-	-	10,832	7,993,552
	37,047,253	-	-	37,047,253	11,357	-	-	11,357	37,035,897

Bank
Credit quality by class
December 2018
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
Internal rating grade									
Standard grade	613,800	-	-	613,800	586	-	-	586	613,214
	613,800	-	-	613,800	586	-	-	586	613,214

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	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
Standard grade	15,758,644	-	-	15,758,644	7,200	-	-	7,200	15,751,444
	53,727,064	-	-	53,727,064	27,822	-	-	27,822	53,699,242

Off balance sheet

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	9,432,218	-	-	9,432,218	62	-	-	62	9,432,156
Standard grade	22,327,160	-	-	22,327,160	277	-	-	277	22,326,883
	31,759,378	-	-	31,759,378	339	-	-	339	31,759,039

Investment securities

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	76,663,814	-	-	76,663,814	778	-	-	778	76,663,036
	76,663,814	-	-	76,663,814	778	-	-	778	76,663,036

Money market placements

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	28,921,527	-	-	28,921,527	523	-	-	523	28,921,005
Standard grade	8,004,384	-	-	8,004,384	10,832	-	-	10,832	7,993,552
	36,925,911	-	-	36,925,911	11,355	-	-	11,355	36,914,556

5.1.3 (a) Credit quality by class

In thousands of Naira	Loans and advances to Individuals	Loans and advances Corporates
	Dec 2017	Dec 2017
Group		
Carrying amount	345,232	31,909,627
Neither past due nor impaired		
AAA - B-	345,370	31,917,687
Gross amount	345,370	31,917,687
Allowance for impairment	(138)	(8,060)
Carrying amount	345,232	31,909,627

Bank

Credit quality by class	Loans and advances to Individuals	Loans and advances Corporates
Group		
Carrying amount	329,953	31,909,632
Neither past due nor impaired		
AAA - B-	330,091	31,917,687
Gross amount	330,091	31,917,687
Allowance for impairment	(138)	(8,055)
Carrying amount	329,953	31,909,632

The credit risk associated with Cash and balances with banks and other assets (all neither past due nor impaired) are considered to be low for the years dislosed above.

5.1.3 (b) Credit quality rating by risk rating class

Group

December 2018

Loans to Retail Customers

			Gross amount				ECL				
External Rating Equivalent	Grade	Risk Rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Carrying amount
BBB+	Standard	3	754,845	-	-	754,845	882	-	-	882	753,963
			754,845	-	-	754,845	882	-	-	882	753,963

Loans to Corporate Customers

			Gross amount				ECL				
External Rating Equivalent	Grade	Risk Rating	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Carrying amount
AA	Investment	1-	1	-	-	1	-	-	-	-	1
A-	Investment	3+	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
BBB+	Standard	3	16,067,948.56	-	-	16,067,949	7,644.38	-	-	7,644	16,060,304
			54,036,369	-	-	54,036,369	28,266	-	-	28,266	54,008,103

Investment securities

External Rating Equivalent	Grade	Risk Rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AAA	Investment	1+	62,996,854.10	-	-	62,996,854	1,110	-	-	1,110	62,995,744
AA+	Investment	1	2,318,071	-	-	2,318,071	-	-	-	-	2,318,071
AA	Investment	1-	148,998.38	-	-	148,998	-	-	-	-	148,998
AA-	Investment	2+	9,708,302	-	-	9,708,302	-	-	-	-	9,708,302
A+	Investment	2	1,958,255	-	-	1,958,255	-	-	-	-	1,958,255
A-	Investment	3+	369,259	-	-	369,259	-	-	-	-	369,259
B+	Standard	5	1,994	-	-	1,994	-	-	-	-	1,994
B	Standard	5-	74,663	-	-	74,663	-	-	-	-	74,663
			77,576,395	-	-	77,576,395	1,110	-	-	1,110	77,575,285

Derivative Financial Instruments

External Rating Equivalent	Grade	Risk Rating	Gross Nominal Dec-18	Gross Nominal Dec-17	Fair Value Dec-18	Fair Value Dec-17
AAA	Investment	1+	18,060,715	-	1,388,676	-
Gross amount			**18,060,715**	**-**	**1,388,676**	**-**

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

Bank
December 2018
In thousands of Naira
Loans to Retail Customers

External Rating Equivalent	Grade	Risk Rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
BBB+	Standard	3	613,801	-	-	613,801	586	-	-	586	613,216
			613,801	**-**	**-**	**613,801**	**586**	**-**	**-**	**586**	**613,216**

Loans to Corporate Customers

External Rating Equivalent	Grade	Risk Rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AA	Investment	1-	1	-	-	1	-	-	-	-	1
A-	Investment	3+	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
BBB+	Standard	3	15,758,644	-	-	15,758,644	7,200	-	-	7,200	15,751,444
			53,727,065	**-**	**-**	**53,727,065**	**27,822**	**-**	**-**	**27,822**	**53,699,242**

Investment securities

External Rating Equivalent	Grade	Risk Rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AAA	Investment	1+	62,330,197	-	-	62,330,197	1,101	-	-	1,101	62,329,096
AA+	Investment	1	2,318,071	-	-	2,318,071	-	-	-	-	2,318,071
AA-	Investment	2+	9,708,302	-	-	9,708,302	-	-	-	-	9,708,302
A+	Investment	2	1,937,985	-	-	1,937,985	-	-	-	-	1,937,985
A-	Investment	3+	369,259	-	-	369,259	-	-	-	-	369,259
			76,663,814	-	-	76,663,814	1,101	-	-	1,101	76,662,713

Derivative Financial Instruments

External Rating Equivalent	Grade	Risk Rating	Gross Nominal Dec-18	Gross Nominal Dec-17	Fair Value Dec-18	Fair Value Dec-17
AAA	Investment	1+	18,060,715	-	1,388,676	-
Gross amount			**18,060,715**	**-**	**1,388,676**	**-**

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies. These instruments are neither past due nor impaired.

5.1.3 Credit Quality
(c) 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:

Group

In thousands of Naira	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	December 2018			December 2017		
Against neither past due and not impaired						
Property	720,313	-	-	5,031,995	-	-
Equities	437,403	-	-	-	-	-
Cash	16,647,868	-	-	115,000	-	-
Pledged goods and assets	26,538,299	-	-	6,455,248	-	-
Others	10,178,493	-	-	-	-	-
Total	**54,522,376**	**-**	**-**	**11,602,243**	**-**	**-**

Bank

In thousands of Naira	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	December 2018			December 2017		
Against neither past due and not impaired						
Property	679,153	-	-	5,031,995	-	-
Equities	184,543	-	-	-	-	-
Cash	16,647,868	-	-	115,000	-	-
Pledged goods and assets	26,538,299	-	-	6,455,248	-	-
Others	10,022,166	-	-	-	-	-
Total	**54,072,028**	**-**	**-**	**11,602,243**	**-**	**-**

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 Group generally requests that all borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. The bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Group's focus on credit worthiness, the group aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. The Group obtains appraisals of all collaterals because the fair value of the collateral is an input to the impairment measurement.

5.1.3 Credit Quality
(d) Credit quality by staging

Estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

December 2018
Group
In thousands of Naira
Loans and advances to retail customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage Loan	536,854	-	-	536,854	488	-	-	488	536,366
Personal Loan	217,989	-	-	217,989	393	-	-	393	217,596
	754,843	-	-	754,843	881	-	-	881	753,962

Loans and advances to corporate customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Overdraft	6,209,768	-	-	6,209,768	3,905	-	-	3,905	6,205,863
Term Loan	47,826,601	-	-	47,826,601	24,362	-	-	24,362	47,802,240
	54,036,369	-	-	54,036,369	28,266	-	-	28,266	54,008,103

Bank

In thousands of Naira
Loans and advances to retail customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage Loan	536,854	-	-	536,854	488	-	-	488	536,366
Personal Loan	76,947	-	-	76,947	97	-	-	97	76,850
	613,801	-	-	613,801	585	-	-	585	613,216

Loans and advances to corporate customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Overdraft	6,209,768	-	-	6,209,768	3,905	-	-	3,905	6,205,863
Term Loan	47,517,297	-	-	47,517,297	23,918	-	-	23,918	47,493,379
	53,727,065	-	-	53,727,065	27,822	-	-	27,822	53,699,242

5.1.4 Credit Concentration

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of net credit risk at the reporting date is shown below:

By Sector
Group
December 2018

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	3,537,509	-	-	3,537,509
Due from financial institutions	-	37,047,253	-	-	37,047,253
Non pledged trading assets					
-Treasury bills	-	-	3,635,183	-	3,635,183
-Bonds	-	-	4,466,848	-	4,466,848
Derivative financial assets	2,168	259,820	-	-	261,988
Loans and advances to customers	54,008,103	-	-	753,963	54,762,066
Pledged assets					
-Treasury bills	-	-	4,854,171	-	4,854,171
-Bonds	-	-	5,314,109	-	5,314,109
Investment securities					-
Fair value through other comprehensive income					-
-Treasury bills	-	-	49,239,283	-	49,239,283
-Bonds	12,426,413	-	2,852,866		15,279,279
Amortised cost					-
-Treasury bills			236,547		236,547
-Bonds	-	-	12,821,286	-	12,821,286
Other assets	-	-	-	6,314,396	6,314,396
Total	**66,436,684**	**40,844,582**	**83,420,293**	**7,068,359**	**197,769,918**

December 2017

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	8,264,667	-	-	8,264,667
Due from financial institutions	-	29,509,041	-	-	29,509,041
Non pledged trading assets					
-Treasury bills	-	-	950,829	-	950,829
-Bonds	-	-	186,838	-	186,838
Derivative financial assets	494	116,025	-	-	116,520
Loans and advances to customers	31,909,627	-	-	345,232	32,254,859
Pledged assets	-	-		-	
-Treasury bills	-	-	7,823,386	-	7,823,386
-Bonds	-	-	11,017,169	-	11,017,169
Investment securities					
Fair value through other comprehensive income					
-Treasury bills		-	7,405,850		7,405,850
-Bonds	2,560,855	-	10,339,022	-	12,899,877
-Equity	-	-	-	-	-
Amortised cost					
-Bonds	-	-	7,447,089	-	7,447,089
Other assets	-	-	-	5,764,876	5,764,876
Total	**34,470,976**	**37,889,733**	**45,170,183**	**6,110,108**	**123,641,000**

Bank
December 2018

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	3,211,035	-	-	3,211,035
Due from financial institutions	-	36,925,911	-	-	36,925,911
Non pledged trading assets					
-Treasury bills	-	-	3,635,183	-	3,635,183
-Bonds	-	-	4,466,848	-	4,466,848
Derivative financial assets	2,168	259,820	-	-	261,988
Loans and advances to customers	53,699,242	-	-	613,214	54,312,456
Pledged assets					
-Treasury bills	-	-	4,854,171	-	4,854,171
-Bonds	-	-	5,314,109	-	5,314,109
Investment securities					-
Fair value through other comprehensive income					-
-Treasury bills	-	-	48,683,906	-	48,683,906
-Bonds	12,382,412	-	2,776,209		15,158,621
Amortised cost					-
-Treasury bills			-		-
-Bonds	-	-	12,821,286	-	12,821,286
Other assets	-	-	-	6,948,038	6,948,038
Total	**66,083,822**	**40,396,766**	**82,551,712**	**7,561,252**	**196,593,552**

December 2017

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	8,188,002	-	-	8,188,002
Due from financial institutions	-	29,509,041	-	-	29,509,041
Non pledged trading assets					
-Treasury bills	-	-	950,829	-	950,829
-Bonds	-	-	186,838	-	186,838
Derivative financial assets	494	116,025	-	-	116,519
Loans and advances to customers	31,909,632	-	-	329,953	32,239,585
Pledged assets	-	-	-	-	-
-Treasury bills	-	-	-	-	-
-Bonds	-	-	11,017,169	-	11,017,169
Investment securities	-	-	-	-	-
Fair value through other comprehensive income	-	-	-	-	-
-Treasury bills	-	-	6,850,685	-	6,850,685
-Bonds	2,560,855	-	10,313,348	-	12,874,203
-Equity	-	-	-	-	-
Amortised cost	-	-	-	-	-
-Treasury bills	-	-	-	-	-
-Bonds	-	-	7,447,089	-	7,447,089
Other assets	-	-	-	5,749,420	5,749,420
Total	**34,470,981**	**37,813,068**	**36,765,958**	**6,079,373**	**115,129,380**

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. Its 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 GMD/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 and stress testing 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 year 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, e.t.c.

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 year, mark-to-market 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, five times in every 100 business days.

Coronation Merchant Bank uses an internal DVaR model based on the historical simulation 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.

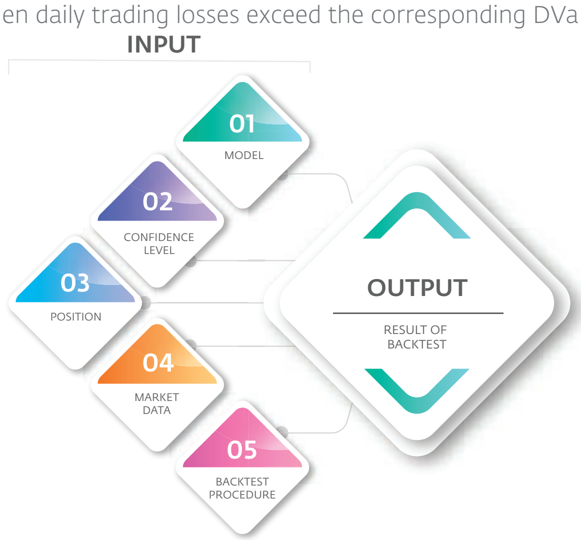
There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- Historical simulation 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 four or less exceptions over a 12-month year is consistent with a good working DVaR model. Backtesting reports are produced regularly.

Tail risk metrics

Tail risk metrics highlight the risk beyond the percentile selected for DVaR. The two tail risk metrics chosen for daily focus, using the current portfolio and two years of price and rate history, are:

- the average of the worst three hypothetical losses from the historical simulation;
- expected shortfall (also referred to as expected tail loss), which is the average of all hypothetical losses from the historical simulation beyond the 95th DVaR percentile.

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 Group. 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.

Open Position Limits (OPL): The Bank, in keeping with the prudency concept, sets its policy limit for Open Position at a level lower than the maximum OPL approved by the regulatory authority. In setting the internal OPL, the following considerations are imperative:

- The Regulatory OPL;
- 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.

Dealer Stop Loss Limit: This limit sets a maximum tolerable unrealized profit/loss to date based on existing exposures for a specific dealer. Positions are liquidated uniformly when the dealer stop limit is breached independent of the global stop loss limit.

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 year of 1 day, the bank maintains a VaR limit of 0.25% of Gross earnings.

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 Group 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 Group. 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 Group's non-trading activities.

The principal tool used to measure and control market risk exposure within the Group'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 Group 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 1% of shareholders' funds.

5.2.1 A summary of the Group's interest rate gap position on financial instruments is as follows:

Group		**Re-pricing year**						
In thousands of Naira	Note	**Less than 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**More than 5 years**	**Non-Interest bearing**	**Total**
31 December 2018								
Cash and balances with banks		-	-	-	-	-	3,537,509	3,537,509
Due from financial institutions		37,035,896		-	-	-	-	37,035,896
Non pledged trading assets								
-Treasury bills		459,383	178,965	2,996,835	-	-	-	3,635,183
-Bonds					2,270,240	2,196,608	-	4,466,848
Loans and advances to customers		30,249,167	21,291,955	2,549,961	289,087	411,044	-	54,791,214
Pledged assets							-	
-Treasury bills		647,265	3,601,518	605,388	-	-	-	4,854,171
-Bonds		204,418	-	187,694	1,545,469	3,376,528	-	5,314,109
Investment securities							-	-
Fair value through other comprehensive income								
-Treasury bills		912,289	203,865	48,123,128	-	-	-	49,239,283
-Bonds			1,016,436	1,079,879	5,900,665	7,282,299	-	15,279,279
Amortised cost								
-Treasury bills		-	-	-	-	-	-	-
-Bonds		-	-	940,359	2,790,792	9,090,135	-	12,821,286
Other assets		-	-	-	-	-	7,200,608	7,200,608
		69,508,417	**26,292,738**	**56,483,245**	**12,796,253**	**22,356,614**	**10,738,117**	**198,175,385**
Deposits from financial institutions		12,335,754	-	-	-	-	-	12,335,754
Due to customers		116,169,130	9,806,012	311,344	959	-	-	126,287,445
Non pledged trading liabilities								
-Bonds						8,169,494		8,169,494
Commercial paper liabilities		18,053,345	-	-	-	-	-	18,053,345
Other liabilties		-	-	-	-	-	24,658,399	24,658,399
		146,558,229	**9,806,012**	**311,344**	**959**	**8,169,494**	**24,658,399**	**189,504,437**
[Total interest re-pricing gap]		(77,049,812)	16,486,727	56,171,901	12,795,294	14,187,120	(13,920,282)	8,670,948

Group	Re-pricing year						
In thousands of Naira **31 December 2017**	**Less than 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**More than 5 years**	**Non-Interest bearing**	**Total**
Cash and balances with banks	-	-	-	-	-	8,264,667	8,264,667
Due from financial institutions	24,816,534		-	-	-	-	24,816,534
Non pledged trading assets							-
-Treasury bills	26,511	885,279	107,224	-	-	-	1,019,014
-Bonds	9,517	2,662	11,101	82,242	89,531	-	195,053
Loans and advances to customers	24,203,652	5,519,550	1,710,649	52,222	147,462	-	31,633,535
Pledged assets						-	-
-Treasury bills	1,099,219	6,116,287	1,028,102	-	-	-	8,243,609
-Bonds	471,750	-	433,154	3,566,591	7,792,260	-	12,263,755
Investment securities						-	
Fair value through other comprehensive income							
-Treasury bills	924,350	4,505,210	1,923,887	-	-	-	7,353,446
-Bonds	271,782	445,180	853,174	5,074,593	7,885,962	-	14,530,691
Amortised cost							
-Bonds	175,113	180,999	349,722	2,702,257	4,720,904	-	8,128,996
Other assets	-	-	-	-	-	5,812,805	5,812,805
	51,998,428	**17,655,168**	**6,417,014**	**11,477,905**	**20,636,118**	**14,077,472**	**122,262,104**
							-
Deposits from financial institutions	11,089,914	-	-	-	-	-	11,089,914
Due to customers	72,309,296	407,685	2,420,992	959	-	-	75,138,932
Other liabilties	-	-	-	-	-	18,284,351	18,284,351
	83,399,210	**407,685**	**2,420,992**	**959**	**-**	**18,284,351**	**104,513,197**
Total interest re-pricing gap	**(31,400,782)**	**17,247,483**	**3,996,022**	**11,476,946**	**20,636,118**	**(4,206,879)**	**17,748,908**

5.2.1 A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

Bank	Re-pricing year						
In thousands of Naira 31 December 2018	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	-	-	-	-	-	3,211,035	3,211,035
Due from financial institutions	36,914,556		-	-	-	-	36,914,556
Non pledged trading assets	-	-	-	-	-	-	-
-Treasury bills	459,383	178,965	2,996,835	-	-	-	3,635,183
-Bonds				2,270,240	2,196,608	-	4,466,848
Loans and advances to customers	30,038,884	21,083,663	2,525,013	286,262	407,044	-	54,340,866
Pledged assets						-	-
-Treasury bills	647,265	3,601,518	605,388	-	-	-	4,854,171
-Bonds	204,418	-	187,694	1,545,469	3,376,528	-	5,314,109
Investment securities	-	-	-	-	-	-	-
Fair value through other comprehensive income							-
-Treasury bills	901,995	201,562	47,580,348	-	-	-	48,683,906
-Bonds	-	11,895,564	-	89,678	3,173,378	-	15,158,621
Amortised cost	-	-	-	-	-	-	-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	-	940,359	2,790,792	9,090,135	-	12,821,286
Other assets	-	-	-	-	-	7,832,551	7,832,551
	69,166,502	**36,961,273**	**54,835,637**	**6,982,442**	**18,243,694**	**11,043,586**	**197,233,132**
Deposits from financial institutions	12,159,545	-	-	-	-	-	12,159,545
Due to customers	116,730,641	9,853,378	312,848	-	-	-	126,896,867
Non pledged trading liabilities							
-Bonds	-	-	-	-	8,169,494	-	8,169,494
Commercial paper liablities	18,053,345	-	-	-	-	-	18,053,345
Other liabilties	-	-	-	-	-	24,013,876	24,013,876
	146,943,531	**9,853,378**	**312,848**	**-**	**8,169,494**	**24,013,876**	**189,293,127**
Total interest re-pricing gap	(77,777,029)	27,107,894	54,522,789	6,982,442	10,074,200	(12,970,290)	7,940,005

Bank	**Re-pricing year**						
In thousands of Naira **31 December 2017**	**Less than 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**More than 5 years**	**Non-Interest bearing**	**Total**
Cash and balances with banks	-	-	-	-	-	8,188,002	8,188,002
Due from financial institutions	33,155,322	2,954,642	-	-	-	-	36,109,964
Non pledged trading assets							
-Treasury bills	26,511	885,279	107,224	-	-	-	1,019,014
-Bonds	9,517	2,662	11,101	82,242	89,531	-	195,053
Loans and advances to customers	24,203,471	5,519,377	1,710,332	45,220	147,462	-	31,625,862
Pledged assets						-	
-Treasury bills	1,099,219	6,116,287	1,028,102	-	-	-	8,243,609
-Bonds	471,750	-	433,154	3,566,591	7,792,260	-	12,263,755
Investment securities							
Fair value through other comprehensive income							
-Treasury bills	793,026	4,083,153	1,907,444	-	-	-	6,783,623
-Bonds	269,851	848,514	550,661	5,056,610	7,885,962	-	14,611,597
Amortised cost							
-Treasury bills	-	-	-	-	-	-	-
-Bonds	175,113	180,999	349,722	2,702,257	4,720,904	-	8,128,996
Other assets	-	-	-	-	-	5,749,420	5,749,420
	60,203,781	**20,590,913**	**6,097,741**	**11,452,919**	**20,636,118**	**13,937,422**	**132,918,895**
Deposits from financial institutions	11,089,914	-	-	-	-	-	11,089,914
Due to customers	73,634,371	422,484	2,694,314	1,882	-	-	76,753,051
Other liabilties	-	-	-	-	-	18,281,847	18,281,847
	84,724,285	**422,484**	**2,694,314**	**1,882**	**-**	**18,281,847**	**106,124,812**
Total interest re-pricing gap	(24,520,505)	20,168,430	3,403,427	11,451,037	20,636,118	(4,344,425)	26,794,083

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 year

Group

In thousands of Naira

31 December 2018	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	3,537,509	3,537,509
Due from financial institutions	37,047,253		37,047,253
Non pledged trading assets	8,101,708	-	8,101,708
Derivative financial assets	-	1,388,676	1,388,676
Loans and advances to customers	54,762,067	-	54,762,067
Pledged assets	10,168,280	-	10,168,280
Investment securities:			-
- Fair value through other comprehensive income	42,719,734	21,798,828	64,518,562
- Amortised cost	13,057,833	-	13,057,833
Other asset	-	6,422,821	6,422,821
TOTAL	**165,856,875**	**33,147,834**	**199,004,709**
LIABILITIES			
Deposits from financial institutions	12,159,545	-	12,159,545
Due to customers	126,190,780	-	126,190,780
Non pledged trading liabilities	8,169,494	-	8,169,494
Commercial paper liabilities	18,053,345	-	18,053,345
Derivative financial liabilities	-	1,373,716	1,373,716
Other liabilities	-	23,506,587	23,506,587
TOTAL	**164,573,164**	**24,880,303**	**189,453,467**

31 December 2017	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	8,264,667	8,264,667
Due from financial institutions	29,509,041		29,509,041
Non pledged trading assets	1,137,667	-	1,137,667
Derivative financial assets	-	116,520	116,520
Loans and advances to customers	32,254,859	-	32,254,859
Pledged assets	18,840,555	-	18,840,555
Investment securities:			-
- Fair value through other comprehensive income	20,783,917	40,490	20,824,407
- Amortised cost	7,447,089	-	7,447,089
Other asset	-	5,812,805	5,812,805
TOTAL	**109,973,128**	**14,234,482**	**124,207,610**
LIABILITIES			
Deposits from financial institutions	11,206,114	-	11,206,114
Due to customers	76,394,498	-	76,394,498
Derivative financial liabiltities	-	106,457	106,457
Other liabilities	-	18,284,351	18,284,351
TOTAL	**87,600,612**	**18,390,808**	**105,991,420**

Bank

31 December 2018	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	3,211,035	3,211,035
Due from financial institutions	36,925,911	-	36,925,911
Non pledged trading assets	8,101,708	-	8,101,708
Derivative financial assets	-	1,388,676	1,388,676
Loans and advances to customers	54,312,459	-	54,312,459
Pledged assets	10,168,280	-	10,168,280
Investment securities:			-
- Fair value through other comprehensive income	42,043,699	21,798,828	63,842,527
- Amortised cost	12,821,286	-	12,821,286
Other asset	-	6,997,499	6,997,499
TOTAL	**164,373,343**	**33,396,038**	**197,769,381**
LIABILITIES			
Deposits from financial institutions	12,159,545	-	12,159,545
Due to customers	126,896,867	-	126,896,867
Non pledged trading liabilities	8,169,494	-	8,169,494
Commercial paper liabilities	18,053,345	-	18,053,345
Derivative financial liabilities	-	1,373,716	1,373,716
Other liabilities	-	23,367,355	23,367,355
TOTAL	**165,279,251**	**24,741,071**	**190,020,322**

31 December 2017	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	8,188,002	8,188,002
Due from financial institutions	29,509,041	-	29,509,041
Non pledged trading assets	1,137,667	-	1,137,667
Derivative financial assets	-	116,520	116,520
Loans and advances to customers	32,239,585	-	32,239,585
Pledged assets	18,840,555	-	18,840,555
Investment securities:			-
- Fair value through other comprehensive income	20,203,078	40,490	20,243,568
- Amortised cost	7,447,089	-	7,447,089
Other asset	-	5,749,420	5,749,420
TOTAL	**109,377,015**	**14,094,432**	**123,471,447**
LIABILITIES			
Deposits from financial institutions	11,206,114	-	11,206,114
Due to customers	77,766,608	-	77,766,608
Derivative financial liabilities	-	106,457	106,457
Other liabilities	-	18,281,847	18,281,847
TOTAL	**88,972,722**	**18,388,304**	**107,361,026**
Interest-bearing borrowings			

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 Group 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 Group Treasury.

Cash flow and fair value interest rate risk

The group's interest rate risk arises from risk assets, long-term borrowings, deposits from banks and customers. Borrowings issued at variable rates expose the group 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 Group'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.

Group
Interest sensitivity analysis - 31 December 2018
Impact on net interest income of +/-1oo basis points changes in rates over a one year year (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	770,498	(770,498)
6 months	(164,867)	164,867
12 months	(561,719)	561,719
	43,912	**(43,912)**

Interest sensitivity analysis - 31 December 2017
Impact on net interest income of +/-1oo basis points changes in rates over a one year year (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	314,008	(314,008)
6 months	(172,475)	172,475
12 months	(39,960)	39,960
	101,573	**(101,573)**

Bank
Interest sensitivity analysis - 31 December 2018
Impact on net interest income of +/-1oo basis points changes in rates over a one year year (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	777,770	(777,770)
6 months	(271,079)	271,079
12 months	(271,079)	271,079
	235,612	**(235,612)**

Interest sensitivity analysis - 31 December 2017
Impact on net interest income of +/-1oo basis points changes in rates over a one year year (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	245,205	(245,205)
6 months	(201,684)	201,684
12 months	(201,684)	201,684
	(158,164)	**158,164**

The table above 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 held for trading investments is on the income statement while the impact of available for sale instruments is on the statement of other comprehensive income.

Group

31 December 2018	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Bonds at Fair value through Profit or Loss	3,635,183	(18,176)	(36,352)
T-bills at Fair value through Profit or Loss	4,466,848	(22,334)	(44,668)
	8,102,031	(40,510)	(81,020)
Impact on Statement of Comprehensive Income			
Investments at Fair value through other comprehensive income	64,518,562	(322,593)	(645,186)
TOTAL	**72,620,593**	**(363,103)**	**(726,206)**

31 December 2017	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	950,829	(4,754)	(9,508)
T-bills at Fair value through Profit or Loss	186,838	(934)	(1,868)
	1,137,667	(5,688)	(11,376)
Impact on Other Comprehensive Income			
Investments at Fair value through other comprehensive income	20,824,407	(104,122)	(208,244)
TOTAL	**21,962,074**	**(109,810)**	**(219,620)**

Bank

31 December 2018	Carying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Bonds at Fair value through Profit or Loss	3,635,183	(18,176)	(36,352)
T-bills at Fair value through Profit or Loss	4,466,848	(22,334)	(44,668)
	8,102,031	(40,510)	(81,020)
Impact on Other Comprehensive Income			-
Investments at Fair value through other comprehensive income	63,842,527	(319,213)	(638,425)
TOTAL	**71,944,558**	**(359,723)**	**(719,446)**

31 December 2017	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	950,829.00	(4,754)	(9,508.29)
T-bills at Fair value through Profit or Loss	186,838.00	(934)	(1,868.38)
	1,137,667.00	(5,688)	(11,377)
Impact on Other Comprehensive Income			
Investments at Fair value through other comprehensive income	20,243,568	(101,218)	(202,436)
TOTAL	**21,381,235**	**(106,906)**	**(213,812)**

5.2.3 The table below summarises the Group's financial instruments at carrying amount, categorised by currency:

Financial instruments by currency

Group

In thousands of Naira

31 December 2018	Total	Naira	US	GBP	Euro
Cash and balances with banks	3,537,509	399,623	2,823,179	717	313,990
Due from financial institutions	37,035,896	31,603,645	5,432,251	-	-
Non pledged trading assets					
-Treasury bills	3,635,183	3,635,183	-	-	-
-Bonds	4,466,848	4,466,848			
Derivative financial assets	1,388,676	-	1,388,676	-	-
Loans and advances to customers	54,762,067	30,367,365	23,907,997	-	486,705
Pledged assets					
-Treasury bills	4,854,171	4,854,171	-	-	-
-Bonds	5,314,109	5,314,109	-	-	-
Investment securities					
Fair value through other comprehensive income					
-Treasury bills	49,239,283	49,239,283	-	-	-
-Bonds	14,123,693	12,968,107	1,155,586	-	-
-Equity	11,057,526	408,112	10,649,414	-	-
Amortised cost					
-Bonds	12,821,286	12,821,286	-	-	-
Other assets	6,422,821	6,422,821	-	-	-
	208,659,068	**162,500,553**	**45,357,103**	**717**	**800,695**
Deposits from financial institutions	12,159,545	(118,441)	12,277,986	-	-
Due to customers	126,190,780	126,133,248	56,929	603	-
Non pledged trading liabilities					
-Bonds	8,169,494	8,169,494	-	-	-
Derivative financial liabilities	1,373,716	1,373,716	-	-	-
Other liabilties	23,506,587	1,647,015	21,058,879	-	800,693
	171,400,122	**137,205,032**	**33,393,794**	**603**	**800,693**
Net FCY Exposure	**11,963,425**	**-**	**11,963,309**	**114**	**2**

31 December 2017	Total	Naira	US	GBP	Euro
Cash and balances with banks	8,264,667	5,080,472	2,994,646	593	188,956
Due from financial institutions	29,509,041	25,920,938	3,588,103	-	-
Non pledged trading assets					
-Treasury bills	950,829	950,829	-	-	-
-Bonds	186,838	186,838		-	-
Derivative financial assets	116,520	116,520	-	-	-
Loans and advances to customers	32,254,859	21,818,346	10,174,012	-	262,501
Pledged assets					
-Treasury bills	18,840,555	18,840,555	-	-	-
Investment securities					
Fair value through other comprehensive income					
-Treasury bills	7,405,850	7,405,850	-	-	-
-Bonds	12,899,877	12,381,196	518,681	-	-
-Equity	346,089	346,089	-	-	-
Amortised cost					
-Bonds	7,447,089	7,447,089	-	-	-
Other assets	5,812,805	5,812,805	-	-	-
	124,035,019	**106,307,528**	**17,275,441**	**593**	**451,457**
Deposits from financial institutions	11,206,114	11,206,114	-	-	-
Due to customers	76,394,498	71,442,206	4,951,699	593	-
Derivative financial liabilities	106,457	106,457	-	-	-
Other liabilties	18,284,351	8,326,874	9,675,717	-	281,759
	105,991,419	**91,081,652**	**14,627,415**	**593**	**281,759**

Bank

31 December 2018	Total	Naira	US	GBP	Euro
Cash and balances with banks	3,211,035	73,149	2,823,179	717	313,990
Due from financial institutions	36,914,556	31,482,305	5,432,251	-	-
Non pledged trading assets			-	-	-
-Treasury bills	3,635,183	3,635,183	-	-	-
-Bonds	4,466,848	4,466,848	-	-	-
Derivative financial assets	1,388,676	1,388,676	-	-	-
Loans and advances to customers	54,312,459	29,917,757	23,907,997	-	486,705
Pledged assets			-	-	-
-Treasury bills	10,168,280	10,168,280	-	-	-
Investment securities			-	-	-
Fair value through other comprehensive income			-	-	-
-Treasury bills	48,683,906	48,683,906	-	-	-
-Bonds	15,158,621	14,003,035	1,155,586	-	-
-Equity	21,612,465	10,963,051	10,649,414	-	-
Amortised cost			-	-	-
-Bonds	12,821,286	12,821,286	-	-	-
Other assets	6,997,499	6,997,499	-	-	-
	219,370,814	**174,600,975**	**43,968,427**	**717**	**800,695**

Bank

31 December 2018	Total	Naira	US	GBP	Euro
Deposits from financial institutions	12,159,545	(118,441)	12,277,986	-	-
Due to customers	126,896,867	126,839,335	56,929	603	-
Non pledged trading liabilities					
-Bonds	8,169,494	8,169,494	-	-	-
Derivative financial liabilities	1,373,716	1,373,716	-	-	-
Other liabilties	23,367,355	1,507,783	21,058,879	-	800,693
	171,966,977	**137,771,887**	**33,393,794**	**603**	**800,693**

31 December 2017	Total	Naira	US	GBP	Euro
Cash and balances with banks	8,188,002	5,003,807	2,994,646	593	188,956
Due from financial institutions	29,509,041	25,920,938	3,588,103	-	-
Non pledged trading assets			-	-	-
-Treasury bills	950,829	950,829	-	-	-
-Bonds	186,838	186,838	-	-	-
-Equity	-		-	-	-
Derivative financial assets	116,520	116,520	-	-	-
Loans and advances to customers	32,239,585	21,803,072	10,174,012	-	262,501
Pledged assets			-	-	-
-Treasury bills	18,840,555	18,840,555	-	-	-
Investment securities			-	-	-
Fair value through other comprehensive income			-	-	-
-Treasury bills	6,850,685	6,850,685	-	-	-
-Bonds	13,392,883	12,874,202	518,681	-	-
-Equity	95,021	95,021	-	-	-
Amortised cost			-	-	-
-Bonds	7,447,089	7,447,089	-	-	-
Other assets	5,749,420	5,749,420	-	-	-
	123,566,468	**105,838,977**	**17,275,441**	**593**	**451,457**
Deposits from financial institutions	11,206,114	11,206,114	-	-	-
Due to customers	77,766,608	72,814,316	4,951,699	593	-
Derivative financial liabilities	106,457	106,457	-	-	-
Other liabilties	18,281,847	8,324,371	9,675,717	-	281,759
	107,361,026	**92,451,258**	**14,627,415**	**593**	**281,759**

5.2.3 Foreign currency sensitivity analysis

The Group's principal foreign currency exposure is to US Dollars, as it constituted 98% of the Group's foreign currency exposure as at 31 December 2018. The table below illlustrates the hypothetical sensitivity of the Group and 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.

Group	**Impact on statement of comprehensive income**	**Impact on statement of comprehensive income**
In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Naira weakens by 10%	1,196,342	281,772
Naira weakens by 5%	598,171	140,886
Naira strengthens by 10%	(1,196,342)	(281,772)
Naira strengthens by 5%	(598,171)	(140,886)

Bank	**Impact on statement of comprehensive income**	**Impact on statement of comprehensive income**
In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Naira weakens by 10%	1,196,342	281,772
Naira weakens by 5%	598,171	140,886
Naira strengthens by 10%	(1,196,342)	(281,772)
Naira strengthens by 5%	(598,171)	(140,886)

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	9.2%
Low	0.2%
Average	7.6%

Price sensitvity analysis on equity

A significant portion of the Group'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 years 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 Group 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.

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, the Group 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 Group 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 year were as follows:

	Dec-18	Dec-17
At end of year/year	59.59%	53.38%
Average for the year/year	62.76%	55.27%
Maximum for the year/year	68.29%	72.36%
Minimum for the year/year	58.00%	45.37%

The following table shows the undiscounted cash flows on the Group'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 Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

The amounts in the table below have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest year in which the guarantee could be called.

The Group'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 Group 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 Group maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral.

Group	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days"	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2018								
In thousands of Naira								
Cash and balances with banks	3,537,509	3,537,509	3,537,509	-	-	-	-	-
Due from financial institutions	37,047,253	37,192,258	31,757,863	5,409,204	-	25,191	-	-
Non pledged trading assets								
-Treasury bills	3,635,183	3,785,531	522,661	168,896	269,415	2,824,559	-	-
-Bonds	4,466,848	7,868,590	76,850	150,898	-	324,318	4,258,627	3,057,898
Derivative financial assets	1,388,676	18,060,715	7,095,195	10,508,664	456,856	-	-	-
Loans and advances to customers	54,762,067	54,522,376	309,993	11,519,541	25,072,164	16,970,273	257,936	392,469
Pledged assets								
-Treasury bills	4,854,171	5,500,000	-	-	-	5,500,000	-	-
-Bonds	5,314,109	12,229,169	172,007	149,720	-	321,727	2,619,422	8,966,294
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	49,239,283	56,348,132	522,564	553,961	-	55,271,607	-	-
-Bonds	14,123,693	19,245,398	3,037	432,806	12,155,794	246,329	3,259,017	3,148,415
Amortised cost								
-Treasury bills	236,547	251,838	-	152,715	-	99,123	-	-
-Bonds	12,821,286	21,254,791	162,019	409,557	478,215	1,907,741	6,910,711	11,386,548
Other assets	6,422,821	6,422,821	1,234,769	-	-	-	-	5,188,052
	197,849,446	**246,219,129**	**45,394,466**	**29,455,962**	**38,432,443**	**83,490,868**	**17,305,714**	**32,139,675**
Deposits from financial institutions	12,159,545	12,159,545	12,159,545	-	-	-	-	-
Due to customers	126,190,780	126,967,119	113,359,838	3,005,241	10,598,164	3,876	-	-
Non pledged trading liabilities								
-Bonds	8,169,494	20,150,007	-	480,125	50,652	586,907	5,180,016	13,852,307
Commercial paper liabilities	18,053,345	22,924,137	2,435,396	20,488,741	-	-	-	-
Derivative financial liabilities	1,373,716	106,457	67,347	39,110	-	-	-	-
Other liabilities	23,506,587	23,506,587	1,507,158	-	-	-	21,999,429	-
	189,453,467	**205,813,852**	**129,529,284**	**24,013,217**	**10,648,816**	**590,783**	**27,179,445**	**13,852,307**
Gap (asset - liabilities)	8,395,979	40,405,277	(84,134,818)	5,442,744	27,783,627	82,900,085	(9,873,732)	18,287,368

Group	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2017								
In thousands of Naira								
Cash and balances with banks	8,264,667	8,264,667	8,264,667	-	-	-	-	-
Due from financial institutions	29,509,041	29,604,715	26,262,415	27,816	3,314,484	-	-	-
Non pledged trading assets								
-Treasury bills	950,829	1,009,278	2,600	24,867	857,963	123,848	-	-
-Bonds	186,838	370,588	25	9,808	2,844	12,677	159,732	185,502
Derivative financial assets	116,520	116,520	75,405	41,115	-	-	-	-
Loans and advances to customers	32,254,859	33,421,853	13,701,146	11,514,483	5,726,269	2,020,703	120,106	339,146
Pledged assets								
-Treasury bills	7,823,386	8,217,988	419,537	720,000	6,578,451	500,000	-	-
-Bonds	11,017,169	19,061,015	182,325	302,740	-	485,065	6,281,160	11,809,725
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	7,405,850	7,908,694	-	957,263	4,835,510	2,115,921	-	-
-Bonds	12,899,877	27,452,944	85,970	194,896	906,969	975,219	9,902,037	15,387,853
Amortised cost								
-Bonds	7,447,089	13,909,206	87,272	91,837	189,450	383,333	4,275,537	8,881,777
Other assets	5,812,805	5,812,805	5,812,805	-	-	-	-	-
	123,688,930	**155,150,273**	**54,894,167**	**13,884,825**	**22,411,940**	**6,616,766**	**20,738,572**	**36,604,003**
Deposits from financial institutions	11,206,114	11,206,114	11,206,114	-	-	-	-	-
Due to customers	76,394,498	78,105,352	57,160,981	17,714,991	437,480	2,789,951	1,949	-
Derivative financial liabilities	106,457	18,181,245	7,105,333	10,524,024	551,887	-	-	-
Other liabilities	18,284,351	18,284,351	18,284,351	-	-	-	-	-
	105,991,420	**125,777,061**	**93,756,779**	**28,239,015**	**989,367**	**2,789,951**	**1,949**	**-**
Gap (asset - liabilities)	17,697,510	29,373,212	(38,862,612)	(14,354,191)	21,422,573	3,826,815	20,736,632	36,604,003

5.3.1 Residual contractual maturities of financial assets and liabilities

Bank	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2018								
In thousands of Naira								
Cash and balances with banks	3,211,035	3,211,035	3,211,035	-	-	-	-	-
Due from financial institutions	36,925,911	37,070,916	31,636,520	5,409,204	-	25,191	-	-
Non pledged trading assets								
-Treasury bills	3,635,183	3,785,531	522,661	168,896	269,415	2,824,559	-	-
-Bonds	4,466,848	7,868,590	76,850	150,898	-	324,318	4,258,627	3,057,898
Derivative financial assets	1,388,676	18,060,715	7,095,195	10,508,664	456,856	-	-	-
Loans and advances to customers	54,312,459	54,072,028	294,709	11,519,541	24,985,396	16,763,020	255,992	253,370
Pledged assets								
-Treasury bills	4,854,171	5,500,000	-	-	-	5,500,000	-	-
-Bonds	5,314,109	12,229,169	172,007	149,720	-	321,727	2,619,422	8,966,294
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	48,683,906	55,785,667	271,064	242,996	-	55,271,607	-	-
-Bonds	15,158,621	19,100,550	1,104	432,806	12,131,077	240,105	3,147,043	3,148,415
Amortised cost								
-Bonds	12,821,286	21,254,791	162,019	409,557	478,215	1,907,741	6,910,711	11,386,548
Other assets	6,997,499	6,997,499	6,997,499	-	-	-	-	-
	197,769,704	**244,936,507**	**50,440,663**	**28,992,283**	**38,320,961**	**83,178,271**	**17,191,799**	**26,812,530**
Deposits from financial institutions	12,159,545	12,541,970	-	6,788,278	5,571,178	182,514	-	-
Due to customers	126,896,867	126,967,119	113,359,838	3,005,241	10,598,164	3,876	-	-
Non pledged trading liabilities								
-Bonds	8,169,494	20,150,007	-	480,125	50,652	586,907	5,180,016	13,852,307
Commercial paper liabilities	18,053,345	22,924,137	2,435,396	20,488,741	-	-	-	-
Derivative financial liabilities	1,373,716	18,181,245	7,105,333	10,524,024	551,887	-	-	-
Other liabilities	23,367,355	23,367,355	23,367,355	-	-	-	-	-
	190,020,322	**224,131,833**	**146,267,923**	**41,286,409**	**16,771,881**	**773,297**	**5,180,016**	**13,852,307**
Gap (asset - liabilities)	7,749,382	20,804,675	(95,827,259)	(12,294,126)	21,549,079	82,404,974	12,011,783	12,960,223

Bank	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2017								
In thousands of Naira								
Cash and balances with banks	8,188,002	8,188,002	8,188,002	-	-	-	-	-
Due from financial institutions	29,509,041	37,792,717	34,450,417	27,816	3,314,484	-	-	-
Non pledged trading assets								
-Treasury bills	950,829	1,009,278	2,600	24,867	857,963	123,848	-	-
-Bonds	186,838	370,588	25	9,808	2,844	12,677	159,732	185,502
Derivative financial assets	116,520	116,520	75,405	41,115	-	-	-	-
Loans and advances to customers	32,239,585	33,404,998	13,701,083	11,514,358	5,726,081	2,020,329	104,001	339,146
Pledged assets		-						
-Treasury bills	7,823,386	8,217,988	419,537	720,000	6,578,451	500,000	-	-
-Bonds	11,017,169	19,061,015	182,325	302,740	-	485,065	6,281,160	11,809,725
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	6,850,685	7,319,694	-	821,263	4,382,510	2,115,921	-	-
-Bonds	12,874,203	27,411,612	84,100	194,770	906,844	971,098	9,866,947	15,387,853
Amortised cost								
-Bonds	7,447,089	13,909,206	87,272	91,837	189,450	383,333	4,275,537	8,881,777
Other assets	5,749,420	5,749,420	5,749,420	-	-	-	-	-
	122,952,767	**162,551,038**	**62,940,187**	**13,748,574**	**21,958,627**	**6,612,271**	**20,687,377**	**36,604,003**
Deposits from financial institutions	11,206,114	11,206,114	11,206,114	-	-	-	-	-
Due to customers	77,766,608	79,477,462	58,533,091	17,714,991	437,480	2,789,951	1,949	-
Derivative financial liabilities	106,457	106,457	67,347	39,110	-	-	-	-
Other liabilities	18,281,847	18,281,847	18,281,847	-	-	-	-	-
	107,361,026	**109,071,880**	**88,088,399**	**17,754,101**	**437,480**	**2,789,951**	**1,949**	**-**
Gap (asset - liabilities)	15,591,741	53,479,158	(25,148,212)	(4,005,528)	21,521,147	3,822,320	20,685,428	36,604,003

5.3.2 Financial instruments below and above 1 year's maturity

	December 2018			December 2017		
Group	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
In thousands of Naira						
Cash and balances with banks	3,537,509	-	**3,537,509**	8,264,667	-	**8,264,667**
Due from financial institutions	37,192,258	-	**37,192,258**	29,604,715	-	**29,604,715**
Non pledged trading assets						
-Treasury bills	3,785,531	-	**3,785,531**	1,009,278	-	**1,009,278**
-Bonds	552,066	7,316,524	**7,868,590**	25,354	345,234	**370,588**
Derivative financial assets	1,388,676	-	**1,388,676**	116,520	-	**116,520**
Loans and advances to customers	53,871,971	650,405	**54,522,376**	32,962,601	459,252	**33,421,853**
Pledged assets						
-Treasury bills	5,500,000	-	**5,500,000**	8,217,988	-	**8,217,988**
-Bonds	643,453	11,585,716	**12,229,169**	970,130	18,090,885	**19,061,015**
Investment securities						
Fair value through other comprehensive income						
-Treasury bills	56,348,132	-	**56,348,132**	7,908,694	-	**7,908,694**
-Bonds	12,837,965	6,407,432	**19,245,398**	2,163,054	25,289,890	**27,452,944**
Amortised cost						
-Bonds	2,957,532	18,297,259	**21,254,791**	751,892	13,157,314	**13,909,206**
Other assets	1,234,769	5,188,052	**6,422,821**	5,812,805	-	**5,812,805**
	180,101,701	**49,445,389**	**229,547,089**	**97,807,698**	**57,342,575**	**155,150,273**
Deposits from financial institutions	12,159,545	-	**12,159,545**	11,206,114	-	**11,206,114**
Due to customers	126,967,119	-	**126,967,119**	78,103,403	1,949	**78,105,352**
Non pledged trading liabilities						
-Bonds	1,117,683	19,032,323	**20,150,007**			
Derivative financial liabilities	1,373,716	-	**1,373,716**	106,457	-	**106,457**
Other liabilities	1,507,158	21,999,429	**23,506,587**	18,284,351	-	**18,284,351**
	143,125,221	**41,031,752**	**184,156,974**	**107,700,325**	**1,949**	**107,702,274**
Gap (asset - liabilities)	**36,976,479**	**8,413,637**	**45,390,116**	**(9,892,627)**	**57,340,626**	**47,447,999**

Bank	December 2018 Within 12 months	December 2018 After 12 months	December 2018 Total	December 2017 Within 12 months	December 2017 After 12 months	December 2017 Total
In thousands of Naira						
Cash and balances with banks	3,211,035	-	**3,211,035**	8,188,002	-	**8,188,002**
Due from financial institutions	37,070,916	-	**37,070,916**	37,792,717	-	**37,792,717**
Non pledged trading assets	-	-	**-**	-	-	**-**
-Treasury bills	3,785,531	-	**3,785,531**	1,009,278	-	**1,009,278**
-Bonds	552,066	7,316,524	**7,868,590**	25,354	345,234	**370,588**
Derivative financial assets	1,388,676	-	**1,388,676**	116,520	-	**116,520**
Loans and advances to customers	53,562,666	509,362	**54,072,028**	32,961,851	443,147	**33,404,998**
Pledged assets	-	-	**-**	-	-	**-**
-Treasury bills	5,500,000	-	**5,500,000**	8,217,988	-	**8,217,988**
-Bonds	643,453	11,585,716	**12,229,169**	970,130	18,090,885	**19,061,015**
Investment securities	-	-	**-**	-	-	**-**
Fair value through other comprehensive income	-	-	**-**	-	-	**-**
-Treasury bills	55,785,667	-	**55,785,667**	7,319,694	-	**7,319,694**
-Bonds	12,805,092	6,295,458	**19,100,550**	2,156,812	25,254,800	**27,411,612**
Amortised cost	-	-	**-**	-	-	**-**
-Bonds	2,957,532	18,297,259	**21,254,791**	751,892	13,157,314	**13,909,206**
Other assets	6,997,499	-	**6,997,499**	5,749,420	-	**5,749,420**
	184,260,139	**44,004,329**	**228,264,468**	**105,259,658**	**57,291,380**	**162,551,038**
Deposits from financial institutions	12,541,970	-	**12,541,970**	11,206,114	-	**11,206,114**
Due to customers	126,967,119	-	**126,967,119**	79,475,513	1,949	**79,477,462**
Non pledged trading liabilities						
-Bonds	1,117,683	19,032,323	**20,150,007**	-	-	**-**
Derivative financial liabilities	1,373,716	-	**1,373,716**	106,457	-	**106,457**
Other liabilities	23,367,355	-	**23,367,355**	18,281,847	-	**18,281,847**
	165,367,844	**19,032,323**	**184,400,167**	**109,069,931**	**1,949**	**109,071,880**
Gap (asset - liabilities)	**18,892,295**	**24,972,005**	**43,864,301**	**(3,810,273)**	**57,289,431**	**53,479,158**

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:

- To comply with the capital requirements set by the Central Bank;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- 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 available-for-sale and foreign currency translation reserves with adjustments for deferred tax assets, intangibles and investments in subsidiaries.

	Bank December 2018	**Bank December 2017**
In thousands of Naira		
Tier 1 capital		
Ordinary share capital	5,050,546	5,050,546
Share premium	3,655,348	3,655,348
Retained earnings	15,085,163	13,201,861
Other reserves	7,357,208	7,285,397
	31,148,265	**29,193,152**
Add/(Less):		
Fair value reserve for fair value through OCI securities	545,267	(466,220)
Total Tier 1	**31,693,532**	**28,726,932**
Less:		
Investments in subsidiaries	(4,614,711)	(4,148,491)
Deferred tax assets	(4,998,887)	(5,203,887)
Regulatory risk reserve	(1,058,409)	(647,767)
Intangible assets	(622,503)	(544,749)
Adjusted Tier 1	**20,399,021**	**18,182,038**

Tier 2 capital		
Fair value reserve for fair value through OCI securities	(545,267)	466,220
Less:		
Investments in subsidiaries	545,267	(466,220)
Total Tier 2	-	-
Total regulatory capital	**20,399,021**	**18,182,037**
Risk-weighted assets	**102,064,149**	**73,305,770**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.99%	24.80%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19.99%	24.80%

7. Interest income

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
7a Cash and balances with banks	5,425,028	7,999,600	5,352,185	8,009,717
Loans and advances to customers	9,340,442	6,022,766	9,161,983	6,022,673
Investment securities - Financial assets at amortised cost	1,844,891	2,276,679	1,838,333	2,276,679
	16,610,361	**16,299,045**	**16,352,501**	**16,309,069**
7b Investment securities - Financial assets at FVTOCI	6,783,008	4,658,488	6,673,663	4,470,598
	6,783,008	**4,658,488**	**6,673,663**	**4,470,598**
7c Investment securities - Financial assets at FVTPL	1,260,656	1,415,989	1,260,656	1,415,989
	1,260,656	**1,415,989**	**1,260,656**	**1,415,989**

Interest income for the year ended 31 December 2018 includes interest accrued on stage 3 financial assets of Group: NIL (31 December 2017: NIL) and Bank: NIL (31 December 2017: NIL).

8. Interest expense

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Deposit from financial institutions	9,898,584	5,673,456	9,898,584	5,673,456
Deposit from customers	7,178,907	8,695,723	7,392,876	8,960,022
	17,077,491	**14,369,179**	**17,291,460**	**14,633,478**
Net interest income	**7,576,534**	**8,004,343**	**6,995,360**	**7,562,178**

Increase in interest expense is as a result of the combination of increase in interest bearing liabilities and cost of fund

9. Net impairment charge / (write back) on financial assets

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Allowance/(writeback) for impairment on loans and advance to customers (note 23) (i)	22,073	(51,657)	21,333	(51,662)
Writeback of impairment on off balance sheet items	(211)	-	(211)	-
Allowance for impairment on investment securities	6,256	66	3,864	66
Allowance for impairment on placements	10,956	-	10,954	-
Allowance for impairment on financial assets in other assets (see note 26)	60,948	47,929	49,619	-
	100,022	**(3,662)**	**85,559**	**(51,596)**

[1]Write back on impairment relates to excess portfolio impairment on the Bank's loan portfolio. These are due to changes in the portfolio impairment variables relating to PDs (probabilities of default) and LGD (loss given default) on these portfolios. They are neither specific in nature nor relate to stage 2 or 3 impairment.

10. Fee and commission income

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Credit related fees and commissions	115,222	51,875	115,222	51,875
Account maintenance fees	27,246	10,840	27,246	10,840
Commission on bills and letters of credit	388,525	648,733	388,525	648,733
Treasury income	21,207	106,695	21,207	106,695
Investment banking fees	972,492	467,859	972,492	467,859
Brokerage fees and commissions	164,378	168,351	-	-
Commission on other financial services	212,091	37,597	175,660	14,430
Management fees	254,975	161,466	-	-
Custody fees	13,028	4,646	-	-
	2,169,164	**1,658,062**	**1,700,352**	**1,300,432**

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.

11. Net gains on investment securities

(a) Net gains on financial instruments measured at fair value through profit or loss (FVTPL)

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Treasury bills	235,077	249,276	235,077	249,276
Bonds	375,693	105,751	375,693	105,670
	610,770	**355,027**	**610,770**	**354,946**

(b) Net gains on financial instruments measured at fair value through other comprehensive income (FVTOCI)

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Treasury bills	508,207	224,121	508,207	219,171
Bonds	545,176	311,981	542,286	307,851
Equity	-	7,137	-	-
	1,053,383	**543,239**	**1,050,493**	**527,022**
Total	**1,664,153**	**898,266**	**1,661,263**	**881,968**

12. Net foreign exchange income

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Net foreign exchange trading income	112,135	208,521	112,135	208,521
Unrealised foreign exchange gain / (loss) on revaluation	17,333	(2,341)	12,316	7,347
Derivative gain	4,898	10,063	4,898	10,063
	134,366	**216,243**	**129,349**	**225,931**

13. Other operating income

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Dividends on equity securities	1,480	655	93,548	137,573
Gain on disposal of property and equipment	3,423	-	1,818	-
Bad debt recovered	38,002	6,340	38,002	6,340
Income from other investments	46,248	3,443	46,248	872
Other income	2,862	-	-	-
	92,015	**10,438**	**179,616**	**144,785**

14. Personnel expenses

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Salaries and wages	1,574,770	1,211,964	1,321,793	952,246
Defined contribution plan	137,221	97,295	111,243	79,513
	1,711,991	**1,309,259**	**1,433,036**	**1,031,759**

ii The number of employees who received emoluments in the following ranges (excluding pension contributions) were:

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
	Number	Number	Number	Number
Executive directors	3	2	3	2
Management	19	18	16	13
Non-management	130	86	106	70
	152	**106**	**125**	**85**

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

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
	Number	Number	Number	Number
N300,001 - N2,000,000	32	18	21	16
N2,000,001 - N2,800,000	7	6	6	5
N2,800,001 - N3,500,000	16	3	13	3
N3,500,001 - N5,500,000	35	24	32	21
N5,500,001 - N10,500,000	35	33	29	23
N10,500,001 - N20,000,000	14	9	13	6
Above N20,000,000	10	11	8	9
	149	**104**	**122**	**83**

15. Other operating expenses

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Depreciation	438,945	363,368	402,515	347,985
Amortisation	201,177	214,963	190,001	208,991
Professional fees and legal expenses	306,206	599,504	295,616	594,575
Staff training	75,765	86,218	74,398	82,461
Insurance	98,910	70,806	88,162	63,621
Business travel expenses	91,118	101,314	77,523	88,800
Deposit insurance premium	60,896	34,850	60,896	34,850
Auditor's renumeration	77,700	76,100	62,500	62,500
Administrative expenses	1,228,427	1,236,975	834,311	1,155,553
Loss on disposal of property and equipment	-	4,302	-	174
Loss on disposal of non current asset held for sale	-	-	-	24,575
Board and AGM expenses	191,435	161,356	191,435	161,356
Operating lease rentals	52,119	3,878	46,719	(7,360)
Consultancy and outsourcing	1,034,482	671,864	981,710	712,518
Repairs and maintenance	123,515	154,052	121,528	145,312
Advertisements, publications and marketing expenses	85,641	164,229	81,869	139,262
Events, donations and sponsorship	307,255	273,877	306,925	273,486
Periodicals and subscriptions	13,147	9,462	11,000	7,436
Stationeries, postage, printing and consumables	130,148	134,411	124,490	106,207
	4,516,886	**4,361,529**	**3,951,598**	**4,202,302**

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

16 Income tax

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
In thousands of Naira				
Current tax expense				
Corporate income tax	454,548	251,430	454,549	203,502
IT tax	51,826	50,988	51,826	49,328
Education tax	-	3,375	-	-
Prior year's under provision	26,943	732	-	-
	533,317	306,525	506,375	252,830
Deferred tax expense				
Origination of temporary differences (see note 30)	197,317	61,603	205,000	61,603
Total income tax expense	**730,634**	**368,128**	**711,375**	**314,433**

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

	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Balance at the beginning of the year	348,484	263,843	266,686	211,288
Tax liability coming from acquired subsidiary	-	-	-	-
Tax paid	(254,441)	(200,096)	(183,986)	(183,640)
Income tax charge	506,374	305,793	506,375	252,830
Prior year's under provision	26,943	732	-	-
Withholding tax utilization	(82,062)	(21,787)	(68,828)	(13,792)
Balance at the end of the year	**545,298**	**348,484**	**520,248**	**266,686**

Income tax liability is to be settled within one year

In thousands of Naira	Group Dec-18			Bank Dec-18		
	Reconciling Item Amount	**Rate**	**Effect of Reconciling Item**	**Reconciling Item Amount**	**Rate**	**Effect of Reconciling Item**
Profit before income tax			5,307,333			5,195,747
Income tax using the domestic tax rate		30%	1,592,200		30%	1,558,724
Tax effects of :						
Minimum tax	454,549	100%	454,549	454,549	100%	454,549
IT tax	5,182,602	1%	51,826	5,182,602	1%	51,826
Deferrred tax	657,723	30%	197,317	683,333	30%	205,000
Balancing charge	1,950	30%	585	1,950	30%	585
Income not subject to tax	(5,921,660)	30%	(1,776,498)	(5,810,070)	30%	(1,743,021)
Expenses not deductible for tax purposes	612,374	30%	183,712	612,374	30%	183,712
Excess dividend tax	-	100%	-	-	100%	-
Prior year under provision	26,943	100%	26,943	-	100%	-
Effective tax rate		**14%**	**730,634**		**14%**	**711,375**

In thousands of Naira	Group Dec-17			Bank Dec-17		
	Reconciling Item Amount	**Rate**	**Effect of Reconciling Item**	**Reconciling Item Amount**	**Rate**	**Effect of Reconciling Item**
Profit before income tax	5,120,226		5,120,226	4,932,829		4,932,829
Income tax using the domestic tax rate	30%		1,536,068	30%		1,479,849
Tax effects of :						
Minimum tax	173,659	100%	173,659	173,659	100%	173,659
IT tax	5,098,782	1%	50,988	4,932,800	1%	49,328
Education tax levy	168,734	2%	3,375	-	2%	-
Deferrred tax	205,343	30%	61,603	205,343	30%	61,603
Losses relieved	-	30%	-	-	30%	-
Balancing charge	9,865	30%	2,960	9,281	30%	2,784
Income not subject to tax	(5,457,704)	30%	(1,637,311)	(5,419,395)	30%	(1,625,819)
Expenses not deductible for tax purposes	487,369	30%	146,211	477,285	30%	143,186
Excess dividend tax	29,843	100%	29,843	29,843	100%	29,843
Prior year under provision	732	100%	732	-	100%	-
Effective tax rate		**7%**	**368,128**		**6%**	**314,433**

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

17 Earnings per share

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	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Profit for the year from continuing operations	4,576,699	4,752,098	4,484,372	4,618,396
Weighted average number of ordinary shares in issue	5,050,546	5,050,546	5,050,546	5,050,546
	5,050,546	5,050,546	5,050,546	5,050,546
In kobo per share				
Basic earnings per share from continuing operations (annualised)	91	94	89	91

18 Cash and balances with banks

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Balances with banks (see note (i))	3,534,738	3,333,163	3,208,264	3,256,498
Unrestricted balances with central banks	2,771	4,931,504	2,771	4,931,504
	3,537,509	**8,264,667**	**3,211,035**	**8,188,002**

Included in balances with banks is an amount of N1.701Bn (31 Dec 2017: 2.140Bn) 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 35). This has been excluded for cash flow purposes.

19 Due from financial institutions

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Placements	37,047,253	29,509,041	36,925,911	29,509,041
ECL on placements	(11,357)	-	(11,355)	-
	37,035,896	**29,509,041**	**36,914,556**	**29,509,041**

Placements are with other financial insitutions fully secured with acceptable government securities. These have been considered for purpose of cash flow.

20 Non pledged trading assets and liabilities

Non pledged trading assets	**Group**	**Group**	**Bank**	**Bank**
In thousands of Naira	**Dec-18**	**Dec-17**	**Dec-18**	**Dec-17**
Treasury bills	3,635,183	950,829	3,635,183	950,829
Government bonds	4,466,848	186,838	4,466,848	186,838
	8,102,031	1,137,667	8,102,031	1,137,667
ECL on financial assets at amortized cost	(323)	-	(323)	-
	8,101,708	**1,137,667**	**8,101,708**	**1,137,667**
Current	3,635,183	965,894	3,635,183	965,894
Non Current	4,466,848	171,773	4,466,848	171,773
	8,102,031	**1,137,667**	**8,102,031**	**1,137,667**

Non pledged trading liabilities	**Group**	**Group**	**Bank**	**Bank**
	Dec-18	**Dec-17**	**Dec-18**	**Dec-17**
Government bonds	8,169,494	-	8,169,494	-
	8,169,494	**-**	**8,169,494**	**-**
Current	**8,169,494**	**-**	**8,169,494**	**-**
	8,169,494	-	8,169,494	-

21 Derivative financial instruments

	Derivative assets		**Derivative liabilities**	
Group & Bank	**Notional amount**	**Fair Value Assets / (Liabilities)**	**Notional amount**	**Fair Value Assets / (Liabilities)**
	Dec-18		**Dec-18**	
In thousands of Naira				
Foreign exchange forward contracts	18,060,715	1,388,676	18,181,245	(1,373,716)
	18,060,715	**1,388,676**	**18,181,245**	**(1,373,716)**

Group & Bank	**Notional amount**	**Fair Value Assets / (Liabilities)**	**Notional amount**	**Fair Value Assets / (Liabilities)**
	Dec-17	**Dec-17**	**Dec-17**	**Dec-17**
In thousands of Naira				
Foreign exchange forward contracts	6,783,353	116,520	6,528,153	(106,457)
	6,783,353	**116,520**	**6,528,153**	**(106,457)**

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 Group (Naira) within the year and an increase in the volume of transactions.

22 Investment securities

(a) At fair value through other comprehensive income

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Debt securities				
Federal government bonds	610,765	4,229,734	608,771	4,204,060
Treasury bills	49,239,283	7,405,850	48,683,906	6,850,685
State government bonds	1,086,515	6,109,288	1,086,515	6,109,288
Euro Bonds	1,155,586	518,680	1,080,923	518,680
Corporate bonds	12,426,413	2,560,855	12,382,412	2,560,855
	64,518,562	20,824,407	63,842,527	20,243,568
Equity securities				
Equity securities with readily determinable fair values (i)	158,112	346,089	63,637	95,021
Unquoted equity securities	10,899,414	20,245	10,899,414	20,245
	75,576,088	21,190,741	74,805,578	20,358,834
Specific allowance for impairment on equity securities	-	(20,245)	-	(20,245)
	75,576,088	**21,170,496**	**74,805,578**	**20,338,589**

(b) At Amortised cost

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Debt securities				
Treasury bills	236,547	-	-	-
Federal government bonds	12,821,286	7,447,089	12,821,286	7,447,089
Gross Total	13,057,833	7,447,089	12,821,286	7,447,089
ECL on financial assets at amortized cost	(787)	-	(778)	
Total	**88,633,134**	**28,617,585**	**87,626,086**	**27,785,678**
Current	63,569,243	8,233,869	72,482,102	7,419,945
Non Current	25,063,891	20,383,716	15,143,984	20,365,733
	88,633,134	**28,617,585**	**87,626,086**	**27,785,678**

ECL allowance on investments at amortized cost *In thousands of Naira*	**Group Dec-18**	**Group Dec-17**	**Bank Dec-18**	**Bank Dec-17**
Balance, beginning of year	469	-	469	-
Additional allowance/(write back)	318	-	309	-
Balance, end of year	787	-	778	-

23 Pledged assets

In thousands of Naira	**Group Dec-18**	**Group Dec-17**	**Bank Dec-18**	**Bank Dec-17**
Financial instruments at FVTOCI				
Treasury bills	4,854,171	-	4,854,171	-
	4,854,171	-	4,854,171	-
Financial instruments at amortised cost				
Government bonds	5,314,109	11,017,169	5,314,109	11,017,169
ECL on Pledged assets at amortized cost	5,314,109	11,017,169	5,314,109	11,017,169
	5,314,109	11,017,169	5,314,109	11,017,169
Financial instruments at FVTPL				
Treasury bills	-	7,823,386	-	7,823,386
	-	7,823,386	-	7,823,386
	10,168,280	**18,840,555**	**10,168,280**	**18,840,555**
Current	4,854,171	7,823,386	4,854,171	7,823,386
Non Current	5,314,109	11,017,169	5,314,109	11,017,169
	10,168,280	**18,840,555**	**10,168,280**	**18,840,555**
The related liability for assets pledged as collateral include:				
Deposits from financial institutions	12,159,545	11,206,114	12,159,545	11,206,114

(i) The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N2Bn (31 December 2017: 2Bn) for which there is no related liability. 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.

(ii) As at 31 December 2018, the Bank held N25.3Bn (31 December 2017: N13.07) worth of collateral. These have not been recognised in this financial statement.

24 Loans and advances to customers

a Group & Bank

Loans and advances to individuals *In thousands of Naira*	Group	Bank
Non-Retail Exposures		
Personal Loan	217,991	76,948
Mortgage Loan	536,854	536,854
	754,845	613,802
Less Allowance for ECL/Impairment losses	(882)	(586)
	753,963	613,216
Loans to corporate entities and other organizations		
Overdraft	7,482,330	7,482,330
Term Loan	46,554,039	46,244,735
	54,036,369	53,727,065
Less Allowance for ECL/Impairment losses	(28,265)	(27,822)
	54,008,104	53,699,243
Loans and advances to customers (Individual, corporate entities and other organizations)	54,791,214	54,340,867
Less Allowance for ECL / Impairment losses	(29,147)	(28,408)
Grand Total	54,762,067	54,312,459

Group

December 2017 *In thousands of Naira*	Gross amount	Specific impairment allowance	Collective impairment allowance	Total impairment allowance	Carrying amount
Loans to individuals					
Non-Retail Exposures					
Mortgage Loan	179,413	-	(89)	(89)	179,324
Personal Loan	165,957	-	(49)	(49)	165,908
	345,370	**-**	**(138)**	**(138)**	**345,232**
Loans to corporate entities and other organizations					
Overdraft	7,722,293	-	(1,791)	(1,791)	7,720,502
Term Loan	24,195,394	-	(6,269)	(6,269)	24,189,125
	31,917,687	**-**	**(8,060)**	**(8,060)**	**31,909,627**
	32,263,057	**-**	**(8,198)**	**(8,198)**	**32,254,859**

Bank

December 2017 *In thousands of Naira*	**Gross amount**	**Specific impairment allowance**	**Collective impairment allowance**	**Total impairment allowance**	**Carrying amount**
Loans to individuals					
Non-Retail Exposures					
Mortgage Loan	179,413	-	(89)	(89)	179,324
Personal Loan	150,678	-	(49)	(49)	150,629
	330,091	**-**	**(138)**	**(138)**	**329,953**
Loans to corporate entities and other organizations					
Overdraft	7,722,293	-	(1,791)	(1,791)	7,720,502
Term Loan	24,195,394	-	(6,264)	(6,264)	24,189,130
	31,917,687	**-**	**(8,055)**	**(8,055)**	**31,909,632**
	32,247,778	**-**	**(8,193)**	**(8,193)**	**32,239,585**

b Impairment allowance on loans and advances to customers

Group

Loans to individuals

In thousands of Naira	**December 2018**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Standard grade	754,845	-	-	754,845
Total	**754,845**	**-**	**-**	**754,845**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	882			882
At 31 December 2018	**882**	**-**	**-**	**882**

Loans to corporate entities and other organizations

In thousands of Naira	**December 2018**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	37,968,420	-	-	37,968,420
Standard grade	16,067,949	-	-	16,067,949
Total	**54,036,369**	**-**	**-**	**54,036,369**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	28,266			28,266
At 31 December 2018	**28,266**	**-**	**-**	**28,266**

Bank

Loans to individuals

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Standard grade	613,800	-	-	613,800
Total	**613,800**	**-**	**-**	**613,800**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	586			586
At 31 December 2018	**586**	**-**	**-**	**586**

Loans to corporate entities and other organizations

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	37,968,420	-	-	37,968,420
Standard grade	15,758,644	-	-	15,758,644
Total	**53,727,064**	**-**	**-**	**53,727,064**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	27,822			27,822
At 31 December 2018	**27,822**	**-**	**-**	**27,822**

Investment grades are loans with ratings from AAA to A-, and standard grades are loans with ratings from BBB+ to B-

25 Other assets

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Financial assets				
Accounts receivable	717,613	3,260,722	1,292,291	3,197,337
Contribution to AGSMEIS (See note 25(a) below)	517,156	251,645	517,156	251,645
Restricted deposits with central banks (See note 25 (b) below)	5,188,052	2,300,438	5,188,052	2,300,438
	6,422,821	5,812,805	6,997,499	5,749,420
Allowance for impairment on account receivables	(108,425)	(47,929)	(49,461)	-
Net financial asset	**6,314,396**	**5,764,876**	**6,948,038**	**5,749,420**
Non-financial assets				
Prepayments	656,893	550,485	655,200	548,967
Prepaid employee benefits	242,616	117,570	242,616	117,570
Other non financial assets	16,267	16,267	16,267	16,267
	915,776	684,322	914,083	682,804
Allowance for impairment on non-financial assets	(16,425)	(16,267)	(16,425)	(16,267)
Net non-financial asset	**899,351**	**668,055**	**897,658**	**666,537**
Net other assets	7,213,747	6,432,931	7,845,696	6,415,957
Current	1,633,389	3,945,044	2,206,374	3,880,141
Non Current	5,705,208	2,552,083	5,705,208	2,552,083
	7,338,597	**6,497,127**	**7,911,582**	**6,432,224**

(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 9th February, 2017. The Scheme requires all banks in Nigeria to set aside 5% of their audited profit after tax (PAT) annually to support the Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment generation.

(b) Restricted deposits with central banks comprise the cash reserve requirements of the Central Bank of Nigeria. These balances are not available for day to day operations of the group.

Movement in allowance for impairment on other assets:

In thousands of Naira	Group Dec-18	Group Dec-17	Bank Dec-18	Bank Dec-17
Balance as at 1 January	64,196	65,886	16,267	-
Impairment loss for the year:				
- Additional provision / (write-back)	60,654	(1,690)	49,619	16,267
Balance as at 31 December	124,850	64,196	65,886	16,267

26 Investment in subsidiaries

(a) Group entities

Set out below are the group's subsidiaries as at 31 December 2018. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the group and the proportion of ownership interests held equals to the voting rights held by the group. The country of incorporation is also their principal place of business.

	Nature of business	Country of incorporation	Bank Dec-18		Bank Dec-17	
			% Holding	N'000	% Holding	
Coronation Securities Limited	Capital Market	Nigeria	100%	1,314,711	100%	1,314,711
Coronation Asset Management Limited	Asset Management	Nigeria	100%	3,300,000	100%	3,300,000
				4,614,711		4,614,711

Significant restrictions:

There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity.

(b) Condensed results of consolidated entities

(i) The condensed financial data of the consolidated entities are as follows:

	Dec-18		Dec-17	
	Coronation Securities	Coronation Asset Management	Coronation Securities	Coronation Asset Management
Condensed statement of comprehensive income				
In thousands of Naira				
Operating income	412,495	652,668	417,569	469,842
Net impairment on financial assets	(11,295)	-	(47,929)	(5)
Operating expenses	(314,641)	(530,970)	(201,558)	(335,901)
Profit before tax	86,559	121,698	168,082	133,936
Taxation	(276)	(18,982)	(53,695)	-
Profit for the year	86,283	102,716	114,387	133,936
Other comprehensive gain	680	-	35,489	-
Total comprehensive income	86,963	102,716	149,876	133,936

	Dec-18		Dec-17	
	Coronation Securities	Coronation Asset Management	Coronation Securities	Coronation Asset Management
Condensed statement of financial position				
Cash and balances with banks	3,016,962	237,030	1,908,127	668,420
Investment securities	44,654	926,912	128,010	703,897
Loans and advances to customers	-	450,347	-	15,274
Other asset	49,171	327,112	64,063	126,681
Investment properties	-	1,879,018	-	1,632,533
Intangible assets	12,801	12,854	14,030	3,360
Property and equipment	15,497	601,879	3,134	349,892
Total asset	3,139,085	4,442,924	2,117,364	3,500,057
Financed by:				
Due to customers	2,100,088	-	1,127,772	-
Current income tax liability	-	25,050	81,799	-
Other liabilities	235,205	974,053	128,064	92,951
Deferred tax liability	2,577	-	2,488	-
Equity	801,216	3,443,820	777,242	3,407,106
Total liabilities and equity	3,139,086	4,442,923	2,117,365	3,500,057
Net cashflow from operating activities	1,123,643	842,534	913,960	(230,474)
Net cashflow from investing activities	47,502	(1,188,940)	148,485	(641,330)
Net cashflow from financing activities	(62,309)	(84,984)	(24,166)	1,233,622
Increase in cash and cash equivalents	1,108,836	(431,390)	1,038,279	361,818
Cash and cash equivalent, beginning of year	1,908,127	668,420	869,848	306,601
Cash and cash equivalent, end of year	3,016,963	237,030	1,908,127	668,419

27 Investment properties

	Group Dec-18	Group Dec-17
Opening balance at 1 January	1,657,107	686,865
Acquisitions	296,485	79,575
Capitalised subsequent expenditure	-	1,149,786
Derecognition	(50,000)	-
Transfer to owner-occupied property	-	(259,119)
Closing balance at 31 December	**1,903,592**	**1,657,107**

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the group. They are carried at fair value. Changes in fair values are presented in profit or loss as part of other income. The investment properties held by the Group are under construction. The Group has assessed and determined that the fair value of these properties cannot be reliably measured. The Group however expects the fair value of the property will be reliably measured when construction is complete.

There are no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal of investment property.

28 Intangible assets

Group

In thousands of Naira	Goodwill	Purchased Software	Total
Cost			
December 2018			
Balance at 1 January 2018	675,373	1,076,989	1,752,362
Acquisitions	-	287,196	287,196
Balance at 31 December 2018	**675,373**	**1,364,185**	**2,039,558**
December 2017			
Balance at 1 January 2017	675,373	786,369	1,461,742
Acquisitions	-	357,255	357,255
Write off	-	(66,635)	(66,635)
Balance at 31 December 2017	675,373	1,076,989	1,752,362
Amortization and impairment losses			
Balance at 1 January 2018	-	514,850	514,850
Amortization for the year	-	201,177	201,177
Balance at 31 December 2018	-	716,027	716,027
Balance at 1 January 2017	-	310,753	310,753
Amortization for the year	-	214,963	214,963
Write off	-	(10,867)	(10,867)
Balance at 31 December 2017	-	514,849	514,849
Net Book Value			
Balance at 31 December 2018	675,373	648,158	1,323,531
Balance at 31 December 2017	675,373	562,140	1,237,513

Bank

In thousands of Naira	Purchased Software	Total
Cost		
December 2018		
Balance at 1 January 2018	1,037,851	1,037,851
Acquisitions	267,755	267,755
Balance at 31 December 2018	**1,305,606**	**1,305,606**
December 2017		
Balance at 1 January 2017	758,384	758,384
Acquisitions	346,102	346,102
Write off	(66,635)	(66,635)
Balance at 31 December 2017	1,037,851	1,037,851

Amortization and impairment losses

Balance at 1 January 2018	493,102	493,102
Amortization for the year	190,001	190,001
Balance at 31 December 2018	**683,103**	**683,103**
Balance at 1 January 2017	294,978	294,978
Amortization for the year	208,991	208,991
Write off	(10,867)	(10,867)
Balance at 31 December 2017	493,102	493,102
Net Book Value		
Balance at 31 December 2018	**622,503**	**622,503**
Balance at 31 December 2017	544,749	544,749

Ammortization method used is straight line.

28b Intangible assets

(i) **Goodwill is attributable to the acquisition of following subsidiaries:**

In thousands of Naira	**December 2018**	**December 2017**
Coronation Securities Limited	675,373	675,373
	675,373	675,373

There were no capitalised borrowing costs related to the internal development of software during the year ended 31 December 2018 (31 December 2017: nil). The recoverable amount of Goodwill as at 31 December 2018 is greater than its carrying amount and is thus not impaired.

(ii) Goodwill is reviewed annually for impairment, or more frequently when there are indications that impairment may have occurred. Impairment assessment has been performed for the year, while no losses on goodwill were recognized during the year under review 31 December 2018 (31 December 2017: nil)

The recoverable amount of Goodwill As at 31 December 2018 was greater than its carrying amount and is thus not impaired.

The recoverable amount was determined using a value-in-use computation as N1.8Bn.

Goodwill is monitored by the Group on an entity by entity basis

The key assumption used in computing the value-in-use for goodwill in 2018 are as follows:

	Coronation Securities Limited
Long term growth rate (i)	2.25%
Discount rate (ii)	23.40%

(i) Weighted average growth rate used to extrapolate cash flows beyond the budget year.

(ii) Pre-tax discount rate applied to the cash flow projections.

Cash flow forecast

Cash flows were projected based on past experience, actual operating results and the 5-year business plan. These cashflows are based on the expected revenue growth for the entity over the remaining 4 years in this 5-year plan.

Discount rate

Pre-tax discount rate of 23.40% was applied in determining the recoverable amounts for the only entity with goodwill (Coronation Securities Ltd). This discount rate was estimated using the risk-free rate, equity and country risk premium for Nigeria

Long term growth rate

The long term growth rate applied was based on the long term growth rate in GDP of Nigeria
The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the subsidiary (from which the goodwill arose) to decline below the carrying amount.

Sensitvitiy analysis of key assumptions used

	10% increase	10% decrease
Impact of change in discount rate on value-in-use computation	220,142	(279,799)
Impact of change in growth rate on value-in-use computation	(12,554)	12,289

29 Property and equipment

Group

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 2018	129,736	462,015	277,188	715,677	59,472	1,889,836	498,733	6,510	4,039,167
Acquisitions	10,475	25,281	15,657	257,760	1,393	-	18,970	410,021	739,557
Disposals	-	(570)	-	(68,778)	-	-	-	(6,510)	(75,858)
Transfers	(106)	106	-	-	-	-	-	-	-
Write-offs	-	-	-	(196,031)	-	-	-	-	(196,031)
Balance at 31 December 2018	**140,105**	**486,832**	**292,845**	**708,628**	**60,865**	**1,889,836**	**517,703**	**410,021**	**4,506,835**
Balance at 1 January 2017	87,943	375,378	262,474	515,467	-	1,868,735	220,000	-	3,329,997
Acquisitions	42,045	93,275	15,213	256,388	59,472	21,101	278,733	6,510	772,737
Disposals	(252)	(6,638)	(499)	(56,178)	-	-	-	-	(63,567)
Balance at 31 December 2017	129,736	462,015	277,188	715,677	59,472	1,889,836	498,733	6,510	4,039,167

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Depreciation and impairment losses									
Balance at 1 January 2018	36,441	190,273	66,338	269,511	5,719	40,773	-	-	609,055
Charge for the year	29,836	101,765	57,331	189,137	6,707	38,373	-	-	423,149
Disposal	-	(407)	-	(39,442)	-	-	-	-	(39,849)
Transfers	(2)	2	-	-	-	-	-	-	-
Write-offs	-	-	-	(77,151)	-	-	-	-	(77,151)
Balance at 31 December 2018	**66,275**	**291,633**	**123,669**	**342,055**	**12,426**	**79,146**	**-**	**-**	**915,204**
Balance at 1 January 2017	12,120	110,253	11,831	146,350	-	3,172	-	-	283,726
Charge for the year	24,573	86,142	54,776	154,559	5,719	37,601	-	-	363,370
Disposal	(252)	(6,122)	(269)	(31,398)	-	-	-	-	(38,041)
Balance at 31 December 2017	36,441	190,273	66,338	269,511	5,719	40,773	-	-	609,055
Carrying amounts:									
Balance at 31 December 2018	**73,830**	**195,199**	**169,176**	**366,573**	**48,439**	**1,810,690**	**517,703**	**410,021**	**3,591,631**
Balance at 31 December 2017	93,295	271,742	210,850	446,166	53,753	1,849,063	498,733	6,510	3,430,111

Bank

In thousands of Naira

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Cost									
Balance at 1 January 2018	120,774	457,591	275,418	638,358	59,472	1,889,836	220,000	-	3,661,449
Acquisitions	9,855	24,661	15,517	241,485	1,393	-	-	122,306	415,217
Disposals	-	(349)	-	(51,343)	-	-	-	-	(51,692)
Write-offs	-	-	-	(163,481)	-	-	-	-	(163,481)
Balance at 31 December 2018	**130,629**	**481,903**	**290,935**	**665,019**	**60,865**	**1,889,836**	**220,000**	**122,306**	**3,861,493**
Balance at 1 January 2017	79,302	373,727	262,222	460,463	-	1,868,735	220,000	-	3,264,449
Acquisitions	41,724	90,502	13,695	214,305	59,472	21,101	-	-	440,799
Disposals	(252)	(6,638)	(499)	(36,410)	-	-	-	-	(43,799)
Balance at 31 December 2017	120,774	457,591	275,418	638,358	59,472	1,889,836	220,000	-	3,661,449

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Depreciation and impairment losses									
Balance at 1 January 2018	29,924	189,201	66,034	252,714	5,719	40,773	-	-	584,365
Charge for the year	28,562	100,579	56,972	171,320	6,707	38,373	-	-	402,513
Disposal	-	(311)	-	(30,991)	-	-	-	-	(31,302)
Write-Offs	-	-	-	(68,335)	-	-	-	-	(68,335)
Balance at 31 December 2018	**58,486**	**289,469**	**123,006**	**324,708**	**12,426**	**79,146**	**-**	**-**	**887,241**
Balance at 1 January 2017	7,350	110,071	11,806	131,382	-	3,172	-	-	263,781
Charge for the year	22,826	85,252	54,497	142,091	5,719	37,601	-	-	347,986
Disposal	(252)	(6,122)	(269)	(20,759)	-	-	-	-	(27,402)
Balance at 31 December 2017	29,924	189,201	66,034	252,714	5,719	40,773	-	-	584,365
Carrying amounts:									
Balance at 31 December 2018	**72,143**	**192,434**	**167,929**	**340,311**	**48,439**	**1,810,690**	**220,000**	**122,306**	**2,974,252**
Balance at 31 December 2017	90,850	268,390	209,384	385,644	53,753	1,849,063	220,000	-	3,077,084

30 Deferred tax assets and liabilities

(a) Group

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	December 2018			December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(102,521)	2,577.00	(105,098)	(112,172)	2,488	(114,660)
Allowances for loan losses	10,794	-	10,794	3,037	-	3,037
Tax loss carry forward	5,100,258	-	5,100,258	5,313,807	-	5,313,807
Exchange loss unrealised	(1,871)	-	(1,871)	(785)	-	(785)
Deferred tax assets (net)	5,006,660	2,577	5,004,083	5,203,887	2,488	5,201,399

(b) Bank

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	December 2018			December 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(106,763)	-	(106,763)	(112,172)	-	(112,172)
Allowances for loan losses	10,794	-	10,794	3,037	-	3,037
Tax loss carry forward	5,096,727	-	5,096,727	5,313,807	-	5,313,807
Exchange loss unrealised	(1,871)	-	(1,871)	(785)	-	(785)
Deferred tax assets (net)	4,998,887	-	4,998,887	5,203,887	-	5,203,887

	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
Deferred income tax assets				
– Deferred income tax asset to be recovered after more than 12 months	4,997,737	5,201,635	4,989,964	5,201,635
– Deferred income tax asset to be recovered within 12 months	8,923	2,252	8,923	2,252
	5,006,660	5,203,887	4,998,887	5,203,887
Deferred income tax liabilities				
– Deferred income tax liability to be recovered after more than 12 months	2,577	2,488	-	-
	2,577	2,488	-	-

(c) **Movement on the net deferred tax assets / (liabilities) account during the year:**

In thousands of Naira

December 2018

GROUP	1 Jan 2018	Recognised in P&L	Recognised OCI	31 Dec 2018
PPE and intangible assets	(114,660)	4,242	-	(110,418)
Additions	-	(89)		(89)
Allowances for loan losses	3,037	-	-	3,037
Tax loss carry forward	5,313,807	(201,469)	-	5,112,337
Exchange gain/(loss) unrealised	(785)	-		(785)
	5,201,399	(197,317)	-	5,004,083

BANK

	1 Jan 2018	Recognised in P&L	Recognised OCI	31 Dec 2018
PPE and intangible assets	(112,172)	-	-	(112,172)
Allowances for loan losses	3,037	-	-	3,037
Tax loss carry forward	5,313,807	(205,000)	-	5,108,807
Exchange loss unrealised	(785)	-	-	(785)
	5,203,887	(205,000)	-	4,998,887

December 2017

GROUP

	1 Jan 2017	Recognised in P&L	Recognised OCI	31 Dec 2017
PPE and intangible assets	(105,634)	(9,026)	-	(114,660)
PPE and intangible assets-acquired subsidiary	-	-		-
Allowances for loan losses	21,665	(18,628)	-	3,037
Tax loss carry forward	5,347,105	(33,298)		5,313,807
Exchange loss unrealised	(134)	(651)	-	(785)
	5,263,002	(61,603)	-	5,201,399

BANK

	1 Jan 2017	Recognised in P&L	Recognised OCI	31 Dec 2017
PPE and intangible assets	(103,146)	(9,026)	-	(112,172)
Allowances for loan losses	21,665	(18,628)	-	3,037
Tax loss carry forward	5,347,105	(33,298)		5,313,807
Exchange gain/(loss) unrealised	(134)	(651)	-	(785)
	5,265,490	(61,603)	-	5,203,887

The Group has assessed that based on the projected income from the bank's operations for the financial year 2019 - 2022, the deferred tax asset of N4.998 billion for the year ended 31 December 2018 representing 28.5% of the total deferred tax available of N17.5 billion is recoverable. The Group reckons it is probable that future taxable profit will be available against which the losses and other temporary differences that gave rise to the deferred tax asset can be utilized.

31 Due to financial institutions

	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
In thousands of Naira				
Secured takings	12,159,545	11,206,114	12,159,545	11,206,114
	12,159,545	**11,206,114**	**12,159,545**	**11,206,114**

Deposit from financial institutions are all current in nature

32 Due to customers

	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
In thousands of Naira				
Current deposit	10,658,074	6,522,062	13,092,012	8,438,258
Call deposit	12,246,389	3,575,498	12,246,389	3,575,498
Customers' investment fund	103,286,317	66,296,938	101,558,466	65,752,852
	126,190,780	**76,394,498**	**126,896,867**	**77,766,608**

Due to customers are all current in nature

33 Commercial paper liabilities

	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
In thousands of Naira				
Commercial papers	18,053,345	-	18,053,345	-
	18,053,345	**-**	**18,053,345**	**-**

During the year, the bank raised commercial paper with a total face value of N19.99billion with the following maturities

Maturity date	Face value
11-Dec-18	1,190,095,000
11-Dec-18	300,000,000
11-Mar-19	18,509,901,000
	19,999,996,000

34 Other liabilities

In thousands of Naira	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
Financial liabilities				
Sundry creditors	83,809	61,834	55,388	39,015
Trade related liabilities1	21,999,429	14,449,751	21,999,429	14,449,751
Other financial liabilities	1,423,010	3,772,766	1,312,199	3,793,081
ECL on Contingents	339	-	339	-
	23,506,587	**18,284,351**	**23,367,355**	**18,281,847**
Non-financial liabilites				
Other current non-financial liabilities	1,151,813	897,313	1,090,014	852,572
	1,151,813	**897,313**	**1,090,014**	**852,572**
Total other liabilities	**24,658,400**	**19,181,664**	**24,457,369**	**19,134,419**

Other liabilies are all current in nature

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

35 Capital and reserves

A Share capital

In thousands of Naira	Bank December 2018	Bank December 2017
(a) Authorised:		
Ordinary shares:		
"10,000,000,000 Ordinary shares of N1 each	10,000,000	10,000,000
	10,000,000	10,000,000

In thousands of Naira	Bank December 2018	Bank December 2017
(b) Issued and fully paid-up :		
5,050,546,281 ordinary shares of N1 each	5,050,546	5,050,546

Ordinary shareholding:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

The movement on the number of shares in issue during the year was as follows:

In thousands of units	Group December 2018	Group December 2017
Balance, beginning of year	5,050,546	5,050,546
Additions through share issuance	-	-
Balance, end of year	5,050,546	5,050,546

The movement on the issued and fully paid-up share capital account during the year was as follows:

In thousands of Naira	Bank December 2018	Bank December 2017
Balance, beginning of year	5,050,546	5,050,546
Additions through share issuance	-	-
Balance, end of year	5,050,546	5,050,546

B Share premium

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

In thousands of Naira	Group December 2018	Group December 2017
Balance, beginning of year	3,655,348	3,655,348
Additions through share issuance	-	-
Balance, end of year	3,655,348	3,655,348

C Reserves

Other Reserves

Other regulatory reserves

(i) **Statutory reserves**

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(ii) **Fair value reserve**

The fair value reserve comprises the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(iii) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

(iv) **Retained earnings**

Retained earnings are the carried forward recognised income net of expenses plus current year profit attributable to shareholders.

36 Contingencies

(i) Legal proceedings

There were some outstanding legal proceedings with claims amounting to N348.9 million against the Group As at 30 June 2018. The claim is being defended vigorously by the Group as it is considered to be of no merit whatsoever. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. No provision has been made for the year ended 31 Dec 2018.

a. These comprise:

In thousands of Naira	Group December 2018	Group December 2017	Bank December 2018	Bank December 2017
Contingent liabilities:				
Commitments:				
Software Acquisition	266,102	64,064	266,102	64,064
Clean Line Letters of Credit	31,759,378	20,913,167	31,759,378	20,913,167
Guaranteed credit facilities	623,000	4,062,500	623,000	4,062,500
	32,648,480	**25,039,731**	**32,648,480**	**25,039,731**

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

No later than one year	12,375	36,582	12,375	36,582
Later than one year and no later than five years	2,750	-	2,750	-
	15,125	**36,582**	**15,125**	**36,582**

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, associates, joint ventures and the Group's pension schemes, as well as key management personnel.

The parent company of the Group is Coronation Merchant Bank Limited. The Group is wholly owned by Nigerian citizens. The subsidiary companies included in the Group comprise the following:

	Ownership interest (%)	
	31 Dec 2018	**31 Dec 2017**
Coronation Securities Limited	100%	100%
Coronation Asset Management Limited	100%	100%

Transactions with key management personnel

The Group'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 CMB, executive and non-executive directors of the Group. 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 Ltd and its subsidiaries.

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:

37a 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 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 and non-related parties are stated below:

(iii) Customer investment fund and deposits from related parties	Relationship	31 Dec 2018 N'000	31 Dec 2017 N'000
United Securities Limited	Shareholder	172,799	2,125,422
Wapic Insurance Plc	Shareholder	86,891	5,788
Coronation Securities Limited	Subsidiary	767,877	1,915,587
Coronation Trustees Limited	Subsidiary	1,973,778	350,671
Coronation Asset management Limited	Subsidiary	900,070	233,014
Marina Securities	Subsidiary	7,298	-
Key management personnel	Employee	25,763	70,195
Directors	Directorship	220,815	-
		4,155,291	4,700,679

- Movement in related party deposit	Directors	Key management personnel	Shareholders and other affiliated companies
Year ended 31 December 2018			
At 1 January	59,125	11,070	4,630,483
Net funds received during the year	161,690	14,693	(721,769)
At 31 December 2018	**220,815**	**25,763**	**3,908,714**
Interest expense	7,666	-	15,290
Year ended 31 December 2017			
At 1 January	60,787	18,884	5,457,399
Funds received during the year	(1,662)	(7,814)	(826,916)
At 31 December 2017	59,125	11,070	4,630,483
Interest expense	41,695	208	433,942

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. CMB 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	Relationship	31 Dec 2018 N'000	31 Dec 2017 N'000
Coronation Securities Limited	Intercompany payable	Subsidiary	151,638	6,767
Coronation Asset Management Limited	Rent payable	Subsidiary	1,344	4,321
Coronation Asset Management Limited	Intercompany payable	Subsidiary	783,053	1,993
Coronation Capital Limited	Consultancy and advisory fee	Shareholder	128,200	349,004
Wapic Insurance Plc	Insurance premium	Shareholder	-	80,955
			1,064,236	443,040

37b Loans to related parties

Balances and transactions with related party as at:

Group Relationship	Facility type	Status	31 Dec 2018	31 Dec 2017
Executive management and directors	Mortgage, Personal and Car loan	Performing	758,354	364,331
			758,354	364,331
Interest earned on staff loan			37,362	31,876

Bank Relationship	Facility type	Status	31 Dec 2018	31 Dec 2017
Executive management and directors	Mortgage, Personal and Car loan	Performing	745,754	351,731
			745,754	351,731
Interest earned on staff loan			37,340	31,854

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 Group. The mortgage loans are collateralised by the underlying property. There were no impairment charges related to the amounts outstanding.

37c Key management compensation

	Group 31 Dec 2018	Group 31 Dec 2017	Bank 31 Dec 2018	Bank 31 Dec 2017
Salaries and other short-term employee benefits:				
Salaries and wages	951,825	647,027	763,887	526,115
Other staff benefits	76,198	51,247	59,589	41,964
	1,028,023	**698,274**	**823,476**	**568,080**

37d 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

37e Asset held for sale sold to Coronation Asset Management

	Group 31 Dec 2018	Group 31 Dec 2017	Bank 31 Dec 2018	Bank 31 Dec 2017
Cost of asset	-	-	-	29,575
Sales Price	-	-	-	5,000
	-	**-**	**-**	**(24,575)**

38 Employees

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

	GROUP Number 31 Dec 2018	GROUP Number 31 Dec 2017	BANK Number 31 Dec 2018	BANK Number 31 Dec 2017
Executive directors	3	2	3	2
Management	19	18	16	13
Non-management	130	86	106	70
	152	**106**	**125**	**85**

Compensation for the above staff (excluding executive directors):

	GROUP N'000 31 Dec 2018	GROUP N'000 31 Dec 2017	BANK N'000 31 Dec 2018	BANK N'000 31 Dec 2017
Salaries and wages	1,396,591	827,248	1,056,586	657,766
Pension cost - defined contribution scheme	119,897	70,475	94,096	57,944
Other staff related expenses	-	-	-	-
	1,516,488	**897,723**	**1,150,682**	**715,710**

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

	Number 31 Dec 2018	Number 31 Dec 2017
N300,001 - N2,000,000	32	18
N2,000,001 - N2,800,000	7	6
N2,800,001 - N3,500,000	16	3
N3,500,001 - N5,500,000	35	24
N5,500,001 - N10,500,000	35	33
N10,500,001 - N20,000,000	14	9
Above N20,000,000	10	11
	149	104

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:

	GROUP	
	31 Dec 2018	31 Dec 2017
Fees and sitting allowances	167,400	40,500
Executive compensation	84,949	69,607
Pension cost - defined contribution scheme	17,147	13,235
Other director expenses	-	53,750
	269,496	**177,091**

Fees and other emoluments disclosed above include amounts paid to:

	31 Dec 2018	31 Dec 2017
Chairman	21,500	22,736
Highest paid director	49,450	49,450

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

	Number	
	31 Dec 2018	31 Dec 2017
N300,001 - N2,000,000	-	2
N10,500,001 - N20,000,000	2	-
Above N20,000,000	9	8
	11	**10**

40 Compliance with banking regulation

During the year under review, the following penalty was paid:

Description	Amount
Penalties for late notification of SEC of resignation of sponsored individual	95,000
Penalty for late submission of software agreement to NOTAP	100,000
Same day - late submission of daily returns	25,000
	220,000

41 Dividends

A dividend in respect of the year ended 31 Dec 2018 of 33 kobo per share (2017: 30 kobo) amounting to a total dividend of N1.68 billion (2017: N1.5 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 events after the reporting date.

43 Non - Audit Services

During the year, the Group auditor Mssr PwC performed the following non-audit engagements

Service	Description	Contract Sum N'000
Tax compliance services	Preparation and submission of the company's annual tax returns to the Federal Inland Revenue Service (FIRS);	3,750,000
Tax Transfer Pricing (TP) Services	Preparation and filing of TP documentation report and returns to FIRS including preparation of documentation transfer pricing risks, issues and opportunities with existing pricing practices (as well as recommendations to address these risks); and preparation of TP declaration and disclosure documentations.	3,200,000
	Total	**6,950,000**

CORONATION MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES

Value added statement*
For the year ended 31 December 2018

Group	31 Dec 2018		31 Dec 2017	
	N'000	%	N'000	%
Gross income	28,713,723		25,156,531	
Interest paid	(17,077,491)		(14,369,179)	
	11,636,232		10,787,352	
Impairments	(100,022)		3,662	
Administrative expenses (local and foreign)	(6,228,877)		(5,670,788)	
Value added	**5,307,333**	100	**5,120,226**	100
Value added distribution				
To government				
- Income taxes	254,441	5%	200,096	4%
- IT Levy	53,073	1%	51,202	0
To employees				
- Salaries and other benefits	1,711,991	32%	1,309,259	26%
The future:				
- Depreciation and amortisation of property and equipment and intangibles	640,122	12%	578,331	11%
- Deferred tax	(197,317)	-4%	(61,603)	(0)
Expansion (transfer to reserves)	2,845,023	54%	3,042,941	59%
	5,307,333	100	**5,120,226**	100

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

CORONATION MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES

Value added statement*
For the year ended 31 December 2018

Bank	31 Dec 2018 N'000	%	31 Dec 2017 N'000	%
Gross income	27,957,400		24,748,772	
Interest paid	(17,291,460)		(14,633,478)	
	10,665,940		10,115,294	
Impairments	(85,559)		51,596	
Administrative expenses (local and foreign)	(5,384,634)		(5,234,061)	
Value added	**5,195,747**	100	**4,932,829**	100
Value added distribution				
To government				
- Income taxes	183,986	4%	183,640	4%
- IT Levy	51,957	1%	49,328	0
To employees				
- Salaries and other benefits	1,433,036	28%	1,031,759	21%
The future:				
- Depreciation and amortisation of property and equipment and intangibles	592,516	11%	556,976	11%
- Deferred tax	(205,000)	-4%	(61,603)	(0)
Expansion (transfer to reserves)	3,139,252	60%	3,172,728	64%
	5,195,747	100	**4,932,829**	100

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

CORONATION MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES
Five Year Financial Summary

GROUP

	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000
Assets					
Cash and balances with banks	3,537,509	8,264,667	5,655,892	7,523,866	691,463
Due from financial institutions	37,035,896	29,509,041	16,246,877	16,246,877	10,878,893
Non pledged trading assets	8,101,708	1,137,667	3,443,570.00	0	470,490
Derivative financial assets	1,388,676	116,520.00	-	-	-
Investment securities:					
Held-to-maturity	13,057,046	7,447,089	15,257,502	11,746,851	16,402,421
Available for sale securities	75,576,088	21,170,496	18,493,830	12,611,114	8,332,907
Pledged assets	10,168,280	18,840,555	14,232,448	20,086,561	32,296,487
Loans and advances to customers	54,762,067	32,254,859	22,706,561	2,475,468	413,078
Other assets	7,213,747	6,432,931	355,915	203,258	194,887
Intangible assets	1,323,531	1,237,513	1,150,989	388,435	44,207
Property, plant and equipment	3,591,631	3,430,111	3,046,591	1,732,500	165,106
Investment properties	1,903,592	1,657,107	686,865.26	-	-
Investment in subsidiaries	-	-	-	-	-
Deferred tax asset	5,006,660	5,203,887	5,265,490	5,217,194	4,184,550
	222,666,431	136,702,443	106,542,530	78,232,124	74,074,489
Assets held for sale	-	-	29,575	48,756	48,756
Total assets	**222,666,431**	**136,702,443**	**106,572,105**	**78,280,880**	**74,123,245**
Liabilities					
Due to financial institutions	12,159,545	11,206,114	18,637,966	22,852,261	36,645,218
Due to customers	126,190,780	76,394,498	53,476,909	34,877,290	20,620,987
Non pledged trading liabilities	8,169,494	-	-	-	-
Commercial paper liabilities	18,053,345	-	-	-	-
Derivative financial liabilities	1,373,716	106,457	-	-	-
Current income tax liabilities	545,298	348,484	263,844	137,911	96,382
Other liabilities	24,658,400	19,181,664	8,313,191	176,677	233,301
Deferred tax asset	2,577	2,488	2,488		
Total liabilities	**191,153,155**	**107,239,705**	**80,694,398**	**58,044,139**	**57,595,888**

GROUP

	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000
Equity					
Share capital	5,050,546	5,050,546	5,050,546	4,854,118	4,854,118
Share premium	3,655,348	3,655,348	3,655,348	3,331,241	3,331,241
Statutory reserve	6,844,066	6,171,410	5,478,651	3,968,782	3,002,062
Treasury stock	-	-	-	(520,260)	(520,260)
Available for sale reserve	(506,647)	501,709	911,194	443,156	(43,828)
Credit risk reserve	1,058,409	647,767	397,224	60,948	113,890
Retained earnings	15,411,554	13,435,958	10,384,744	8,098,756	5,790,134
Total equity	**31,513,276**	**29,462,738**	**25,877,708**	**20,236,741**	**16,527,357**
Total equity and liabilities	**222,666,431**	**136,702,443**	**106,572,106**	**78,280,880**	**74,123,245**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing operations	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000
Interest and similar income	24,654,025	22,373,522	13,422,704	11,169,291	11,597,365
Interest and similar expense	(17,077,491)	(14,369,179)	(5,420,070)	(6,882,393)	(8,736,442)
Net interest income	7,576,534	8,004,343	8,002,634	4,286,898	2,860,923
Impairment (charge) / write back for credit losses	(100,022)	3,662	(70,119)	(6,734)	21,842
Net interest income after impairment charge for on financial assets	7,476,512	8,008,005	7,932,515	4,280,164	2,882,765
Fee and commission income	2,169,164	1,658,062	1,187,193	65,701	29,679
Net gains/(loss) on investment securities	1,664,153	898,266	308,257	1,263	(5,273)
Net foreign exchange income	134,366	216,243	220,716		
Gain on sale of subsiary	-	-	-	-	-
Other operating income	92,015	10,438	55,355	2,183	5,476
Operating expenses	(6,228,877)	(5,670,788)	(4,386,837)	(2,019,134)	(1,291,585)
Profit before tax	5,307,333	5,120,226	2,330,177	1,621,062	1,802,733
Taxation	(730,634)	(368,128)	(183,909)	892,223	(10,527)
Profit for the year	**4,576,699**	**4,752,098**	**2,146,268**	**2,513,285**	**1,792,206**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value (losses)/gains on available for sale financial assets					
- Fair value changes during the year	(1,010,010)	(377,258)	947,329	444,062	71,284
- Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	(32,227)	(479,291)	-	-
Other comprehensive income/(loss) for the year (net of tax)	(1,010,010)	(409,485)	468,038	444,062	71,284
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,566,689	4,342,613	2,614,306	2,957,347	1,863,490

CORONATION MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES

Five Year Financial Summary

BANK

	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and balances with banks	3,211,035	8,188,002	5,638,415	7,523,866	691,463
Due from financial institutions	36,914,556	29,509,041	16,246,877	16,246,877	10,878,893
Non pledged trading assets	8,101,708	1,137,667	3,443,570	-	470,490
Derivative financial assets	1,388,676	116,520	-	-	-
Investment securities:					
Held-to-maturity	12,820,508	7,447,089	15,257,502	11,746,851	16,402,421
Available for sale securities	-	-	-	-	-
Pledged assets	74,805,578	20,338,589	16,860,186	12,611,114	8,332,907
Loans and advances to customers	10,168,280	18,840,555	14,232,448	20,086,561	32,296,487
Other assets	54,312,459	32,239,585	22,706,561	2,475,468	413,078
Intangible assets	7,845,696	6,415,957	588,671	203,258	194,887
Property, plant and equipment	622,503	544,749	463,406	388,435	44,207
Investment properties	2,974,252	3,077,084	3,000,668	1,732,500	165,106
Investment in subsidiaries	4,614,711	4,614,711	3,314,711	520,260	520,260
Deferred tax asset	4,998,887	5,203,887	5,265,490	5,217,194	4,184,550
	222,778,849	137,673,437	107,018,506	78,752,384	74,594,749
Assets held for sale	-	-	29,575	48,756	48,756
Total assets	**222,778,849**	**137,673,437**	**107,048,081**	**78,801,140**	**74,643,505**
Liabilities					
Due to financial institutions	12,159,545	11,206,114	18,637,966	22,852,261	36,645,218
Due to customers	126,896,867	77,766,608	54,146,766	34,877,290	20,620,987
Non pledged trading liabilities	8,169,494	-	-	-	-
Commercial paper liabilities	1,373,716	106,457	-	-	-
Derivative financial liabilities	18,053,345	-	-	-	-
Current income tax liabilities	520,248	266,686	211,288	137,911	96,382
Other liabilities	24,457,369	19,134,419	8,262,903	176,677	233,301
Deferred tax asset					
Total liabilities	**191,630,584**	**108,480,284**	**81,258,923**	**58,044,139**	**57,595,888**
Equity					
Share capital	5,050,546	5,050,546	5,050,546	4,854,118	4,854,118
Share premium	3,655,348	3,655,348	3,655,348	3,331,241	3,331,241
Statutory reserve	6,844,066	6,171,410	5,478,651	3,968,782	3,002,062
Treasury stock	(545,267)	466,220	923,039	443,156	(43,828)
Available for sale reserve	1,058,409	647,767	397,224	60,948	113,890

BANK

	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000
Credit risk reserve	15,085,163	13,201,861	10,284,349	8,098,756	5,790,134
Retained earnings	31,148,264	29,193,153	25,789,158	20,757,001	17,047,615
Total equity	**31,148,264**	**29,193,153**	**25,789,158**	**20,757,001**	**17,047,615**
Total equity and liabilities	**222,778,848**	**137,673,437**	**107,048,081**	**78,801,140**	**74,643,504**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing operations	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000
Interest and similar income	24,286,820	22,195,656	13,321,639	11,169,291	11,597,365
Interest and similar expense	(17,291,460)	(14,633,478)	(5,484,124)	(6,882,393)	(8,736,442)
Net interest income	6,995,360	7,562,178	7,837,515	4,286,898	2,860,923
Impairment (charge) / write back for credit losses	(85,559)	51,596	(70,119)	(6,734)	21,842
Net interest income after impairment charge for on financial assets	6,909,801	7,613,774	7,767,396	4,280,164	2,882,765
Fee and commission income	1,700,352	1,300,432	931,374	65,701	29,679
Net gains/(loss) on investment securities	1,661,263	881,968	308,257	1,263	(5,273)
Net foreign exchange income	129,349	225,931	220,716	-	-
Other operating income	179,616	144,785	9,989	2,183	5,476
Operating expenses	(5,384,634)	(5,234,061)	(4,040,232)	(2,019,134)	(1,291,585)
Profit before tax	5,195,747	4,932,829	5,197,500	2,330,177	1,621,062
Taxation	(711,375)	(314,433)	(164,605)	892,223	(10,527)
Profit for the year	4,484372	4,618,396	5,032,895	3,222,400	1,610,535
Non-controlling interest	-	-	-	-	-
Profit for the year	**4,484,372**	**4,618,396**	**5,032,895**	**3,222,400**	**1,610,535**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value (losses)/gains on available for sale financial assets					
- Fair value changes during the year	(1,013,107)	(424,592)	444,062	71,284	(44,922)
- Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	(32,227)	-	-	-
Other comprehensive income/(loss) for the year (net of tax)	(1,013,107)	456,819	444,062	71,284	(44,922)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,471,265	4,161,577	5,476,957	3,293,684	1,565,613

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 4th Annual General Meeting of members of Coronation Merchant Bank Limited will hold at The George Hotel, 30, Lugard Avenue, Ikoyi, Lagos on Friday, April 13, 2018 at 9.30 a.m. You will be asked to consider and, if thought fit, to pass the following resolutions:

A. ORDINARY BUSINESS

As Ordinary Resolutions:

1. To receive the Audited Consolidated Financial Statements for the year ended December 31, 2018 and the Reports of the Directors, Auditors and Audit Committee thereon.

2. To declare a final dividend.

3. To re-elect Mr. Babatunde Folawiyo as a Non-Executive Director.

4. To re-elect Mr Babatunde Dabiri as an Independent Non-Executive Director

5. To elect Mrs Suzanne Iroche as an Independent Non-Executive Director

6. To elect Mr. Adebanjo Adegbohungbe as an Executive Director following his appointment by the Board since the last Annual General Meeting.

7. To re-appoint PricewaterhouseCoopers 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.

8. To authorize the Directors to fix the remuneration of the Auditors.

B. SPECIAL BUSINESS

To consider, and if thought fit, pass the following resolutions as ordinary resolutions of the bank

9. To authorize the board of directors to allot shares to potential investors from the unissued shares of the company, subject to the approval of the Central Bank of Nigeria.

10. That the Director's fees for the financial year ending December 31, 2019 be and is hereby fixed at N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for the other Non-Executive Directors.

11. That the Board of Directors be and is hereby authorized to divest from Coronation Asset Management Limited and any other subsidiary (as it may deem fit) subject to the approval of the relevant regulatory authorities.

12. That the Board of Directors be and is hereby authorized to take all actions that may be necessary to give effect to the foregoing resolutions

13. To consider the report of the Board Performance Appraisal for the year ended December 31, 2018.

PROXY

A member entitled to attend and vote at the Annual General Meeting 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 purpose of the meeting. All instruments of proxy should be duly stamped It must be completed and deposited at the office of the Company Secretary at 2nd Floor, Coronation House, 10 Amodu Ojikutu Street, Victoria Island Lagos not later than 48 hours prior to the time of the meeting.

DATED THIS 4TH DAY OF MARCH 2019

CORNELIA GEORGE UTUK
COMPANY SECRETARY
FRC/2014/NBA/00000007492

NOTES

Dividend

If the proposed final dividend of 33kobo per ordinary share is approved the dividend will be credited on the date of the Annual General Meeting.

Closure of Register

The Register of Members of the Bank will be closed on February 28, 2019 to enable the Company Secretary prepare for payment of dividend.

Rights of shareholders to ask questions

Shareholders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Bank on or before the 20th of March 2019.

Profiles of Directors

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

EXPLANATORY NOTES TO THE PROPOSED RESOLUTIONS

The Notes below provide explanation to the proposed resolutions.

Resolutions 1-10 are being proposed as ordinary resolutions. This means that for each resolution to be passed a simple majority of votes in favour of the resolution is required. Please note that if you abstain from voting you will not be counted in the calculation of the proportion of votes 'for' or 'against' a resolution.

Resolution 1: Annual Report and Accounts

The Directors are required under Section 345(1) of the Companies and Allied Matters Act 1990 to lay before the Company in the General Meeting for each financial year copies of the financial statements of the Company made up to a date not exceeding nine months prior to the date of the meeting. This provides the shareholders the opportunity to ask questions on the content of the Annual Report and Financial Statements.

Resolution 2: Declaration of Final Dividend

By Section 379(1) of the Companies and Allied Matters Act 1990, the General Meeting has the power to approve or reduce the final dividend recommended by the Directors but cannot increase the amount. If the 33kobo final dividend per ordinary share recommended by the Directors is approved, the final dividend net of withholding tax will be payable on April 3, 2019 to those shareholders registered on the Company's register of shareholders as at February 28, 2019.

Resolutions 3-5: Re-election/Election of Directors

Your Company's Article of Association require one third of all Non-Executive Directors (rounded down) to stand for re-election every year (depending on their tenure on the Board) together with directors appointed by the Board since the last Annual General Meeting ("AGM"). In keeping with the requirement, Mr. Babatunde Dabiri and Mr. Babatunde Folawiyo will retire at this AGM and being eligible for re-election will submit themselves for re-election. It is hereby confirmed that following a formal evaluation, the directors continue to demonstrate commitment to their role as Non-Executive Directors.

The Board pursuant to the powers vested on it by the Articles of Association has appointed Mr. Adebanjo Adedapo Adegbohungbe an Executive Director subject to all regulatory and shareholders' approvals. The appointee brings on board his vast experiences in the Banking sector. The appointments have been approved by the Central Bank of Nigeria. As required by the Articles of Association, these appointments will be tabled before the shareholders for approval.

The Board considers all the directors submitting themselves for election and re-election as highly experienced and having good understanding of the financial services industry. Given their experience and background the Board believes that they will continue to add value to the Bank.

The brief profiles of the directors standing for election or re-election are set below. The Board recommends that these directors should be elected or re-elected to maintain the needed balance of skill, knowledge and experience on the Board.

Babatunde Folawiyo - Non-Executive Director (Chairman)

Mr. Folawiyo is the Managing Director of the Yinka Folawiyo Group – an organization with interests in energy, agriculture, shipping, real estate and engineering – as well as a Director at MTN Nigeria Communications Ltd.

Over the course of his career, he has been actively involved in petroleum exploration activities under the indigenous Programme of the Nigerian Petroleum Industry, and was instrumental in pioneering developmental activities in the Benin Embayment. He served on the Board of Access Bank Plc until 2016.

He earned his B.Sc (Economics), LL.B (Law) and M.L (Law) from London School of Economics and is a member of the Bar Association of England and Wales and the Nigerian Bar Association. He has attended several Executive Development Programmes in leading institutions such as Harvard Business School, INSEAD amongst several others.

He joined the Board of Coronation Merchant Bank in April 2015

He is 58 years at the date of this Annual General Meeting.

Babatunde Dabiri - Non-Executive Director (Independent)

Mr. Dabiri is a thorough bred banking professional with over three decades of experience spent across various banks. He was first GMD/CEO of Sterling Bank from January 2006 till his retirement in 2008. He sits on the Board of Academy Press Plc, Mutual Benefits Assurance Plc, and University of Lagos Holding Company Ltd amongst several others.

He holds a Bachelor of Science degree in Economics from University of Ibadan and Master of Business Administration Degree from Columbia University, New York. He has attended several Executive Development Programmes in leading institutions such as African Development Bank, Chase Barclays Bank and INSEAD.

He joined the Board of Coronation Merchant Bank in August 2011.

He is a member of the following Board Committees:

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

Mr. Dabiri is aged 66 as at the date of this Annual General Meeting.

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

Mrs Iroche is currently the CEO of Marnaby Limited – a financial consultancy and

advisory services firm. She retired as the GMD of First Atlantic Bank Plc after spending 31 years in different banks including First Bank of Nigeria, International Merchant Bank, Chartered Bank Plc and United Bank for Africa Plc where, as Executive Director of Global and Institutional Banking, she was responsible for the expansion of UBA's banking franchise to other African countries, as well as supervision of existing offshore operations of the Bank in Ghana and New York.

She holds a Bachelor of Science degree in Economics from University of Lagos and Master Degree in Management from J. L. Kelog Graduate School of Management, Northwestern University, Evanston, Illinois, USA. She has attended several Executive Development Programmes in leading institutions such as Harvard Business School and INSEAD.

She joined the Board of Coronation merchant Bank in October 2012.

She is a member of the following Board Committees:

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

She is aged 59 as at the date of the meeting.

Banjo Adegbohungbe
Executive Director, Chief Operating Officer

Banjo has over 25 years banking experience having spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Ltd) in various functions including technology, business process improvement and trade operations before joining Access Bank in March 2007. Prior to joining Coronation Merchant Bank, he was a General Manager and Group Head of Global Trade and

Corporate Operations in Access Bank. As Executive Director and Chief Operating Officer at Coronation Merchant Bank, he is responsible for the strategic direction for the back office, technology and electronic/digital channels for the group.

He holds a Bachelor of Science degree in Mechanical Engineering from Obafemi Awolowo University, Ife and Master of Business Administration Degree from International Institute for Management Development, Switzerland.

He was appointed to the Board of Coronation Merchant Bank Limited in June 2018.

He is aged 48 as at the date of this meeting.

The interest of the Directors standing for election and re-election in the ordinary shares of the Bank as at December 31, 2018 are as shown below:

S/N	Director's Name	Direct Holding	Indirect Holding
1	Mr. Babatunde Folawiyo	-	226,415,094
2	Mr. Babatunde Dabiri	-	-
3	Mr. Adebanjo Adegbohungbe	-	-

Resolutions 6:
Approval of Auditor's Remuneration

Section 357(1) of the Companies and Allied Matters Act 1990 provides that every company shall at each general meeting appoint an auditor to audit the financial statements of the company and to hold office from the conclusion of that annual general meeting until the conclusion of the next annual general meeting.

PricewaterhouseCoopers was appointed as the statutory auditor of the Bank by the ordinary resolution of shareholders passed at the 3rd Annual General Meeting held on 13th of April 2018. The Board Audit Committee has recommended the re-appointment of PricewaterhouseCoopers as the Company's External Auditors and the Auditors have indicated their willingness to so act for the next one year.

Section 361 (1)(b) of the Companies and Allied Matters Act provides that the remuneration of the auditor of a company shall subject to Section 361(1)(a) be fixed by the company in general meeting or in such manner as the company in general meeting may determine. Pursuant to this provision, the shareholders will be required to authorize the Directors to fix the remuneration of the auditor for the financial year ending December 31, 2019.

Resolutions 7
Approval of Directors' Fees

Your Company is required by law to seek the approval of the annual fees payable to the Non-Executive Directors. Shareholders will therefore be required to approve annual fees N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for other Non-Executive Directors for the next year.

Resolution 8

Divestment from Subsidiaries - Coronation Asset Management Limited and Coronation Securities Limited

Proxy form

CORONATION
MERCHANT BANK

The Annual General Meeting of **CORONATION MERCHANT BANK LIMITED** which will be held at The Geroge Hotel 30 Lugard Avenue, Ikoyi Lagos at 10.00a.m on .... 2018. We ______________________ as a member of **CORONATION MERCHANT BANK LIMITED** hereby appoint ______________________ (or failing, the chairman of the meeting as my proxy to act and vote for me on my behalf at the Annual General Meeting of the Company to be held at The George Lagos Hotel 30 Lugard Avenue, Ikoyi Lagos at 10.00a.m on ... 2018 or at any adjournment thereof.

Note

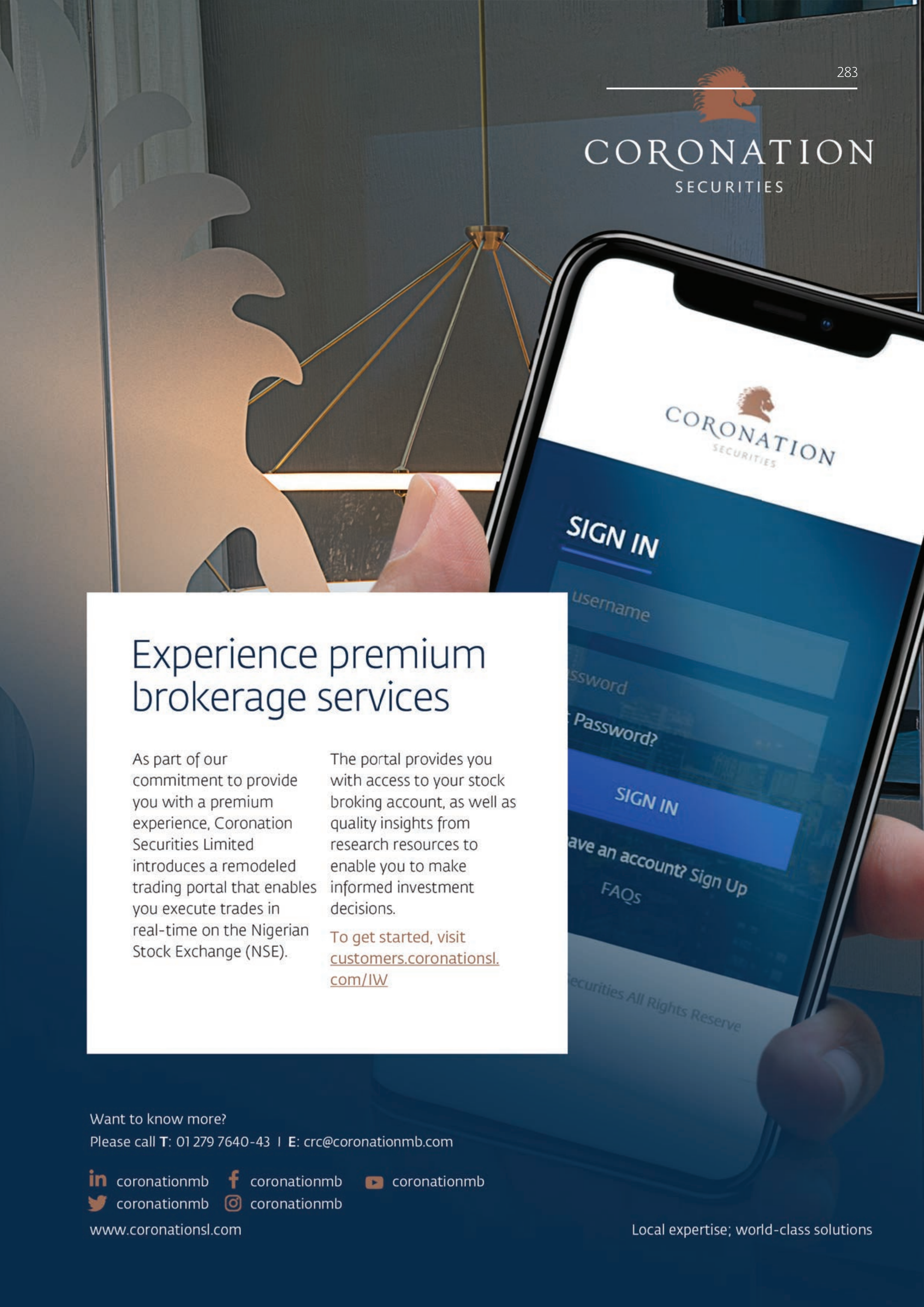
1. A member (shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy and this proxy form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.
2. Following the normal practice, the chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, but if you wish, you may insert in the blank space (marked**) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf.
3. Please sign and post the proxy so as to reach "The Company Secretary, Coronation Merchant Bank Limited, 10 Amodu Ojikutu Street, Victoria Island, Lagos" not later than 48 hours before the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.
4. If executed by a corporate body, the proxy form should be sealed with the common seal or under the hand of an officer or attorney duly authorized in that behalf.
5. It is a requirement of the law under the Stamp Duties Act, Cap 58, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty.

S/N	Ordinary Business/ Resolutions	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, 2018.			
2	To declare a final dividend			
3	To re-elect Mr. Babatunde Folawiyo 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			
	To elect Mr. Adebanjo Adegbohungbe as an Executive Director following his appointment by the Board since the last Annual General Meeting			
6	To re-appoint PricewaterhouseCoopers 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 Directors to fix the remuneration of the External Auditors (PriceWaterHouseCoopers) for 2019 financial year.			
8	To approve that thee Director's fees for the financial year ending December 31, 2019 be and is hereby fixed at N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for the other Non-Executive Directors			
9	To approve that the Board of Directors of the Company be and is hereby authorized to take all actions that may be necessary to give effect to the foregoing resolutions.			
10	To authorize the Board of Directors to divest from the Bank's subsidiaries, Coronation Asset Management Limited and Coronation Securities Limited subject to the approval of the relevant regulatory authorities.			
11	To approve that the Board of Directors of the Company be and is hereby authorized to take all actions that may be necessary to give effect to the foregoing resolutions.			
12	To approve the report of the Board Performance Appraisal from Ernst & Young for the year ended December 31, 2018.			

Please indicate, by marking 'X' in the appropriate space, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion.

Shareholder's Name / Date: ______________________ Shareholder's Signature: ______________________

Place Company Seal Here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