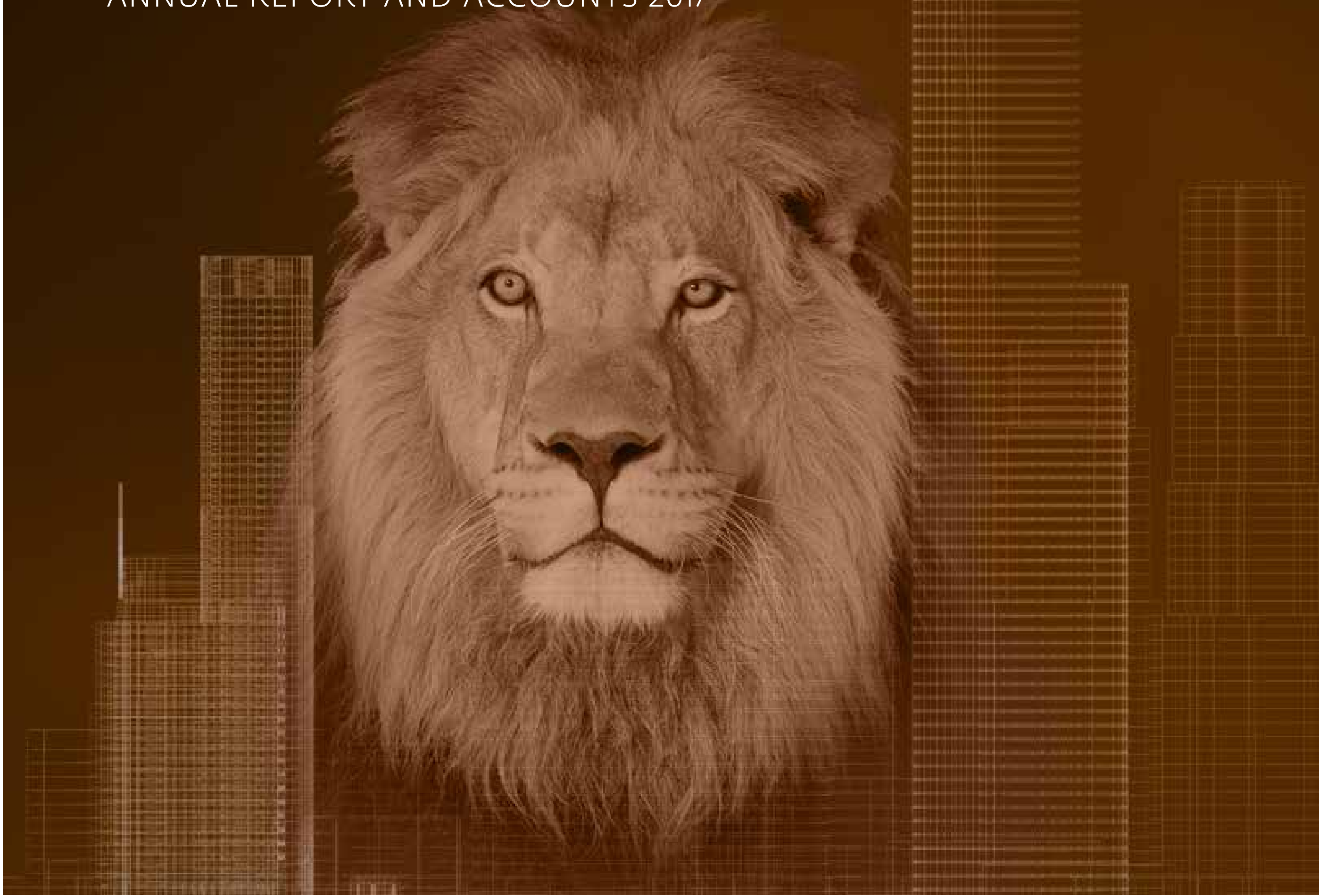
CORONATION

MERCHANT BANK

Shaping our future

ANNUAL REPORT AND ACCOUNTS 2017



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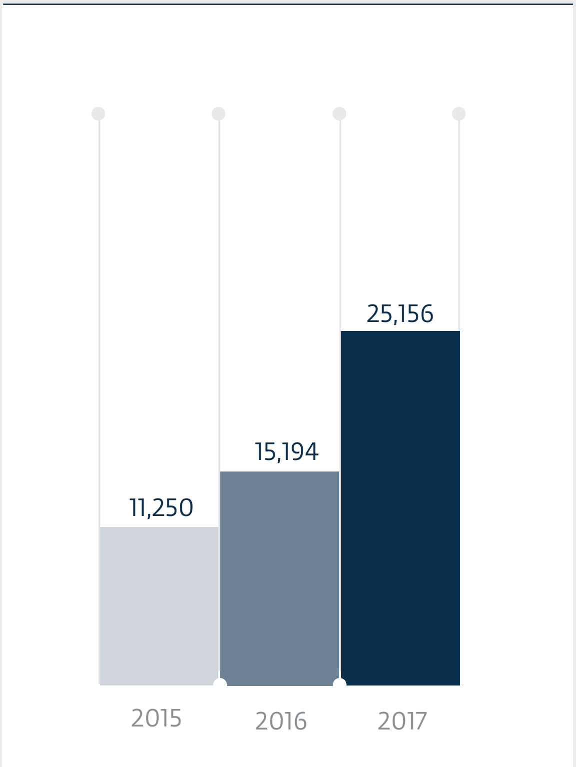
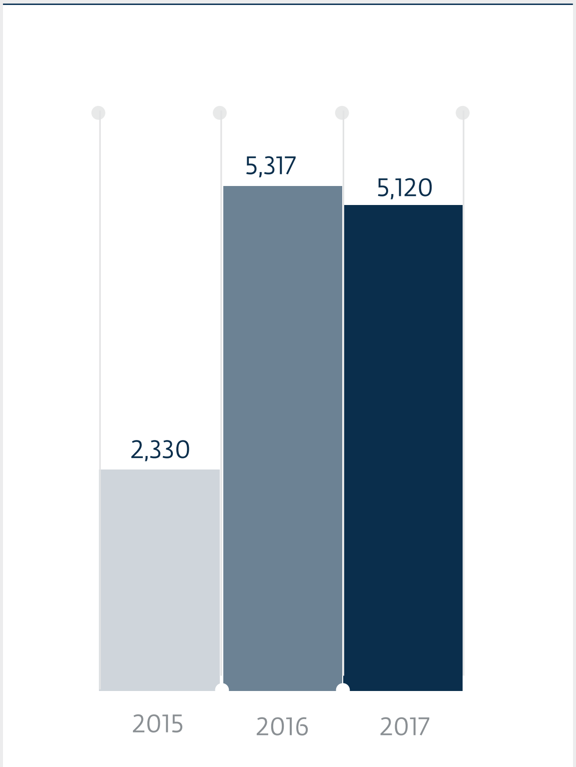
Overview

Financial highlights

Gross Earnings (N'million) 50%*



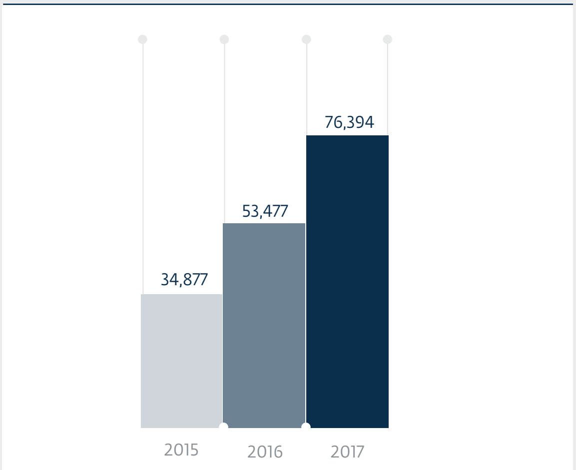
Profit Before Tax (N'million) 48%*



*CAGR - Compounded Annual Growth Rate

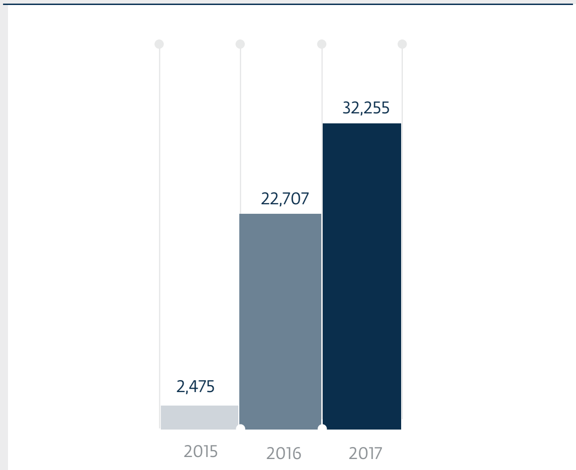
Customer's Deposits
(N'million)

48%*



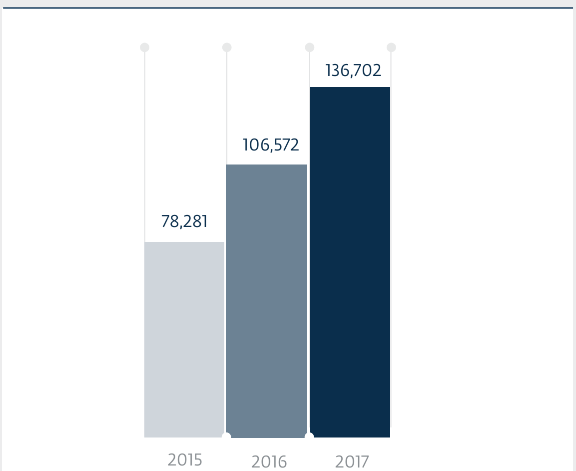
Loans & Advances
(N'million)

261%*



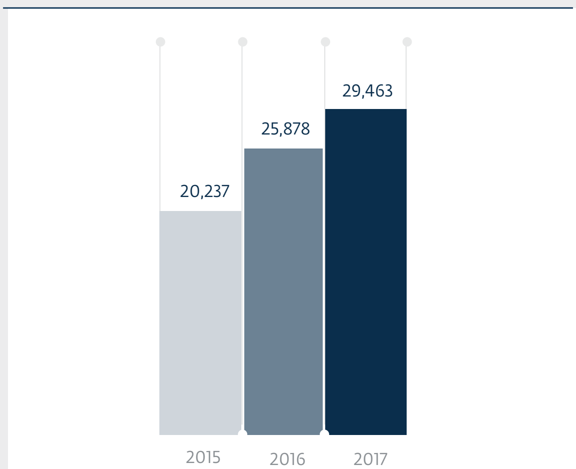
Total Assets
(N'million)

34%*



Shareholders Fund
(N'million)

21%*



*CAGR - Compounded Annual Growth Rate

Overview of Coronation Merchant Bank

Coronation Merchant Bank is a fast paced, result driven and innovative organization boldly setting standards of excellence in the Nigerian Banking sector and beyond. We have a clear strategy based on our competitive advantage: exceptional local knowledge combined with world-class financial solutions.

The bank was established to fill the gap in a long-underserved market segment, seeking to address the need for long term capital across key sectors of the economy. The 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 trustees services via its subsidiaries; Coronation Securities Limited, Coronation Asset Management Limited respectively.

Driven by its vision of becoming Africa's premier Investment Bank and with an asset base of over N130bn, 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 will rank top 3 position across specific areas of the banking business and in all 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.

> " Going into the next five years, Coronation Merchant Bank will rank top 3 position across specific areas of the banking business and in all 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 Locations

Lagos Office:
10 Amodu Ojikutu Street
PO Box 74853,
Victoria Island Lagos, Nigeria

T +234 (0)1 236 6235
F +234 (0)1 236 6217

Abuja Office:
Plot 1070 Faskari Street
Area 3 Garki, Abuja, Nigeria

T +234 (0)9 481 0574

Port Harcourt Office:
Charis Plaza, Evo Road Junction
141 Olu Obasanjo Road
Port Harcourt , Nigeria

T +234 (0)84 464 240

Chairman's Statement

Distinguished Shareholders,

It is with great delight that I welcome you to the 3rd Annual General Meeting of Coronation Merchant Bank Limited and also present to you our annual report and financial statements for the financial year ended 31 December 2017.

During the course of the year, we made significant progress in the execution of various strategic initiatives that will see us emerge as Africa's premier Investment Bank in the nearest future. I must congratulate the Board of Directors and the entire Management of the Bank for emerging as the winner of the highly-coveted "Merchant Bank of the Year" award at the 2017 edition of the Business Day Awards. This award is a clear affirmation of our position as a leading Merchant Bank in Nigeria.

Also, Coronation Asset Management, one of our subsidiaries, successfully launched and listed three mutual funds on the Nigeria Stock Exchange within the first year of business operations. The impressive subscription recorded from the Initial Public Offer of the mutual funds is another achievement in the history of our company. In addition to these laudable feats recorded, Agusto & Co – Nigeria's foremost rating agency, upgraded the Bank's credit rating from "A" to "A+" with a stable outlook. This rating upgrade is indeed a valid testament to our strong risk management framework and the positive impact on asset quality, as well as our strong commitment to becoming the Africa's Premier Investment Bank.

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Operating Environment

Global Economic Environment: The global economic environment in 2017 was stronger than expected, with the upward revision of global growth estimate from 3.4% to 3.6% for the full year by International Monetary Fund. Data for growth was upgraded for emerging Asia, emerging Europe and Russia in 2017. Economic development in the Euro zone was also healthy.

Despite the underlying expansion in the global economy, there was mixed performance among commodities. The price of copper rose 31 percent in 2017, but the price of iron ore fell 7 per cent. The price of Brent crude oil rose 18 percent, from US$56.82 per barrel to US$66.87 per barrel during the year, and only briefly traded lower than US$50.00 per barrel. Support for oil prices was partly due to cuts in production agreed by OPEC, which were exacerbated by shortfalls in Venezuelan production.

The political outlook in the world's major economies stabilised in 2017. Fears of extreme policy measures being adopted in the US were not, for the most part, realised. In Germany the electorate returned the incumbent Chancellor to power, albeit with a much weaker mandate than before. The French elected a youthful reformer as their president, and he quickly introduced market-friendly measures. The BREXIT negotiations between the United Kingdom and the European Union proceeded, but revealed weaknesses in UK industries, including its financial services industry. Euro zone growth was stronger than that of the UK.

However, differences between the US and the Euro zone suggest that there are risks going forward. The US is leading the way in normalising interest rates, with steady (though small) increments in the Federal Funds Rate. This is not taking place in the Euro zone. The challenge of normalising interest rates, in much of the developed world, lies ahead of us. Though the IMF forecasts 3.7% growth for the global economy in 2018, it is likely that there will be continued questions over interest rates and international capital flows during the year ahead.

Domestic Economic Environment: Nigeria emerged from recession in 2017, with 0.72 percent year-on-year growth recorded in Q2 and further growth (according to preliminary data) of 1.40 percent in Q3. Given Nigeria's population growth and obvious capacity to benefit from structural improvements, this data may not look impressive. However, compared with the position in 2016, when all four quarters were in recession, there were significant improvements in 2017. Nigeria's monetary authorities dealt with the difficult task of encouraging growth while tackling inflation, which moderated from 18.72 percent, year-on-year, in January to 15.90 percent in November 2017.

In this improving environment, foreign investors could not sit on the sidelines for long. A sign of their absence was the fact that the parallel, unofficial price of the US dollar in Naira was 56 percent higher than the interbank exchange rate in

January 2017. A combination of pent-up demand for US Dollar, combined with a decline in the interbank exchange rate from N315 to N366 to the US dollar in August, almost wholly erased the premium in the unofficial market. This brought measurable improvements to trade and to Nigeria's financial markets.

However, Nigeria continues to address significant issues with balances of payments, capital flows, and fiscal issues. Though much work remains to be done, the fact that some of the most difficult distortions were addressed in 2017 gives us a degree of confidence about economic conditions going into 2018.

Banks adopted a risk-averse position in 2017, preferring to restrict lending to highly rated customers and continuous strengthening of the risk management approach. With yields on government securities i.e. treasury bills and bonds in the teens for most part of the year, loans and advances in the banking industry was muted in 2017 as Banks increasingly favoured investing in Federal Government securities.

Performance Review for 2017 Financial Year

Despite the tough market and economic conditions that characterised most part of the year, the Bank recorded notable improvements across some of the performance metrics in 2017. Coronation Merchant Bank achieved a Profit Before Tax of N5.1bn in 2017 compared to the performance of N5.3bn in the previous year.

The Bank recorded a significant growth of 67% in the interest income to N22.4 billion (FY'16: N13.4 billion), demonstrating the sustainability of our core business. In addition to this, the non-interest income grew by 57% to N2.8bn in FY' 2017 (FY'16: N1.8bn), driven by strong increase in our fees and commissions, income and gains from investment securities.
Total assets increased significantly by 28% in the FY 2017 to N136 billion largely driven by the growth in loans and advances. We made deliberate efforts to increase our exposure to high quality obligors who fall within our risk acceptance criteria in target economic sectors. We will continue to maintain a disciplined and prudent approach in our exposures to dollar based assets in line with our overall risk management framework. Customers' deposits also grew significantly by 43% to N76.4billion in 2017 (Dec 2016. N53.5bn)

The Bank maintained strong prudential ratios well above the regulatory limits with CAR and Liquidity ratios of 35.19% and 53.38% respectively. We will continue to drive the implementation of our robust risk management framework to keep our non-performing loans ratio at zero percent.

Subsequent to the performance in the 2017 and in line with the approved dividend policy of the Bank, we have proposed a dividend of 30 kobo per ordinary share of N1.00 (2016: 15k per ordinary share of N1.00) upon approval at the Annual General Meeting to shareholders on the register as at February 28, 2018.

> " Though much work remains to be done, the fact that some of the most difficult distortions were addressed in 2017 gives us a degree of confidence about economic conditions going into 2018."

Board Developments and Corporate Governance

We recognise that sound corporate governance is fundamental to earning and retaining the confidence and trust of our stakeholders.
Since the commencement of the Merchant Banking operations

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in 2015, our corporate governance practices have stayed ahead of the most exacting statutory requirements with a strong adherence to our fundamental core values. We have built the right level of stewardship required to drive sustainable growth across the entire business franchise. From the last AGM to date, two Non-Executive Directors (one of whom is Independent) and one Executive Director have been appointed to further strengthen corporate governance in the Bank and Capital Market Group.

Olubunmi Fayokun brings with her several years of diverse experience acquired in advising on a significant number of complex commercial transactions, including Debt and Capital Market transactions, Mergers and Acquisitions, Divestments, Collective Investment schemes. Olubunmi sits on the board of a Nigerian listed company and has served on various committees established by the Nigerian Securities and Exchange Commission for promoting the development of the Nigerian capital market. She is a former Director of the Association of Issuing Houses of Nigeria and played a key role in the establishment of the Nigerian Association of Securities Dealers OTC market.

Idaere Gogo Ogan is an ex-banker and a highly respected business administrator with extensive experience across key areas of Banking, Insurance and Oil & Gas, Engineering, Travels and Logistics services. Mr. Ogan sits on the Board of several top tier companies is a member, Institute of Directors of Nigeria which is an affiliate of Institute of Directors United Kingdom.

Onome Komolafe has over two decades banking experience which cuts across branch operations, treasury operations, domestic operations, Information and Technology. She rose to a Senior Management position in one of the tier 1 banks in Nigeria where she was responsible for the Bank's Centralized Operations Group. Mrs. Komolafe'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; analyzing the bank's technology infrastructure and providing guidance, with a core focus on creating sustainable processes and structures.

I have no doubt in their capabilities to immensely add value to our business and further enrich our diverse and talented pool of directors. The Board is now composed of ten directors, made up of three Independent Non-Executive Directors, five Non-Executive Directors and two Executive Directors. The composition of our Board remains true to our adherence with international best practice, which encourages a higher ratio of Non-Executive Directors to Executives.

2018 Outlook

Looking ahead, we are optimistic about the future and we believe the Bank is well positioned to adapt to challenges and capitalise on emerging opportunities in the current economy

Year 2018 has already started with positive global economic indicators, though it would be unwise to assume that global markets will continue to strengthen. The world's monetary authorities are still making the delicate transition from quantitative easing to normal interest rate regimes, and this process may yet yield undesirable outcomes. Emerging markets, and commodity producers, are still strongly influenced by developments in the world's biggest economies.

Despite the potential for a slowdown on the back of election process in the second half of the year and the potential delay in passage of the 2018 budget, we anticipate that inflation will continue to taper and fixed income yield will decline further. In 2018, we see monetary policy slanting towards a mid- point to accommodate growth. We expect GDP growth to surpass 2.0% growth rate in 2018 giving room for healthy equities performance during the year.

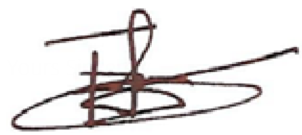
While we are aware of the challenges that lie ahead, we are confident that the sound governance structure and continuous focus on our strategic priorities will guarantee profitable business growth in 2018 and beyond. 2018 will be a critical year for Coronation Merchant Bank Group as we work towards meeting the needs and exceeding the expectations of our numerous stakeholders.

As we progress in our journey to become Africa's Premier Investment Bank, we are committed to providing our clients with superior financial advice and solutions while generating attractive and sustainable returns for shareholders. We will continue to focus on bringing world class advisory services, accompanied by innovative products and services, whilst remaining committed to our values of strong governance and transparency.

On behalf of the Board of Directors, I would like to acknowledge and sincerely appreciate our clients for their unflinching loyalty, the Management and Staff for their unwavering commitment to duty and the shareholders for their continued support to our great Bank. May God Almighty guide us through the financial year to the next AGM and beyond.

Thank you.

Yours Sincerely



Babatunde Folawiyo
Chairman

CEO's Statement

Shaping Our Future..

Distinguished shareholders, ladies and gentlemen, it is my privilege and honor to welcome you to the 3rd Annual General Meeting of Coronation Merchant Bank Limited, and present to you our financial results for the year ended 31st December 2017.

The Bank is on the path of sustainable growth and we have developed the right structure, systems and processes to utilise the ingenuity of our people, forge stronger partnerships with the right institutions and deepen the relationships that we have formed with our customers. As we look across all our businesses today, we see tangible results of hard-work, commitment and diligence towards achieving the overall goal of becoming the Africa's premier Investment Bank. In recognition of our adherence to best practices and quality standards in the conduct of our business operations, we were certified by International Organisation for Standardisation (ISO) for Information Security Management by the British Standard Institute (BSI). This ISO 27001:2013 certification signifies the Bank's adherence to the highest internationally recognised standards and stringent controls for managing data and protecting customer information across all the bank's systems, processes and services.

Having clearly put in place the processes and infrastructures required to be the premier Investment Bank in Africa, we will continue to drive the implementation of our strategy to achieve this overall objective.

As I present to you the 2017 financial statements and the report of the performance of our Company, permit me to briefly highlight some significant events that shaped our operating landscape.

> Our deliberate focus on the efficiency of our business operations has continued to yield considerable returns. Despite the high inflation rate, Cost-to-income ratio increased marginally by 90bps to 46.1% (Dec 2016: 45.2%), reaffirming the Bank's commitment to rein in costs while improving operating efficiency."

Business Environment

Though 2017 began with a sense of uncertainty, global economic growth was strong, at 3.6%, and global equity markets made positive returns. The S&P 500 Index of US equities rose 19 percent over the year, the Euro Stoxx 50 equity index rose 6 percent. The MSCI emerging markets equity index rose by 34 percent, in US dollars, which was an exceptional performance. Global equity raising reached its highest level since before the global financial crisis of 2008. The sum of money raised by some 1,700 groups that floated across the world in 2017 was estimated at US$196 billion, 44 percent higher than in the previous year.

Emerging economies fared well in 2017, though it tended to be manufacturing economies that performed well rather than commodity producers. The performance of commodities was mixed, though it was significant for Nigeria that the price of Brent crude, which had been at an average price of US$45.13 per barrel in 2016, traded at an average US$54.13 per barrel in 2017, rallying to close the year at US$66.87 per barrel.

The Nigerian economy came out of recession in 2017, though by global standards its performance was lackluster. Following four consecutive quarters of negative growth in 2016, and a further 0.91 percent contraction in the first quarter of 2017, the Nigerian economy grew by 0.72 percent, year-on-year, in the second quarter. This was followed by 1.40% percent growth, according to preliminary data, in the third quarter.

Inflation proved difficult to bring down, though the year-on-year rate of 18.72 percent in January was reduced to 15.37 per cent by December. The Monetary Policy Rate (MPR) of the Central Bank of Nigeria was maintained at 14 percent during the year.

It was significant that in 2017 a consensus emerged as to the value of the Naira against the US dollar. At the beginning of January 2017, the Naira was traded in the interbank market at N315 to the US dollar, compared with an unofficial, parallel rate of N490. These two rates converged as the year progressed. By mid-August the interbank rate was N366 to the US dollar while the parallel rate was N370. This situation persisted to the end of the year. As a result, there was a return of confidence to Nigerian financial markets with the Nigerian Stock Exchange All-Share Index gaining 42.30% over the year. At the same time, it must be recognised that not all issues affecting Nigeria's foreign exchange reserves and exterior balances have been satisfactorily resolved.

These developments culminated in a tough operating environment for banking business with associated impacts on the cost of doing business and the asset performance of Nigerian banks.

Our Strong Financial Performance

Despite the macroeconomic and regulatory limitations that characterized the financial year, the bank grew the top line figures by 67% in 2017 to N25.2bn driven primarily by the strong performance of our core revenue lines. Net Interest Income remained relatively flat in 2017 due to significant increase in the interest expense during the year.

Backed by robust growth in income through fees and commission and gains from trading activities, the bank recorded a Profit before Tax (PBT) and Profit after Tax (PAT) of N5.1billion and N4.8billion respectively for the year ended December 31, 2017.

Our deliberate focus on the efficiency of our business operations has continued to yield considerable returns. Despite the high inflation rate, Cost-to-income ratio increased marginally by 90bps to 46.1% (Dec 2016: 45.2%), reaffirming the Bank's commitment to rein in costs while improving operating efficiency.

We continue to gain momentum in our efforts to achieve more diversified earnings, as we strengthened our subsidiaries offerings. I am excited at the prospects in the coming months.

Loans and advances to customers increased by 42.1% to N32.3bn in 2017 (Dec. 2016: N22.7bn). The Bank maintained stable asset quality, recording non-performing loans and cost of risk ratios of 0.0% in 2017. We will continue to uphold our proactive risk management principles to maintain strong risk asset quality ratios within internal acceptable limits. Consequently, Coronation Merchant Bank delivered a return on investment of the 19.4% in 2017.

Ladies and gentlemen, the past year was a daunting one that came with its hurdles, with the ongoing strategic initiatives currently being implemented by the Group, we are optimistic of our future growth prospects.

Clients Engagement

During the year under review, we provided new value propositions and bespoke product offerings to all our customers especially in the Corporate and Investment Banking space. Despite the difficult operating environment at the time, we saw enormous opportunity in the "crisis" and we established Coronation Merchant Bank as one of the leading Corporate Banks within our immediate Merchant Banking space. We leveraged our unique expertise and high-quality resources to increase banking relationships with key players and market leaders in our primary area of focus, i.e., FMCG, Energy, Agriculture, Real Estate & Construction and General Commerce. We will continue to seek opportunities for financing major deals within acceptable risk thresholds across key economic sectors

" The past year was a daunting one that came with its hurdles, with the ongoing strategic initiatives currently being implemented by the Group, we are optimistic of our future growth prospects."

Launching of Mutual Funds

Also, within the first year of business operations, Coronation Asset Management launched three mutual funds on the Nigeria stock exchange for trading and accessibility by retail and institutional investors. While the Money Market Fund offers investors the opportunity to maximize return on their liquid savings, the Fixed Income and Balanced Funds provide the best opportunity to realise medium to long term investment goals. The successful funds-listing and subsequent subscription by the investing public marks another achievement in the history of our company.

Next Generation of Finance Leaders

During the year 2017, the first set of analysts graduated from Coronation Academy in 2017 after an intensive eight-month trainee programme covering various areas of banking and financial services, including on the job-learning (experiential), corporate/soft skills development and culture management.

The Graduate Trainee programme was established to train and provide a pool of competent, capable banking and finance professionals to be well versed in the modern business of banking and finance as well as equip them with tools which will empower them to become leaders and build meaningful careers in the industry. Through our graduate trainee programme, we are poised to develop global talent locally, and raise the next generation of finance leaders for the Bank and the Nigerian economy at large.

Cross Selling Framework

We have defined a robust transaction origination framework to guide transaction origination efforts across the Capital Market Group. The framework proposes the optimal utilization of the resources available to the Bank as well as leveraging knowledge, relationships and the marketing capabilities of every individual and corporate entity associated with the Bank. In addition to the primary objective of achieving the financial objective of the Group, the origination framework will also increase the wallet share of the Group from client business, enhance cross-selling capabilities within the Group and also enhance the Bank's market positioning in the Investment Banking league table.

Risk Management Practice

We believe prudent risk taking aligned with our strategic priorities is fundamental to our business, and we maintain a conservative risk management framework to manage liquidity and capital. The Group will continue to adhere to our robust enterprise risk management standards to protect our business operations from shocks and market volatility. With our strong capital adequacy ratio and industry leading prudential ratios, we are confident that the Bank has the appropriate capacity to protect and safeguard the interests of its depositors and shareholders at all times. It is important to note that, Agusto & Co., Nigeria's foremost rating agency recently upgraded the Bank's credit rating from "A" to "A+" with a stable outlook. The upgrade is underpinned by the bank's good asset quality, strong liquidity profile, marked improvement in profitability, good capitalization levels as well as skilled and experienced management team. Over the past one year, we have demonstrated a strong capacity to navigate the challenging and complex business environment in a manner that guarantees shareholders value.

" We believe prudent risk taking aligned with our strategic priorities is fundamental to our business, and we maintain a conservative risk management framework to manage liquidity and capital."

Conclusion

2018 starts with positive global economic indicators, though it would be unwise to assume that global markets will continue to strengthen. The world's monetary authorities are still making the delicate transition from quantitative easing to normal interest rate regimes, and this process may yet yield undesirable outcomes. Emerging markets, and commodity producers, are still strongly influenced by developments in the world's biggest economies. On the other hand, we execute our strategy with confidence that we can continue to grow our business by making the best use of the opportunities open to us.

The Bank will continue to deliver exceptional performance across all financial and non-financial indices through an intense focus on innovative product offerings, excellent service delivery, prudent cost control measures and robust risk management practices.

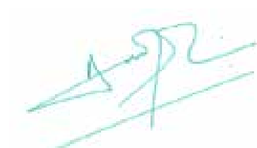
Our strategic focus in 2018 has been centered around the following themes:

- Aggressively increasing our market share of corporates & institutional customers
- Creating a world-class digital delivery platform to drive innovation in financial market
- Strategic focus on Capital Market Group to increase the relative contribution of the subsidiaries business to the Group
- Maintaining strict control over operational expenses and driving service delivery excellence across the group

I strongly believe that the growth and expansion of our subsidiaries business will enable us to harness the myriad of opportunities in the retail segment and further enhance the contribution of the Capital Market to the overall Group performance.

On behalf of the entire Management of Coronation Merchant Bank, I would like to express our sincere gratitude to our clients, our shareholders, our employees and the regulators for all their support during the year. With your continued support, we believe we will create an enduring future for our Bank.

Thank you,



ABUBAKAR JIMOH
Group Managing Director/Chief Executive Officer

Business Review

2

Corporate Philosophy

Our Vision

To be Africa's premier Investment Bank

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

Our People

Our human capital is our most important asset

Each employee is treated with dignity and fairness. Our recruitment model and brand essence are designed to attract the best talents for roles within our organization. We will continue to provide a stimulating and challenging environment which drives superior performance and career development. We recruit and develop skilled and talented individuals with track record of academic and professional excellence.

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

We operate a system of participative management that allow employees to pursue their career developments while contributing to the growth of the Bank. Compensation will be competitive while the Bank will encourage self-actualization by aligning personal goals with that of the organization. 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 seek to excel not only within Nigeria but regionally. We will build up a global recognition which will give us presence across the world.

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

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

Our accolades will call the world's attention to the potentials of Nigeria. We will operate above and beyond all other investment banks in any market we operate.

Service & 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 clients, with the ultimate aim of creating sustainable value for the firm.

Strong Risk Management / Governance

Under no circumstance will Coronation Merchant Bank compromise on sustainable long-term growth and reputation for short term gains. We will continuously employ World-class risk management capabilities that balance risk and return. We employ high corporate governance standards that will become the benchmark in the industry.

Market Leadership

We are committed to be the first among peers - first to develop innovative products and industry leaders in chosen markets and segments

Throughout our history, we constantly strive to set the pace for others to follow. Coronation MB hopes to be known for pioneering industry redefining initiatives. The bank's innovativeness and creativity will earn it the confidence of regulatory authorities and gain the attention of international financial organizations for credible partnerships and collaborations.

Our Mission

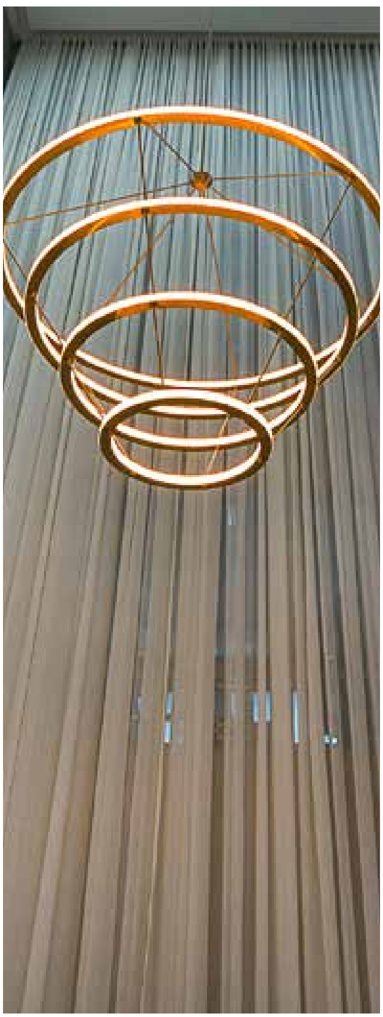
To be the engine room of Africa's financial markets

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 in 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 stake holders will seek to be recognised with us. This implies that WE must strive at ALL times to EXCEED our customers' expectations through continuous learning, innovation and development while we continue to gain customer insight, and seek solutions to diverse customer problems.

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

Our Core Values

At Coronation Merchant Bank, our values represent another important step in our decision - making process.
Our values represent our core priorities and what we say we live by. This is what enables us to deliver on our vision and mission.



Innovation

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

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.

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.

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.

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.

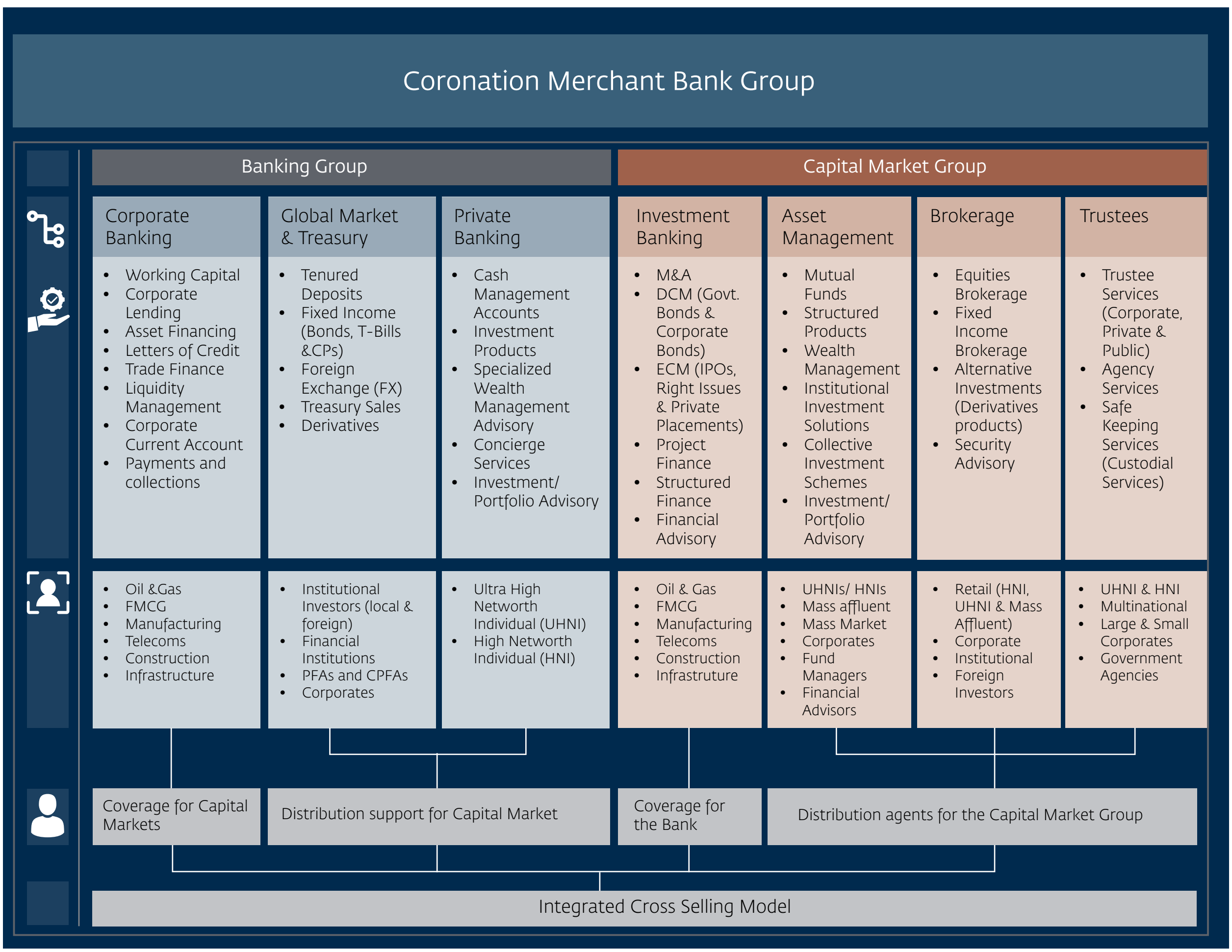
Leadership

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.

Our Business Model

We adopt an integrated corporate and investment model to drive cross selling across the entire group. Below is a snapshot of the relationship between Strategic Business Units (SBUs) in Coronation Merchant Bank

Fig 1: OUR INTEGRATED CORPORATE AND INVESTMENT BANKING MODEL



Business Segments | Products & Services | Customer focus & Client Segmentation | Role/ Responsibility

Business Overview

Investment Banking Division

The Investment Banking Business of Coronation Merchant Bank offers integrated advisory and financing solutions to help our clients achieve their overall strategic aspirations.

We focus on building long-term partnerships 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.

The Investment Banking Division offers a wide range of services to fulfil our clients' needs including capital raising services, advisory services on mergers and acquisition as well as project finance and product structuring advise for hedging and liquidity solutions.

The 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/structuring solutions relating to issuance of debt and equity securities in the capital markets to our clients (corporate, government and supranational institutions).

Mergers and Acquisitions: Through our M&A product group we offer our clients distinctive and innovative corporate finance and strategic advice on complex transactions including buy-side and sell-side financial advisory services for business combinations, acquisitions, divestment, buy outs, and business restructuring transactions.

Project & Structured Finance: We provide project finance advisory services covering 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 through the creation and issuance of structured debt and equity instruments while providing unparalleled structured finance advice.

Products 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”)	Government Bonds (Federal, State & Municipals)	Buy Side M&A Advisory	Corporate Finance Advisory	Project Finance Advisory & Structuring	Multilateral Funding
Follow-on Offerings	Corporate Bonds	Sell Side M&A Advisory	Privatisation Advisory	Project Equity/Mezz/ Debt Syndications	Syndicated Loans
Private Placements	High-Yield Bonds	Takeovers	Restructuring	Public Private Partnerships (“PPP”)	Bridge Financing
Rights Issues		Leveraged/ Management Buy Outs			Asset Based Financing & Securitisations
Equity-Linked Instruments – Convertibles, Mezzanine, etc.		Distressed Sales			Derivatives Structuring

Sector Focus

Sector	Sub - sector
Consumer Goods	Food & Beverage Household and Personal Care Products Distribution & Logistics
Financial Institutions	Banks Insurance Pensions Financial Technology
Oil & Gas	Upstream Midstream Downstream Services
Industrials	Heavy Industries Construction Steel & other fabrications
Telecoms	Mobile Network Operators Data Service Providers Infrastructure and Services

Sector	Sub - sector
Agriculture	Inputs i.e. Seeds, fertilisers Farming: Plantation Processing and Distribution
Infrastructure	Power Transport Mining
Real Estate	Commercial Retail Hospitality Residential Industrial
Public Sector	Federal and State Governments Ministries Parastatals Other Public Agencies

Sector	Sub - sector
Financial Sponsors and Institutional Investors	Private Equity Firms Pension Fund Administrators Asset Managers Sovereign Wealth Funds Family Offices High Net-worth Individuals

Achievements in 2017

Coronation MB's Investment Banking franchise further consolidated on its achievements in 2016 by participating in some of the landmark deals executed in 2017.

- Joint Lead Arranger to UACN Property Development Company Plc on its Series 6-25 Commercial Paper Issue under a ₦24 billion Commercial Paper Programme;
- Joint Lead Arranger to Access Bank Plc on its ₦40 billion Commercial Paper Issue under the Bank's ₦100 billion Programme – the largest single commercial paper issue by a Nigerian entity till date;
- Joint Issuing House to Mixta Real Estate Plc on its ₦4.5 billion Bond Issue under the Company's ₦30 billion Medium-Term Note Programme;
- Joint Financial Advisor to Access Bank Plc on the Divestment of the Bank's 17.65% Stake in Stanbic IBTC Pension Managers Ltd to the Company's majority shareholder, Stanbic IBTC Holdings Plc;
- Joint Issuing House to Lagos State Government on its ₦85 billion Bond Issue under its ₦500 billion debt issuance Programme; and
- Independent Expert on the Scheme of Arrangement by Seven-Up Bottling Company Plc to enable Affelka S.A. its majority shareholder acquire all the outstanding shares not currently owned by Affelka S.A.

Our strong performance demonstrates our increasingly robust distribution capabilities and speaks to our increased Investment Banking coverage. This is in line with our goal to position Coronation MB as Africa's premier investment Bank.

Strategic business opportunities, Outlook & 2018 Priorities

Given the consensus that the Nigerian Economy would continue to recover in 2018, on the back of increasing crude oil prices, stable production volumes and foreign exchange, we are quite optimistic of opportunities in the year 2018. We have identified opportunities to further grow our bottom line as we aim to expand our sphere of influence in the various sectors which we cover.

The strategic priorities of Coronation MB's Investment Bank in 2018 is to further deepen our existing client relationships, build new relationships, enhance our distribution and transaction execution capabilities and grow market share by targeting sectors where we see opportunities.

Corporate Banking Division

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 distinct 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.

Startegic 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 that seeks 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 industrialization 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	Government Bonds (Federal, State & Municipals)
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 difficult operating environment at the time, we saw enormous opportunity in the "crisis." Thus the Corporate Banking Division of Coronation MB quickly established itself as one leading Corporate Banks within our immediate 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 N30 billion with zero non-performing loans to date.

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 Merchant Bank for the year 2017.

Outlook

With Nigeria finally exiting recession in 2017 and positive developments across its economic landscape, we project significant growth upsides and opportunities for discerning Corporates in the Country; as the economy continues to be bolstered by significant 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 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 Market & 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 foreign exchange.
The division is made up of two broad units;

A 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

B 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 Market & 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.

Products 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

- Efficient cash management and structured liquidity enhancement solutions.
- Further strengthening of relationships with counterparties and other key stakeholders ensuring rare market intelligence with positive correlation to profitability.
- Building relationships in the global markets whilst continuing to grow capacities in the derivatives market space to become a clear market leader.
- Continued growth of market share in the fixed income space with a view of firmly becoming a top 10 player by year end.

The Global market and treasury Sector Coverage;

- Pension Funds/Asset Managers
- Insurance
- Brokerage

Achievements

In 2017, Global Markets and Treasury expanded its Foreign exchange structured products with the introduction of the High Yield Note specifically targeted at Institutional Investors. In addition, we significantly improved our fixed income trading revenues and volumes as we expanded our client base on the resilience of our high liquidity and strong operating franchise. Our strong trading performance coupled with an endearing presence in the FGN Bonds market as evidenced in our 10 step upward movement in the FGN Bond FMDQ rankings from 15th position FY 2016 to 5th position FY 2017. This performance culminated in the bank winning the Business Day Merchant Bank of the Year award.

Outlook for 2018

In 2018, we believe the Central Bank of Nigeria would still prioritize inflation and the exchange rate and adopt a conservative stance towards interbank liquidity management. However, a decline in inflation to low double digits will entice the CBN to cut the monetary policy rate.

Therefore, we anticipate a decline in fixed income yields to low double digits, driven by looser monetary policy and a shift in FG debt strategy towards foreign borrowings. We see opportunities for growth in fixed income and FX trading revenues as the improving economic conditions boosts FX liquidity and lowers cost of local currency funding.

Coronation Securities Limited

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

Market Overview

The Nigerian macroeconomic environment remained challenging in 2017 given the rising rate of unemployment, fragile economic growth and the security concerns especially in the North-east and herdsmen activities in the North-central. These continue to impact negatively on the nation's image internationally and economic output locally. However, progress was made during the course of the year that had a positive impact on the Nigerian bourse which were predominantly, effective government policies. Some of these include, the establishment of the Investors & Exporters (I&E) foreign exchange window that facilitated market-driven foreign exchange rate that was welcomed by investors and the business community. This window perhaps, is partly responsible for the convergence of numerous exchange rates within the economy.

The Federal Government also launched the Economic Recovery and Growth Plan (ERGP) that created some form of direction for the economy as a whole, however, timelines for achieving these laid out plans were not included in the policy document. Meanwhile, the economy returned to economic growth path so far in 2017 driven largely by significant recovery in crude oil production output and improved prices as OPEC maintained oil output cap that saw oil prices rise c.18% in 2017.

The economy recorded negative GDP growth of -0.9% in Q1'17 while it posted first GDP growth after six straight quarters of decline in Q2'17 of 0.7% and a further 1.4% growth in Q3'17. Similarly, Inflation which rose as high as 18.7% in February 2017 declined 10 consecutive months through the end of 2017 falling as low as 15.9% with average inflation for the year at 16.8%. Foreign Exchange reserves also witnessed significant improvement rising as high as US$38bln in 2017. On the above-mentioned improvement in the economy, there was significant inflow of funds as foreign investors' confidence in the economy was boosted and the I&E window recorded over US$24bln transactions in 2017.

This also had an impact on the Nigerian capital market as yields declined in the fixed income space and return on the NSE All Share Index was an impressive 42.3% in 2017.

Activity level on the Nigerian bourse also received a boost in 2017 with daily turnover averaging N5.1bln (US$15.4mln) compared with N2.3bln (US$9.5mln) in 2016. Despite this improvement, the low commission rate remained a drag on income generating capabilities of Stockbroking firms while in real terms, the bourse was not operating at its potential. Considering the improvement in the economy despite the challenging environment, we are pleased to inform you that Coronation Securities closed the year in a profit as the company declared profit before tax of N168mln while gross earnings was decent at N417.6mln.

As the economy continues to show improvement, we intend to dissect economic activities using top quality research and market intelligence to dimension policies and ensure the firm and its clientele take advantage of market developments in a way that is profitable to all.

2018 Outlook & Priorities

Outlook

With oil prices showing resilience, trading around the US$70 mark, we expect improvement in earnings generating capability of the likes of SEPLAT and OANDO. Further, the implication of higher pump prices of petroleum products especially as it relates to PMS may require the FG to increase the pump price of PMS or totally deregulate the downstream segment of the petroleum industry in not too distant future. The likes of TOTAL, Double one (11) and Forte Oil are likely to be beneficiaries. However, it is worthy of note that there is the tendency that OPEC may decide to lift its production cap to ensure crude prices do not skyrocket unnecessarily in order not to give shale oil producers an undue advantage by turning on their tap of production that may have adverse impact on the industry.

It is the penultimate year before the 2019 elections and we expect to see high level politicking that may douse economic activities towards the end of the year as the various political parties' race to nominate their presidential candidates. The presidential nominees that eventually emerge and their manifesto may have a significant impact on market direction in the course of the year. Similarly, with the 2018 budget proposal yet to be finalized, perhaps level of execution may be abysmal in 2018 yet again as focus will be on the electioneering process in H2'18.

Despite the potential for a slowdown on the back of election process and potential delay in passage of the 2018 budget, we anticipate that inflation will continue to taper and fixed income yield to decline further. We expect GDP growth to surpass 2.0% growth rate in 2018 giving room for healthy equities performance in the course of the year.

Priorities

Coronation Securities intends to champion the following initiatives:

- Create new products and services that are value adding to clients and will enjoy decent patronage.
- Retail trading through collaborations with the regulators on financial inclusion initiatives.
- Partner with select banks to implement the banker-to-broker initiative thus fostering ease of trading in the Nigerian capital market via bank accounts for its numerous clients
- Commence cross border trading activities within Africa with West Africa been the primary focus.
- Engage and onboard Frontier and SSA portfolio managers with the view of expanding our execution and flow capabilities

Products & Services

Our service offerings remain providing brokerage services in equities and fixed income trading to our clientele. This is facilitated by our online trading platform that gives clients the opportunity to view activities on the NSE while seamlessly executing their buy/sell mandates without recourse to staff of the firm. We also act as stockbrokers to public offerings and rights issue capital raising Programmes, acting as the intermediary between the issuer and the Nigerian Stock Exchange (NSE).

We facilitate trade, leveraging on our proprietary books which is largely driven by our research desk that guides the proprietary team on the direction of the economy and also company-specific research. We also make available our qualitative research offerings to our numerous clients to aid their decision making. In addition, we are active market makers in the FGN Savings Bonds Programme on the floor of the NSE where we post two-way quotes thus, providing liquidity for investors willing to take either side of the product offering.

Achievements in 2017

During the year 2017, we improved on our ranking on the floor of the Nigerian Stock Exchange from the 18th position in 2016 to 17th position in 2017. In addition, Coronation Securities continued to ride on the infrastructure of the Bank during the year in view while cross selling products with other divisions within the group thus, providing our numerous clientele value adding services. We continue to rationalize our business to ensure that we remain nimble in the face of macroeconomic challenges whilst operating efficiently regardless of the phase in the economic cycle which has been turbulent in recent times.

Coronation Asset Management Limited

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.

Business Opportunities

The macroeconomic environment in 2017 was marked by recovery across several macro indicators. The economy exited recession as GDP grew for two consecutive quarters, headline inflation declined for ten consecutive months and foreign exchange stability was seen on the back of improved foreign earnings and monetary policy gains.

These developments led to significant renewed interest from foreign and institutional investors. The equities market was a prime beneficiary of this upbeat sentiment as the Nigerian bourse recorded a year-to-date return of 42.3%.

On the back of increased Federal Government domestic borrowing and high interest rates, yields in the fixed income market trended around 19.00% levels for the most part of the year until Q3 2017. This boded well for asset managers and institutional investors who benefitted from significant returns on risk-free assets. The trend, however, significantly reversed in the last quarter of the year following a proposed debt restructuring Programme by the Federal government and strong sentiments for a lower rate environment in the short-to-medium term.

The economy, in 2018, is expected to witness more gains from previous policy stances and increased activities in the equities market while facing the uncertainties associated with an upcoming political season. Additionally, sentiments for a lower interest rate environment are expected to strengthen.

The Asset management industry is therefore set to remain more competitive as players strive to manage evolving risks and deliver superior returns amidst the changing investment climate. The game changers therefore will demonstrate disruptive innovation, sound value proposition, transparency and speed of delivery.

Outlook and 2018 Priorities

Influenced by the industry outlook, the market position and business vision, the company is consequently poised to strategically:

- Pursue growth and sustainability in asset under-management and profitability.
- Enrich the overall client experience through the provision of bespoke financial advice to maintain customer loyalty.
- Drive aggressive market penetration by emphasizing unique value proposition and product differentiation.
- Strengthen retail distribution of asset/wealth management products and services.
- Ensure uniform and improved user experience across all touchpoints through operational efficiency and product development.
- Emphasize strict compliance with risk and regulatory requirements, ethical responsibilities, transparency and corporate governance.

Coronation Trustees Limited

Coronation Trustees Limited is a member of the Coronation Merchant Bank Group, registered at the Securities and Exchange Commission as a trust service provider. We aspire to be the premier trust service provider in Africa by providing best-in-class services to our served markets.

At Coronation Trustees, we partner with our corporate and individual clients to thoroughly understand and articulate their goals and provide tailor made 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 trust 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.

We possess extensive knowledge and experience in a wide spectrum of industries because we have worked with a diverse range of clients in various sectors including manufacturing, oil and gas and real estate. Our team has a wealth of knowledge and combined experience in law, finance and risk management which enables us to deliver superior services in asset preservation, management, 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	Estate Planning	Corporate Trust	Public Trust
1	Wills	Corporate Bonds	Government Bonds
2	Private Trusts	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 at liberty 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.

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

2017 Achievements

Within our first year of operation, having obtained our SEC operating license in July of 2016, we were appointed as joint trustees to the Lagos State (Series I) N500 billion Fixed Rate Bond Programme; the largest 2016 subnational bond transaction. We have also been appointed as joint Trustees to the proposed UACN Property Development Company Plc (UPDC Plc) up to N20 billion Bond Issuance Programme.

We have grown our assets under custody in security arrangements as well as nominee to N15.8billion as at end of N2017. Showing the confidence reposed in us by our chosen clients. We intend to grow this to N100billion in 2018 without compromising our standards and quality of service. We formed strategic partnerships and alliances with other transaction counterparties which has translated to our signing on of institutional and private clients with liquid assets under trust in excess of N3.4 billion as at December 2017; one year and half after the date of receiving our SEC license.

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 & 2018 Priorities

In 2018, because of the impending 2019 elections we expect to see governments from different political divides trying to fulfil or meet up on campaign promises. Thus, we expect more activity on the infrastructure development. Roads will be built; rail projects will take off, aviation facilities will be upgraded, and power projects will be enhanced, amongst other developmental projects. To achieve this, government may deploy direct resources or have Public-Private Partnership arrangements as a structural tool to meet the objective.

One of our priorities in 2018 will be to take advantage of opportunities in this space and participate in such infrastructure development projects acting as Trustees. The aim here, aside earning fees, will be to give value and confidence to investors, financiers and stakeholders as well as strengthen governance structures.

Operations & Information Technology

Operations and Technology is responsible for the delivery and fulfilment of service promises made by the bank. 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. Innovation implemented in 2015 facilitated a seamless transition from Discount House to Merchant Bank Operations with additional processes and controls in Investment products, Trade Operations, Cross Border and local market payments. This was driven by a cohesive technology team that achieved a smooth change of the Core Banking Application to the cutting-edge technology offering of Finacle 10 and achieved upgrade of the Bank's local and international payment systems.

Customer Experience

In 2018, our focus will be to leverage on best-in-class Technology and well-researched innovative processes to provide service delivery that is accessible and convenient for our customers. We will aim to surpass the desired speed and efficiency they expect in their financial transactions and ensure our customers enjoy their experience at every interaction with the Bank. Operations and Technology will be driven by the following success factors; Enjoyable Customer Experience Delivery, Efficiency and Compliance to regulations and policy.

Priorities for 2018

Our focus for 2018 will be to deploy self- service channels that will take our services to the comfort of our customers' locations. To achieve a seamless use of these channels, we will set up a 24-hours a day, 7 days a week Customer Contact Centre that will guarantee constant and consistent service to our esteemed customers. A continued focus on Process automation and processing through stable platforms will ensure our customers enjoy world class standards all within the ambits of full regulatory compliance.

Information Technology

Coronation Merchant Bank continues to invest in its Technology roadmap in order to sustain its competitive edge in the financial services sector, meet regulatory requirements and take advantage of transformational trends in the Merchant Banking and Capital Market space.

One of the reasons we have consistently grown as the business is that we have never stopped investing in our technology road map, which is centered around 5 key objectives namely

- Implementation of Omni-channel Digital Platforms that would drive revenue growth across the Group.
- Implementation and management of reliable and highly

scalable technology infrastructure
- Customization and automation of Core Application Platforms to enhance Back Office Operations for Bank and Subsidiaries
- Compliance to regulatory requirements
- Business Process re-engineering

A key part of our Technology budget is spent on emerging solutions – which include building and improving digital and mobile services and partnering with strategic technology partners to help achieve our vision to be Africa's Premier Investment Bank. The reasons we invest so much in technology (whether it's digital, big data or machine learning) are simple: to benefit customers with better, faster and more reliable products and services, to reduce errors and to make the firm more efficient.

We will draw on innovation to deliver stable and resilient systems driven by professionalism; while ensuring continuous metrication, monitoring, analysis and evaluation of results to relentlessly define new industry standards in product offering and results. This will be achieved with the deployment of world class applications and consolidation of function-specific training of employees. We will keep the Bank's promise of being the fastest and the best and ensure our services are consistently ranked top two in the financial Industry.

In 2018, Some of the key initiatives that will come on stream are as follows:

- Internet Banking (First Merchant Bank in Nigeria to launch the product)
- Card Management Solution (Debit and Credit card)
- Mobile Trading Application for securities
- Mobile Banking Application for the Bank
- Customer Relationship Management Solution
- SWIFT Solution upgrade
- Business Intelligence and Data Warehouse
- Asset Management & Trustees Core Solution and Web Portal
- Loan Origination and Credit Management Solution
- Process Automation


CORONATION
Coronation Merchant Bank

3

Governance

The Board

Babatunde Folawiyo
Non-Executive Director
(Chairman)

BSc Economics and LLB, LLM.

Mr. Folawiyo is the Managing Director of the Yinka Folawiyo Group – an organisation 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. Since 1996, he has served as Vice President of the Nigeria Association of Indigenous Petroleum Explorers and Productions (NAIPEC), an umbrella body for Indigenous Operators in the nation's upstream sector. During the 2005 recapitalisation/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 Bar Association of England and Wales and the Nigerian Bar Association.

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

Mr Folawiyo is 58 years and joined Coronation Merchant Bank Board of Directors on 22 April 2015.

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 twenty years'experience consulting for various businesses in areas such as socio-economic and feasibility studies, analysis and diagnostic reviews. Under his leadership, Matad continues to evolve, having provided consulting services funded by the World Bank, African Development Bank, Department for International Developments, and the United Nations Development Programme, amongst others.

Mr. Atta has experience serving on the boards of various companies, including WAPIC Insurance Plc, Inter Foods Limited, Workwell Engineering & Tractor Nigeria Limited and Supertex, amongst others. He has also been appointed onto various committees by the Federal Government of Nigeria to help coordinate systems for monitoring Oil & Gas supplies to industries and to instill transparency in the sector.

He is a member of the the Nigerian Extractive Industry Transparency Initiative (N-EITI), a Committee set up by the Federal Government of Nigeria to coordinate systems for monitoring oil and gas supplies to industries and to instill transparency in the sector, the Nigerian Business Forum. He was also involved in the creation of the accounting module which tracks developments in oil and gas industries.

Mr. Atta was appointed to the board of Coronation Merchant Bank on 22 April, 2014 and his appointment was approved by the Central Bank of Nigeria on 30 April, 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 51 as at the date of this meeting.

Babatunde Dabiri
Non-Executive / Independent Director

BSc Economics,
MBA,

Mr. Dabiri is a retired Banking CEO who is now a member of numerous boards – 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 organisation committed to developing dynamic, innovative and principled youth leaders.

Mr. Dabiri's banking career spanned over three decades, during which he worked at various financial institutions such as Prime Merchant Bank, Continental Merchant Bank, and Fountain Trust Merchant Bank Ltd. He served in various leadership positions over the course of his career, and eventually became the first GMD/CEO of Sterling Bank from January 2006 to February 2008, until he retired from banking. Since retirement, he has been involved in several businesses in various economic sectors.

He was the founding Chairman of Lagos State Pensions Commission (LASPEC), a position he held for 6 years. Between 2003 and 2005, he was the Alumni President of the Lagos Business School, and from 2004 to 2007, 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 Associated Discount House (Now Coronation Merchant Bank) on 18 May, 2011 and his appointment was approved by the Central Bank of Nigeria on 18 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 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 had worked in several banks in Nigeria (commercial, merchant and industrial) including Icon Merchant Bank, International Merchant Bank and First Bank of Nigeria PLC where she left as executive director. Within the period, she gained significant experience while traversing the entire spectrum of banking operations – credit and marketing, corporate finance, corporate banking, investment banking etc.

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

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

Ms Oputu was appointed to the board of Coronation Merchant Bank on 22 April, 2014 and her appointment was approved by the Central Bank of Nigeria on 30 April, 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 68 as at the date of this meeting.

Idaere Gogo Ogan
Non-Executive Director

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

Mr Ogan has more than 28 years' experience across key areas of Banking, Insurance and Oil and Gas. He is the Group Chairman of Calvary Group which includes BECCA Petroleum and Gas Limited, Cordero Engineering Services Limited and Calvary Travels and Logistics Limited, a position he has held for twenty (20) years. In this role, he has gained expansive experience in Oil and Gas management, Engineering services, and Logistics.

Prior to his appointment as Chairman of the Calvary Group, he was the Head, Corporate Bank Pharmaceutical Group at Guaranty Trust Bank PLC.

Mr. Ogan sits on the Board of several companies as Director and Chairman. Currently, he is the Chairman, Board of Directors of United Securities Limited (USL); Director in Marina Securities Limited and Eastern Bulkcem Company Limited (Eagle Cement) and 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 21 July, 2017 and his appointment was approved by the Central Bank of Nigeria on 1 November 2017.

Mr Ogan is aged 52 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 Group Managing Director/Chief Executive Officer of UAC of Nigeria Plc. (UACN) and is Chairman of the following publicly quoted companies: 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.

Some of his numerous achievements include an appointment as the first Vice President of the Nigeria Employers' Consultative Association (NECA), as well as Vice President (Multinationals) of Manufacturers Association of Nigeria (MAN). In addition, he is a Council Member of the Lagos Chamber of Commerce & Industry (LCCI).

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

He is aged 54 as at the date of the meeting.

Olubunmi Fayokun
Non-Executive / Independent Director

Bachelor of Laws (LL.B)
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 recognised 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 30 May, 2017 and her appointment was approved by the Central Bank of Nigeria on 1 November, 2017.

She is aged 55 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 at First Bank of Nigeria as a Foreign Exchange Supervisor in 1981, after which she then advanced to various positions at the International Merchant Bank and Chartered Bank Plc. She also held various leadership positions at the United Bank for Africa (UBA) Plc., where, as Executive Director of Global and Institutional Banking from 2006 to 2008, she was responsible for the expansion of UBA's banking franchise to other African countries, as well as for the supervision of existing offshore operations of the Bank in Ghana and New York. In 2009, she was appointed CEO of Finbank by the Central Bank of Nigeria, where she significantly reduced the loss position of the Bank reduced operating costs by 25% and grew deposits by 35%.

Mrs Iroche was appointed to the Board of Coronation Merchant Bank (then Associated Discount House Limited) on the 13 October, 2012. The Central Bank of Nigeria approved the appointment of Mrs Iroche as a Board member on 31 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 58 as at the date of the meeting.

Abubakar Jimoh
GMD/ CEO

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

Mr. Jimoh is a hands-on leader who has held the position of Managing Director/Chief Executive Officer at Coronation Merchant Bank since April 2011, beginning at Associated Discount House Limited (ADHL).

He has worked for more than 20 years in treasury, credit risk management and project management capacities. Mr. Jimoh was a pioneer staff member of Express Discount Limited, where he rose to the level of Head of Trading before relocating to Canada in 1998. He held various positions at RBC Financial Group (Royal Bank of Canada) between 1999 and 2005. Mr. Jimoh proceeded to work at African Development Bank (AfDB), where he rose to the position of Divisional Chief and was in charge of Private Sector Portfolio Management. Additionally, Mr. Jimoh served as GM and Divisional Head, Balance Sheet Management, Market Risk and Investor Relations at UBA Group prior to his career at ADHL.

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 He was also an Independent Non-Executive Director on the Board of Shelter Afrique in Nairobi, Kenya between 2012 and 2013.

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

He is aged 51 as at the date of this meeting.

Onome Komolafe
Executive Director, Enterprise Support

BSc. Accounting, MBA

Mrs Komolafe holds a Bsc Degree in Accounting (1993) and MBA (2009) both from Obafemi Awolowo University Ife, Osun State.

She has over 21 years working experience from Guaranty Trust Bank Plc, Access Bank Plc and Coronation Merchant Bank Limited. She joined Coronation Merchant Bank in September 1, 2015 as a General Manager and Group Head of Operations and Information Technology. Prior to joining the Bank, she was the Head of Centralized Operations Group. Mrs Komolafe's achievements include the following:

Team Lead of the Treasury Software Implementation project at Access Bank.

- A member of Central Bank of Nigeria Financial Services Industry Infrastructure Transformation Programme,
- A member of the RTGS (Real Time Gross Settlement) Implementation team
- A member of the Payment Systems and Infrastructure Sub- Committee of the Bankers Committee.

She was appointed to the Board on 14 February, 2017 and approved by the Central Bank of Nigeria in 11 October 2017.

She is aged 44 as at the date of this meeting

Corporate Information

As at 31 December 2017

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. Abubakar A. Jimoh (Managing Director/CEO)
Mr Idaere Gogo Ogan appointed on 1 Nov 2017
Ms. Olubunmi Fayokun (Independent Director) appointed on 1 Nov 2017
Mrs. Onome Komolafe appointed on 11 Oct 2017

Company Secretary

Mrs. Cornelia Utuk

Registered Office

Coronation House
10 Amodu Ojikutu Street
Victoria Island
Lagos, Nigeria
Email: inquiries@coronationmb.com;
Website: 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

The Management Team

Abubakar Jimoh
MD/CEO

BSc and MSc Finance, AMP , CFA, FRM, CGA, FCA, CGA, ACIB

Abubakar has worked for more than 20 years in treasury, credit risk management and project management capacities.

He was a pioneer staff member of Express Discount Limited, where he rose to the level of Head of Trading before relocating to Canada in 1998. He held various positions at RBC Financial Group (Royal Bank of Canada) between 1999 and 2005. Abubakar proceeded to work at African Development Bank (AfDB), where he rose to the position of Divisional Chief and was in charge of Private Sector Portfolio Management. Additionally, Abubakar served as GM and Divisional Head, Balance Sheet Management, Market Risk and Investor Relations at UBA Group prior to his career at ADHL.

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 He was also an Independent Non-Executive Director on the Board of Shelter Afrique in Nairobi, Kenya between 2012 and 2013.

Abubakar is a hands-on leader who has held the position of Group Managing Director/Chief Executive Officer at Coronation Merchant Bank since April 2011, beginning at Associated Discount House Limited (ADHL).

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.

Abiodun Sanusi
Head, Investment Banking

BSc Accounting,
MBA, CFA, FCA, ACTI

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).

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 in excess of USD 7 billion in his entire investment banking career as at date.

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.

Bunmi Bajomo
Divisional Head, Corporate Banking

BSc Economics
MSc Economics & Finance, ACIS, ACIP. PhD Economics

Bunmi has over two (2) decades banking experience cutting across Trade finance, Corporate Banking, Private Banking, Portfolio Management and Investment Management.

She started her career in First Bank of Nigeria Plc where she served as a Research/Planning Analyst following which she joined Guaranty Trust Bank Plc as a Relationship Officer- institutional banking in the same year. Bunmi joined Investment Banking & Trust Company (IBTC) as a Banking Officer in 1999 and following the completion of the banking consolidation exercise in 2005, she assumed the position of Head ~ Telecommunications, Conglomerates, Logistics, Beverages and Tobacco Unit in the enlarged corporate banking division at IBTC Chartered Bank Plc. She left IBTC in 2008 as the pioneer head of business banking to join Citibank Nigeria as a Senior Relationship Manager, where she handled business originations and successfully managed and grew the bank's relationship with key corporate clients across diverse business segment.

In recognition of Bunmi's strong credit and origination skills, she pioneered the establishment of Citibank Nigeria' Local Corporate business in 2010, where she on boarded over 20 top tier local corporate relationships within the first 2 years of operation. She developed and implemented a robust credit appraisal process which guaranteed no credit loss or non-performing assets since the business was launched. She is a recipient of the well-recognized chevening scholarship and holds several awards for outstanding educational results. She was also selected for the Citigroup Coaching for Success Leadership Programme for High Potential Women across CEEMEA (Central and Eastern Europe, Middle East and Africa) in 2012.

Bunmi is the Divisional Head, Corporate Banking and is responsible for the development and execution of a robust corporate business strategy that meets the needs of and delivers best-in-class banking solutions to the Bank's institutional clients, which are selected based on their product leadership and brand prominence in diverse sectors.

Magnus Nnoka
Chief Risk Officer

BSc. Economics, MBA, MSc. Risk Management

Magnus 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. 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 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 is a registered member of the Global Association of Risk Professionals and Business Continuity Institute UK; Fellow, The Institute for Governance, Risk Management and Compliance Professionals and in the last eight years has been on the Executive Council of Nigeria's professional body of Risk Managers. Magnus has attended various professional, management and leadership courses both locally and off shore aside facilitation of risk management programs at professional training centers.

As the Chief Risk Officer of the Bank, Magnus is responsible for the design and implementation of an enterprise-wise risk management framework that support the overall strategic goals of the Group.

Funke Okoya
Group Head, Corporate Banking

BSc Business Administration, MBA

Funke is a graduate of Business Administration from University of Lagos and a Masters of Business Administration from Business School Netherlands, The Netherlands. She is also a Certified Pension Administrator and a Council member and Fellow of the Association of Investment Advisers and Portfolio Management (IAPM).

She has over 17 years' Banking experience, spanning through Corporate Banking, Commercial Banking, Credit Risk Management and Operations. She started her career in Risk management department of Ecobank Nigeria Plc and subsequently served in the Commercial banking group of the bank. She was the pioneer Business Manager of 2 branches at United Bank for Africa (UBA), contributed to the branches breaking even within six months and functioned as Regional Head of Commercial Banking Group at Access Bank until 2013 when she joined Associated Discount House as the Project Manager for conversion of Discount House to Merchant Bank.

As the Group Head in the Corporate Banking Division, Funke is responsible for the development of sales and marketing strategies for the group and also originating and managing existing relationships with corporate clients.

Cornelia Utuk
Group Company Secretary/ Legal Adviser

LLB, BL,, MBA

Cornelia began her two-decade 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.

As the Group Company Secretary/Legal Adviser to 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 organisation.

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.

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

He 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.

As the Group Head in the Corporate Banking Division, Demola is responsible for originating and managing existing relationships with corporates clients.

Dele Dopemu
Chief Audit Executive

B.sc Zoology (Hons), FCA, CISA, ACIN

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.

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

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.

Ibrahim Bello
Chief Compliance Officer

BSc Accounting. FCA, MBA, CAMS

Ibrahim 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 a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), as well as an Associate Certified Anti-Money Laundering Specialist (ACAMS).

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

Onayimi Aiwerioghene
Group Head, Enterprise Management

BSc. Chemical Engineering. MSc. Chemical Process Engineering .

Onayimi's 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.

Over the course of her career, she has built a core expertise in HR and strategy advisory, project management and business planning. 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.

As the Group Head of Enterprise Management at Coronation Merchant Bank, Onayimi'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.

Chukwukadibia Okoye
Chief Financial Officer

MBA (Finance), ACA, ACCA, MNIM

Chukwukadibia 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.

His 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 Head of Financial Control.

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

As the Chief 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.

Iyobosa Sorae
Group Head, Securities Dealing

BSc Business Administration, MBA, Aiapm

Iyobosa is a Treasury expert with experience in Fixed Income Trading, Asset and Liability Management, Portfolio Management, and Operational Management.

She commenced her career after participating in the traineeship Programme at the Access Bank School of Banking Excellence in May 2006. Thereafter, she 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. She 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 in excess of USD2.0 million within the first year of Dunn Loren Merrifield operations, despite operating with limited balance sheet support and relatively low name recognition. Iyobosa is also ACI certified (Association Cambiste Internationale) and an Associate of the Association of Investment Advisers and Portfolio Management (IAPM).

As the Group Head of Securities Dealing at Coronation Merchant Bank, her responsibilities include to strategically ensure the solvency of the bank, proactively manage market and liquidity risks, maximizing return on the balance sheet to ensure optimal performance, as well as overall facilitation of the development and implementation of activities that largely contribute to the business's market share, annual revenue and growth targets.

Aigbovbioise Aig-Imoukhuede
MD, Coronation Asset Mangement

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/International 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.

Emeka Okolo
Head, Coronation Asset Management

BSc Applied Mathematics, MBA, CFA

Emeka has over 16 years of experience in Banking and Asset Management, and prior to joining Coronation Merchant Bank in July 2016, he served as Assistant Vice President at Asset and Resource Management (ARM) for three years. At ARM, he oversaw the Investment Management Division of ARM Pension and ARM Investment Managers at various times, and was responsible for managing assets of over $2bn in equities, fixed income and alternatives asset classes for both Institutions and Individual clients.

As the Head, Coronation Asset Management – a subsidiary of Coronation Merchant Bank – he is responsible for setting up the company's Asset Management business. He created the product and business development strategy, and developed the operational and risk management framework. He is responsible for overseeing the process of new business initiatives, and the development of investment strategy for clients.

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

Financial Statement For The Year Ended 31 December 2017

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 Audited Financial Statements with the external Auditors' Report for the financial year ended December 31, 2017

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 but commenced operation on 1st of July, 2015.

2. Principal activity and business review

The Group is primarily engaged in the following activities:

- Corporate Banking
- Investment Banking
- Private Banking and Wealth Management
- Global Markets and Treasury
- Assets /Investment Management and;
- Securities Trading

3. Operating results

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

	GROUP 31-Dec-2017	GROUP 31-Dec-2016	BANK 31-Dec-2017	BANK 31-Dec-2016
	N'000	N'000	N'000	N'000
Net operating income	10,787,352	9,774,155	10,115,294	9,307,851
Operating expenses	(5,670,788)	(4,386,837)	(5,234,061)	(4,040,232)
Profit before tax	5,120,226	5,317,199	4,932,829	5,197,500
Taxation	(368,128)	(183,909)	(314,433)	(164,605)
Profit after tax	**4,752,098**	**5,133,290**	**4,618,396**	**5,032,895**

4. Ownership of the Bank

As at 31st December 2017, the shareholding structure of the Bank consisted of 14 shareholders made up of 13 institutional investors and one individual investor as shown below;

SN	Shareholder	Current Holding	% Holding
1	Wapic Insurance Plc	1,151,522,548	22.80
2	Marina Securities Limited	1,146,884,889	22.70
3	Coronation Capital (Mauritius) Limited	672,530,308	13.32
4	United Securities Limited	407,836,646	8.08
5	Regali Estates Limited	377,358,491	7.47
6	Mikeade Investment Company Limited	283,018,868	5.60
7	DTD Holdings Limited	226,415,094	4.48
8	Afdin Construction Limited	188,679,245	3.74
9	Unico (CPFA) Limited	186,718,491	3.70
10	Cream Cowry Links Limited	169,811,321	3.36
11	Abubakar Aribidesi Jimoh	103,773,585	2.05
12	Tropics Finance & Investment Limited	68,449,624	1.36
13	Unico (CPFA) Gratuity Fund	48,679,250	0.96
14	Tonibso Limited	18,867,925	0.37
	Total	**5,050,546,285**	**100**

5. Analysis of Shareholding

The shareholding pattern of the Bank as at 31 December 2017 was as follows:

Range	Number of Shareholders	% of Shareholders	Number of shares held	% of Shareholding
10,000,000 - 50,000,000	2	13%	67,547,176	1.34%
50,000,001 - 100,000,000	1	7%	68,449,624	1.36%
100,000,001 - 150,000,000	1	7%	103,773,585	2.05%
150,000,001 - 200,000,000	3	20%	545,209,056	10.80%
200,000,001 - 250,000,000	1	7%	226,415,094	4.48%
250,000,001 - 300,000,000	2	13%	283,018,868	5.60%
300,000,001 and above	5	33%	3,756,132,882	74.37%
	15	**100%**	**5,050,546,285**	**100%**

6. Substantial interest in shares

According to the register of members at 31 December 2017, the following shareholders held more than 5% of the issued share capital of the Bank:

Shareholder	Number of shares held	% of Shareholders	Number of shares held	% of Shareholding
	31-Dec-17		31-Dec-16	
WAPIC Insurance Plc	1,151,522,548	22.80%	1,151,522,548	22.80%
Marina Securities Ltd	1,146,884,889	22.71%	1,146,884,889	22.71%
Coronation Capital (Mauritius) Ltd	672,530,308	13.32%	672,530,308	13.32%
United Securities Ltd	407,836,646	8.08%	407,836,646	8.08%
Regali Estates Ltd	377,358,491	7.47%	377,358,491	7.47%
Mikeade Investment Co. Ltd	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:

Number of Ordinary Shares of N1.00k each held as at:

	31-Dec-17		31-Dec-16	
Name of Director	Direct	Indirect	Direct	Indirect
B. Folawiyo (Chairman)	-	226,415,094	-	226,415,094
A. Jimoh (GMD/CEO)	103,773,585	-	103,773,585	-
L. Ettah (Non-ED)	-	235,397,741	-	235,397,741
E. Oputu (Non-ED)	-	1,332,907,667	-	2,887,629,202
S. Iroche (Independent)	-	-	-	-
A. Atta (Non-ED)	-	1,151,522,548	-	1,151,522,548
B. Dabiri (Independent)	-	-	-	-
O. Komolafe (Executive)	-	-	-	-
O. Fayokun (Independent)	-	-	-	-
I. Ogan (Non-ED)	-	1,554,721,535	-	-

8. Details of Indirect Holdings

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

S/N	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	Marina Securities Limited	1,146,884,889	1,554,721,535
		United Securities Limited	407,836,646	

9. Retiring Directors

There were no retiring directors in the year

10. Directors retiring by rotation

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, which requires 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. Larry Ettah, Ms. Evelyn Oputu and Mr. Adamu Atta 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.

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 underlisted 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	Director	Monterosa Construction Ltd	Construction Services

12. Property and equipment

Information relating to changes in property and equipment is given in the notes to the Financial Statements. In the Directors' opinion, the net realizable value of the 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 the following donations to many charitable and non-charitable organizations during the year:

PURPOSE	AMOUNT (N'000)
SUPPORT TO NIGERIA POLICE TO ENHANCE SECURITY	55,000
SUPPORT TO LAGOS STATE SEC TRUST	50,000
SUPPORT GIVEN TO THE OFFICE OF THE WIFE OF THE PRESIDENT	10,000
SPONSORSHIP - ARTIFICIAL CREATION	3,000
SPONSORSHIP - CFA SOCIETY OF NIGERIA	3,000
DONATION TO TOLARAM CHARITY FOUNDATION	2,000
DONATION TO DE UNITED FOODS	1,500
SPONSORSHIP - PURCHASE OF BOOKS TO BE DISTRIBUTED TO SCHOOLS	1,000
DONATION TO DREAMLAND FOUNDATION	1,000
DONATION TO NEW THOUGHT PYRAMID ART CENTER	500
SPONSORSHIP OF FMDA TREASURY SUPPORT WORK GROUP SEMINAR	200
DONATION TO SUPPORT BETHESDA CHILD SUPPORT AGENCY	527
DONATION TO SUPPORT OVIE BRUME FOUNDATION	500
	128,227

14. Post balance sheet events

There were no significant events after the balance sheet date.

15. Human resources

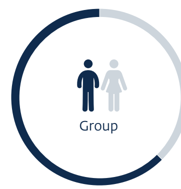
i. Diversity in Employment

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.

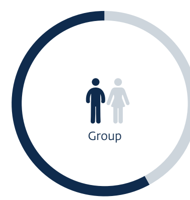
ii. Composition of employees by gender

	Group	Bank
Female	40	30
Male	66	55
	106	**85**



iii. Composition of Management Staff by gender

	Group	Bank
Female	8	6
Male	11	8
Total	**19**	**14**

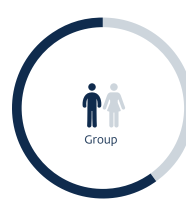


The Bank's top management refers to employees in the positions of Assitant General Manager and above. As at 31 December 2017, the bank had thirteen (13) top mangement employees. The ratio of women in the bank at the top management positions as at 31 December 2017 was 46% broken down as follows;

	Female	Male	Total	% Female	% Male
AGM - GM	5	6	11	45%	55%
ED - MD/CEO	1	1	2	50%	50%
Total	6	7	**13**	**46%**	**54%**

a. Composition of Board Member by Gender

	Board	%
Female	4	40%
Male	6	60%
Total	**10**	**100%**



In line with CBN's directive, the bank has achieved a minimum of 30% female representation at Senior Management level. We have also achieved 40% female representation at board level.

iv. Employment of disabled persons

In the event of any employee becoming disabled in the course of employment, the Group will endeavour to arrange appropriate measures within reason to ensure the continuous employment of such a person without subjecting the employee to any disadvantage in career development.
As at 31 December 2017, the Group had no physically disabled person in its employment.

v. 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 Bank 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 Bank's 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.

vi. Employee involvement and Training

The Group encourages participation of employees in arriving at decisions in respect of matters affecting their wellbeing. Towards this end, the Bank 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. Consequently, the Bank sponsors its employees for various training courses, both locally and overseas.

vii. 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 2017

In line with Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved six (2016: one) 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	30 April 2017	A (stable outlook)
GCR	A-	Positive	30 April 2017	A (stable outlook)

18. Dividend

The Board of Directors has proposed a final dvidend of 30 kobo each payable to shareholders on the register of shareholding at the closure date. Withholding tax will be deducted at the time of payment.

19. Auditors

The Auditors, PrcewaterhouseCoopers, 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.

By Order of the Board

Cornelia Utuk
Company Secretary & Legal Adviser
FRC/2014/NBA/00000007492

Corporate Governance Report

Financial Statement For The Year Ended 31 December 2017

Corporate Governance

Coronation Merchant Bank (Coronation MB) Limited 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.

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 organizations as it will continually ensure the following:-

- Identification and correction of internal control problems on a timely basis,
- Production of more accurate and reliable information for use in decision-making,
- Preparation of accurate and timely financial statements, and
- Be in a position 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.

Consequently, in Compliance with all relevant legislation, regulations, standards and codes is an essential characteristic of the Company's culture. The Board monitors compliance with these by means of management reports, which include information on any significant interaction with key stakeholders.

Governance Structure

Coronation Merchant Bank Limited ("Coronation MB") 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 2017 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 meeting 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 ten (10) members, which include the Chairman, seven (7) non-Executive Directors, one (1) Executive Director and the Managing Director. 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, which ensure that independent thought, is brought to bear on decisions of the Board.

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. Larry Ettah	Non-Executive Director	30 April 2014	27 February 2015
3	Mr. Babatunde Dabiri	Non-Executive Director/ Independent	18 May 2011	18 August 2011
4	Mrs Suzanne Iroche	Non-Executive Director/ Independent	13 October 2012	31 October 2012
5	Ms Evelyn Oputu	Non-Executive Director	30 April 2014	22 April 2015
6	Mr. Adamu Atta	Non-Executive Director	30 April 2014	22 April 2015
7	Mr Idaere Gogo Ogan	Non-Executive Director	21 July 2017	1 November 2017
8	Ms. Olubunmi Fayokun	Non-Executive Director/ Independent	30 May 2017	1 November 2017
9	Mrs. Onome Komolafe	Executive Director	14 February 2017	11 October 2017
10	Mr. Abubakar Jimoh	Managing Director/Chief Executive	18 October 2010	2 February 2011

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 meets quarterly and emergency meetings are convened as may be required by circumstances. The Board had a total of 5 Board meetings, 1 Annual General Meeting and 1 Strategy Session in 2017. The attendance at the meetings by members is as shown below:

S/n	Name of Directors	AGM	Board Meeting	Strategy
1	Babatunde Folawiyo (Chairman)	1	5	1
2	Suzanne Iroche	1	5	1
3	Evelyn Oputu	1	5	1
4	Babatunde Dabiri	1	5	1
5	Adamu Atta	1	5	1
6	Larry Ettah	1	5	1
7	*Onome Komolafe		2	1
8	Abubakar Jimoh	1	5	1
9	**Olubunmi Fayokun		1	1
10	**Idaere Gogo Ogan		1	1

*Mrs. Onome Komolafe's appointment was confirmed by CBN on 11 October 2017.
**Ms. Olubunmi Fayokun and Mr. Idaere Gogo Ogan were both appointed to the Board on 01 November 2017

The Standing Committees: The Board carries out its oversight function through its Standing Committees each of which has a charter that clearly defines its purpose, composition, and structure, frequency of meetings, duties, tenure and reporting lines to the Board. In line with best practice, the Chairman of the Board does not sit on any of the Committees.
The Board's four (4) Standing Committees are:

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

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	Babatunde Dabiri	Chairman	4	4
2	Suzanne Iroche	Member	4	4
3	Evelyn Oputu	Member	4	4
4	Adamu Atta	Member	4	4
5	*Onome Komolafe	Member	4	-
6	Abubakar Jimoh	Member	4	3
7	**Olubunmi Fayokun	Member	4	-
8	**Idaere Ogan	Member	4	-

*Onome Komolafe, Olubunmi Fayokun and Idaere Gogo Ogan were assigned to the Board Risk Committee meeting at the Q4 2017 Board of Directors' meeting on January 25, 2018.

Prior to the assignment to the Committee, Onome Komolafe was in attendance at all the Board Risk Management Committee.

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	-
7	Abubakar Jimoh	Member	4	4
8	**Olubunmi Fayokun	Member	4	-
9	**Idaere Ogan	Member	4	-

*Onome Komolafe, Olubunmi Fayokun and Idaere Gogo Ogan were assigned to the Credit and Investment Committee at the Q4 2017 Board of Directors' meeting on January 25, 2018. Prior to the assignment to a Committee, Onome Komolafe was in attendance at all the Board Credit and Investment Committee meetings.

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	Chairman	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	-
6	**Idaere Ogan	Member	5	-

*Olubunmi Fayokun and Idaere Gogo Ogan were assigned to the Board Audit Committee at the Q4 2017 Board of Directors' meeting on January 25, 2018.

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	Suzanne Iroche	Chairman	4	4
2	Babatunde Dabiri	Member	4	4
3	Adamu Atta	Member	4	4
4	Larry Ettah	Member	4	4
5	**Olubunmi Fayokun	Member	4	-
6	**Idaere Ogan	Member	4	-

**Olubunmi Fayokun and Idaere Ogan were assigned to the Board Governance and Nominations Committee at the Q4 2017 Board of Directors' meeting on January 25, 2018.

Management Commitees

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

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.

In addition to the above, all the Board members also attended the following trainings in the year:

Training	Facilitator	Date
AML/CFT Compliance in the Age of Disruptive Technology	DataPro Limited	November 6, 2017
The Technology Risks and Opportunities for Board Programme	Basecamp Ventures Limited	November 6, 2017
Training on IFRS 9 Standards - Part 1	PriceWaterhouseCoopers	October 18, 2017
Training on IFRS 9 Standards - Part 2	PriceWaterhouseCoopers	November 16, 2017

In assessment of the Company's compliance with Corporate Governance Best Practice, which is complementary to its financial performance in 2015. Agusto & Co, Nigeria's foremost rating agency rated Coronation MB 'A'. 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.

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 is able to 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. For 2017 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 Board Standing Committees. An assessment was also done against the CBN Guidelines on Independent Directors of Banks and the result confirmed that the Board maintains a high level of effectiveness.

Strategic Direction

- To be the most efficient and profitable company in the Merchant Banking space
- To operate a lean and high quality organization
- To leveragie 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 & 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@coronatiomb.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, color, nationality, ethnic or national origin, religious belief, age or physical challenge.

Accordingly, the company currently has three women, Mrs. Suzanne Iroche and Ms Evelyn Oputu as Non-Executive Director and Mrs. Onome Komolafe (Executive Director) to sustain compliance with this policy.

Directors' Responsibility

Financial Statement For The Year Ended 31 December 2017

Statement of Directors’ Responsibilities in relation to the Consolidated Financial Statements for the year ended 31 December 2017 .

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 judgements 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 Institutions Act and
- The requirements of the Companies and Allied Matters Act; and
- The Financial Reporting Council of Nigeria Act

The directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Bank and 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
25 January 2018

Mr. Abubakar Jimoh
Managing Director/CEO
FRC/2013/ICAN/00000001481
25 January 2018

Report of the Board Audit Commitee

To the members of Coronation Merchant Bank Limited:

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 2017 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 2017 were satisfactory and re-inforce the Group's internal control systems.

As required by the provisions of the CBN circular BSD/1//2004 dated February 18, 2004 on "Disclosure of Insider- Related Credits 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

Members of the Audit Committee are:

Suzanne IROCHE (Mrs)	Chairperson
Babatunde DABIRI (Mr)	Member
Larry ETTAH (Mr)	Member
Evelyn OPUTU (Ms)	Member

Report on Customers' Complaints and Feedback

Coronation Merchant Bank seeks to maintain its reputation as a Bank delivering high quality services and is also committed to maintaining its responsiveness to the needs and concerns of our clients. To facilitate a seamless complaint and feedback process, the bank has provided various channels for customers. These include;

- 24-hour contact centre with feedback through emails, telephone and SMS.
- Contact through the Bank's website
- Customer service desks in all branches

Complaints Handling

We handle customer complaints with sensitivity and in due regard for the needs and understanding of each complainant. Efforts are made to resolve customer's complaints at first level. Where this cannot be done, they are immediately referred to the appropriate persons for resolution. All complaints are logged and tracked for resolution and feedback is provided to the customer.

Complaints Tracking and Reporting

We diligently track complaint information for continuous improvement of our processes and services. An independent review of the root cause of complaints made is carried out and lessons learnt are fed back to the relevant business units to avoid future repetition. Customer complaint metrics are analysed and reports presented to Executive Management and the Operational Risk Management committee. Reports on customer complaints are also sent to the Central Bank as required

			Number		Amount Claimed (N'000)		Amount Refunded (N'000)	
S/N	Currency	Description	2017	2016	2017	2016	2017	2016
1	NGN	Delay in application of funds	1	1	1,200	1,893	1,200	1,893
2	NGN	Wrongly issued confirmation letter	1	-	-	-	-	-
3	NGN	Mis-spelt account name	1	-	-	-	-	-
4	NGN	Non payment of tenured funds	1	-	-	-	-	-
5	NGN	Delay in Processing	2	-	677,236	-	677,236	-

Solicited Customer Feedback

Deliberate efforts are made to solicit feedback from customers and staff on the services and products of the bank through the following:

- Questionnaires
- Customer interviews
- Customer fora
- Innovation sessions (for staff)

The Customer Service department coordinates the various feedback efforts. The feedbacks obtained are reviewed and lessons learnt are used for service improvement across the bank.

Report on Enterprise Risk Management

Overview

Coronation Merchant Bank Limited (Coronation MB) operates as a wholesale Financial Institution with focus on the merchant banking space that cuts across Corporate Banking, Investment Banking, Project Finance, Private Banking, Wealth Management, Treasury, and Global Markets.

The Business and operational activities of the Bank expose it to an array of risks within the operating environment. These risks include the traditional pillar I category namely Credit, Market, and Operational risk as well as the pillar II consisting primarily of Investment, Business, ALM-Liquidity, and other risks.

Coronation MB acknowledges the fact that managing risk is an all-inclusive function that requires homogenous acculturation across the organization to ensure its effectiveness. For this reason, the Bank has and will continue to invest in resources towards putting in place proper and adequate governance structures, personnel development and deploying state of the art technology to support the management of risks in line with global best practice.

As an Institution, we recognize that the risk in the banking business is 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, appetite, capital assessment and management.

Coronation MB Risk Management Process

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

This is probably the most important stage of risk management. 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.

Risk identification process involves unearthing the different material risks in transaction, venture and/or operation using different means varying from brainstorming, surveys and interviews, historical experiences, and emerging risks test tools.
Our Risk assessment/measurement activity is an integral part of the risk management process as it takes into cognizance the capital implication of acceptance. Risk assessment is subdivided into risk analysis, risk evaluation and decision. The risk analysis part involves thorough scrutiny of the risk identified, the probability of occurrence and the opportunity associated.

Risk evaluation measures the effect on capital and the decision to accept or reject the risk with associated opportunities. The governance process around this activity also ensures filtering of input at different levels.

Risk Mitigation only comes into play when the Bank decides to take on a risk and it involves suggesting ways to manage and control the measured risks and keep them from crystallization. The Bank practices risk management as a continuous process that requires frequent monitoring and reporting internally and externally.

Risk Management Framework

Risk management is practiced under an enterprise approach which aggregates all risk areas and the framework sets the tone for effective integration of individual risks.

The Enterprise Risk Management framework sets out the critical elements at the corporate and business unit levels for holistic and value-enhancing risk management decision. The Board, through its various committees, provide documented principles for risk management as well as policies covering specific areas' while the Internal Audit has a validation/assurance role in ensuring 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 periodically, (annually at the minimum) or/and on-need basis to reflect changes in markets conditions, and global best practice.

Potential barrier (s) or challenges to the management of risks identified must be understood. The overall approach to risk management derives from strategic stand point and value-creation for our various Stakeholders.

Coronation MB's risk management framework is guided by the following key themes:

- 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 Management is linked to Risk Appetite. 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.

- It aims at minimizing the divergence between expectations and outcomes, thus ensuring the realization of more predictable results. This is achieved through a robust framework and 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 entails the institutionalization of processes that enables 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.

Risk Management Philosophy And Culture

At Coronation MB, Risk Management is a central part of the strategic management of the organization. It is the process whereby Coronation MB methodically addresses the risks attached to its activities. Coronation MB realizes that a successful enterprise risk management framework should be:

- Proportionate to the level of risk in the organization;
- Aligned with other corporate activities;
- Comprehensive in its scope;
- Embedded into routine activities and
- Dynamic by being responsive to changing circumstances

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.

This is to facilitate:

- Increase in the likelihood of successful delivery on its goals and objectives;
- Proactive identification, management and reporting to all stakeholders;
- Assumption of risks that 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 company;
- 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 company as a whole;
- Retain ownership and accountability for risk and risk management at the business unit or other points of influence level;
- Accept that enterprise risk management is mandatory, not optional;
- Strive to achieve best practices in enterprise risk management;
- Document and report all significant risks and enterprise-risk management deficiencies;
- Adopt a holistic and integrated approach to risk management and 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 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 compliant with regulatory requirements of the CBN and other regulatory and legal requirements that are relevant and applicable to Coronation MB

Risk Management Strategy

- To embed enterprise-wide risk management principles in our processes, with emphasis on protecting the company's shareholders and other stakeholders from risks;
- To institute 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 empower all staff to proactively identify, control, monitor, and regularly report risk issues to management;
- To strengthen 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 that captures all
- risks in all aspects of the firm's activities;
- To formally 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;
- To maintain a balance between risk / opportunities and revenue consideration with our risk appetite. Thus, risk-related issues will be considered in all our business decisions;
- 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;
- To empower risk officers to perform their duties professionally and independently within clearly defined authority;

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

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 key strategies outlined in Coronation MB's corporate strategic plan. The Board of Directors has categorized the Risk Appetite into the following;

- Low
- Moderate
- Above Average
- High

Coronation MB would accept all medium/moderate risk in every activity it undertakes to achieve these strategic objectives. Coronation MB's overall Risk appetite is MODERATE but would implement the necessary strategies to attain its corporate objectives.

S.No	Strategic Component	Target Value	Broad Statements
1	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.
2	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.
3	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
4	Risk Management	Customised 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.
5	Prudential Compliance	Meet Prudential requirements	• Zero tolerance for regulatory infractions • Full compliance with all regulatory requirements

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

Reputational Risk Appetite

- Favourable reports from the auditors, regulators and external rating agencies;
- Adverse publicity in local and international press;
- Zero tolerance for association with disreputable individuals and organisations;
- Zero appetite for unethical or illegal and/or unprofessional conduct by our directors and staff.

Regulatory Risk Appetite

- Zero tolerance to payment of fines and other penalties associated with infractions and non-compliance with laws and regulations
- Minimum exception reporting by auditors and regulatory examiners

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

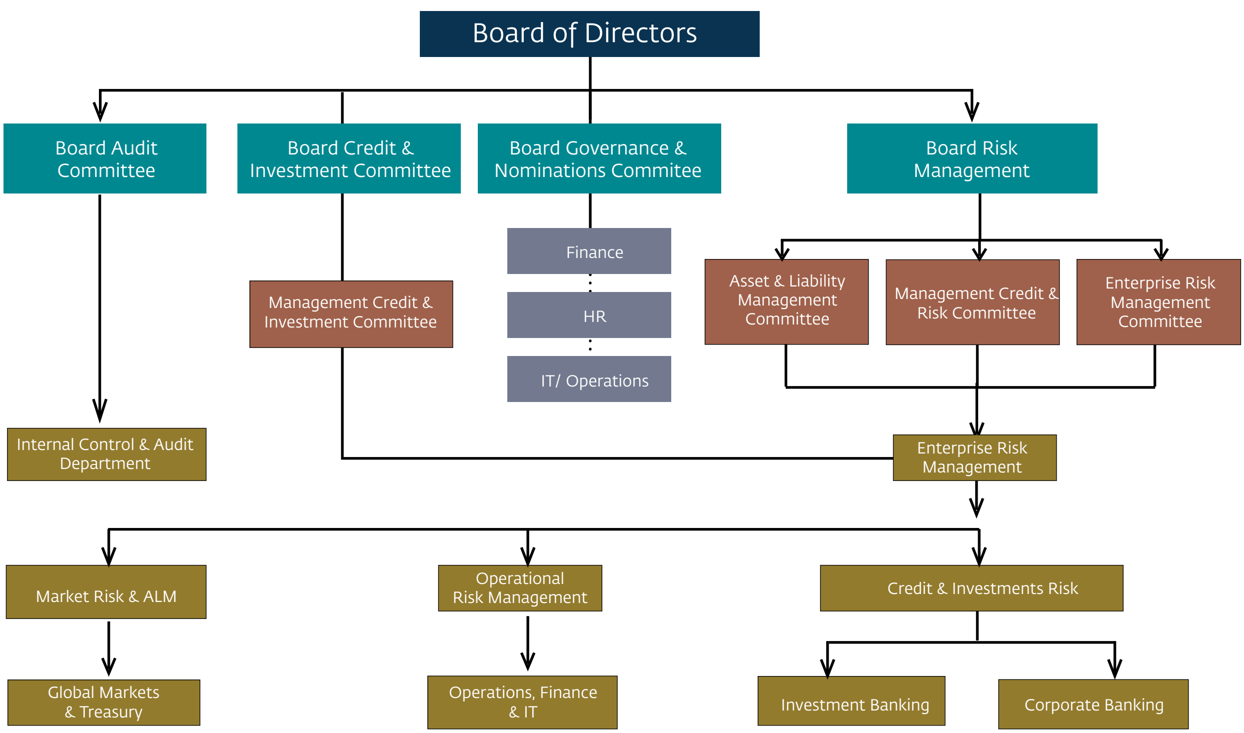
- Risk Governance Structure
- Sound capital assessment and planning
- Comprehensive assessment of risks
- Stress testing
- Monitoring and reporting
- Internal control review

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 adequately considered. Consequently an internally determined buffer in excess of regulatory minimum level and preferably higher than the average industry level capital is maintained.

Risk Management Governance Structure

The risk management governance structure ensures that the Board of Directors has oversight functions through its standing Board 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 Board Committees.

The day-to-day risk management function in Coronation MB is effectively anchored through the machinery of subsisting risk management governance structures as depicted below.



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 operations where the transactions are entered, 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 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

The second line of defense consists of risk management & compliance departments responsible for providing independent risk oversight, monitoring and challenging the effectiveness of Coronation MB's risk management processes. The main objective of the second line of defense is to provide oversight of the execution of the frontline controls. The second line of defense is responsible for monitoring the internal controls that have been designed with the following main responsibilities:

- Establishing risk management policies and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants (risk management, compliance, 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, etc.

Third Line of Defense - Risk Assurance

The third line of defense consist of Internal Control & Audit department 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:

- Performing internal control reviews based on a rationalized and systematic approach that allows for risk assessment and governance reporting;
- 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;

ADHERENCE TO THE 3 LINES OF DEFENCE MODEL

1st Line — Risk Management & Ownership

- Ownership, accountability and responsibility for risk
- Business leaders and operation group adopt strategies to identify business opportunities and optimize return on capital and create value

2nd Line — Risk Oversight, Risk & Compliance Functions

- Corporate Risk Management Group independently work with all business lines
- Establish and recommend risk management policies, infrastructure and processes
- Provide the framework and infrastructure to facilitate risk

3rd Line — Risk Mangement (Coporate Audit Group)

- Independent assessment by internal and external auditors
- Monitors the effectiveness of operational functions, reliability of financial reporting
- Compliance with policies and regulation

- The three lines of risk management defense will ensure adequate balance of risk and return in our business operations; as the cardinal focus of risk management will be to ensure achievement of goals whilst preserving our stakeholders' wealth
- Risk Assurance will ensure prompt and adequate monitoring of risk factors/ methods, including financial and operational risks, which may be undermined at the initial lines of defense
- Risk Management will be proactive as against being reactive to events, particularly on "black swan" events, which may have notable impact on our stakeholders' wealth and business continuity

Roles and Responsibilities

Coronation MB's risk management framework includes the roles and responsibilities of the Board of Directors, Board Committees, Executive Management Committees and various departments.

Board of Directors: Board of Directors (BOD) representing the interests of stakeholders, has the ultimate responsibility for risk management. The BOD has the following risk management responsibilities in the Bank:

- Approval of risk policies to mandate a set of standards for risk management throughout Coronation MB that include risk identification, measurement, setting of exposure and risk limits, monitoring and control and risk reporting.
- Setting appetite for risk taking at the firm level and at various levels in consistence with business strategies.
- 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 Company is exposed.
- Approve and periodically review the risk management framework, risk strategy, risk policies, and risk management procedures for all risks in Coronation MB.
- 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 effective review mechanism

The Board of Director's Risk Management oversight roles and responsibilities shall be delegated to the Board Risk Management Committee & Board Credit & Investment Committee. Without prejudice to the roles of these committees, the full board retains the ultimate responsibility for risk management.

Board Risk Management Committee (BRMC): 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 Risk Management. 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, 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, 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 virtue of 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;
- Evaluate Coronation MB's risk profile, the action plans in place to manage risks, and progress against plan;

- 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 in place to manage high risks, and monitor progress against plan to achieve these actions.

Board Credit and Investment Committee : 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 risk appetite and portfolio strategy
- Approve lending decisions and limit setting
- Approve new credit products and processes
- Approve assignment of credit approval authority on the recommendation of the Management Credit and Investment Committee (MCIC)
- BCIC will review the roles of the Management Credit and Investment Committee and Criticized Assets Committee, at least on an annual basis, based on revision in policies and make appropriate 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 and 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 Programmes 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) : The Enterprise Risk Management Committee (ERMC) shall;

- Have the responsibility to address all categories of key risks, and their components, to which the company 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 what is best for the company 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 company'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 Company'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;
- Ensuring that adequate policies are in place to manage and mitigate the adverse effects of business and control risks in its operations and accommodate major changes in internal or external factors;
- 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; and
- 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 Management Credit & Investment Committee (MCIC) shall;

- Recommend the credit risk framework for approval by BOD through BRMC and oversee the implementation across the enterprise. All amendments/enhancements to the credit risk framework or Policy will be recommended to BRMC for approval by BOD.

- Formulation and Implementation of Investment policy and recommend the policy to the Board Credit & Investment Committee for approval.
- Be responsible for the implementation of the credit risk policy and investment strategy approved by the BOD
- Review the methodologies and tools for identification, measurement, monitoring and control of credit & investment risk.
- Monitor credit risk, Investment risk and ensure compliance with exposure and risk limits approved by the BOD
- Review the reports from Credit Risk Management Department, internal audit and business lines and take decisions and reports as necessary to the BRMC and/or to BOD
- Review and recommend Investment proposals to Board Credit & Investment Risk Committee.
- The Management Credit & Investment Risk Committee 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.

Risk Management Department: The Risk Management Department shall;

- Champion 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, processes, 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;
- Ensure that processes are in place to facilitate the identification, measurement, controlling, monitoring, and reporting of risks in Coronation MB;
- Establishing an integrated risk management framework for all aspects of risks across the bank;
- Extending risk principles into wider business strategy;
- 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 company in future due to changes in the risk environment;
- Understanding the business strategy of the company and use necessary measures to influence both the board and the managers and employees responsible for making day-to-day decisions;

- Enable the company to make decisions based on a better appreciation of the relationship between risk and reward;
- Capturing data on risk events and integrating those data from a multitude of systems to build a clear and accurate view of risks across the business;
- Ensuring development and implementation of appropriate information systems for risk measurement and reporting, which identify losses, key risks to be managed, incidents etc.;
- Informing the board of directors of significant risk issues in the company and risk transfer strategies taken to achieve mitigation of such risks;
- Educating the stakeholders of the company on its risk management strategy;
- Improving Coronation MB's risk management readiness through communication and training Programmes for the workforce on risk management policies and structures, and other change management Programmes;
- Ensuring that the organization is in full compliance with regulations;
- Review compliance with regulatory ratios and guidelines and
- Promote risk awareness and provide education and training on risk management.

Compliance Department :

- Develop, implement, and maintain the Bank's Anti Money Laundering and Compliance Programmes
- 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 Programmes.
- 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.
- Provides advice/guidance to business units, management, and the Board on all compliance issues.
- Promote a compliance culture throughout Bank.
- Responsible for ensuring that internal policies and procedures do not contravene current and/or proposed legislation, rules, and regulations.
- 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 and 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, as well as non-compliance with internal policies, legislation, rules, and regulations and 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.

Market Risk, ALM & Investment Risk Management Unit :

- Ensure that Coronation MB's Market Risk Policy & Investment policy is strictly adhered to.
- Formulate and implement 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
- Ensure that the company complies with investment limits placed on exposure to instruments.
- Perform mark to market computation for trading portfolio daily.
- 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.
- Perform capital computation for the trading book and investment book periodically.
- Conduct back testing for capital computation models and report the results.
- Conduct stress testing of positions in the trading book and identification of hidden risks.
- Conducting Non-maturity analysis of the liabilities on a periodic basis.
- Perform model validation exercise on a periodic basis to test the effectiveness of models.
- 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 for identifying, assessing, monitoring, managing and continuously improving key operational risk areas.
- Recording of the Operational Risk losses and developing controls to reduce losses from operational failures and avoid potentially large operational risk losses.

- Conduct periodic Risk Control & Self-Assessment procedures for all the departments..
- Provision of early warning signals of deterioration in the Coronation MB's internal control system.
- Raise awareness of operational risk in the Organization from top to bottom through the implementation of operational risk policy and conducting workshops for various departments.
- Identification & continuous updating of Key Risk Indicators and maintaining risk registers for all the departments in the Organization.
- Define the thresholds for various key risk indicators identified within Coronation MB.
- Computation of the capital charge for Operational Risk using the methodology approved by the Senior Management and Regulator.
- Involvement in setting of the Operational Risk Appetite and ensure the adherence to the same.
- Analyze the reports by external Examiners, including Auditors for exceptions and carry out a comparison of these reports over time for a noticeable trend of improvement or deterioration of Coronation MB's reputation.
- Review of Risk and Control Self-Assessment (RCSA) reports in other to identify reputational risk factors.
- Backward-looking and forward-looking analysis of Reputation risk events to be performed and breaking down of reputation value in manageable components/elements so that practical actions can be undertaken by Management.
- Assess impact length/ horizon of reputation events (how long effects last and response actions to recover lost value) using both internal and external data.
- Strategic Risk Assessment workshops to assess the likelihood of occurrence and impact of the risk events.
- Develop the Strategic Risk Matrix in consultation with Senior Management.
- Report the Strategic risks on a periodic basis to the Senior Management.

Roles of Internal Audit

Internal Audit (IA) is an independent appraisal function established within the Bank to examine and evaluate its internal control systems, improve the effectiveness of risk management, control, and governance processes, including controls over financial reporting. Internal Audit's core role with regard 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 system of internal control 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;
- Evaluating risk management processes;
- Reviewing the management & reporting of key risks;
- Review of the management and financial information systems, including 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;

Internal Audit Department (IAD) evaluates:

- Coronation MB's compliance with policies and risk controls (both quantifiable and non-quantifiable);
- Reliability (including integrity, accuracy, and comprehensiveness) and timeliness of financial and management information;
- Continuity and reliability of the electronic information systems;
- Functioning of the staff departments;

It is the responsibility of the IAD to report the findings of their review to the Board Audit Committee of the bank for corrective actions to be taken.

Sustainable Banking Report 2017

Overview

Coronation Merchant Bank is committed to ensuring that her activities are designed to reduce negative social and environmental impact. The bank is working to enshrine these principles into every of its operations which includes but not limited to:

- Providing finance and credit facilities to non-retail customers;
- Dealing in foreign exchange and providing foreign exchange services;
- Acting as issuing house, or otherwise arranging or coordinating the issuance of securities, for or on behalf of any person;
- Providing underwriting services with respect to equity issuance of securities;
- Providing treasury management services including the provision of money market, fixed income, and foreign exchange
- investment on behalf of clients;
- Providing financial, consultancy and advisory services relating to corporate and investment matters for a fee; etc.

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 carried out in accordance with the requirements of the Performance Standards.
This commitment guides the bank to pursue best practices in environmental and social management.

Human Rights: Coronation Merchant Bank takes responsibility to ensure that the rights of all humans associated with the bank are protected. The bank avoids infringement on the human rights of others and address adverse human rights impacts that its operations may cause or contribute to. The bank has a grievance mechanism that can facilitates early indication of, and prompt remediation of various project-related grievances. The bank understands the importance of good labour and human rights policies in attracting and retaining top talents which is one of the core value of the bank.

Women Economic Empowerment & Gender Equality Consideration: 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 favourably represented at all levels of the bank's structure, from the board, to the management team and the whole workforce. The bank is currently developing a mentorship programme for females within the organisation to provide guidance on how to thrive in career and family life.

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 report to the Central Bank of Nigeria which shows the current state of affairs with regards to environmental and social footprints.

Client Collaboration: The bank remains committed to working with different organisations who would be instrumental in helping the bank achieve its social and environmental goals. This includes working with specialised and unspecialised organisations 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 organisations reduce their carbon emission, reduce waste generation, and build efficiencies in the use of the firm's resources.

Environmental and Social Risk Management Governance: The bank has a well-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.

The Environmental and Social business consultants review the activities of the bank and its environmental and social impact. The Environmental and Social manager oversees the business partner and makes routine reports to the Management Credit & Investment Risk Committee which is highest management approval body for credits and investment in Coronation

Merchant Bank. This committee then makes recommendations to the Board Risk Management Committee.

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 has commenced bank wide awareness and training on a regular basis.
Also, the bank participates actively in a quarterly Sustainability Champions meetings organised 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 Steering Committee, serving as a host to some of their meetings

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 its stakeholders. The policy provides a clear framework and guidance for reporting suspected breaches of laws and regulations and the Bank's internal policies. KPMG Professional Services has been contracted by the Bank to provide consulting assistance in the implementation of the policy. The policy provides that suspected wrongdoing by an employee, vendor, supplier or consultant may be reported through KPMG's Ethics reporting channels provided below.

Telephone
KPMG lines:

- 0809 993 6366
- 0705 889 0140
- 0703 0000 026 | 0703 0000 027
- 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 Committee.

Individuals interested in whistleblowing may also do so to the CBN via:
Ethics & Anti-Corruption Helpline
+234 9 462 39246
+234 9 462 36000
ethicsoffice@cbn.gov.ng
anticorruptionunit@cbn.gov.ng

Report of External Consultant on the Board

Building a better working world

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Tel: +234 (01) 631 4500
Fax: +234 (01) 463 0481
Email: Services@ng.ey.com
www.ey.com

March 29th, 2018

The Chairman, Board of Directors,
Coronation Merchant Bank Limited
10 Amodu Ojikutu Street,
PO Box 74853,
Victoria Island
Lagos, Nigeria

Dear Sir,

Board Appraisal Report for the period ended December 31st 2017

We are pleased to submit our final report on the Board Appraisal of Coronation Merchant Bank Limited (CMB).

We have completed the Board Appraisal for Coronation Merchant Bank Limited for the year ended 31st December 2017, in accordance with our Statement of Work dated 6th March 2018.

The field-work was performed between the 5th March and 23rd of March, 2018. The scope of our work, related findings, and recommendations resulting from our review procedures are provided in the detailed report. Please note the scope of the engagement is different from an audit examination or review in accordance with any generally accepted audit standards. The appraisal was carried out for the purpose of compliance with Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014.

Thank you for entrusting us to work with you on this project, we are willing to discuss any aspect of this report with you. If you have any questions regarding our report, please feel free to contact the under signed Bunmi Akinde on +2348023145688 or e-mail Bunmi.Akinde@ng.ey.com.

Yours faithfully,
For: Ernst & Young

Bunmi Akinde
Partner, Advisory Services

Report of **Independent Auditor**

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 2017, 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 (IFRS) 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 2017;
- 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
Valuation of Goodwill- N 675 million (refer to notes 3.11, 4.4 and 28b) Goodwill arose from the acquisition of Coronation Securities Limited. An assessment is required annually to determine if the goodwill balance is impaired. Goodwill impairment review requires significant use of judgement because it involves inherently uncertain estimation of future cash flows and determination of the levels to which the cash flows are discounted. The recoverable value of the cash generating unit (CGU) to which the goodwill is allocated, was determined using the value in use method. The most significant assumptions in the value in use calculation relate to the discount rates and long term growth rate applied to future cash flow forecast of the CGU. This matter is considered a key audit matter in the consolidated financial statements only.	We obtained the goodwill impairment assessment from management and assessed the principal assumptions underlying the goodwill impairment model. Our procedures included: • checking the mathematical accuracy of management's impairment model; • 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; • comparing management's determination of discount rates to externally derived data; • assessing the reasonableness of management's future profitability estimates by comparing current year profitability to prior year forecast; • checking the adequacy of the Group's disclosure in respect of goodwill.
Recoverability of Deferred Tax Assets – N5.203 billion (refer to notes 3.7b, 4.6 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. Future realisation is based on a number of factors including whether there will be sufficient taxable profits in future periods to support recognition and the growth rates. 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. This matter is considered a key audit matter in the separate financial statements only.	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 carry forward tax losses 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, Report on 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 Financial Highlights, Our Locations, Chairman's Statement, CEO's Statement, The Board, Our People, Risk Management Governance Structure, Roles and Responsibilities, Report of External Consultants on the Board Performance Appraisal, 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 express 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 information not yet received, 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.

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;

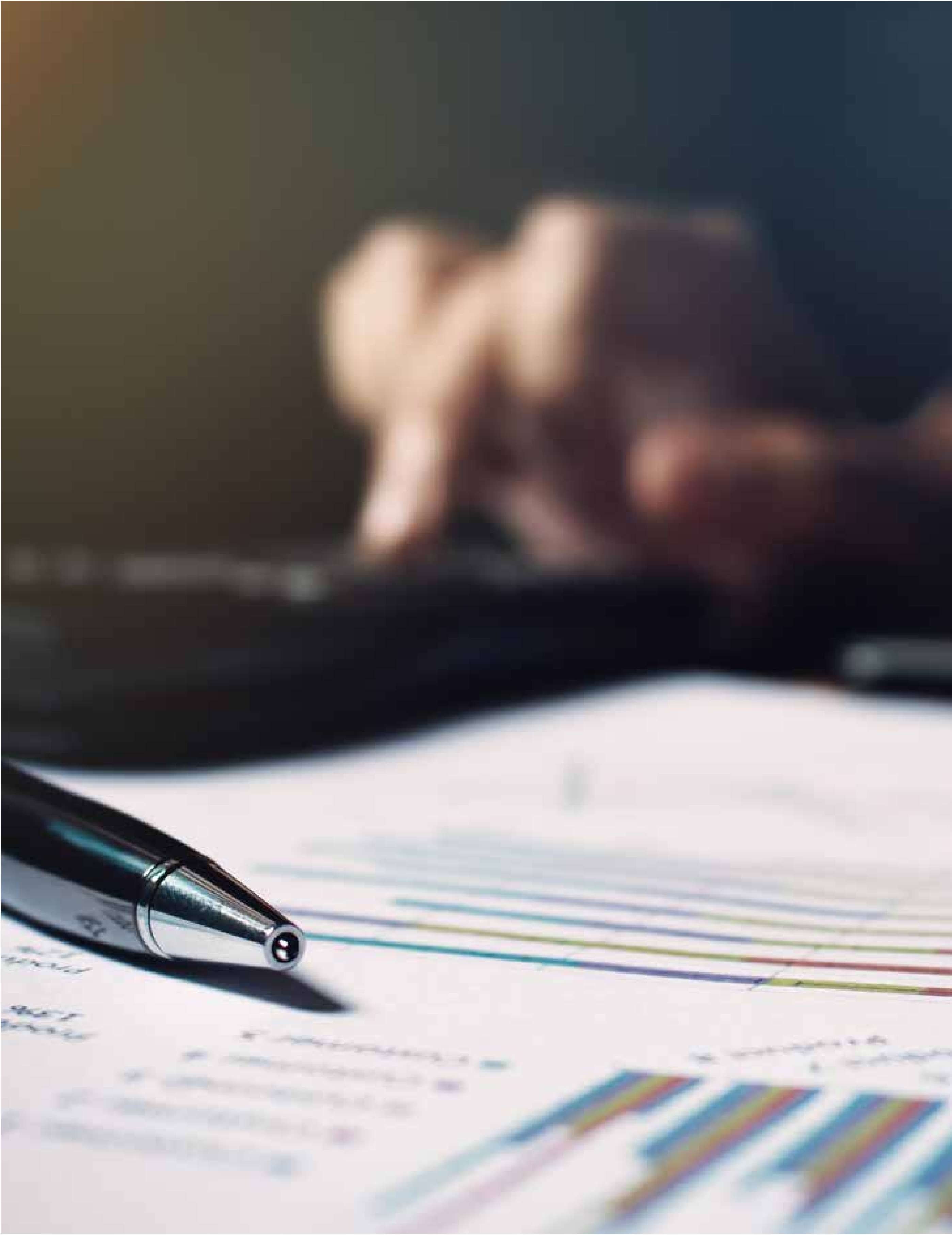
iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 37d to the consolidated and separate financial statements; and

v) except for the contraventions disclosed in Note 40 to the consolidated and separate financial statements, the bank has complied with the requirements of the relevant circulars issued by the Central Bank of Nigeria.

21 March 2018

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

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



Financial Statements 4

Consolidated Statement of Comprehensive Income

For The Year Ended 31 December 2017

In thousands of Naira	Notes	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Continuing operations					
Interest income	7	22,373,522	13,422,704	22,195,656	13,321,639
Interest expense	8	(14,369,179)	(5,420,070)	(14,633,478)	(5,484,124)
Net interest income		8,004,343	8,002,634	7,562,178	7,837,515
Net impairment (charge) / write back on financial assets	9	3,662	(70,119)	51,596	(70,119)
Net interest income after impairment charges		8,008,005	7,932,515	7,613,774	7,767,396
Fee and commission income	10	1,658,062	1,187,193	1,300,432	931,374
Net gains on investment securities	11	898,266	308,257	881,968	308,257
Net foreign exchange income	12	216,243	220,716	225,931	220,716
Other operating income	13	10,438	55,355	144,785	9,989
Personnel expenses	14	(1,309,259)	(1,208,570)	(1,031,759)	(1,077,511)
Other operating expenses	15	(4,361,529)	(3,178,267)	(4,202,302)	(2,962,721)
Profit before tax		5,120,226	5,317,199	4,932,829	5,197,500
Taxation	16	(368,128)	(183,909)	(314,433)	(164,605)
Profit after tax		**4,752,098**	**5,133,290**	**4,618,396**	**5,032,895**
Items that may be subsequently reclassified to the income statement: Net changes in fair value of available-for-sale financial instruments					
• Fair value changes during the year		(377,258)	947,329	(424,592)	959,174
• Net loss recycled to profit&loss on disposal of available-for- sale instruments		(32,227)	(479,291)	(32,227)	(479,291)
Other comprehensive gain/ (loss), net of related tax effects:		(409,485)	468,038	(456,819)	479,883
Total comprehensive income for the year		**4,342,613**	**5,601,328**	**4,161,577**	**5,512,778**
Earnings per share attributable to ordinary shareholders					
Basic (kobo)	17	94	102	91	100
Diluted (kobo)	17	94	102	91	100

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Financial Position

For The Year Ended 31 December 2017

In thousands of Naira	*Notes*	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Assets					
Cash and balances with banks	18	8,264,667	5,655,892	8,188,002	5,638,415
Due from financial institutions	19	29,509,041	16,246,877	29,509,041	16,246,877
Non pledged trading assets	20	1,137,667	3,443,570	1,137,667	3,443,570
Derivative financial assets	21	116,520	-	116,520	-
Investment securities	22	28,617,585	33,751,332	27,785,678	32,117,688
Pledged assets	23	18,840,555	14,232,448	18,840,555	14,232,448
Loans and advances to customers	24	32,254,859	22,706,561	32,239,585	22,706,561
Other assets	25	6,432,931	355,915	6,415,957	588,671
Investment in subsidiaries	26	-	-	4,614,711	3,314,711
Investment properties	27	1,657,107	686,865	-	-
Intangible assets	28	1,237,513	1,150,989	544,749	463,406
Property and equipment	29	3,430,110	3,046,591	3,077,084	3,000,668
Deferred tax assets	30	5,203,887	5,265,490	5,203,887	5,265,490
		136,702,443	106,542,530	137,673,436	107,018,505
Asset classified as held for sale	31	-	29,575	-	29,575
Total assets		**136,702,443**	**106,572,105**	**137,673,436**	**107,048,080**
Liabilities					
Due to financial institutions	32	11,206,114	18,637,966	11,206,114	18,637,966
Due to customers	33	76,394,498	53,476,909	77,766,608	54,146,766
Derivative financial liabilities	21	106,457	-	106,457	-
Current tax liabilities	16	348,484	263,844	266,686	211,288
Other liabilities	34	19,181,664	8,313,191	19,134,419	8,262,903
Deferred tax liabilities	30	2,488	2,488	-	-
Total liabilities		**107,239,705**	**80,694,398**	**108,480,284**	**81,258,923**

In thousands of Naira	*Notes*	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
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	6,171,410	5,478,651	6,171,410	5,478,651
Available for sale reserve	35	501,709	911,194	466,220	923,039
Regulatory risk reserve	35	647,767	397,224	647,767	397,224
Retained earnings	35	13,435,958	10,384,744	13,201,861	10,284,349
Total equity attributable to owners of the Bank		**29,462,738**	**25,877,707**	**29,193,152**	**25,789,157**
Total liabilities and equity		**136,702,443**	**106,572,105**	**137,673,436**	**107,048,080**

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 25 January 2018 and signed on its behalf by:

Babatunde Folawiyo
Chairman
FRC/2015/NBA/00000006371

Abubakar Jimoh
Managing Director
FRC/2013/ICAN/00000001481

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

Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2017

GROUP	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserves N'000	Regulatory Risk Reserve N'000	Treasury Stock N'000	Available for Sale Reserve N'000	Total N'000
Balance at 1 January 2017	**5,050,546**	**3,655,348**	**10,384,744**	**5,478,651**	**397,224**	**-**	**911,194**	**25,877,707**
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**
Dividend paid to shareholders	-	-	(757,582)	-	-	-	-	(757,582)
Transfer between reserves	-	-	(943,302)	692,759	250,543	-	-	-
Transactions with equity holders, recorded directly in equity	-	-	(1,700,884)	692,759	250,543	-	-	(757,582)
At 31 December 2017	**5,050,546**	**3,655,348**	**13,435,958**	**6,171,410**	**647,767**	**-**	**501,709**	**29,462,738**

GROUP	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserves N'000	Regulatory Risk Reserve N'000	Treasury Stock N'000	Available for Sale Reserve N'000	Total N'000
Balance at 1 January 2016	**4,854,118**	**3,331,241**	**8,098,756**	**3,968,782**	**60,948**	**(520,260)**	**443,156**	**20,236,741**
Profit for the year	-	-	5,133,290	-	-	-	-	5,133,290
Other comprehensive income, net of tax. Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	-	(479,291)	(479,291)
Fair value changes during the year	-	-	-	-	-	-	947,329	947,329
Total comprehensive income	-	-	5,133,290	-	-	-	468,038	5,601,328
Disposal of treasury shares	(209,232)	(345,233)	34,205	-	-	-	-	-
Additional capital through share issuance	405,660	669,340	-	-	-	520,260	-	1,075,000
Dividend paid to shareholders	-	-	(1,035,362)	-	-	-	-	(1,035,362)
Transfer between reserves	-	-	(1,846,145)	1,509,869	336,276	-	-	-
Transactions with equity holders, recorded directly in equity	196,428	324,107	(2,847,302)	1,509,869	336,276	520,260	-	(39,638
At 31 December 2016	**5,050,546**	**3,655,348**	**10,384,744**	**5,478,651**	**397,224**	**-**	**911,194**	**25,877,707**

BANK	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserves N'000	Regulatory Risk Reserve N'000	Available for Sale Reserve N'000	Total N'000
Balance at 1 January 2017	**5,050,546**	**3,655,348**	**10,284,349**	**5,478,651**	**397,224**	**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	250,543	-	-
Transactions with equity holders, recorded directly in equity	-	-	(1,700,884)	692,759	250,543	-	(757,582)
At 31 December 2017	**5,050,546**	**3,655,348**	**13,201,861**	**6,171,410**	**647,767**	**466,220**	**29,193,152**

BANK	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Statutory Reserves N'000	Regulatory Risk Reserve N'000	Available for Sale Reserve N'000	Total N'000
Balance at 1 January 2016	**4,854,118**	**3,331,241**	**8,098,756**	**3,968,782**	**60,948**	**443,156**	**20,757,001**
Profit for the year	-	-	5,032,895	-	-	-	5,032,895
Other comprehensive income, net of tax							
Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	(479,291)	(479,291)
Fair value changes during the year	-	-	-	-	-	959,174	959,174
Total comprehensive income/(loss)	-	-	5,032,895	-	-	479,883	5,512,778
Dividend paid to shareholders	-	-	(1,035,362)	-	-	-	(1,035,362)
Disposal of treasury shares	(209,232)	(345,233)	34,205	-	-	-	(520,260)
Additional capital through private placement	405,660	669,340	-	-	-	-	1,075,000
Transfer between reserves	-	-	(1,846,145)	1,509,869	336,276	-	-
Transactions with equity holders, recorded directly in equity	196,428	324,107	(2,847,302)	1,509,869	336,276	-	(480,622)
At 31 December 2016	**5,050,546**	**3,655,348**	**10,284,349**	**5,478,651**	**397,224**	**923,039**	**25,789,157**

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2017

Amounts in thousands of Naira (N'000) unless otherwise stated	*Notes*	Group Dec 2017 N'000	Group Dec 2016 N'000	Bank Dec 2017 N'000	Bank Dec 2016 N'000
Cash flows from operating activities					
Profit before income tax including continuing operations		5,120,226	5,317,199	4,932,829	5,197,500
Adjustments for non-cash items					
Depreciation charge on property and equipment		363,368	181,529	347,986	168,392
Amortisation of intangible assets		214,963	175,751	208,991	170,744
Write off of intangible assets		55,768	-	55,768	-
Loss on sale of non-current asset held for sale		-	-	24,575	-
Loss on sale of property and equipment		4,302	95,067	174	48,677
Net impairment loss on loans and advances		(51,657)	49,940	(51,662)	49,940
Net impairment loss on unquoted equity		66	20,179	66	20,179
Net impairment loss on other asset		47,929	-	-	-
Net interest income		(8,004,342)	(8,002,633)	(7,562,178)	(7,837,514)
Dividend earned	13	(655)	(45,147)	(137,573)	(1)
		(2,250,032)	**(2,208,115)**	**(2,181,024)**	**(2,182,083)**
Changes in working capital					
Financial assets held for trading (with original maturity > 90 days)		1,742,124	(3,434,943)	1,742,124	(3,434,943)
Derivative financial instruments		(10,063)	-	(10,063)	-
Increase in restricted deposit with CBN		(2,300,438)	-	(2,300,438)	-
Loans and advances to customers		(9,789,281)	(19,963,088)	(9,774,002)	(19,963,087)
Pledged assets		(4,608,107)	5,854,113	(4,608,107)	5,854,113
Other assets		(3,821,720)	(28,374)	(3,540,640)	(366,233)
Due to customers		21,256,505	19,622,687	21,958,758	20,292,544
Deposits from financial institutions		(7,400,000)	(4,252,261)	(7,400,000)	(4,252,261)
Other liabilities		13,370,655	2,650,772	13,373,698	3,248,209
Cash generated from / (utilised in) operations		**6,189,643**	**(1,759,209)**	**7,260,306**	**(803,741)**

Amounts in thousands of Naira (N'000) unless otherwise stated	*Notes*	Group Dec 2017 N'000	Group Dec 2016 N'000	Bank Dec 2017 N'000	Bank Dec 2016 N'000
Interest received		23,250,594	10,779,985	23,072,728	10,678,920
Interest paid		(12,739,948)	(6,405,173)	(13,004,246)	(6,469,226)
Income taxes paid	16	(200,096)	(242,810)	(183,640)	(139,524)
Net cashflows generated from operating activities		**16,500,193**	**2,372,793**	**17,145,148**	**3,266,429**
Cash flows from investing activities					
Dividend received		655	45,147	137,573	1
Investment in subsidiary		-	-	(1,300,000)	(2,498,059)
Net cash from acquired subsidiary	25	-	367,538	-	-
Acquisition of investment securities - Available for sale		(3,433,594)	(3,551,501)	(4,282,665)	(2,265,121)
Purchase of property plant and equipment		(513,295)	(1,569,017)	(440,799)	(1,536,277)
Purchase of intangible assets		(357,255)	(234,080)	(346,102)	(231,746)
Purchase of investment properties		(1,224,361)	(686,865)	-	-
Proceed from sale of non-current asset held for sale		-		5,000	
Purchase of held to maturity investment		-	(2,718,752)	-	(2,718,752)
Redemption of held to maturity investments		8,137,137	-	8,137,137	-
Proceeds from sale of property and equipment		21,223	45,760	16,223	37,071
Net cash generated from / (used in) investing activities		**2,630,510**	**(8,301,770)**	**1,926,367**	**(9,212,883)**
Cash flows from financing activities					
Proceeds from issue of share capital		-	275,000	-	275,000
Dividend paid		(757,582)	(1,035,362)	(757,582)	(1,035,362)
Net cash used in financing activities		**(757,582)**	**(760,362)**	**(757,582)**	**(760,362)**
Increase / (Decrease) in cash and cash equivalents		**18,373,121**	**(6,689,339)**	**18,313,933**	**(6,706,816)**
Analysis of changes in cash and cash equivalents					
At start of year		17,081,404	23,770,743	17,063,927	23,770,743
At end of year		35,454,525	17,081,404	35,377,860	17,063,927
Increase / (Decrease) in cash and cash equivalents		**18,373,121**	**(6,689,339)**	**18,313,933**	**(6,706,816)**
Cash and cash equivalents comprise:					
Balances with banks		1,013,980	359,926	937,315	342,449
Unrestricted balances with central banks		4,931,504	474,601	4,931,504	474,601
Placement with other financial institutions with maturity of less than 90 days		29,509,041	16,246,877	29,509,041	16,246,877
		35,454,525	**17,081,404**	**35,377,860**	**17,063,927**

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

Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2017

1.0 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.

2.0 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. The consolidated and separate statement of financial position have been prepared in their order of liquidity.

3.0 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 periods presented, unless otherwise stated.

3.1 Basis of preparation

The consolidated financial statement comprise the consolidated statement of comprehensive income, the statement of financial position, the consolidated statements of changes in equity, the consolidated cash flow statement and the notes.

(a) Functional and presentation currency

These consolidated financial statements are presented in Naira, which is the Group's 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.
- available-for-sale 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 period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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 and interpretations not yet adopted by the Group

As at year end, a number of standards and interpretations, and amendments thereto, had been issued by the International Accounting Standards Board (IASB) which are not yet effective for these consolidated financial statements. Set below are standards relevant to the group.

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The new classification and measurement and impairment requirements will be applied by adjusting our opening balance sheet of 01 Jan 2018 (31 December, 2017) the date of initial application, with no restatement of comparative period financial information. The Group will recognise any difference between the previous carrying amount and the carrying amount in the opening retained earnings (or other component of equity, as appropriate). Based on current estimates, the adoption of IFRS 9 is expected to result in a reduction to retained earnings as at 31 Dec 2017. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements. We do not expect the adoption of IFRS 9 to have a significant impact on our tier 1 capital. We continue to monitor and refine certain elements of our impairment process in advance of Q1 2018 reporting. Classification and measurement IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), Fair Value through Other Comprehensive Income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of FVTPL, Available for Sale (AFS), loans and receivables, and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss. For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9. The requirements related to the fair value option for financial liabilities, which were adopted in 2014, were changed to address the treatment of own credit risk.The combined application of the contractual cash flow characteristics and business model tests as at 31 December 2017 is expected to result in certain differences in the classification of financial assets when compared to our classification under IAS 39. The most significant changes in classification include the following:

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments				
	Financial Statement Line	**Financial instrument**	**Amount N'000**	**IAS 39 Classification**	**IFRS 9 Classification**
	Cash and balances with banks	Balances with banks	3,333,163	Loans and receivables	Amortised cost
		Unrestricted balances with central banks	4,931,504	Loans and receivables	Amortised cost
	Due from financial institutions	Money market placements	29,509,041	Loans and receivables	Amortised cost
	Loans and advances to customers	Mortgage Loan	179,324	Loans and receivables	Amortised cost
		Term Loan	31,909,627	Loans and receivables	Amortised cost
		Personal Loan	165,908	Loans and receivables	Amortised cost
	Other assets	Accounts receivable	6,449,198	Loans and receivables	Amortised cost
	Investment securities - Available for sale investment securities	Equity securities with readily determinable fair values	346,089	Available for sale	FVTOCI
		Unquoted equity securities at cost	20,245	Available for sale	FVTOCI

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments

There were no significant changes in the Group's classification of financial liabilities.

Decision points

The implementation of IFRS 9 requires certain decisions to be taken by the managment. and approved in line the relevant governance framework. Management has assessed the complexity of each decision point and identified a range of policy options available for each. Management also considered conceptual suitability, implementation feasibility and regulatory directives on each option. A summary of key decision points, policy options for each decision point and the policy chosen by management is shown below:

S/N	Area	Decision
1	Determining lifetime PDs	Use external lifetime PD term structure
2	Determining other lifetime inputs	Assume external 12M is a reasonable proxy
3	Source of macroeconomic inputs	Combine internal & external sources
4	Quantification of impact	Combined approach
5	Incorporating multiple scenarios	Probability weighted provisions
6	Incorporating multiple non-macroeconomic scenarios	Probability weighted provisions
7	Origination date	Last re-price
9	Key origination inputs	Internal and external credit scores
10	Forward looking data	Management overlays/Judgement
11	Metrics for credit risk	Combine internal and external credit scores and metrics
12	Definition of default	Prudential guidelines definition
13	Use of qualitative information within transition test	Specific qualitative information
14	Reliance on only 30 days past due for transition test	No. Other factors will be considered.
15	Rebuttal of 30 days past due assumption	Yes, for specific portfolios
16	Restating comparatives	Comparatives will not be restated

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments
	Impairment IFRS 9 introduces an expected credit loss impairment model that differs significantly from the incurred loss model under IAS 39 and is expected to result in earlier recognition of credit losses. Additional details on the key elements of the new expected credit loss model are described below. Scope Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories have considered both on and off-balance sheet exposures in line with IFRS 9. Expected credit loss impairment model Under IFRS 9, credit loss allowances will be measured on each reporting date according to a three-stage expected credit loss impairment model: • Stage 1 – From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the next 12 months. • Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. • Stage 3 – When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses will be recognized. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. Stage 1 and Stage 2 credit loss allowances effectively replace the collectively-assessed allowance for loans not yet identified as impaired recorded under IAS 39, while Stage 3 credit loss allowances effectively replace the individually assessed allowances for impaired loans. Under IFRS 9, the population of financial assets and corresponding allowances disclosed as Stage 3 will not necessarily correspond to the amounts of financial assets currently disclosed as impaired in accordance with IAS 39. Consistent with IAS 39, loans are written off when there is no realistic probability of recovery. Accordingly, our policy on when financial assets are written-off will not significantly change on adoption of IFRS 9. Because all financial assets within the scope of the IFRS 9 impairment model will be assessed for at least 12-months of expected credit losses, and the population of financial assets to which full lifetime expected credit losses applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with IAS 39, loss allowances are generally expected to be higher under IFRS 9 relative to IAS 39.

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments
	Changes in the required credit loss allowance, including the impact of movements between Stage 1 (12 month expected credit losses) and Stage 2 (lifetime expected credit losses), will be recorded in profit or loss. Because of the impact of moving between 12 month and lifetime expected credit losses and the application of forward looking information, provisions are expected to be more volatile under IFRS 9 than IAS 39.
	Measurement The measurement of expected credit losses will primarily be based on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD), discounted to the reporting date. The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. The Group will combine the regulatory prudential guidelines with other relevant qualitative factors in the "definition of default" An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses; however the relevant parameters will be modeled on a collective basis using largely the same underlying data pool supporting our stress testing and regulatory capital expected loss processes. Models have been developed, primarily leveraging our existing models for enterprise-wide stress testing. For the small percentage of our portfolios that lack detailed historical information and/or loss experience, we will apply simplified measurement approaches that may differ from what is described above. These approaches have been designed to maximize the available information that is reliable and supportable for each portfolio and may be collective in nature. Expected credit losses must be discounted to the reporting period using the effective interest rate Movement across stages Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly relative to the date it was initially recognized. For the purposes of this assessment, credit risk is based on an instrument's lifetime PD, not the losses we expect to incur. Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2: • We have established thresholds for significant increases in credit risk based on both a percentage and absolute change in lifetime PD relative to initial recognition. The exact thresholds applied will differ by product and/or business. • Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments
	• IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. Alternative metrics and flags will be used alongside 30 days past dues to identify increases in credit risk for all portfolios. This means that the presumption may be reported in specific exposures and portfolios.
	Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit- impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model in line with the regultory probationary periods for monitoring. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 in line with the regultory probationary periods for monitoring. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired in line with the regultory probationary periods for monitoring.
	Expected life For instruments in Stage 2 or Stage 3, loss allowances will cover expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life, adjusted as applicable for expected prepayments. However, an exemption from this limit is granted for instruments that include both a loan and undrawn commitment component and where our contractual ability to demand repayment and cancel the undrawn commitment does not limit our exposure to credit losses to the contractual notice period. For products in scope of this exemption, the expected life is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. Determining the instruments in scope for this exemption and estimating the appropriate remaining life will require significant judgment. Products identified as in scope of the lifetime exemption include overdraft balances and certain revolving lines of credit. The expected life for these products will be determined using a behavioral life simulation over the next two years.
	Definition of default The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will beconsistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. In line with the CBN guidelines, the Group will adopt a definition of default based on the prudential guidelines. In addition, qualitative factors will also be considered. This will be applied consistently from one reporting period to another.

Title of standard	International Financial Reporting Standard (IFRS) 9 Financial Instruments
	Governance As part of the implementation of IFRS 9, we have designed and implemented new controls and governance procedures in several areas that contribute to the calculation of expected credit losses. These include controls over credit risk data and systems, expected credit loss models and calculation model, forecasts of future macroeconomic variables, design and probability-weighting of future macroeconomic scenarios, and the determination of significant increases in credit risk. Internal Audit Unit is responsible for the ongoing monitoring of the models. The Board through 2 of its standing committees (Board Audit Committee and Board Risk Management Committee) have overall oversight over the IFRS 9 project for the Group. In addition to the existing risk management framework, the Management Credit and Investment Committee will be responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in our financial statements. We have also established the Project Advisory Working Group, comprised of representatives from the Finance Risk Management, which provides advice to the Management Credit and Investment Committee on certain measurement methodology and assumptions. The new committee structure, with underlying key controls, went into operation in 2017.
Mandatory application date/ Date of adoption by the Group	IFRS 9 must be applied for financial years commencing on or after 1 January 2018. To manage our transition to IFRS 9, we implemented a comprehensive enterprise-wide program led jointly by Finance and Risk Management that focuses on key areas of impact, including financial reporting, data, systems and processes, as well as communications and training. Throughout the project, we have provided regular updates to the Audit Committee, Risk Committee and senior management to ensure escalation of key issues and risks. During the year, we completed initial assessments of the scope of IFRS 9, gap assessments from IAS 39, classification of financial assets, financial and economic impacts, system and resource requirements, and key accounting interpretations. We also designed and began building the systems, models, controls and processes required to implement IFRS 9.

Title of standard	IFRS 15 Revenue from Contracts with Customers
Nature of change	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management is has assessed the effects of applying the new standard on the Group's financial statements and has not identified any area that are likely to be significantly affected.
Mandatory application date/ Date of adoption by the Group	IFRS 15 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt IFRS 15 before its mandatory date. Expected date of adoption by the Group is 1 January 2018.

Title of standard	IFRS 16 Leases
Nature of change	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 shortterm and low-value leases. The accounting for lessors will not significantly change.
Impact	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of 6.3m, see note 33. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. However, most of these commitments may be covered by the exception for short-term and lowvalue leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.
Mandatory application date/ Date of adoption by the Group	IFRS 16 must be applied for financial years commencing on or after 1 January 2016. The Group does not intend to adopt IFRS 15 before its mandatory date. Expected date of adoption by the Group is 1 January 2019.

There are no other standards that are yet effective to have a material impact on the equity in the current or future reporting periods, and on forseeable future transactions.

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 it's 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 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.

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. Profit and losses resulting from upstream and downstream transactions between the group and its associates are recognized 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 period. 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 period) 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 period.

(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 lease

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

(b) Finance lease

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 period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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 periodic 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 period during the lease term so as to produce a constant periodic 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 period 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 periodically 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

In accordance with IAS 39, all financial assets and liabilities (which include derviative financial insturments) 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 34/39 category.

	Category (as defined by IAS 39)	**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
	Loans and receivables	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	individuals
			Loans to corporate
		Other assets	
	Held to maturity	Investment securities - debt securities	Listed
	Available for sale financial assets	Investment securities - debt securities	Listed
			Unlisted
		Investment securities - equity securities	Listed
			Unlisted
	Category (as defined by IAS 39)	**Class (as determined by the Group)**	**Sub classes**
Financial liabilities	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	
	Financial liabilities at amortised cost	Due to financial institutions	
		Due to customers	deposits
			Term deposits
			Term deposits
		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 IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading and financial assets designated by the Group as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading 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 as held for trading unless they are designated and effective as hedging instruments. Financial assets held for trading consist of debt instruments, including money-market paper, 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 gains on financial instruments classified as held for trading. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend 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 designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, 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) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Finance lease receivables are reported within loans and receivables where the Group is the lessor in a lease agreement. Such lease agreement transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee. The loans and receivables equal to the net investment in the lease is recognised and presented within loans and advances.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the consolidated statement of financial position as loans and advances to banks or customers or as investment securities. Interest on loans is included in the consolidated income statement and is reported as 'Interest income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the consolidated income statement under "net impairment loss on financial assets"

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss, loans and receivables or available-for-sale.

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 held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for- sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. 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 held-to-maturity 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'. Held-to-maturity investments include treasury bills and bonds.

(iv) Available-for-sale
Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost and subjected to impairment. All other available-for-sale 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 available-for-sale debt security 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.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivable category if it otherwise would have met the definition of loans and receivables and if the Group has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Availabe for sale instruments include investment seccurities.

(v) Investments under management

Investment under management are funds entrusted to Asset management firms who acts as agents to the principals for investment purpose with returns on the underlying investments accurable to the the principal.

The investment decision made by the Asset management within an agreed portfolio of high quality Nigerian fixed income and money market instruments which are usually short tenured.

(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.

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 either subject to collective impairment assessment or 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 expire.

(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. See note 5.1.5

(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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on 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 evidence of impairment for loans and advances and held-to-maturity investments at both a specific and collective level. All individually significant loans and advances and held-to maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to maturity investments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities (held at amortised cost) with similar characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. 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) Available for sale securities

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the income statement as a reclassification adjustment.

For debt securities, the group uses the criteria referred to in (i) above to assess impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. 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 period, 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) Repossessed collateral

Repossessed collateral are equities, investment properties or other investments repossesed from a customer and used to settle his outstanding obligation. Such investments are classified in accordance with the intention of the Group in the asset class which they belong and are also seperately disclosed in the financial statement.

(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

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.

3.9 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 periodic 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 period 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

3.10 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 periods 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 veviewed 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.

3.11 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.

3.12 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 periods 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.

3.13 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 period in which it arise.

3.14 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 expenses.

(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.

3.15 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.

3.16 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 period. 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 period 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 period 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.

3.17 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 period when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period 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 period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted avergae 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 riks assets. Assets are classified as performing or non- performing. Non performing assets are further clased 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 IAS 39 are compared. The IAS 39 determined impairment charge is alwayss included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non - distributable 'regulatory risk reserve'. Where the IAS 39 impairment is greater, no appropriation is made and the amount of IAS 39 impairment is recognised in income statement.

Following an examination, the regulator may also require more amounts to be set aside on risk and other assets. Such additional amounts are recognised as an appropriation from retained earnings to the regulatory risk reserve.

3.18 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.

4.0 Use of estimates and judgements

These disclosures supplement the commentary on financial risk management (see note 5).
Estimates where management has applied judgements are:

- Allowances for credit losses
- Valuation of financial instruments
- Determination of impairment of property and equipment, and intangible assets excluding goodwill
- Assessment of impairment of goodwill on acquired subsidiaries
- Estimation of fair values of investment property
- Assessment of recoverability of deferred tax assets

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

4.1 Allowances for credit losses

Loans and advances to customers are accounted for at amortised cost and are evaluated for impairment on a basis described in accounting policy 3.8

"Coronation MB evaluates its loan portfolios for impairment at least on half yearly basis. However, since the advent of the IFRS 9 impact assessment in June 2017, the Bank does a monthly comparison with IAS 39 computations. In deciding whether an impairment loss should be recorded in the income statement, the Bank makes judgement with regards to the following:

- Whether there is any observable data indicating an impairment trigger
- Measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease is identified with the 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).

A collective component of the total allowance is established for:
- Groups of homogeneous loans that are not considered individually significant and
- Groups of assets that are individually significant but were not found to be individually impaired

Collective allowance for groups of homogeneous loans is established using statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates and benchmarked against the emerging market data modelled against the Bank's rating buckets. Expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Collective allowance for group of assets that are individually significant but were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities (HTM) with similar credit characteristics. However, when the is objective evidence that they (Loans & advances and HTM) contain impairment, they are treated specifically under the specific impairment bucket.In the assessment for collective loan loss allowances, the Bank considers the following:
- Credit quality
- Collateral in the computation of loss given default
- Credit conversion equivalent in the treatment of overdrafts
- Portfolio size
- Concentration
- Other economic factors.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on estimates of future cash flows for specific counterparties and the model assumptions and parameters used in determining collective allowances estimated. The Bank used emerging market data that reflects credit trends in the developing countries to computes its PD's. Coronation MB also used the basel regulatory LGD values.

In addition, if the PDs and LGDs were increased by 2%, there would have been an additional impairment charge of N0.33m (2016:N2.41m) and if the PDs and LGDs decreased by 2%, there would have been a write back of impairment of N0.32m (2016:N2.36m).

	Increase by 2%		**Decrease by 2%**	
	December 2017	December 2016	December 2017	December 2016
Mortgage Loan	3,587	47,749	3,516	46,804
Personal Loan	1,965	26,162	1,926	25,638
Overdraft	72,346	963,042	70,913	943,980
Term Loan	253,094	1,374,848	248,082	1,347,637
	330,992	**2,411,801**	**324,437**	**2,364,059**

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 under IAS 39. 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:

As at 31 December 2017, the difference between the Prudential provision and IFRS impairment was N647.77 million (December 2016: N397.22 million) requiring additional transfer of N250.54million (December 2016: 336.28 million) to the Credit risk reserve as disclosed in the statement of changes in equity. This amount represents the difference between the provisions for credit and other known losses as determined under the prudential guideline issued by the Central Bank of Nigeria (CBN), and the impairment reserve as determined in line with IAS 39 as at year end.

Statement of prudential adjustments	December 2017	December 2016
In thousands of Naira		
Bank		
Loans & advances:		
Specific impairment allowances on loans to customers		
- Loans to individuals	-	-
- Loans to corporate	-	-
Collective impairment allowances on loans to customers		
- Loans to individuals	138	136
- Loans to corporate	8,055	59,719
Total impairment allowances on loans per IFRS	8,193	59,855
Total regulatory impairment based on prudential guidelines	655,960	456,079
	647,767	**396,224**
Movement in credit risk reserves:		
Balance, beginning of the year	397,224	60,948
Additional transfers into regulatory risk reserve	250,543	336,276
Balance, end of the year	**647,767**	**397,224**

4.2 Valuation of Financial Instruments

The table below analyses financial and non-financial instruments measured at fair value at the end of the financial period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

4.2..1 Recurring fair value measurements

In thousands of Naira

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
Pledged assets				
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

In thousands of Naira

Group December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Non pledged trading assets				
Treasury bills	3,286,430	-	-	3,286,430
Government bonds	157,140	-	-	157,140
Derivative financial assets		-		-
Pledged assets				
Treasury bills	8,453,138	-	-	8,453,138
Pledged assets				
Treasury bills	3,065,482	-	-	3,065,482
Bonds	15,120,066	141,340	-	15,261,406
Equity securities	145,359	-		145,359
	30,227,615	141,340		30,368,955
Liabilities				
Derivative financial liabilities	-	-	-	-
	-	-	-	-

In thousands of Naira

Bank 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
Pledged assets	7,823,386	-	-	7,823,386
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
	26,220,107	2,677,375	-	28,897,482
Liabilities				
Derivative financial liabilities	-	106,457	-	106,457
	-	106,457	-	106,457

In thousands of Naira

Bank December 2016	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	3,286,430	-	-	3,286,430
Government bonds	157,140	-	-	157,140
Pledged assets	-	-	-	-
Treasury bills	8,453,138			8,453,138
Derivative financial assets	-	-	-	-
Investment securities				
Available for sale				
Treasury bills	2,230,378	-	-	2,230,378
Bonds	14,393,656	141,340	-	14,534,996
Equity securities	94,746	-	-	94,746
	28,615,488	141,340	-	28,756,828
Liabilities				
Derivative financial liabilities	-	-	-	-
	-	-	-	-

There were no transfers between levels 1 and 2 during the year.

4.2..2 Financial instruments not measured at fair value

In thousands of Naira

Group December 2017	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	3,333,163	4,931,504	-	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				
Treasury bills	10,180,409	-	-	10,180,409
Investment securities	-	-	-	-
Held to maturity	5,964,566	-	-	5,964,566
Other assets	-	5,812,805	-	5,812,805
	48,987,179	10,744,309	32,254,859	91,986,347
Liabilities				
Deposits from financial institutions	-	11,206,114	-	11,206,114
Due to customers	-	76,394,498	-	76,394,498
Other liabilities	-	18,284,351	-	18,284,351
	-	105,884,963	-	105,884,963

In thousands of Naira

Group December 2016	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	5,181,291	474,601	-	5,655,892
Due from financial institutions	16,246,877	-	-	16,246,877
Loans and advances to customers	-	-	22,706,561	22,706,561
Pledged assets	5,092,795	-	-	5,092,795
Investment securities	-	-	-	-
Held to maturity	12,104,841	-	-	12,104,841
Other assets	-	169,390	-	169,390
	38,625,804	643,991	22,706,561	61,976,356
Liabilities				
Deposits from financial institutions	-	18,637,966	-	18,637,966
Due to customers	-	53,476,909	-	53,476,909
Other liabilities	-	7,315,540	-	7,315,540
	-	79,430,415	-	79,430,415

In thousands of Naira

Bank **December 2017**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and balances with banks	3,256,498	4,931,504	-	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	10,180,409	-	-	10,180,409
Investment securities	-	-	-	-
Held to maturity	5,964,566	-	-	5,964,566
Other assets	-	5,749,420	-	5,749,420
	48,910,514	10,680,924	32,239,585	91,831,023
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

In thousands of Naira

Bank **December 2016**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Cash and balances with banks	5,163,814	474,601	-	5,638,415
Due from financial institutions	16,246,877	-	-	16,246,877
Loans and advances to customers	-	-	22,706,561	22,706,561
Pledged assets	5,092,795			5,092,795
Investment securities	-	-	-	-
Held to maturity	12,104,841	-	-	12,104,841
Other assets	-	407,525	-	407,525
	38,608,327	882,126	22,706,561	62,197,014
Liabilities				
Deposits from financial institutions	-	18,637,966	-	18,637,966
Due to customers	-	54,146,766	-	54,146,766
Other liabilities	-	7,283,288	-	7,283,288
	-	80,068,020	-	80,068,020

(a) The fair value for financial assets and liabilities that are not carried at fair value were determined respectively as follows:

(i) Cash

The carrying amount of Cash and balances with banks is a reasonable approximation of fair value.

(ii) Due from financial institutions

The carrying amount of Due from financial institutions is a reasonable approximation of fair value.

(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 (available for sale) 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.

4.2..3 Recognised fair value measurements

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the 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.

4.3 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.

4.4 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 23.79% and a cash flow growth rate of 1.49% over a period of four years. The Group determined the appropriate discount rate at the end of the reporting period. See note 27b for further details.

4.5 Assessment of impairment of goodwill on acquired subsidiaries

The Group obtains independent valuations for its completed investment properties at least annually. At the end of each reporting period, 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.

In thousands of Naira

Group **December 2017**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment properties	-	-	1,657,107	1,657,107
	-	-	1,657,107	1,657,107

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

4.6 Assessment of recoverability of deferred tax assets

The deferred tax assets include an amount of N5.20bn (2016: N5.26bn) 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 2019 onwards. The losses can be carried forward indefinitely and have no expiry date.

4.7 Financial instruments

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

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
Due to customers	-	-	-	-	-	76,394,498
Derivative financial liabilities	-	-	-	-	106,457	-
Other liabilities	-	-	-	-	-	18,284,351
	1,254,187	28,475,202	75,841,372	18,464,258	106,457	105,884,963

Group	Financial assets				Financial liabilty	
December 2016	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	-	-	5,181,291	-	-	-
Unrestricted balances with central banks	-	-	474,601	-	-	-
Due from financial institutions	-	-	16,246,877	-	-	-
Non pledged trading assets					-	-
Treasury bills	3,286,430	-	-	-	-	-
Government bonds	157,140	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-
Investment securities						
Available for sale investment securities						
Federal government bonds	-	7,340,178	-	-	-	-
Treasury bills	-	3,065,482	-	-	-	-
State government bonds	-	5,447,604	-	-	-	-
Corporate bonds	-	2,473,624	-	-	-	-
Equity securities with readily determinable fair values	-	145,359	-	-	-	-
Unquoted equity securities at fairvalue	-	21,583	-	-	-	-
Held to maturity investment securities					-	-
Federal government bonds	-	-	-	15,257,502	-	-
Pledged assets					-	-
Government bonds	-	-	-	5,779,310	-	-
Treasury bills	1,131,522	7,321,616	-	-	-	-
Loans and advances to customers	-	-	22,706,561	-	-	-
Other assets	-	-	169,390	-	-	-
Financial liabilities						
Deposits from financial institutions	-	-	-	-	-	18,637,966
Due to customers	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	53,476,909
Other liabilities	-	-	-	-	-	7,315,540
	4,575,092	25,815,446	44,778,720	21,036,812	-	79,430,415

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	-	-	-
Due from financial institutions	-	-	29,509,041	-	-	-
Derivative financial assets	116,520	-	-	-		
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	-	7,823,386	-	-	-	-
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	27,643,295	75,686,048	18,464,258	106,457	107,254,569

Bank	Financial assets				Financial liabilty	
December 2016	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	-	-	5,163,814	-	-	-
Unrestricted balances with central banks	-	-	474,601	-	-	-
Due from financial institutions	-	-	-	-	-	-
Derivative financial assets	-	-	16,246,877	-		
Non pledged trading assets					-	-
Treasury bills	3,286,430	-	-	-	-	-
Government bonds	157,140	-	-	-	-	-
Investment securities						
Available for sale investment securities						
Federal government bonds	-	7,340,178	-	-	-	-
Treasury bills	-	2,230,378	-	-	-	-
State government bonds	-	4,721,194	-	-	-	-
Corporate bonds	-	2,473,624	-	-	-	-
Equity securities with readily determinable fair values	-	94,746	-	-	-	-
Unquoted equity securities at fairvalue	-	66	-	-	-	-
Held to maturity investment securities					-	-
Federal government bonds	-	-	-	15,257,502	-	-
Pledged assets					-	-
Government bonds	-	-	-	5,779,310	-	-
Treasury bills	1,131,522	7,321,616	-	-	-	-
Loans and advances to customers	-	-	22,706,561	-	-	-
Other assets	-	-	407,525	-	-	-
Financial liabilities						
Deposits from financial institutions	-	-	-	-	-	18,637,966
Due to customers	-	-	-	-	-	54,146,766
Derivative financial liabilities	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	7,283,288
	4,575,092	24,181,802	44,999,378	21,036,812	-	80,068,020

4.8 Financial assets and liabilities - Fair value measurement

(a) Accounting classification measurement basis and fair values

The table below sets out the classification of each class of financial assets and liabilities, and their fair values.

Group *In thousands of Naira* 31 December 2017	Trading	Held-to-maturity	Loans and receivables at amortized cost	Available-for-sale	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
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	10,180,409
Investment securities							
Available for sale							
Treasury bills	-	-	-	7,405,850	-	7,405,850	7,405,850
Bonds	-	-	-	12,899,877	-	12,899,877	12,899,877
Equity	-	-	-	366,334	-	366,334	366,334
Held to Maturity							
Bonds	-	7,447,089	-	-	-	7,447,089	5,964,566
Other assets	-	-	5,812,805	-	-	5,812,805	5,812,805
	1,254,187	18,464,258	75,841,372	28,495,447	-	124,055,264	121,735,981
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

Group *In thousands of Naira* 31 December 2016	Trading	Held-to-maturity	Loans and receivables at amortized cost	Available-for-sale	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and balances with banks	-	-	5,655,892	-	-	5,655,892	5,655,892
Due from financial institutions	-	-	16,246,877	-	-	16,246,877	16,246,877
Non pledged trading assets							
Treasury bills	157,140	-	-	-	-	157,140	157,140
Bonds	42,735	-	-	-	-	42,735	42,735
Derivative financial assets	-	-	-	-	-	-	-
Loans and advances to customers	-	-	22,706,561	-	-	22,706,561	22,706,561
Pledged assets							
Treasury bills	-	-	-	14,232,448	-	14,232,448	14,232,448
Investment securities							
Available for sale							
Treasury bills	-	-	-	3,065,482	-	3,065,482	3,065,482
Bonds	-	-	-	15,261,406	-	15,261,406	15,261,406
Equity	-	-	-	194,479	-	194,479	194,479
Held to Maturity							
Bonds	-	15,257,502	-	-	-	15,257,502	12,104,841
Other assets	-	-	169,390	-	-	169,390	169,390
	199,875	15,257,502	44,778,720	32,753,815	-	92,989,912	89,837,251
Deposits from financial institutions	-	-	-	-	18,637,966	18,637,966	18,637,966
Due to customers	-	-	-	-	53,476,909	53,476,909	53,476,909
Derivative financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	7,315,540	7,315,540	7,315,540
	-	-	-	-	79,430,415	79,430,415	79,430,415

Bank *In thousands of Naira* 31 December 2017	Trading	Held-to-maturity	Loans and receivables at amortized cost	Available-for-sale	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
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	-	-	-	7,823,386	-	7,823,386	7,823,386
Bonds	-	11,017,169	-	-	-	11,017,169	10,180,409
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	5,964,566
Other assets	-	-	5,749,420	-	-	5,749,420	5,749,420
	1,254,187	18,464,258	75,686,048	27,663,540	-	123,068,033	120,748,750
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 liabilities	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

Bank *In thousands of Naira* 31 December 2016	Trading	Held-to-maturity	Loans and receivables at amortized cost	Available-for-sale	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and balances with banks	-	-	5,638,415	-	-	5,638,415	5,638,415
Due from financial institutions	-	-	16,246,877		-	16,246,877	16,246,877
Non pledged trading assets							
Treasury bills	157,140	-	-	-	-	157,140	157,140
Bonds	3,286,430	-	-	-	-	3,286,430	3,286,430
Derivative financial assets	-	-	-	-	-	-	-
Loans and advances to customers	-	-	22,706,561	-	-	22,706,561	22,706,561
Pledged assets							
Bonds	-	-	-	8,453,138	-	8,453,138	8,453,138
Investment securities							
Available for sale							
Treasury bills	-	-	-	2,230,378	-	2,230,378	2,230,378
Bonds	-	-	-	14,534,996	-	14,534,996	14,534,996
Equity	-	-	-	114,991	-	114,991	114,991
Held to Maturity							
Bonds	-	15,257,502	-	-	-	15,257,502	12,104,841
Other assets	-	-	407,525	-	-	407,525	407,525
	3,443,570	15,257,502	44,999,378	25,333,503	-	89,033,953	85,881,292
Deposits from financial institutions	-	-	-	-	18,637,966	18,637,966	18,637,966
Due to customers	-	-	-	-	54,146,766	54,146,766	54,146,766
Derivative financial liabilities	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	7,283,288	7,283,288	7,283,288
	-	-	-	-	80,068,020	80,068,020	80,068,020

5.0 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 periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

Management of credit Risk

The management of credit risk is 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 of credit Risk framework and appetite
ii. Approval of Credit Risk Strategy
iii. Review of the quality of our loan portfolio on a quarterly basis
iv. Approval of credit requests for which the Management Credit 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. Evident in the role of the Board in credit risk management is the development and approval of polices which play a key role in the way 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.

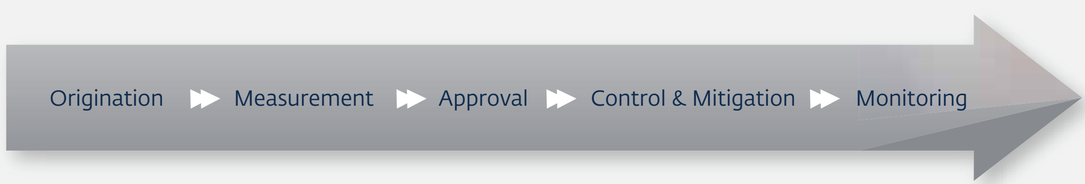
Notwithstanding who derives the risk rating, Independent Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Coronation 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

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.

Grade	Scale	Explanatory Note
2+	AA+	Obligors are judged to be of high quality and are subject to very low credit risk.
2	AA	
2-	AA-	
3+	A+	Obligors are judged to be upper-medium grade and are subject to low credit risk.
3	A	
3-	A-	
4+	BBB+	Obligors are judged be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
4	BBB	
4-	BBB-	
5+	BB+	Obligors are judged to be speculative and are subject to substantial credit risk.
5	BB	
5-	BB-	
6+	B+	Obligors are considered speculative and are subject to high credit risk.
6	B	
6-	B-	
7+	CCC+	Obligors are judged to be speculative of poor standing and are subject to very high credit risk.
7	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
- 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	Group December 2017	Group December 2016	Bank December 2017	Bank December 2016
Cash and balances with banks				
-Current balances with banks outside Nigeria	3,333,163	5,181,291	3,256,498	5,163,814
-Unrestricted balances with central banks	4,931,504	474,601	4,931,504	474,601
-Restricted balances with central banks				
Due from financial institutions	29,509,041	16,246,877	29,509,041	16,246,877
Non pledged trading assets				
Treasury bills	950,829	3,286,430	950,829	3,286,413
Bonds	186,838	157,140	186,838	157,140
Derivative financial assets	116,520	-	116,520	-
Loans and advances to customers	32,263,057	22,766,416	32,247,778	22,766,416
Pledged assets				
Bonds	11,017,169	5,779,310	11,017,169	5,779,310
Treasury bills	7,823,386	8,453,138	7,823,386	8,453,138
Investment securities				
Available for sale				
Treasury bills	7,405,850	3,065,482	6,850,685	2,230,378
Bonds	12,899,877	15,261,406	12,874,203	14,534,996
Held to Maturity				
Bonds	7,447,089	15,257,502	7,447,089	15,257,502

In thousands of Naira	Group December 2017	Group December 2016	Bank December 2017	Bank December 2016
Other assets	5,812,805	169,390	5,749,420	407,525
Total	123,697,128	96,098,983	122,960,960	94,758,127
Off balance sheet exposures				
Guaranteed credit facilities	4,062,500	-	4,062,500	-
Clean line facilities for letters of credit and other commitments	20,913,167	-	20,913,167	-
Forward contracts	6,528,153	-	6,528,153	-
Total	31,503,820	-	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 2017 and 31 December 2016, 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 as analysed follows:

In thousands of Naira	Group December 2017	Group December 2016	Bank December 2017	Bank December 2016
Agriculture	6,125,857	8,849,273	6,125,857	8,849,273
Construction	3,323,790	4,557,764	3,323,790	4,557,764
Finance and insurance	104,551	3,000,000	104,551	3,000,000
General	15,282	-	4	-
General commerce	7,716,057	-	7,716,057	-
Other Manufactiring (Industries)	7,935,791	4,819,086	7,935,791	4,819,086
Oil And Gas - Downstream	492,544	-	492,544	-
Real estate activities	5,032,723	929,755	5,032,723	929,755
Transportation and storage	1,062,915	-	1,062,915	-
Others	453,547	610,538	453,547	610,538
	32,263,056	22,766,416	32,247,778	22,766,416

5.1.3 Gross loans and advances to customers per sector is as analysed follows:

(a) Credit quality by class

In thousands of Naira	Loans and advances to individuals		Loans and advances to corporates	
Group	Dec 2017	Dec 2016	Dec 2017	Dec 2016
Carrying amount	345,232	285,756	31,909,627	22,420,805
Neither past due nor impaired				
AAA - B-	345,370	285,892	31,917,687	22,480,524
Gross amount	345,370	285,892	31,917,687	22,480,524
Allowance for impairment	(138)	(136)	(8,060)	(59,719)
Carrying amount	345,232	285,756	31,909,627	22,420,805

Bank	Loans and advances to individuals		Loans and advances to corporates	
Credit quality by class Group				
Carrying amount	329,953	285,756	31,909,632	22,420,805
Neither past due nor impaired	-	-	-	-
AAA - B-	330,091 -	285,892 -	31,917,687 -	22,480,524 -
Gross amount	330,091	285,892	31,917,687	22,480,524
Allowance for impairment	(138)	(136)	(8,055)	(59,719)
Carrying amount	329,953	285,756	31,909,632	22,420,805

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 periods dislosed above

(b) 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 & Bank *In thousands of Naira*	Loans and advances to customers	
	December 2017	December 2016
Against neither past due and not impaired		
Property	5,031,995	7,150,000
Equities	-	3,400,000
Cash	115,000	5,069,693
Pledged goods and assets	6,455,248	12,900,107
Total	11,602,243	28,519,800

There are no collaterals held against other financial assets. There were also no repossessed collateral during the year

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 it. However, collateral provides additional security and the Group generally requests that corporate 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 colaterals held against all loans to customers. For impaired loans, the Group obtains appraisals of collateral because the fair value of the collateral is an input to the impairment measurement.

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

By Sector
Group
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					-
-Available for sale					-
-Treasury bills	-	-	7,405,850	-	7,405,850
-Bonds	2,560,855	-	10,339,022		12,899,877
Held to Maturity					-
-Treasury bills					-
-Bonds	-	-	7,447,089	-	7,447,089
Other assets	-	-	-	5,812,805	5,812,805
Total	34,470,976	37,889,733	45,170,183	6,158,037	123,688,929

By Sector
Group
December 2016

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	5,655,892	-	-	5,655,892
Due from financial institutions	-	16,246,877	-	-	16,246,877
Non pledged trading assets					
Treasury bills	-	-	3,286,430	-	3,286,430
Bonds	-	-	157,140	-	157,140
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	22,420,805	-	-	285,756	22,706,561
Pledged assets	-	-		-	
-Treasury bills	-	-	8,453,138	-	8,453,138
-Bonds	-	-	5,779,310	-	5,779,310
Investment securities					-
-Available for sale	-	-			-
-Treasury bills		-	3,065,482		3,065,482
-Bonds	2,473,624	-	12,787,782	-	15,261,406
Held to Maturity					-
-Bonds	-	-	15,257,502	-	15,257,502
Other assets	-	-	-	169,390	169,390
Total	24,894,429	21,902,769	48,786,784	455,146	96,039,128

Bank

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	-	-	116,520
Loans and advances to customers	31,909,632	-	-	329,953	32,239,585
Pledged assets					-
-Treasury bills	-	-	7,823,386	-	7,823,386
-Bonds	-	-	11,017,169	-	11,017,169
Investment securities					-
-Available for sale					-
-Treasury bills	-	-	6,850,685	-	6,850,685
-Bonds	2,560,855	-	10,313,348		12,874,203
Held to Maturity					-
-Treasury bills					-
-Bonds	-	-	7,447,089	-	7,447,089
Other assets	-	-	-	5,749,420	5,749,420
Total	34,470,981	37,813,068	44,589,344	6,079,373	122,952,767

December 2016

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	5,638,415	-	-	5,638,415
Due from financial institutions	-	16,246,877	-	-	16,246,877
Non pledged trading assets	-	-	-	-	
Treasury bills	-	-	3,286,430	-	3,286,430
Bonds	-	-	157,140	-	157,140
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	22,420,805	-	-	285,756	22,706,561
Pledged assets	-	-	-	-	-
-Treasury bills	-	-	8,453,138	-	8,453,138
-Bonds	-	-	5,779,310	-	5,779,310
Investment securities	-	-	-	-	-
-Available for sale	-	-	-	-	-
-Treasury bills	-	-	2,230,378	-	2,230,378
-Bonds	2,473,624	-	12,061,372	-	14,534,996
Held to Maturity	-	-	-	-	-
-Treasury bills	-	-	-	-	-
-Bonds	-	-	15,257,502	-	15,257,502
Other assets	-	-	-	407,525	407,525
Total	24,894,429	21,885,292	47,225,270	693,281	94,698,272

5.2 Market risk management

Definition

Coronation Merchant Bank's ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. Market risk mainly arises from trading activities and equity investments. Coronation Merchant Bank is also exposed to market risk through non- traded interest rate risk in its banking book:

Market risk policy, management and control

The Bank's ability to effectively identify, assess, monitor and manage market risks involved in its activities is critical to its soundness and profitability. It's strategy is to invest its own capital on a limited and carefully selected basis in transactions, underwritings and other activities that involve market risk. The Bank is exposed to market risk through adverse movements in equity prices, foreign exchange and interest rates.

Coronation Merchant Bank manages market risk in line with its principal risks and control policy requirements approved by the Board Risk Committee. The Board approves the risk appetite for trading and non-trading activities and risk limits are set within the context of the approved market risk appetite. Market Risk monitors exposures against these limits.

The Bank's GMD/CEO is responsible for approving specific position limits, which are used for positions, 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 period at a set statistical confidence level.

VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit and loss outcome. To assess their predictive power, VaR models are back tested against actual results.

Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

Identifying the growing importance of market risks in the Bank's operations, management has continued to ensure adequate internal controls and capital resources to address these risks. Prominent among the steps taken by management is the documentation of Internal Capital Adequacy Assessment Process (ICAAP), for effective risk and capital management, and approving more stringent limits to ensure market risk exposures are within its appetite.

Traded market risk measurement and control

The measurement/control techniques used to measure and control traded market risk include daily valuation of positions, limit monitoring, gap analysis, sensitivity analysis, value at risk, tail risk, stress testing, 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 period, mark-to-model is used to derive the relevant market prices; it is the Bank’s policy to revalue all exposures categorized under the securities trading portfolio on a daily basis. As a general guide, marking to market is performed independently of the trading unit i.e. prices/rates are obtained from external sources.

Daily value at risk (DVaR)

DVaR is an estimate of the potential loss that might arise from unfavourable market movements if current positions were to be held unchanged for one business day, measured to a confidence level of 99%. This is to guard against incidence of significant market movements, consequently improving management, transparency and control of the market risk profile. Daily losses exceeding the DVaR figure are likely to occur, on average, 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 period 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.

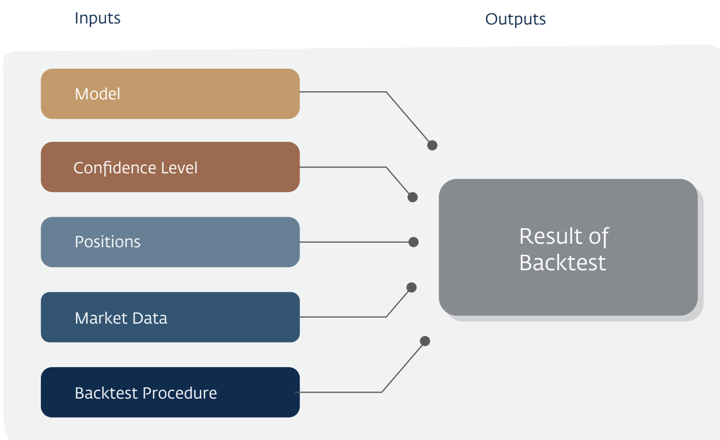
There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- 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 period and a 99% level of confidence. The regulatory green zone of four or less exceptions over a 12-month period 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 periods 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 period may be changed depending on the volume of position held and current market realities. At a maximum of 99% confidence level, and a holding period of 1 day, the bank maintains a VaR limit 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. Interest rate risk also arises in each of the Africa subsidiary treasuries in the course of balance sheet management and facilitating customer activity. The risk is managed by local treasury functions, subject to modest risk limits and other controls.

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 Interest Rate Gap

A summary of the Group's interest rate gap position on financial instruments is as follows:

Group	Re-Pricing Period						
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						-	-
-Available for sale	-	-	-	-	-	-	-
-Treasury bills	924,350	4,505,210	1,923,887	-	-	-	7,353,447
-Bonds	271,782	445,180	853,174	5,074,593	7,885,962	-	14,530,691
Held to Maturity							-
-Bonds	175,113	180,999	349,722	2,702,257	4,720,904	-	8,128,996
Other assets	-	-	-	-	-	5,812,805	5,812,805
	51,998,427	**17,655,167**	**6,417,015**	**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	(31,400,783)	17,247,483	3,996,023	11,476,946	20,636,118	(4,206,879)	17,748,908

Group				Re-Pricing Period			
In thousands of Naira 31 December 2016	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	-	-	-	-	-	5,655,892	5,655,892
Due from financial institutions	16,246,877		-	-	-	-	16,246,877
Non pledged trading assets							-
Treasury bills	957,732	1,231,927	1,096,771	-	-	-	3,286,430
Bonds	11,413	-	10,213	76,606	58,907	-	157,140
Loans and advances to customers	8,526,130	8,274,603	5,942,534	17,000	6,150	-	22,766,416
Pledged assets						-	-
-Treasury bills	-	-	8,453,138	-	-	-	8,453,138
-Bonds	333,683	-	747,327	2,407,047	2,291,252	-	5,779,310
Investment securities						-	-
-Available for sale	-	-	-	-	-	-	-
-Treasury bills	278,776	622,725	2,163,980	-	-	-	3,065,481
-Bonds	774,779	1,361,790	916,079	4,534,456	7,674,303	-	15,261,406
Held to Maturity							-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	630,803	165,323	2,243,402	3,266,913	8,951,061	-	15,257,502
Other assets	-	-	-	-	-	169,390	169,390
	27,760,193	**11,656,368**	**21,573,444**	**10,302,021**	**18,981,673**	**5,825,282**	**96,098,982**
Deposits from financial institutions	18,294,711	-	-	-	-	-	18,294,711
Due to customers	51,590,084	1,669,287	6,803	-	-	-	53,266,174
Other liabilties	-	-	-	-	-	7,315,540	7,315,540
	69,884,795	**1,669,287**	**6,803**	**-**	**-**	**7,315,540**	**78,876,425**
Total interest re-pricing gap	(42,124,603)	9,987,081	21,566,642	10,302,021	18,981,673	(1,490,258)	17,222,557

Bank				Re-Pricing Period			
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	-	-	-	-	-	88,188,002	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	-	-	-	-	-	-	-
-Available for sale	-	-	-	-	-	-	-
-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
Held to Maturity	-	-	-	-	-	-	-
-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

Bank				Re-Pricing Period			
In thousands of Naira 31 December 2016	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	-	-	-	-	-	5,638,415	5,638,415
Due from financial institutions	16,246,877	-	-	-	-	-	16,246,877
Non pledged trading assets	-	-	-	-	-	-	-
Treasury bills	957,732	1,231,927	1,096,771	-	-	-	3,286,430
Bonds	11,413	-	10,213	76,606	58,907	-	157,140
Loans and advances to customers	8,526,130	8,274,603	5,942,534	17,000	6,150	-	22,766,416
Pledged assets						-	-
-Treasury bills	-	-	8,453,138	-	-	-	8,453,138
-Bonds	333,683	-	747,327	2,407,047	2,291,252	-	5,779,310
Investment securities	-	-	-	-	-	-	-
-Available for sale	-	-	-	-	-	-	-
-Treasury bills	54,265	190,531	1,985,582	-	-	-	2,230,378
-Bonds	774,779	934,288	617,171	4,534,456	7,674,303	-	14,534,996
Held to Maturity	-	-	-	-	-	-	-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	630,803	165,323	2,243,402	3,266,913	8,951,061	-	15,257,502
Other assets	-	-	-	-	-	407,525	407,525
	27,535,681	10,796,672	21,096,139	10,302,021	18,981,673	6,045,940	94,758,127
Deposits from financial institutions	18,294,711	-	-	-	-	-	18,294,711
Due to customers	51,590,084	1,669,287	6,803	-	-	-	53,266,174
Other liabilties	-	-	-	-	-	7,315,540	7,315,540
	69,884,795	1,669,287	6,803	-	-	7,315,540	78,876,425
Total interest re-pricing gap	(42,349,114)	9,127,385	21,089,336	10,302,021	18,981,673	(1,269,600)	15,881,702

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 2017	Fixed N'000		Non-interest bearing N'000	Total N'000
Assets				
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:				-
-Available-for-sale	20,783,917		40,490	20,824,407
-Held-to-maturity	7,447,089		-	7,447,089
Other assets	-		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 liabilities	-		106,457	106,457
Other liabilties	-		18,284,351	18,284,351
Total	87,600,612	-	18,390,808	105,991,420

Group

In thousands of Naira

31 December 2016	Fixed N'000		Non-interest bearing N'000	Total N'000
Assets				
Cash and balances with banks	-		5,655,892	5,655,892
Due from financial institutions	16,246,877			16,246,877
Non pledged trading assets	3,443,570		-	3,443,570
Derivative financial assets	-		-	-
Loans and advances to customers	22,706,561		-	22,706,561
Pledged assets	14,232,448		-	14,232,448
Investment securities:				-
-Available-for-sale	18,228,648		98,240	18,326,888
-Held-to-maturity	15,257,502		-	15,257,502
Other assets	-		169,390	169,390
Total	90,115,606	-	5,923,522	96,039,128
Liabilities				
Deposits from financial institutions	18,637,966		-	18,637,966
Due to customers	53,476,909		-	53,476,909
Derivative financial liabilities	-		-	-
Other liabilties	-		7,315,540	7,315,540
Total	72,114,875	-	7,315,540	79,430,415

Bank

In thousands of Naira

31 December 2017	Fixed N'000		Non-interest bearing N'000	Total N'000
Assets				
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:				-
-Available-for-sale	20,203,078		40,490	20,243,568
-Held-to-maturity	7,447,089		-	7,447,089
Other assets	-		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 liabilties	-		18,281,847	18,281,847
Total	88,972,722	-	18,388,304	107,361,026

Bank

In thousands of Naira

31 December 2016	Fixed N'000		Non-interest bearing N'000	Total N'000
Assets				
Cash and balances with banks	-		5,638,415	5,638,415
Due from financial institutions	16,246,877		-	16,246,877
Non pledged trading assets	3,443,570		-	3,443,570
Derivative financial assets	-		-	-
Loans and advances to customers	22,706,561		0	22,706,561
Pledged assets	14,232,448		0	14,232,448
Investment securities:				-
-Available-for-sale	16,724,884		40,490	16,765,374
-Held-to-maturity	15,257,502		-	15,257,502
Other assets	-		407,525	407,525
Total	88,611,842	-	6,086,430	94,698,272
Liabilities				
Deposits from financial institutions	18,637,966		-	18,637,966
Due to customers	54,146,766		-	54,146,766
Derivative financial liabilities	-		-	-
Other liabilties	-		7,283,288	7,283,288
Total	**72,784,732**	-	**7,283,288**	**80,068,020**

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 2017
Impact on net interest income of +/-1oo basis points changes in rates over a one year period (N'000)

	Cashflow interest rate risk	
Time Band	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	314,008	(314,008)
6 months	(172,475)	172,475
12 months	(39,960)	39,960
	101,573	(101,573)

Interest sensitivity analysis - 31 December 2016
Impact on net interest income of +/-1oo basis points changes in rates over a one year period (N'000)

	Cashflow interest rate risk	
Time Band	100 basis points decline in rates	100 basis points increase in rates
Less than 3 months	421,246	(421,246)
6 months	(99,871)	99,871
12 months	(215,666)	215,666
	105,709	(105,709)

Bank
Interest sensitivity analysis - 31 December 2017
Impact on net interest income of +/-1oo basis points changes in rates over a one year period (N'000)

	Cashflow interest rate risk	
Time Band	decline in rates	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

Interest sensitivity analysis - 31 December 2016
Impact on net interest income of +/-1oo basis points changes in rates over a one year period (N'000)

	Cashflow interest rate risk	
Time Band	decline in rates	increase in rates
Less than 3 months	414,611	(414,611)
6 months	(90,706)	90,706
12 months	(90,706)	90,706
	233,199	(233,199)

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 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			
Held for trading Bonds	950,829	(4,754)	(9,508)
Held for trading T-bills	186,838	(934)	(1,868)
	1,137,667	(5,688)	(11,376)
Impact on Other Comprehensive Income			
Available for sale investments	20,824,407	(104,122)	(208,244)
TOTAL	**21,962,074**	**(109,810)**	**(219,620)**

31 December 2016	Carying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Held for trading Bonds	3,286,430	(16,432)	(32,864)
Held for trading T-bills	157,140	(786)	(1,571)
	3,443,570	(17,218)	(34,436)
Impact on Other Comprehensive Income			
Available for sale investments	18,326,888	(91,634)	(183,269)
TOTAL	**21,770,458**	**(108,852)**	**(217,704)**

Bank

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			
Held for trading Bonds	950,829	(4,754)	(9,508)
Held for trading T-bills	186,838	(934)	(1,868)
	1,137,667	(5,688)	(11,376)
Impact on Other Comprehensive Income			
Available for sale investments	20,243,568	(101,218)	(202,436)
TOTAL	21,381,235	(106,906)	(213,812)

31 December 2016	Carying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Held for trading Bonds	3,286,430.00	(16,432)	(32,864.30)
Held for trading T-bills	157,140.00	(786)	(1,571.40)
	3,443,570.00	(17,218)	(34,435.70)
Impact on Other Comprehensive Income			
Available for sale investments	16,765,374	(83,827)	(167,654)
TOTAL	20,208,944	(101,045)	(202,089)

5.2.3 Foreign exchange risk

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 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					
-Available for sale		-			
-Treasury bills	7,405,850	7,405,850	-	-	-
-Bonds	12,899,877	12,385,971	518,681	-	-
-Equity	346,089	346,089	-	-	-
-Held to Maturity					
-Bonds	7,447,089	7,447,089	-	-	-
Other assets	5,812,805	5,812,805	-	-	-
	124,035,020	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
	105,991,420	91,081,652	14,627,415	593	281,759
Net FCY Exposure	2,817,724	-	2,648,026	-	169,698

Group

In thousands of Naira

31 December 2016	Total	Naira	US	GBP	Euro
Cash and balances with banks	5,655,892	760,589	4,806,617	13,002	75,683
Due from financial institutions	16,246,877	16,246,877	-	-	-
Non pledged trading assets					
-Treasury bills	3,286,430	3,286,430	-	-	-
-Bonds	157,140	157,140	-	-	-
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	22,706,561	22,706,561	-	-	-
Pledged assets					
-Treasury bills	14,232,448	14,232,448	-	-	-
Investment securities					
-Available for sale		-			
-Treasury bills	3,065,482	3,065,482	-	-	-
-Bonds	15,261,406	15,261,406	-	-	-
-Equity	166,942	166,942	-	-	-
-Held to Maturity					
-Bonds	15,257,502	15,257,502	-	-	-
Other assets	169,390	169,390	-	-	-
	96,206,070	91,310,767	4,806,617	13,002	75,683
Deposits from financial institutions	18,637,966	18,637,966	-	-	-
Due to customers	53,476,909	53,459,181	17,728	-	-
Derivative financial liabilities	-	-	-	-	-
Other liabilties	7,315,540	2,494,175	4,732,748	12,987	75,629
	79,430,414	74,591,322	4,750,476	12,987	75,629

Bank

In thousands of Naira 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	-	-	-
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					
-Available for sale		-			
-Treasury bills	6,850,685	6,850,685	-	-	-
-Bonds	13,392,883	12,874,202	518,681	-	-
-Equity	95,021	95,021	-	-	-
-Held to Maturity					
-Bonds	7,447,089	7,447,089	-	-	-
Other assets	5,749,420	55,749,420	-	-	-
	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

Bank

In thousands of Naira

31 December 2016	Total	Naira	US	GBP	Euro
Cash and balances with banks	5,638,415	743,112	4,806,617	13,002	75,683
Due from financial institutions	16,246,877	16,246,877	-	-	-
Non pledged trading assets					
-Treasury bills	3,286,430	3,286,430	-	-	-
-Bonds	157,140	157,140	-	-	-
-Equity	-		-	-	-
Loans and advances to customers	22,706,561	22,706,561	-	-	-
Pledged assets					
-Treasury bills	14,232,448	14,232,448	-	-	-
Investment securities					
-Available for sale		-			
-Treasury bills	3,065,482	3,065,482	-	-	-
-Bonds	14,534,996	14,534,996	-	-	-
-Equity	94,812	94,812	-	-	-
-Held to Maturity					
-Bonds	15,257,502	15,257,502	-	-	-
Other assets	407,525	407,525	-	-	-
	95,628,188	90,732,885	4,806,617	13,002	75,683
Deposits from financial institutions	18,637,966	18,637,966	-	-	-
Due to customers	54,146,766	54,129,038	17,728	-	-
Other liabilties	7,283,288	2,461,923	4,732,748	12,987	75,629
	80,068,020	75,228,927	4,750,476	12,987	75,629

5.2.4 Foreign currency sensitivity analysis

The Group's principal foreign currency exposure is to US Dollars, as it constituted 93.98% of the Group's foreign currency exposure as at 31 December 2017. 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

In thousands of Naira	Impact on statement of comprehensive income	Impact on statement of comprehensive income
	31-Dec-17	31-Dec-16
Naira weakens by 10%	281,772	5,621
Naira weakens by 5%	140,886	2,811
Naira strengthens by 10%	(281,772)	(5,621)
Naira strengthens by 5%	(140,886)	(2,811)

Bank

In thousands of Naira	Impact on statement of comprehensive income	Impact on statement of comprehensive income
	31-Dec-17	31-Dec-16
Naira weakens by 10%	281,772	5,621
Naira weakens by 5%	140,886	2,811
Naira strengthens by 10%	(281,772)	(5,621)
Naira strengthens by 5%	(140,886)	(2,811)

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 15% as the highest tolerable aggregate foreign exchange risk ratio exposure.The aggregate foreign exchange risk ratio pattern of the Bank during the period were as stated below:

High	19.1%
Low	0.4%
Average	7.7%

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 periods of financial stress.
The Bank has developed a liquidity management framework based on a statistical model underpinned by conservative assumptions with regard to cash inflows and the liquidity of liabilities. In addition, liquidity stress tests assuming extreme withdrawal scenarios are performed. These stress tests specify additional liquidity requirements to be met by holdings of liquid assets.

The Bank's liquidity has consistently been above the minimum liquidity ratio and the requirements of its stress tests. Global funding and liquidity risk management activities are centralized within Corporate Treasury. We believe that a centralized approach to funding and liquidity risk management enhances our ability to monitor liquidity requirements, maximizes access to funding sources, minimizes borrowing costs and facilitates timely responses to liquidity events. We analyze and monitor our liquidity risk, maintain excess liquidity and access diverse funding sources including our stable deposit base.

The Board approves the Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The 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 period were as follows:

	Dec-17	Dec-16
At end of period/year	53.38%	51.25%
Average for the period/year	55.27%	67.81%
Maximum for the period/year	72.36%	96.63%
Minimum for the period/year	45.37%	51.25%

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 period 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.

5.3.1 Residual contractual maturities of financial assets and liabilities

Group

31 December 2017	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
In thousands of Naira								
Cash and balances with banks	8,264,667	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								
-Available for sale								
-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
-Held to Maturity								
-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
				4,960,195	547,014	201,822	1,958	2,813
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	106,457	67,347	39,110	-			
Other liabilties	18,284,351	18,284,351	18,284,351	-	-			
	105,991,420	107,702,274	86,718,790	17,754,101	437,480	2,789,951	-	-
Gap (asset - liabilities)	17,697,510	47,448,000	(31,824,625)	(3,869,278)	21,974,460	3,826,815	20,738,572	36,604,003

Group

31 December 2016	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
In thousands of Naira								
Cash and balances with banks	5,655,892	5,655,892	5,655,892	-	-	-	-	-
Due from financial institutions	16,246,877	16,268,143	10,919,086	5,349,057	-	-	-	-
Non pledged trading assets								
-Treasury bills	3,286,430	3,557,872	250,044	750,039	1,250,000	1,307,789	-	-
-Bonds	157,140	319,142	4,734	7,100	-	11,834	159,974	135,500
Derivative financial assets	-	-	-	-	-	-	-	-
Loans and advances to customers	22,706,561	24,468,707	8,383,501	466,386	8,654,401	6,915,027	36,270	13,122
Pledged assets								
-Treasury bills	8,453,138	9,460,000	-	-	-	9,460,000	-	-
-Bonds	5,779,310	8,949,254	60,747	285,665	-	870,221	5,153,212	2,579,409
Investment securities								
-Available for sale								
-Treasury bills	3,065,482	3,473,611	175,000	116,800	682,961	2,498,850	-	-
-Bonds	15,261,406	29,912,675	184,892	619,442	1,904,068	1,066,723	9,707,749	16,429,801
-Held to Maturity								
-Bonds	15,257,502	31,336,326	278,204	376,462	178,215	2,609,071	6,950,750	20,943,624
Other assets	169,390	169,390	169,390	-	-	-	-	-
	96,039,128	133,571,012	26,081,490	7,970,951	12,669,645	24,739,515	22,007,955	40,101,456
Deposits from financial institutions	18,637,966	18,753,997	15,724,489	3,029,508	-	-	-	-
Due to customers	53,476,909	55,099,050	40,772,220	12,535,471	1,783,587	7,772	-	-
Derivative financial liabilities	-	-	-	-	-			
Other liabilties	7,315,540	7,315,540	7,315,540	-	-	-	-	-
	79,430,415	81,168,587	63,812,249	15,564,979	1,783,587	7,772	-	-
Gap (asset - liabilities)	16,608,713	52,402,425	(37,730,759)	(7,594,028)	10,886,058	24,731,743	22,007,955	40,101,456

Bank

31 December 2017	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
In thousands of Naira								
Cash and balances with banks	8,188,002	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								
-Available for sale								
-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
-Held to Maturity								
-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	76,394,498	78,105,352	57,160,981	17,714,991	437,480	2,789,951	1,949	
Derivative financial liabilities	106,457	106,457	67,347	39,110	-			
Other liabilties	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	53,479,159	(25,148,212)	(4,005,528)	21,521,147	3,822,320	20,685,428	36,604,003

Bank

31 December 2016	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
In thousands of Naira								
Cash and balances with banks	5,638,415	5,638,415	5,638,415	-	-	-	-	-
Due from financial institutions	16,246,877	16,268,143	10,919,086	5,349,057	-	-	-	-
Non pledged trading assets								
-Treasury bills	3,286,430	3,557,872	250,044	750,039	1,250,000	1,307,789	-	-
-Bonds	157,140	319,142	4,734	7,100	-	11,834	159,974	135,500
Derivative financial assets	-	-	-	-	-	-	-	-
Loans and advances to customers	22,706,561	24,468,707	8,383,501	466,386	8,654,401	6,915,027	36,270	13,122
Pledged assets								
-Treasury bills	8,453,138	9,460,000	-	-	-	9,460,000	-	-
-Bonds	5,779,310	8,949,254	60,747	285,665	-	870,221	5,153,212	2,579,409
Investment securities								
-Available for sale								
-Treasury bills	2,230,378	2,569,611	-	56,800	208,961	2,303,850	-	-
-Bonds	14,534,996	29,016,372	184,892	619,442	1,007,765	1,066,723	9,707,749	16,429,801
-Held to Maturity								
-Bonds	15,257,502	31,336,326	278,204	376,462	178,215	2,609,071	6,950,750	20,943,624
Other assets	407,525	407,525	407,525	-	-	-	-	-
	94,698,272	131,991,367	26,127,148	7,910,951	11,299,342	24,544,515	22,007,955	40,101,456
Deposits from financial institutions	18,637,966	18,753,997	15,724,489	3,029,508	-	-	-	-
Due to customers	54,146,766	54,181,422	39,854,592	12,535,471	1,783,587	7,772	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Other liabilties	7,283,288	7,283,288	7,283,288	-	-	-	-	-
	80,068,020	80,218,707	62,862,369	15,564,979	1,783,587	7,772	-	-
Gap (asset - liabilities)	14,630,252	51,772,660	(36,735,221)	(7,654,028)	9,515,755	24,536,743	22,007,955	40,101,456

5.3.2 Financial instruments below and above 1 year's maturity

	December 2017			December 2016		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Group *In thousands of Naira*						
Cash and balances with banks	8,264,667	-	8,264,667	5,655,892	-	5,655,892
Due from financial institutions	29,604,715	-	29,604,715	16,268,143	-	16,268,143
Non pledged trading assets						
-Treasury bills	1,009,278	-	1,009,278	3,557,872	-	3,557,872
-Bonds	25,354	345,234	370,588	23,668	295,474	319,142
Derivative financial assets	116,520	-	116,520	-	-	-
Loans and advances to customers	32,962,601	459,252	33,421,853	24,419,315	49,392	24,468,707
Pledged assets						
-Treasury bills	8,217,988	-	8,217,988	9,460,000	-	9,460,000
-Bonds	970,130	18,090,885	19,061,015	1,216,633	7,732,621	8,949,254
Investment securities						
-Available for sale						
-Treasury bills	7,908,694	-	7,908,694	3,473,611	-	3,473,611
-Bonds	2,163,054	25,289,890	27,452,944	3,775,125	26,137,550	29,912,675
-Held to Maturity						
-Bonds	751,892	13,157,314	13,909,206	3,441,952	27,894,374	31,336,326
Other assets	5,812,805	-	5,812,805	169,390	-	169,390
	97,807,698	57,342,575	155,150,273	71,461,601	62,109,411	133,571,012
				-	-	-
Deposits from financial institutions	11,206,114	-	11,206,114	18,753,997	-	18,753,997
Due to customers	78,103,403	1,949	78,105,352	55,099,050	-	55,099,050
Derivative financial liabilities	106,457	-	106,457	-	-	-
Other liabilties	18,284,351	-	18,284,351	7,315,540		7,315,540
	107,700,325	1,949	107,702,274	81,168,587	-	81,168,587
Gap (asset - liabilities)	(9,892,627)	57,340,626	47,447,999	(9,706,986)	62,109,411	52,402,425

	December 2017			December 2016		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Bank *In thousands of Naira*						
Cash and balances with banks	8,188,002	-	8,188,002	5,638,415	-	5,638,415
Due from financial institutions	37,792,717	-	37,792,717	16,268,143	-	16,268,143
Non pledged trading assets	-	-	-	-	-	-
-Treasury bills	1,009,278	-	1,009,278	3,557,872	-	3,557,872
-Bonds	25,354	345,234	370,588	23,668	295,474	319,142
Derivative financial assets	116,520	-	116,520	-	-	-
Loans and advances to customers	32,961,851	443,147	33,404,998	24,419,315	49,392	24,468,707
Pledged assets	-	-	-	-	-	-
-Treasury bills	8,217,988	-	8,217,988	9,460,000	-	9,460,000
-Bonds	970,130	18,090,885	19,061,015	1,216,633	7,732,621	8,949,254
Investment securities	-	-	-	-	-	-
-Available for sale	-	-	-	-	-	-
-Treasury bills	7,319,694	-	7,319,694	2,569,611	-	2,569,611
-Bonds	2,156,812	25,254,800	27,411,612	2,878,822	26,137,550	29,016,372
-Held to Maturity						
-Bonds	751,892	13,157,314	13,909,206	3,441,952	27,894,374	31,336,326
Other assets	5,749,420	-	5,749,420	407,525	-	407,525
	105,259,658	57,291,380	162,551,038	69,881,956	62,109,411	131,991,367
				-	-	-
Deposits from financial institutions	11,206,114	-	11,206,114	18,753,997	-	18,753,997
Due to customers	79,475,513	1,949	79,477,462	54,181,422	-	54,181,422
Derivative financial liabilities	106,457	-	106,457	-	-	-
Other liabilties	18,281,847	-	18,281,847	7,283,288	-	7,283,288
	109,069,931	1,949	109,071,880	80,218,707	-	80,218,707
Gap (asset - liabilities)	(3,810,273)	57,289,431	53,479,158	(10,336,751)	62,109,411	42,823,406

6.0 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

i) To comply with the capital requirements set by the Central Bank;
ii) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii) To maintain a strong capital base to support the development of its business.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Nigeria regulations, a minimum ratio of 10% (for Merchant Banks) is to be maintained for Merchant Banks. Following the CBN guideline on regulatory capital computation, the Regulatory Risk Reserve has been excluded from the capital computation. Standardised approach has been adopted in computing the risk weighted assets for Credit, Operational, and Market Risk. The following table provides an overview of the development of the capital ratios and risk-weighted assets (RWA):

The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital is managed by its Bank Treasury and comprises two tiers:

- Tier 1 capital: share capital, share premium, retained earnings and other reserves, and
- Tier 2 capital: unrealised gains arising on the fair valuation of equity instruments held as available-for-sale and foreign currency translation reserves with adjustments for deferred tax assets, intangibles and investments in subsidiaries.

	Bank December 2017	Bank December 2016
Bank *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	13,201,861	10,284,349
Other reserves	7,285,397	6,798,914
	29,193,152	25,789,157
Add/ (Less):		
Fair value reserve for available-for-sale	(466,220)	(923,039)
Treasury shares	-	-
Total Tier 1	28,726,932	24,866,118
Less:		
Investments in subsidiaries	(4,148,491)	(2,391,672)
Deferred tax assets	(5,203,887)	(5,265,490)
Regulatory risk reserve	(647,767)	(397,224)
Intangible assets	(544,749)	(463,406)
Adjusted Tier 1	18,182,037	16,348,326
Tier 2 capital		
Fair value reserve for available-for-sale	466,220	923,039
securities		
Less:		
Investments in subsidiaries	(466,220)	(923,039)
Total Tier 2	-	-
Total regulatory capital	18,182,037	16,348,325
Risk-weighted assets	73,305,770	40,815,014
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	24.80%	40.05%
Total tier 1 capital expressed as a percentage of risk- weighted assets	24.80%	40.05%

7.0 Interest Income

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Cash and balances with banks	7,999,600	4,938,907	8,009,717	4,929,872
Loans and advances to customers	6,022,766	3,079,820	6,022,673	3,079,820
Investment securities				
-Available for sale	4,658,488	2,853,168	4,470,598	2,761,138
-Held for trading	1,415,989	844,825	1,415,989	844,825
-Held to maturity	2,276,679	1,705,984	2,276,679	1,705,984
	22,373,522	**13,422,704**	**22,195,656**	**13,321,639**

Interest income for the period ended 31 December 2017 includes interest accrued on impaired financial assets of Group: NIL (31 December 2016: NIL) and Bank: NIL (31 December 2016: NIL).

8.0 Interest Expense

Deposit from financial institutions	5,673,456	2,165,424	5,673,456	2,165,424
Deposit from customers	8,695,723	3,254,646	8,960,022	3,318,700
	14,369,179	**5,420,070**	**14,633,478**	**5,484,124**
Net interest income	8,004,343	8,002,634	7,562,178	7,837,515

9.0 Net Impairement (write back) on financial assets

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Collective impairment charges on loans and advances (see note 23)	(51,657)	59,780	(51,662)	59,780
Impairment (write back) on unquoted equity securities (see note 21)	66	20,179	66	20,179
Write-back of specific impairment on loans and advances	-	(9,840)	-	(9,840)
Impairment on other assets	47,929	-	-	-
	(3,662)	70,119	(51,596)	70,119

10.0 Fee and Commisions Income

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Credit related fees and commissions	51,875	88,749	51,875	88,749
Account maintenance fees	10,840	68,131	10,840	68,131
Commission on bills and letters of credit	648,733	441,445	648,733	441,445
Treasury income	106,695	65,974	106,695	65,974
Investment bankings fees	467,859	239,326	467,859	239,326
Brokerage fees and commissions	168,351	217,678	-	-
Commission on other financial services	37,597	65,890	14,430	27,749
Management fees	161,466	-	-	
Custody fees	4,646	-	-	
	1,658,062	**1,187,193**	**1,300,432**	**931,374**

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.

11.0 Net gains on Investment Securities

a) Net gains on financial instruments classified as held for trading	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Treasury bills	249,276	177,783	249,276	177,783
Bonds	105,751	122,419	105,670	122,419
Equity	-	-	-	-
	355,027	300,202	354,946	300,202

Net gains on financial instruments classified as held for trading includes the gains and losses arising both on sale of trading instruments and from changes in fair value.

b) Net gains on financial instruments classified as held for trading	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Treasury bills	224,121	(357,773)	219,171	(357,773)
Bonds	311,981	362,807	307,851	362,807
Equity	7,137	3,021	-	3,021
	543,239	8,055	527,022	8,055
Total	898,266	308,257	881,968	308,257

12.0 Net foreign exchange income

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Net foreign exchange trading income	208,521	221,836	208,521	221,836
Unrealised foreign exchange (loss) / gain on revaluation	(2,341)	(1,120)	7,347	(1,120)
Derivative gain / (loss)	10,063	-	10,063	-
	216,243	220,716	225,931	220,716

13.0 Other operating income

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Dividends on available for sale equity securities	655	45,147	137,573	1
Bad debt recovered	6,340	9,788	6,340	9,788
Income from other investments	3,443	420	872	200
	10,438	55,355	144,785	9,989

Included in dividend income for the Bank is the sum of N137.5 million (2016: NIL) being dividend received from subsidiaries. This amount has been eliminated in the Group result.

14.0 Personnel expenses

14. Personnel expenses	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Salaries and wages	1,211,964	1,132,110	952,246	1,007,979
Defined contribution plan	97,295	76,460	79,513	69,532
	1,309,259	1,208,570	1,031,759	1,077,511

ii. The number of employees who received emoluments in the following ranges (excluding pension contributions and certain benefits) were:

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
	Number	Number	Number	Number
Executive directors	2	1	2	1
Management	18	17	13	13
Non-management	86	64	70	47
	106	82	85	61

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

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
	Number	Number	Number	Number
N300,001 - N2,000,000	18	17	16	10
N2,000,001 - N2,800,000	6	10	5	10
N2,800,000 - N3,500,000	3	11	3	4
N3,500,001 - N5,500,000	24	15	21	13
N5,500,001 - N10,500,000	33	-	23	-
N10,500,001 - N20,000,000	9	-	6	-
Above N20,000,000	11	28	9	23
	104	81	83	60

15.0 Other operating expenses

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Depreciation	363,368	181,528	347,985	168,392
Amortisation	214,963	175,751	208,991	170,744
Professional fees and legal expenses	599,504	435,661	594,575	387,019
Staff training	86,218	42,404	82,461	37,291
Insurance	70,806	51,792	63,621	46,051
Business travel expenses	101,314	34,772	88,800	30,893
Deposit insurance premium	34,850	23,476	34,850	23,476
Auditor's renumeration	76,100	72,600	62,500	60,000
Administrative expenses[2]	1,236,975	1,257,541	1,155,553	1,202,625
Loss on disposal of property and equipment[1]	4,302	49,307	174	48,677
Loss on disposal of non current asset held for sale	-	-	24,575	-
Board and AGM expenses	161,356	212,557	161,356	212,557
Operating lease rentals	3,878	39,818	(7,360)	39,818
Consultancy and outsourcing	671,864	314,446	712,518	269,524
Repairs and maintenance	154,052	62,055	145,312	58,038
Advertisements, publications and marketing expenses	164,229	48,028	139,262	43,168
Events, donations and sponsorship	273,877	104,397	273,486	103,253
Periodicals and subscriptions	9,462	3,506	7,436	2,531
Stationeries, postage, printing and consumables	134,411	68,628	106,207	58,664
	4,361,529	3,178,267	4,202,302	2,962,721

[1] Prior year loss on disposal of property and equipment include 0.428 million on assets donated as part of the Group's Corporate Social Responsibility (CSR) initiative in the period.
[2] Included in administrative expenses is expense relating to fraud and forgeries of N685.59m (2016: Nil) and doubtful non-financial assets of N16.27m (2016:Nil)

16.0 Income tax

In thousands of naira	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Current tax expense				
Corporate income tax	221,587	167,954	173,659	145,813
IT tax	50,988	52,177	49,328	52,177
Education tax	3,375	15,004	-	13,298
Excess dividend tax	29,843	-	29,843	-
Prior year's under provision	732	1,613	-	1,613
	306,525	236,748	252,830	212,901
Deferred tax expense				
Origination of temporary differences (see note 29)	61,603	(52,839)	61,603	(48,296)
Total income tax expense	368,128	183,909	314,433	164,605

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

	Group Dec - 17	Group Dec - 16	Bank Dec - 17	Bank Dec - 16
Balance at the beginning of the year	263,843	137,911	211,288	137,911
Tax liability coming from acquired subsidiary	-	135,551	-	-
Tax paid	(200,096)	(242,810)	(183,640)	(139,524)
Income tax charge	305,793	235,136	252,830	211,288
Prior year's under provision	732	1,613	-	1,613
Withholding tax utilization	(21,787)	(3,557)	(13,792)	-
Balance at the end of the period	**348,484**	**263,844**	**266,686**	**211,288**

Income tax liability is to be settled within one period

	Group Dec-17			Bank Dec-17		
In thousands of Naira	Reconciling Item Amount	Rate	Effect of Reconciling Item	Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax			5,120,226			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%	-
Deferred tax	205,343	30%	61,603	205,343	30%	61,603
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

In thousands of Naira	Group Dec-16 Reconciling Item Amount	Rate	Effect of Reconciling Item	Bank Dec-16 Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax	5,317,199		5,317,199	5,197,500		5,197,500
Income tax using the domestic tax rate	30%		1,595,160	30%		1,559,250
Tax effects of :						
Minimum tax	167,954	100%	167,954	145,813	100%	145,813
IT tax	5,217,679	1%	52,177	5,197,500	1%	51,975
Education tax levy	750,210	2%	15,004	664,878	2%	13,298
Deferrred tax	(176,130)	30%	(52,839)	(160,987)	30%	(48,296)
Losses relieved	(766,023)	30%	(229,807)	(666,023)	30%	(199,807)
Balancing charge	4,662	30%	1,399	1,145	30%	343
Income not subject to tax	(4,909,024)	30%	(1,472,707)	(4,861,635)	30%	(1,458,491)
Expenses not deductible for tax purposes	353,185	30%	105,955	329,685	30%	98,906
Prior year under provision	1,613	100%	1,613	1,613	100%	1,613
Effective tax rate		3%	183,909		3%	164,605

17.0 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-17	Group Dec-16	Bank Dec-17	Bank Dec-16
Profit for the year from continuing operations	4,752,098	5,133,290	4,618,396	5,032,895
Weighted average number of ordinary shares in issue	5,050,546	5,032,405	5,050,546	5,032,405
	5,050,546	5,032,405	5,050,546	5,032,405
In kobo per share				
Basic earnings per share from continuing operations (annualised)	94	102	91	100

18.0 Cash and balances with banks

18. Cash and balances with banks

In thousands of Naira	**Group Dec-17**	**Group Dec-16**	**Bank Dec-17**	**Bank Dec-16**
Balances with banks (see note (i))	3,333,163	5,181,291	3,256,498	5,163,814
Unrestricted balances with central banks	4,931,504	474,601	4,931,504	474,601
	8,264,667	5,655,892	8,188,002	5,638,415

(i) Included in cash on hand and balances with banks is an amount of N2.140Bn (31 Dec 2016: 4.821Bn) 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 33). This has been excluded for cash flow purposes.

19.0 Due from financial institutions

In thousands of Naira	Group Dec-17	Group Dec-16	Bank Dec-17	Bank Dec-16
Placements	29,509,041	16,246,877	29,509,041	16,246,877

Placements are with other financial insitutions fully secured with acceptable government securities. These have been considered for purpose of cash flow. They are all current in nature with maturities below 90 days.

20.0 Non pledged trading assets

In thousands of Naira	Group Dec-17	Group Dec-16	Bank Dec-17	Bank Dec-16
Treasury bills	950,829	3,286,430	950,829	3,286,430
Government bonds	186,838	157,140	186,838	157,140
	1,137,667	3,443,570	1,137,667	3,443,570
Current	965,894	3,308,057	965,894	3,308,057
Non Current	171,773	135,513	171,773	135,513
	1,137,667	3,443,570	1,137,667	3,443,570

21.0 Derivative financial instruments

21. Derivative financial instruments

Group & Bank	Derivative assets		Derivative liabilities	
In thousands of Naira	Notional amount Dec-17	Fair Value Assets /(Liabilities) Dec-17	Notional amount Dec-17	Fair Value Assets (Liabilities) Dec-17
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

22.0 Investment Securities

(a) Available for sale investment securities *In thousands of Naira*	Group Dec-17	Group Dec-16	Bank Dec-17	Bank Dec-16
Debt securities				
Federal government bonds	4,229,734	7,340,178	4,204,060	7,340,178
Treasury bills	7,405,850	3,065,482	6,850,685	2,230,378
State government bonds	6,109,288	5,447,604	6,109,288	4,721,194
Euro Bonds	518,680	-	518,680	-
Corporate bonds	2,560,855	2,473,624	2,560,855	2,473,624
	20,824,407	18,326,888	20,243,568	16,765,374
Equity securities				
Equity securities with readily determinable fair values (i)	346,089	145,359	95,021	94,746
Unquoted equity securities at cost (see (i))	20,245	49,120	20,245	20,245
	21,190,741	18,521,367	20,358,834	16,880,365
Specific allowance for impairment on equity securities	(20,245)	(27,537)	(20,245)	(20,179)
	21,170,496	18,493,830	20,338,589	16,860,186
(b) Held to maturity investment securities *In thousands of Naira*				
Debt securities				
Federal government bonds	7,447,089	15,257,502	7,447,089	15,257,502
	7,447,089	15,257,502	7,447,089	15,257,502
Total	28,617,585	33,751,332	27,785,678	32,117,688
Current	8,233,869	9,324,600	7,419,945	7,690,956
Non Current	20,383,716	24,426,732	20,365,733	24,426,732
	28,617,585	**33,751,332**	**27,785,678**	**32,117,688**

(i) Certain unquoted investments for which fair values could not be reliably estimated have been carried at cost less impairment. There are no active markets for these financial instruments, fair value information are therefore not available, this makes it impracticable for the Group to fair value these investments. The Group has made full provsion for these investments. They have therefore been disclosed at cost less impairment. The carrying amount is the expected recoverable amounts on these investments. The Group neither controls nor significantly influences the activities of these investee companies.

23.0 Pledged assets

In thousands of Naira	Group Dec-17	Group Dec-16	Bank Dec-17	Bank Dec-16
Government bonds	11,017,169	5,779,310	11,017,169	5,779,310
Treasury bills	7,823,386	8,453,138	7,823,386	8,453,138
	18,840,555	**14,232,448**	**18,840,555**	**14,232,448**
Current	7,823,386	9,242,630	7,823,386	9,242,630
Non Current	11,017,169	4,989,818	11,017,169	4,989,818
	18,840,555	14,232,448	18,840,555	14,232,448
The related liability for assets pledged as collateral include:				
Deposits from financial institutions	11,206,114	18,637,966	11,206,114	18,637,966

(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 2016: 1Bn) 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 2017, the Bank held N13.07 Bn (31 December 2016: N11.99) worth of collateral. These have not been recognised in this financial statement

24.0 Loans and advances to customers

24. Loans and advances to customers

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

December 2016 *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	51,581	-	(33)	(33)	51,548
Personal Loan	234,311	-	(103)	(103)	234,208
	285,892	-	(136)	(136)	285,756
Loans to corporate entities and other organizations					
Overdraft	9,080,751	-	(23,848)	(23,848)	9,056,903
Term Loan	13,399,773	-	(35,871)	(35,871)	13,363,902
	22,480,524	-	(59,719)	(59,719)	22,420,805
	22,766,416	-	(59,855)	(59,855)	22,706,561

b. 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. Bank

December 2016 *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	51,581	-	(33)	(33)	51,548
Personal Loan	234,311	-	(103)	(103)	234,208
	285,892	-	(136)	(136)	285,756
Loans to corporate entities and other organizations					
Overdraft	9,080,751	-	(23,848)	(23,848)	9,056,903
Term Loan	13,399,773	-	(35,871)	(35,871)	13,363,902
	22,480,524	-	(59,719)	(59,719)	22,420,805
	22,766,416	-	(59,855)	(59,855)	22,706,561

Impairment on loans and advances to customers

	Specific allowances		Collective allowances	
Group *In thousands of Naira*	Dec 2017	Dec 2016	Dec 2017	Dec 2016
Balance, beginning of year	-	9,840	59,855	75
Impairment charge for the year	-	-	(51,657)	59,780
Provision no longer required	-	(9,840)	-	-
Balance end of year	-	-	8,198	59,855

	Specific allowances		Collective allowances	
Bank *In thousands of Naira*	Dec 2017	Dec 2016	Dec 2017	Dec 2016
Balance, beginning of year	-	9,840	59,855	75
Impairment charge for the year	-	-	(51,662)	59,780
Provision no longer required	-	(9,840)	-	-
Balance end of year	-	-	8,193	59,855

	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Current	32,063,373	22,717,024	32,055,097	22,717,024
Non Current	199,684	49,392	192,681	49,392
	32,263,057	22,766,416	32,247,778	22,766,416

25.0 Other assets

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Financial assets				
Accounts receivable	3,260,722	169,390	3,197,337	407,525
Contribution to AGSMEIS (See note 24(a) below)	251,645	-	251,645	-
Restricted deposits with central banks (See note 24(b) below)	2,300,438	-	2,300,438	-
	5,812,805	169,390	5,749,420	407,525
Provision for account receivables	(47,929)	-	-	-
Net financial asset	**5,764,876**	**169,390**	**5,749,420**	**407,525**
Non-financial assets				
Prepayments	550,485	134,275	548,967	128,896
Prepaid employee benefits	133,837	52,250	133,837	52,250
	684,322	186,525	682,804	181,146
Provision for other non-financial assets	(16,267)	-	(16,267)	-
Net non-financial assets	668,055	186,525	666,537	181,146
Net other assets	**6,432,931**	**355,915**	**6,415,957**	**588,671**
Current	3,945,044	355,915	3,880,141	588,671
Non Current	2,552,083	-	2,552,083	-
	6,497,127	355,915	6,432,224	588,671

(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 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Balance as at 1 January	-	-	-	-
Impairment loss for the year:				
- Additional provision	47,929	-	-	-
Balance as at 31 December	47,929	-	-	-

26.0 Investment in subsidiaries

(a) Group entities

Set out below are the group's subsidiaries as at 31 December 2017. 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.

In thousands of Naira	Nature of business	Country of incorporation	Bank Dec 2017		Bank Dec 2016	
			% Holding	N'000		
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%	2,000,000
			-	4,614,711		3,314,711

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. 17		Dec. 16	
Condensed statement of comprehensive income	Coronation Securities	Coronation Asset Management	Coronation Securities	Coronation Asset Management
In thousands of Naira				
Operating income	417,569	469,842	327,440	138,235
Net impairment on financial assets	(47,929)	(5)	-	-
Operating expenses	(201,558)	(335,901)	(247,285)	(98,688)
Profit before tax	168,082	133,936	80,155	39,547
Taxation	(53,695)	-	(19,304)	-
Profit for the year	114,387	133,936	60,851	39,547
Other comprehensive loss	35,489	-	(11,845)	-
Total comprehensive income	149,876	133,936	49,006	39,547
Condensed statement of financial position				
Cash and balances with banks	1,908,127	668,420	869,848	306,601
Investment securities	128,010	703,897	283,632	1,357,368
Loans and advances to customers	-	15,274	(7,359)	-
Other asset	64,063	126,681	106,636	22,053
Investment properties	-	1,632,533	-	686,865
Intangible assets	14,030	3,360	12,210	-
Property and equipment	3,134	349,892	14,874	31,049
Total asset	2,117,364	3,500,057	1,279,841	2,403,936
Financed by:				
Due to customers	1,127,772	-	489,114	-
Current income tax liability	81,799	-	52,555	-
Other liabilities	128,064	92,951	48,663	364,389
Deferred tax liability	2,488	-	2,488	-
Equity	777,242	3,407,106	687,021	2,039,547
Total liabilities and equity	2,117,365	3,500,057	1,279,841	2,403,936
Net cashflow from operating activities	913,960	(230,474)	31,349	384,605
Net cashflow from investing activities	148,485	(641,330)	(167,973)	(2,078,004)
Net cashflow from financing activities	(24,166)	1,233,622	412,500	2,000,000
Increase in cash and cash equivalents	1,038,279	361,818	275,876	306,601
Cash and cash equivalent, beginning of year	869,848	306,601	593,973	-
Cash and cash equivalent, end of year	1,908,127	668,419	869,849	306,601

27.0 Investment properties

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Opening balance at 1 January	686,865	-	-	-
Acquisitions	79,575	634,975		
Capitalised subsequent expenditure	1,149,786	51,890	-	-
Transfer to owner-occupied property	(259,119)	-	-	-
Closing balance at 31 December	**1,657,107**	**686,865**	-	-

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

28.0 Intangible assets

In thousands of Naira	Goodwill	Purchased Software	Total
Cost			
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
December 2016			
Balance at 1 January 2016	-	512,669	512,669
Opening balance of acquired subsidiary	-	24,115	24,115
Acquisitions	675,373	249,585	924,958
Balance at 31 December 2016	675,373	786,369	1,461,742
Amortization and impairment losses			
Balance at 1 January 2017		310,753	310,753
Amortization for the period		214,963	214,963
Write off		(10,867)	(10,867)
Balance at 31 December 2017		514,849	514,849
Balance at 1 January 2016	-	124,234	124,234
Opening balance of acquired subsidiary	-	10,768	10,768
Amortization for the period	-	175,751	175,751
Balance at 31 December 2016	-	310,753	310,753
Net Book Value			
Balance at 31 December 2017	675,373	562,140	1,237,513
Balance at 31 December 2016	675,373	475,616	1,150,989

Bank

In thousands of Naira	Purchased Software	Total
Cost		
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
December 2016		
Balance at 1 January 2016	512,669	512,669
Acquisitions	245,715	245,715
Balance at 31 December 2016	758,384	758,384
Amortization and impairment losses		
Balance at 1 January 2017	294,978	294,978
Amortization for the period	208,991	208,991
Write off	(10,867)	(10,867)
Balance at 31 December 2017	493,102	493,102
Balance at 1 January 2016	124,234	124,234
Amortization for the period	170,744	170,744
Balance at 31 December 2016	294,978	294,978
Net Book Value		
Balance at 31 December 2017	544,749	544,749
Balance at 31 December 2016	463,406	463,406

Ammortization method used is straight line.

28a Intangible assets

(i) Goodwill is attributable to the acquisition of following subsidiaries:

In thousands of Naira	December 2017	December 2016
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 2017 (31 December 2016: nil). The recoverable amount of Goodwill as at 31 December 2017 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 period, while no losses on goodwill were recognized during the period under review 31 December 2017 (31 December 2016: Nil)

The recoverable amount of Goodwill as at 31 December 2017 was greater than its carrying amount and is thus not impaired. The recoverable amount was determined using a value-in-use computation as N4.6Bn.

Goodwill is monitored by the Group on an entity by entity basis
The key assumption used in computing the value-in-use for goodwil in 2017 are as follows:

28b Intangible assets

	Coronation Securities Limited
Long term growth rate (i)	1.49%
Discount rate (ii)	23.79%

(i) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
(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 period.

Discount rate
Pre-tax discount rate of 23.79% 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

Longterm 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	(276,271)	308,352
Impact of change in growth rate on value-in-use computation	17,826	(17,589)

29.0 Property, plant 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 2017	78,211	375,378	262,474	507,848	-	1,868,735	220,000	-	3,312,646
Acquisitions	43,033	93,275	15,213	255,078	59,472	21,101	19,614	6,510	513,295
Disposals	(252)	(6,638)	(499)	(56,178)	-	-	-	-	(63,567)
Transfers from investment property	-	-	-	-	-	-	259,119	-	259,119
Balance at 31 December 2017	120,992	462,014	277,188	706,748	59,472	1,889,836	498,733	6,510	4,021,493
Balance at 1 January 2016	24,413	178,323	54,803	224,539	-	-	-	1,439,595	1,921,673
Carrying value of property and equipment from acquired subsidiary	9,087	-	-	19,731	-	-	-	-	28,818
Acquisitions	10,025	69,704	6,369	370,926	-	-	-	1,118,814	1,575,838
Disposals	(26,703)	(17,657)	(47,796)	(107,348)	-	-	-	(210)	(199,714)
Transfers	61,389	145,008	249,098	-	-	1,868,735	220,000	(2,558,199)	(13,969)
Balance at 31 December 2016	78,211	375,378	262,474	507,848	-	1,868,735	220,000	-	3,312,646

Depreciation and impairment losses	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Balance at 1 January 2017	3,376	110,253	11,832	137,421	-	3,173	-	-	266,055
Charge for the period	24,573	86,142	54,775	154,558	5,719	37,601	-	-	363,368
Disposal	(252)	(6,122)	(269)	(31,358)	-	-	-	-	(38,001)
Write-offs	-	-	-	(40)	-	-	-	-	(40)
Balance at 31 December 2017	27,697	190,273	66,338	260,581	5,719	40,774	-	-	591,382
Balance at 1 January 2016	19,016	58,293	52,948	58,916	-	-	-	-	189,173
Charge for the year	5,700	56,065	6,030	110,561	-	3,173	-	-	181,529
Disposal	(21,340)	(4,105)	(47,146)	(32,056)	-	-	-	-	(104,647)
Balance at 31 December 2016	3,376	110,253	11,832	137,421	-	3,173	-	-	266,055
Carrying amounts:									
Balance at 31 December 2017	93,295	271,741	210,850	446,167	53,753	1,849,062	498,733	6,510	3,430,111
Balance at 31 December 2016	74,835	265,125	250,642	370,427	-	1,865,562	220,000	-	3,046,591

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 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)
Write-offs	-	-	-	-	-	-	-	-	-
Transfer difference	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	120,774	457,591	275,418	638,358	59,472	1,889,836	220,000	-	3,661,449
Balance at 1 January 2016	24,413	178,323	54,803	224,539	-	-	-	1,439,595	1,921,673
Acquisitions	9,618	68,053	6,117	333,675	-	-	-	1,118,814	1,536,277
Disposals	(16,118)	(17,657)	(47,796)	(97,751)	-	-	-	(210)	(179,532)
Transfers	61,389	145,008	249,098	-	-	1,868,735	220,000	(2,558,199)	(13,969)
Balance at 31 December 2016	79,302	373,727	262,222	460,463	-	1,868,735	220,000	-	3,264,449

Depreciation and impairment losses	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Balance at 1 January 2017	7,350	110,071	11,806	131,382	-	3,172	-	-	263,781
Charge for the period	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
Balance at 1 January 2016	19,016	58,293	52,948	58,916	-	-	-	-	189,173
Charge for the year	3,751	55,883	6,004	99,582	-	3,172	-	-	168,392
Disposal	(15,417)	(4,105)	(47,146)	(27,116)	-	-	-	-	(93,784)
Balance at 31 December 2016	7,350	110,071	11,806	131,382	-	3,172	-	-	263,781
Carrying amounts:									
Balance at 31 December 2017	90,850	268,390	209,384	385,644	53,753	1,849,063	220,000	-	3,077,084
Balance at 31 December 2016	71,952	263,656	250,416	329,081	-	1,865,563	220,000	-	3,000,668

30.0 Deferred tax assets and liabilities

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

	December 2017			December 2016		
In thousands of Naira	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(112,172)	2,488	(114,660)	(103,146)	2,488	(105,634)
Allowances for loan losses	3,037	-	3,037	21,665	-	21,665
Tax loss carry forward	5,313,807	-	5,313,807	5,347,105	-	5,347,105
Exchange loss unrealised	(785)	-	(785)	(134)	-	(134)
Deferred tax assets (net)	5,203,887	2,488	5,201,399	5,265,490	2,488	5,263,002

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

	December 2017			December 2016		
In thousands of Naira	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(112,172)	-	(112,172)	(103,146)	-	(103,146)
Allowances for loan losses	3,037	-	3,037	21,665	-	21,665
Tax loss carry forward	5,313,807	-	5,313,807	5,347,105	-	5,347,105
Exchange loss unrealised	(785)	-	(785)	(134)	-	(134)
Deferred tax assets (net)	5,203,887	-	5,203,887	5,265,490	-	5,265,490

	Group December 2017	Group December 2016	Bank December 2017	Bank December 2016
Deferred income tax assets				
– Deferred income tax asset to be recovered after more than 12 months	5,201,635	5,243,959	5,201,635	5,243,959
– Deferred income tax asset to be recovered within 12 months	2,252	21,531	2,252	21,531
	5,203,887	5,265,490	5,203,887	5,265,490
Deferred income tax liabilities	2,488	-	-	-
– Deferred income tax liability to be recovered after more than 12 months	2,488	-	-	-

(c) Movement on the net deferred tax assets / (liabilities) account during the period:

In thousands of Naira

31 December 2017 GROUP	1 Jan 2017	Recognised in P&L	Recognised OCI	31 December 2017
PPE and intangible assets	(105,634)	(9,026)	-	(114,660)
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)
	5,263,002	(61,603)	-	5,201,399

31 December 2017 BANK	1 Jan 2017	Recognised in P&L	Recognised OCI	31 December 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

31 December 2016 GROUP	1 Jan 2016	Recognised in P&L	Recognised OCI	31 December 2016
PPE and intangible assets	129,552	(232,698)	-	(103,146)
PPE and intangible assets- acquired subsidiary	(7,032)	4,544		(2,488)
Allowances for loan losses	(30,665)	52,330	-	21,665
Tax loss carry forward	5,118,307	228,798	-	5,347,105
Exchange gain/(loss) unrealised	-	(134)	-	(134)
	5,210,162	52,840	-	5,263,002

31 December 2016 BANK	1 Jan 2016	Recognised in P&L	Recognised OCI	31 December 2016
PPE and intangible assets	129,552	(232,698)	-	(103,146)
Allowances for loan losses	(30,665)	52,330	-	21,665
Tax loss carry forward	5,118,307	228,798	-	5,347,105
Exchange gain/(loss) unrealised	-	(134)	-	(134)
	5,217,194	48,296	-	5,265,490

The Group has assessed that based on the projected income from the bank's operations for the financial year 2018 - 2022, the deferred tax asset of N5.203 billion for the year ended 31 December 2017 representing 33.4% of the total deferred tax available of N15.59 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.

31.0 Assets classified as held for sale

(a) Non-current assets held for sale
During the year the Bank disposed the properties located at Sagamu Papalanto with the carrying value of N29,575,000 at a loss of N24,575,000. This loss in reported as "Loss on disposal of non current asset held for sale" in other operating expense

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Balance at 1 January 2017	29,575	48,756	29,575	48,756
Reclassification	-	(19,181)	-	(19,181)
Disposal	(29,575)	-	(29,575)	-
Balance at 31 December 2017	-	29,575	-	29,575

32.0 Deposits from financial institutions

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Secured takings	11,206,114	18,637,966	11,206,114	18,637,966
Balance at 31 December 2017	11,206,114	18,637,966	11,206,114	18,637,966

Deposit from financial institutions are all current in nature

33.0 Due to customers

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Current deposit	6,522,062	6,941,139	8,438,258	7,575,055
Call deposit	3,575,498	1,965,067	3,575,498	1,971,608
Customers' investment fund	66,296,938	44,570,703	65,752,852	44,600,103
	76,394,498	53,476,909	77,766,608	54,146,766

Due to customers are all current in nature

34.0 Other liabilities

In thousands of Naira	Group Dec 2017	Group Dec 2016	Bank Dec 2017	Bank Dec 2016
Financial liabilities				
Sundry creditors	61,834	101,554	39,015	70,926
Trade related liabilities1 Other financial liabilities	14,449,751	4,821,365	14,449,751	4,821,365
Customers' investment fund	3,772,766	2,392,621	3,793,081	2,390,997
	18,284,351	7,315,540	18,281,847	7,283,288
Non-financial liabilites	897,313	997,651	852,572	979,615
Other current non-financial liabilities	897,313	997,651	852,572	979,615
Total other liabilities	19,181,664	8,313,191	19,134,419	8,262,903

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

35.0 Capital and reserves

A Share capital

In thousands of Naira	Bank December 2017	Bank December 2016
(a) Authorised:		
Ordinary shares:	10,000,000	10,000,000
10,000,000,000 Ordinary shares of N1 each	-	-
	10,000,000	10,000,000

In thousands of Naira	Bank December 2017	Bank December 2016
(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 Naira	Group December 2017	Group December 2016
Balance, beginning of year	5,050,546	4,854,118
Additions through share issuance	-	196,428
Balance, end of year	5,050,546	5,050,546

The movement on the number of shares in issue during the year was as follows:

In thousands of Naira	Bank December 2017	Bank December 2016
Balance, beginning of year	5,050,546	4,854,118
Additions through share issuance	-	196,428
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	Bank December 2017	Bank December 2016
Balance, beginning of year	3,655,348	3,331,241
Additions through share issuance	-	324,107
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) Available for sale 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 period profit attributable to shareholders.

36.0 Contingencies

(iv) *Legal proceedings*
There were two outstanding legal proceedings with claims amounting to N348.9 million against the Group as at 31 December 2017. 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 2017.

In thousands of Naira	Group December 2017	Group December 2016	Bank December 2017	Bank December 2016
Contingent liabilities:				
Commitments:				
Software Acquisition	64,064	44,375	64,064	44,375
Clean Line Letters of Credit	20,913,167	-	20,913,167	
Guaranteed credit facilities	4,062,500	-	4,062,500	-
Investment property	-	3,750	-	-
	25,039,731	48,125	25,039,731	44,375
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	5,233	36,582	5,233	36,582
Later than one year and no later than five years	1,800	-	1,800	-
	7,033	36,582	7,033	36,582

37.0 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 2017	31 Dec 2016
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 the 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 was appointment of three (3) directors in the Board 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 2017 N'000	31 Dec 2016 N'000
United Securities Limited	Shareholder	2,125,422	4,202,947
Wapic Insurance Plc	Shareholder	5,788	96,863
Coronation Securities Limited	Subsidiary	1,915,587	852,371
Coronation Trustees Limited	Subsidiary	350,671	-
Coronation Asset management Limited	Subsidiary	233,014	305,217
Key management personnel	Employee	70,195	79,672
		4,700,679	5,537,070

- Movement in related party deposit	Directors	Key Managemtn Personnel	Shareholders and other affiliated companies
Year ended 31 December 2017			
At 1 January	60,787	18,884	5,457,399
Net 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

Year ended 31 December 2016			
At 1 January	5,625	8,914	4,848,644
Funds received during the year	55,162	9,970	608,755
	60,787	18,884	5,457,399
Interest expense	560	48	40,559

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).

Key Management personnels in the company are staff that are members of the Executive Management Committee of CMB.

(iii) Other related party transactions includes:			31 Dec 2017 N'000	31 Dec 2016 N'000
	Nature of transaction	Relationship		
Coronation Securities Limited	Rent payable	Subsidiary	6,767	-
Coronation Securities Limited	Service fee payable	Subsidiary	4,321	-
Coronation Asset Management Limited	Intercompany payable	Subsidiary	1,993	362,765
Coronation Capital Limited	Consultancy and advisory fee	Shareholder	349,004	319,032
Wapic Insurance Plc	Insurance premium	Shareholder	80,955	36,978
			443,040	718,775

37b Loans to related parties

Balances and transactions with related party as at:

Group Relationship	Facility Type	Status	31 Dec 2017	31 Dec 2016
Executive management and director	Mortgage, Personal and Car	Performing	364,331	304,572
			364,331	304,572
Interest earned on staff loan			31,876	6,224

Bank Relationship	Facility Type	Status	31 Dec 2017	31 Dec 2016
Executive management and director	Mortgage, Personal and Car	Performing	351,731	304,572
			351,731	304,572
			31,854	6,224

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 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
Salaries and other short-term employee benefits:				
Salaries and wages	647,027	655,367	526,115	589,659
Other staff benefits	51,247	37,509	41,964	33,912
	698,274	692,876	568,080	623,571

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 2017	Group 31 Dec 2016	Bank 31 Dec 2017	Bank 31 Dec 2016
Cost of asset	-	-	29,575	-
Sales Price	-	-	5,000	-
	-	-	(24,575)	-

38.0 Employees

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

	Group Number Dec 2017	Group Number Dec 2016	Bank Number Dec 2017	Bank Number Dec 2016
Executive directors	2	1	2	1
Management	18	17	13	13
Non-management	86	64	70	47
	106	82	85	61

Compensation for the above staff (excluding executive directors):

	Group N'000 Dec 2017	Group N'000 Dec 2016	Bank N'000 Dec 2017	Bank N'000 Dec 2016
Salaries and wages	827,248	491,448	657,766	491,448
Pension cost - defined contribution scheme	70,475	33,100	57,944	33,100
	897,723	524,548	715,710	524,548

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

	Number Dec 2017	Number Dec 2017
N300,001 - N2,000,000	18	17
N2,000,001 - N2,800,000	6	10
N2,800,000 - N3,500,000	3	11
N3,500,001 - N5,500,000	24	15
N5,500,001 - N10,500,000	33	-
N10,500,001 - N20,000,000	9	-
Above N20,000,000	11	28
	104	81

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.

39.0 Directors' emoluments and expenses

	Group	
Remuneration paid to the Directors (excluding certain allowances) was:	31 Dec 2017	31 Dec 2016
Fees and sitting allowances	40,500	81,843
Executive compensation	93,941	65,612
Pension cost - defined contribution scheme	13,235	8,621
Other director expenses	53,750	26,549
	201,426	182,625

Fees and other emoluments disclosed above include amounts paid to:

	31 Dec 2017	31 Dec 2016
Chairman	22,736	28,798
Highest paid director	49,450	65,612

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

	Number	
	31 Dec 2017	31 Dec 2016
N300,001-N2,000,000	2	-
Above N5,500,000	8	7
	10	7

40.0 Compliance with banking regulation

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

DESCRIPTION	AMOUNT
Penlties for 2 infractions contained in the AML/CFT	2,000,000
Penalties in respect of Foreign Exchange examination	2,000,000
Same day - late submission of daily returns	25,000
	4,025,000

41.0 Dividends

A dividend in respect of the year ended 31 Dec 2017 of 30 kobo per share (2016: 15 kobo) amounting to a total dividend of N1.5 billion (2016: 757.6 million) is to be approved by the shareholders. These financial statements do not reflect this dividend payable.

42.0 Events after the reporting date

There were no events after the reporting date

43.0 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
Tax Transfer Pricing 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
IFRS 9 consultancy services	IFRS 9 gap analysis and impact assessment comprising of training, gap assesment, identification of key decision options, model design and inputs review.	16,000
	Total	22,950

Value Added Statement

For The Year Ended 31 December 2017

Group	31 Dec 2017 N'000	%	31 Dec 2016 N'000	%
Gross income	25,156,531		15,194,225	
Interest paid	(14,369,179)		(5,420,070)	
	10,787,352		9,774,155	
Impairments	3,662		(70,119)	
Administrative expenses (local and foreign)	(5,670,788)		(4,386,837)	
Value added	5,120,226	100	5,317,199	100
Value added distribution				
To government				
- Income taxes	200,096	4%	242,810	5%
- IT Levy	51,202	1%	53,172	1%
To employees				
- Salaries and other benefits	1,309,259	26%	1,208,570	23%
The future:				
- Depreciation of property and equipment	578,331	11%	357,279	7%
- Deferred tax	(61,603)	-1%	52,839	1%
Expansion (transfer to reserves)	3,042,941	59%	3,402,529	64%
	5,120,226	100	5,317,199	100

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

Bank	31 Dec 2017 N'000	%	31 Dec 2016 N'000	%
Gross income	24,748,772		14,791,975	
Interest paid	(14,633,478)		(5,484,124)	
	10,115,294		9,307,851	
Impairments	51,596		(70,119)	
Administrative expenses (local and foreign)	(5,234,061)		(4,040,232)	
Value added	4,932,829	100	5,197,500	100
Value added distribution				
To government				
- Income taxes	183,640	4%	139,524	3%
- IT Levy	49,328	1%	51,975	1%
To employees				
- Salaries and other benefits	1,031,759	21%	1,077,511	21%
The future:				
- Depreciation of property and equipment	556,976	11%	339,136	7%
- Deferred tax	(61,603)	-1%	48,296	1%
Expansion (transfer to reserves)	3,172,728	64%	3,541,058	68%
	4,932,829	100	5,197,500	100

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

Other National Disclosures:
Five Year Financial Summary - Group

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Assets					
Cash and balances with banks	8,264,667	5,655,892	7,523,866	691,463	(2,275,360)
Due from financial institutions	29,509,041	16,246,877	16,246,877	10,878,893	13,392,874
Non pledged trading assets	1,137,667	3,443,570	-	470,490	9,622,924
Derivative financial assets	116,520	-	-	-	-
Investment securities:					
Held-to-maturity	7,447,089	15,257,502	11,746,851	16,402,421	8,728,382
Available for sale securities	21,170,496	18,493,830	12,611,114	8,332,907	13,374,599
Pledged assets	18,840,555	14,232,448	20,086,561	32,296,487	21,366,884
Loans and advances to customers	32,254,859	22,706,561	2,475,468	413,078	1,736,058
Other assets	6,432,931	355,915	203,258	194,887	459,840
Intangible assets	1,237,513	1,150,989	388,435	44,207	65,174
Property, plant and equipment	3,430,111	3,046,591	1,732,500	165,106	124,911
Investment properties	1,657,107	686,865	-	-	-
Investment in subsidiaries	-	-	-	-	-
Deferred tax asset	5,203,887	5,265,490	5,217,194	4,184,550	4,098,254
	136,702,443	106,542,530	78,232,124	74,074,489	70,694,540
Assets held for sale	-	29,575	48,756	48,756	48,756
Total assets	136,702,443	106,572,105	78,280,880	74,123,245	70,743,296
Liabilities					
Due to financial institutions	11,206,114	18,637,966	22,852,261	36,645,218	21,528,055
Due to customers	76,394,498	53,476,909	34,877,290	20,620,987	39,331,967
Derivative financial liabilities	106,457	-	-	-	-
Current income tax liabilities	348,484	263,844	137,911	96,382	68,812
Other liabilities	19,181,664	8,313,191	176,677	233,301	279,402
Deferred tax asset	2,488	2,488	-	-	-
Total liabilities	107,239,705	80,694,398	58,044,139	57,595,888	61,208,236

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Equity					
Share capital	5,050,546	5,050,546	4,854,118	4,854,118	2,784,600
Share premium	3,655,348	3,655,348	3,331,241	3,331,241	90,281
Statutory reserve	6,171,410	5,478,651	3,968,782	3,002,062	2,760,482
Treasury stock	-	-	(520,260)	(520,260)	(520,260)
Available for sale reserve	501,709	911,194	443,156	(43,828)	(115,112)
Credit risk reserve	647,767	397,224	60,948	113,890	151,289
Retained earnings	13,435,958	10,384,744	8,098,756	5,790,134	4,383,780
Total equity	**29,462,738**	**25,877,707**	**20,236,741**	**16,527,357**	**9,535,060**
Total equity and liabilities	**136,702,443**	**106,572,105**	**78,280,880**	**74,123,245**	**70,743,296**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Continuing operations					
Interest and similar income	22,373,522	13,422,704	11,169,291	11,597,365	17,636,453
Interest and similar expense	(14,369,179)	(5,420,070)	(6,882,393)	(8,736,442)	(14,996,017)
Net interest income	8,004,343	8,002,634	4,286,898	2,860,923	2,640,436
Impairment (charge) / write back for credit losses	3,662	(70,119)	(6,734)	21,842	1,049
Net interest income after impairment charge for on financial assets	8,008,005	7,932,515	4,280,164	2,882,765	2,641,485
Fee and commission income	1,658,062	1,187,193	65,701	29,679	36,162
Net gains/(loss) on investment securities	898,266	308,257	1,263	(5,273)	67,993
Net foreign exchange income	216,243	220,716			
Gain on sale of subsiary	-	-	-	-	160,473
Other operating income	10,438	55,355	2,183	5,476	149,355
Operating expenses	(5,670,788)	(4,386,837)	(2,019,134)	(1,291,585)	(1,252,735)
Profit before tax	5,120,226	5,317,199	2,330,177	1,621,062	1,802,733
Taxation	(368,128)	(183,909)	892,223	(10,527)	1,319,512
Profit for the year	**4,752,098**	**5,133,290**	**3,222,400**	**1,610,535**	**3,120,545**
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	(377,258)	947,329	444,062	71,284	(44,922)
- 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)	**(409,485)**	**468,038**	444,062	71,284	(44,922)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,342,613**	**5,601,328**	**3,666,462**	**1,681,819**	**3,075,623**

Other National Disclosures:
Five Year Financial Summary - Bank

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Assets					
Cash and balances with banks	8,188,002	5,638,415	7,523,866	691,463	(2,275,360)
Due from financial institutions	29,509,041	16,246,877	16,246,877	10,878,893	13,392,874
Non pledged trading assets	1,137,667	3,443,570	-	470,490	9,622,924
Derivative financial assets	116,520	-	-	-	-
Investment securities:					
Held-to-maturity	7,447,089	15,257,502	11,746,851	16,402,421	8,728,382
Loans and recievables	-	-	-	-	-
Available for sale securities	20,338,589	16,860,186	12,611,114	8,332,907	13,374,599
Pledged assets	18,840,555	14,232,448	20,086,561	32,296,487	21,366,883
Loans and advances to customers	32,239,585	22,706,561	2,475,468	413,078	1,736,058
Other assets	6,415,957	588,671	203,258	194,887	459,840
Intangible assets	544,749	463,406	388,435	44,207	65,174
Property, plant and equipment	3,077,084	3,000,668	1,732,500	165,106	124,911
Investment in subsidiaries	4,614,711	3,314,711	520,260	520,260	520,260
Deferred tax asset	5,203,887	5,265,490	5,217,194	4,184,550	4,098,254
	137,673,436	107,018,506	78,752,384	74,594,749	71,214,799
Assets held for sale	-	29,575	48,756	48,756	48,756
Total assets	137,673,436	107,048,081	78,801,140	74,643,505	71,263,555
Liabilities					
Due to financial institutions	11,206,114	18,637,966	22,852,261	36,645,218	21,528,055
Due to customers	77,766,608	54,146,766	34,877,290	20,620,987	39,331,967
Derivative financial liabilities	106,457	-	-	-	-
Current income tax liabilities	266,686	211,288	137,911	96,382	68,812
Other liabilities	19,134,419	8,262,903	176,677	233,301	279,402
Total liabilities	108,480,284	81,258,923	58,044,139	57,595,888	61,208,236

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Equity					
Share capital	5,050,546	5,050,546	4,854,118	4,854,118	2,784,600
Share premium	3,655,348	3,655,348	3,331,241	3,331,241	90,281
Statutory reserve	6,171,410	5,478,651	3,968,782	3,002,062	2,760,481
Available for sale reserve	466,220	923,039	443,156	(43,828)	(115,112)
Credit risk reserve	647,767	397,224	60,948	113,890	151,289
Retained earnings	13,201,861	10,284,349	8,098,756	5,790,134	4,383,780
Total equity	29,193,152	25,789,158	20,757,001	17,047,617	10,055,319
Total equity and liabilities	137,673,436	107,048,081	78,801,140	74,643,505	71,263,555

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000
Interest and similar income	22,195,656	13,321,639	11,169,291	11,597,365	17,636,453
Interest and similar expense	(14,633,478)	(5,484,124)	(6,882,393)	(8,736,442)	(14,996,017)
Net interest income	7,562,178	7,837,515	4,286,898	2,860,923	2,640,436
Impairment (charge) / write back for credit losses	51,596	(70,119)	(6,734)	21,842	1,049
Net interest income after impairment charge for on financial assets	7,613,774	7,767,396	4,280,164	2,882,765	2,641,485
Fee and commission income	1,300,432	931,374	65,701	29,679	36,162
Net gains/(loss) on investment securities	881,968	308,257	1,263	(5,273)	67,993
Net foreign exchange income	225,931	220,716	-	-	-
Gain on sale of subsiary	-	-	-	-	167,548
Other operating income	144,785	9,989	2,183	5,476	149,355
Operating expenses	(5,234,061)	(4,040,232)	(2,019,134)	(1,291,585)	(1,261,510)
Profit before tax	4,932,829	5,197,500	2,330,177	1,621,062	1,801,033
Taxation	(314,433)	(164,605)	892,223	(10,527)	1,319,512
Profit for the year	4,618,396	5,032,895	3,222,400	1,610,535	3,120,545
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	(424,592)	959,174	444,062	71,284	(44,922)
- 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)	(456,819)	479,883	444,062	71,284	(44,922)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,161,577	5,512,778	3,666,462	1,681,819	3,075,623

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 3rd Annual General Meeting of Coronation Merchant Bank Limited will hold at The George Hotel, 30, Lugard Avenue, Ikoyi, Lagos on Friday, 13 April, 2018 at 12.00 p.m. You will be asked to consider and, if thought fit to transact the following business:

A. Ordinary Business

1. To receive the Audited Consolidated Financial Statements for the year ended December 31, 2017 and the Reports of the Directors, Auditors and Audit Committee thereon;
2. To declare a final dividend
3. To re-elect Ms Evelyn Oputu as a Non-Executive Director.
4. To re-elect Mr Larry Ettah as a Non-Executive Director
5. To re-elect Mr Adamu Atta as a Non-Executive Director
6. To elect Mr. Idaere Gogo Ogan who was appointed as a Non-Executive Director by the Board since the last Annual General Meeting.
7. To elect Ms Olubunmi Fayokun who was appointed as an Independent Non-Executive Di-rector by the Board since the last Annual General Meeting.
8. To elect Mrs Onome Happiness Komolafe who was appointed as an Executive Director by the Board since the last Annual General Meeting.
9. To reappoint PricewaterhouseCoopers as the Auditors to the Company from the end of the Annual General Meeting until the end of next year's Annual General Meeting.
10. To authorise 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:

11. That the Director's fees for the financial year ending December 31, 2018 be and is hereby fixed at N15,000,000.00 (Fifteen Million Naira only).
12. That the Board of Directors be authorized to establish programmes and raise additional capital by way of private placement, rights offering, book building process or other methods or combination of methods, either in local and or foreign currencies through the issuance of senior secured debt, convertible or

non-convertible loans, medium or long term notes, bonds or other securities in such tranches, series or proportions, denominated in such currencies and at such coupon or interest rates within such maturity periods and on such other terms and conditions as the Directors may deem fit or determine, subject to obtaining the approvals of relevant regulatory authorities.

13. To consider the report of the Board Performance Appraisal for the year ended December 31, 2017.

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 of the Company. A proxy form is attached to the Notice and it is valid for the purpose of the meeting. 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.

BY ORDER OF THE BOARD 15TH DAY OF MARCH 2018

CORNELIA GEORGE UTUK
Company Secretary
FRC/2014/NBA/00000007492

NOTES

1. **CLOSURE OF REGISTER**
   The Register of Members of the Bank will be closed on March 31, 2018 to enable the Company Secretary prepare for payment of dividend.

2. **DIVIDEND**
   If the Dividend recommended by the Directors is approved by the members at the Annual General Meeting, dividend of N0.30k per share will be paid on April 13, 2018 to the Shareholders whose names appear in the Company's register at the close of business on March 31, 2018.

3. **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 12th of April 2018

4. **PROFILE OF DIRECTORS**
   The profiles of the Directors are 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 N30 Kobo final dividend per ordinary share recommended by the Directors is approved, the final dividend net of withholding tax will be payable on April 13, 2018 to those shareholders registered on the Company's register of shareholders as at March 31, 2018.

Resolutions 3-8: 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. Larry Ettah, Ms. Oputu and Mr. Adamu Atta 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 Ms. Olubunmi Fayokun as Independent Non-Executive Director subject to all regulatory and shareholders' approvals. The Board also appointed Mr. Idaere Gogo Ogan as a Non-Executive and Mrs. Onome Happiness Komolafe as an Executive Director subject to regulatory and shareholder's approvals. The appointees bring on board their vast experiences in private sector governance. 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.

LARRY ETTAH

Non-Executive Director

Mr. Ettah is the Group Managing Director/Chief Executive Officer of UAC of Nigeria Plc. (UACN) and is Chairman of the following publicly quoted companies: 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.

Some of his numerous achievements include an appointment as the first Vice President of the Nigeria Employers' Consultative Association (NECA), as well as Vice President (Multinationals) of Manufacturers Association of Nigeria (MAN). In addition, he is a Council Member of the Lagos Chamber of Commerce & Industry (LCCI).

Mr Ettah was appointed to the Board of Coronation Merchant Bank on the 30th April 2014. 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 Committee

He is aged 54 as at the date of the meeting.

ADAMU ATTA

Non-Executive Director

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

Mr. Atta has experience serving on the boards of various companies, including WAPIC
Insurance Plc, Inter Foods Limited, Workwell Engineering & Tractor Nigeria Limited and Supertex, amongst others. He has also been appointed onto various committees by the Federal Government of Nigeria to help coordinate systems for monitoring Oil & Gas supplies to industries and to instill transparency in the sector.

He is a member of the Nigerian Extractive Industry Transparency Initiative (N-EITI), a Committee set up by the Federal Government of Nigeria to coordinate systems for monitoring oil and gas supplies to industries and to instill transparency in the sector, the Nigerian Business Forum. He was also involved in the creation of the accounting module which tracks developments in oil and gas industries.

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 51 as at the date of this meeting.

Ms. EVELYN OPUTU
Non-Executive Director

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 had worked in several banks in Nigeria (commercial, merchant and industrial) including Icon Merchant Bank, International Merchant Bank and First Bank of Nigeria PLC where she left as executive director. Within the period, she gained significant experience while traversing the entire spectrum of banking operations – credit and marketing, corporate finance, corporate banking, investment banking etc.

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

She is currently pursuing her entrepreneurial interests in insurance, mining, consultancy, manufacturing, oil and gas, agriculture and real estate developments through companies she promoted namely; Kes Products Limited, Ese Farms Limited, Chalot Properties Limited and Ndali Consultants.
Ms Oputu 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 68 as at the date of this meeting.

MR. IDAERE GOGO OGAN
Non-Executive Director

Mr Ogan has more than 28 years' experience across key areas of Banking, Insurance and Oil & Gas. He is the Group Chairman of Calvary Group which includes BECCA Petroleum & Gas Limited, Cordero Engineering Services Limited and Calvary Travels & 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 appointment as Chairman of the Calvary Group, he was the Head, Corporate Bank Pharmaceutical Group at Guaranty Trust Bank PLC.

Mr. Ogan sits on the Board of several companies as Director and Chairman. Currently, he is the Chairman, Board of Directors of United Securities Limited (USL); Director in Marina Securities Limited and Eastern Bulkcem Company Limited (Eagle Cement) and 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 52 as at the date of this meeting.

Ms. OLUBUNMI FAYOKUN
Non-Executive Independent Director

Bachelor of Laws (LL.B)
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 recognised 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 2017. She is aged 55 as at the date of this meeting.

ONOME KOMOLAFE
Executive Director

Mrs Komolafe holds a Bsc Degree in Accounting (1993) and MBA (2009) both from Obafemi Awolowo University Ife, Osun State.

She has over 21 years working experience from Guaranty Trust Bank Plc, Access Bank Plc and Coronation Merchant Bank Limited. She joined Coronation Merchant Bank in September 1, 2015 as a General Manager and Group Head of Operations and Information Technology. Prior to joining the Bank, she was the Head of Centralized Operations Group. Mrs Komolafe's achievements include the following:

- Team Lead of the Treasury Software Implementation project at Access Bank.
- A member of Central Bank of Nigeria Financial Services Industry Infrastructure Transformation Programme, a member of the RTGS (Real Time Gross Settlement) Implementation team
- A member of the Payment Systems and Infrastructure Sub- Committee of the Bankers Committee.

She was appointed to the Board on February 14, 2017 and approved by the Central Bank of Nigeria in October 2017. She is aged 44 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, 2017 are as shown below:

S/N	Director's Name	Direct Holding	Indirect Holding
1	Ms Evelyn Oputu	-	1,819,415,197
2	Mr. Adamu Atta	-	1,151,522,548
3	Mr. Larry Ettah		235,397,741
4	Ms. Olubunmi Fayokun	-	-
5	Mr. Idaere Gogo Ogan	-	407,836,646
6	Mrs. Onome Komolafe	-	-

Resolutions 9:
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 2nd Annual General Meeting held on 11th of April 2017. 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 these provisions, the shareholders will be required at this general meeting to re-appoint PricewaterhouseCoopers as the Company's Statutory Auditors and also authorize the Board of Directors to fix the remuneration of the auditor for the financial year ending December 31, 2018 in accordance with the Companies and Allied Matters Act, 1990.

Resolutions 10
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 of N15,000,000 (fifteen million Naira only) for the Non-Executive Directors for the 2018 financial year. The commitments and responsibilities of the Non-Executive Directors have expanded considerably as regulatory and oversight requirements for the Bank's businesses have correspondingly increased. The approval of shareholders is being sought for the annual fees of N15,000,000.00 for the Non-Executive Directors.

Resolutions 11
Approval of Capital Raising Activities

Coronation Merchant Bank Limited ("Coronation MB" or "the bank") through this document has put together a Five-Year Funding Plan Strategy highlighting the key strategies required to achieve an optimally structured, cost effective and liquid balance sheet for the next five years (2017 – 2021).

Following the first full year of successful operations and the enormous opportunities in the Nigerian banking industry, the Board and Management of Coronation Merchant Bank Limited ("Coronation MB" or the "Bank") is seeking to significantly grow its operations over the next few years to adequately position the Bank to take advantage of the identified opportunities as well as consolidate the Bank's achievements to become a clear market leader in line with Bank's corporate vision and mission

Further to the above, the Board of Directors considered a 5-year financial forecast of its operations (2017 – 2021) in order to determine the indicative medium term assets and liability requirements of the business in line with its strategic objective and proactively determine potential funding gap(s) with the aim of strategically assessing funding options available to the Bank

An analysis of the projections indicates that the Bank will have a funding gap in excess of ₦200 billion over the next 5 years. In view of this, your Company intends to put in place a structure for optimal financing option with a mix of asset and liability creation strategy to close and/or minimize the funding gap identified as follows:

Commercial Paper (CP) Issuance Programme

The Bank shall create Exchange listed CP note as a sustainable means of raising short term liquidity to match short term obligations and address short term funding needs. Such CPs will be listed on FMDQ to create liquidity for investors. This quotation provides the necessary visibility and liquidity for the secondary market trading of the CPs allowing investors in the bank's CP to have confidence in their investment from a tradability and liquidity perspective.

The Commercial Papers programme will be issued in different tranches/series, such tranches can be timed to take advantage of interest volatilities in the market for the benefit of the Bank. It can be issued in 90-day, 180-day and 270-day tenors under a 3-year programme

Short/Medium Term Bond Issuance Programme

In addition to the CP issuance program, the Bank will launch a Corporate Bond in 2018. The Short/Medium Term Bond Issuance will create a novel window to bridge the tenor gaps between 270 days and 5 year Bond term. The 2-3 years tenured Bond Issuance programme will be issued through FMDQ. The bond issuance will be designed to create sufficient liquidity buffers for the CP programs.

Long-Term Bond Issuance Program/Tier II Capital Funding

Subsequent to the issuance of CPs and medium term notes by the Bank, the bank would initiate a shelf filing tier II, long-term bond programme and issue these bonds once market conditions are favorable. These bonds can be issued in 7 years or 10 year tenors and will enhance the bank's participation in bigger ticket transactions without diluting current ownership structure whilst also providing long term capital funding for the Bank as the balance sheet continues to grow with the attendant strain on the tier-1 capital. These bond issuance programme shall also qualify as tier-2 capital for regulatory capital.

FCY- Denominated Funding

The Bank plans to secure at least USD20 million line by FY 2018 to be increased to USD 200 million from bilateral and multilateral institutions like AfDB, EIB, AFRIEXIM, AFC, Shelter Afrique etc.

To this end, approval is being sought for the Board of Directors to establish programmes and raise additional capital in such amounts as the Board of Directors may deem fit, by way of private placement, rights offering, book building process or other methods or combination of methods, either in local and or foreign currencies through the issuance of senior secured debt, convertible or non-convertible loans, medium or long term notes, bonds or other securities in such amounts, tranches, series or proportions, denominated in such currencies and at such coupon or interest rates within such maturity periods and on such other terms and conditions as the Directors may deem fit or determine, subject to obtaining the approvals of relevant regulatory authorities.


Hennessy

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 12.30a.m on Friday the 13th of April 2018. ______________________________

being 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 12.30a.m on Friday the 13th of April 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, 2017.			
2	To declare a final dividend			
3	To elect/re-elect Directors of the Company; Mr. Larry Ettah, Mr. Adamu Atta, Ms Evelyn Oputu, Ms. Olubunmi Fayokun, Mr. Idaere Ogan and Mrs. Onome Komolafe			
4	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			
5	To authorize the Directors to fix the remuneration of the External Auditors (PriceWaterHouseCoopers) for 2018 financial year.			
	SPECIAL BUSINESS/ORDINARY RESOLUTION			
6	That the Directors' Fees for the financial year ending December 31, 2018 be and is hereby fixed at N15,000,000.00 (Fifteen Million Naira only)			
7	That the Board of Directors be authorized to establish pro-grammes and raise additional capital by way of private place-ment, rights offering, book building process or other methods or combination of methods, either in local and or foreign currencies through the issuance of senior secured debt, convertible or non-convertible loans, medium or long term notes, bonds or other securities in such tranches, series or proportions, denominated in such currencies and at such coupon or interest rates within such maturity periods and on such other terms and conditions as the Directors may deem fit or determine, subject to obtaining the approvals of relevant regulatory authorities.			

CORONATION
MERCHANT BANK

S/N	Ordinary Business/ Resolutions	For	Against	Abstain
8	To approve the report of the Board Performance Appraisal from Ernst & Young for the year ended December 31, 2017.			
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.			

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

Our Office Locations

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