CORONATION
MERCHANT BANK

Building the foundation for sustainable growth

ANNUAL REPORT AND ACCOUNTS 2016

We are on a journey to become Africa's premier **Merchant Bank, uniting global standards of talent,** service excellence, innovative ideas and governance – enhanced by exceptional local knowledge.

Our clients retain focus on achieving their business objectives, confident that our financial solutions are world-class.

Contents

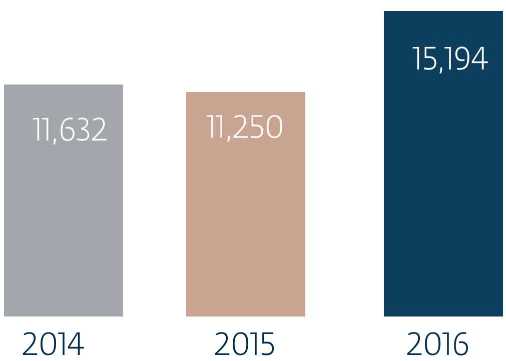
2 Business Review

4 Financial Statements

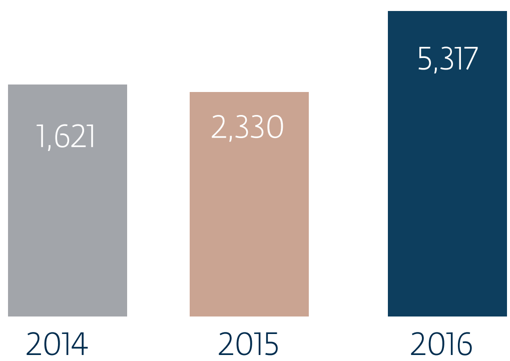
1
OVERVIEW

Financial highlights

Gross Earnings
(N'Million)
14%

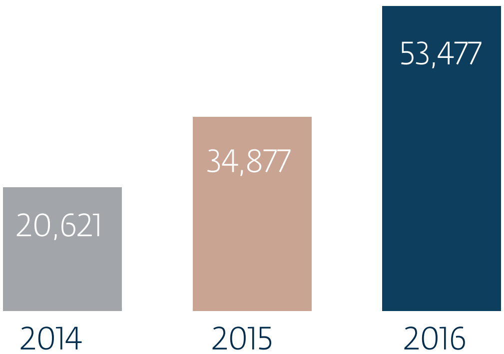


Profit Before Tax
(N'Million)
81%



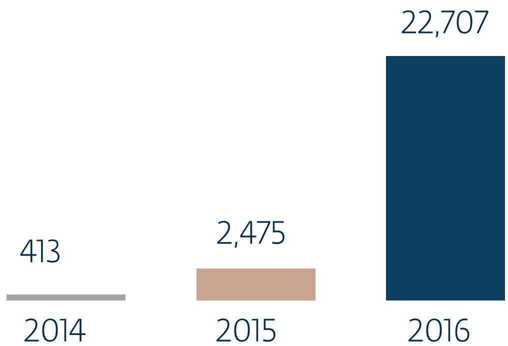
Customer's Deposits (N'Million)

61%



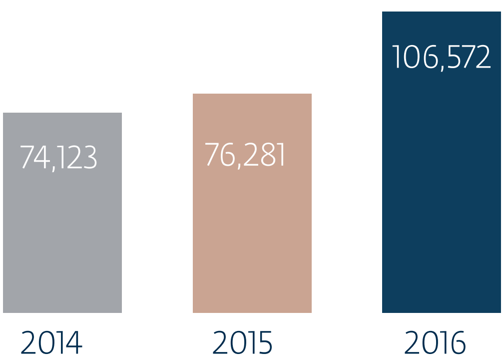
Loans and Advances (N'Million)

641%



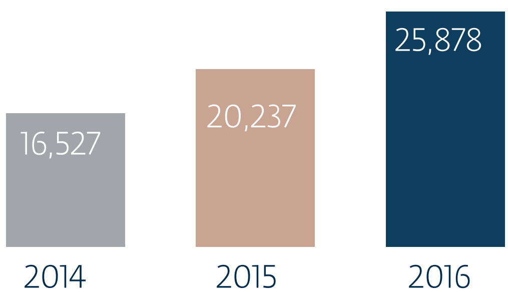
Total Assets (N'Million)

20%



Shareholders fund (N'Million)

25%



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 impressive results of the Group in the last 2 years of business operation demonstrates the effectiveness of our strategy as we continue to grow our market share in key segments of the economy. We will continue to maintain a disciplined and prudent approach in creating risk assets based on our overall risk management framework.

Going into the next five years, Coronation Merchant Bank will rank top 3 position across specific areas of our Banking business and in all our capital market operations. We will leverage our 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.

Our Locations:

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10 Amodu Ojikutu Street PO Box
74853, Victoria Island Lagos, Nigeria
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F +234 (0)1 461 4896

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Port Harcourt Office:
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Port Harcourt , Nigeria
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F +234 (0)84 754 661


Local expertise: world-class solutions
As a new breed of merchant bank, we understand that success demands vision, agility, strength and intelligence.
We are on a journey to become Africa's premier merchant bank, uniting global standards of talent, service excellence, innovative ideas and governance – enhanced by exceptional local knowledge.
Our clients remain focused on achieving their business objectives, confident that our financial solutions are world-class.
Welcome to Coronation Merchant Bank.
CORONATION
MERCHANT BANK
www.coronationmb.com
Local expertise: world-class solutions

Chairman's Statement

Distinguished Shareholders,

On behalf of the Board of Directors of Coronation Merchant Bank Limited, it is with great pleasure and delight that I welcome you to the 2nd Annual General Meeting of Coronation Merchant Bank and also to present to you the financial statements for the year ended December 31, 2016. It is important to note that the 2016 annual report is the first full year financial statement of our great institution since the commencement of the Merchant Banking operation in July 1, 2015.

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 Coronation Merchant Bank for securing the approval of Securities and Exchange Commission to acquire Marina Securities Limited and also register the Asset Management business. Commencement of brokerage and asset management business in 2017 would unleash a spectrum of newer opportunities for the Group especially in the retail segment of the market

Global Economic Environment

According to the International Monetary Fund (IMF), the world economy experienced a gradual slowdown in 2016 with a growth rate of 3.1 percent which is projected to recover to 3.4 percent in 2017. The forecast reflects a more subdued outlook for advanced economies arising from Brexit and weaker than expected growth in the United States.

From January to September 2016, global oil supply grew by only 0.3 million barrels per day, compared to an increase of almost 3.0 million barrels per day in the same period in 2015.

The exit of the fifth largest economy in the world and second largest in European Union (EU) initially adversely impacted stock market and currencies, with the pound plunging to the lowest level in 31 years against the U.S. dollar but later clawed back some value as the market assimilated the shock. The ultimate impact of Brexit remains very unclear, as the fate of institutional and trade arrangements between the United Kingdom and the EU is still uncertain. With the outcome of the US Presidential Elections and the impending general election in France and Germany, the outlook for the global political environment remains uncertain.

Global inflation rose moderately from 2.78% in 2015 to 2.9% in 2016 due to rising prices in the advanced economies and modest recovery in oil prices. From the month of January to September 2016, global oil supply grew by only 0.3 million barrels per day, compared to an increase of almost 3.0 million barrels per day in the same period in 2015. Since January, when the price of Brent crude reached a 12-year low, oil prices have rebounded by 50 percent to US$54.07 per barrel by 31st of December 2016 and nearly reached last year's average of US$46.99 per barrel.

The currencies of most emerging and frontier markets experienced slight depreciation for most of the later part of 2016 while exchange rate movement across major advanced economies was relatively stable. Slowdown in capital inflows and the hike in United States Fed rate from 0.5% to 0.75% led to further depreciation of emerging market currencies. In the near term, economic recovery remains fragile in the advanced economies while the emerging markets and developing economies will continue to be dictated by the volatility in commodities prices and instability of capital flows.

Operating Environment

For the first time in 25 years, Nigeria economy went into a recession in 2016 after two successive quarterly negative growth; Q1'16 (-0.36%), and Q2 (-2.1%). GDP contracted by 1.5% in 2016 following a 2.8% growth in 2015. Lower oil prices and incessant militant attacks on on-shore oil infrastructure continued to hurt the oil & gas sector in Nigeria. In 2016, Nigeria economy was characterized by shortage of foreign exchange, low fiscal activity, high energy prices and accumulation of salary arrears by more than two- third of the states. Inflation rate rose significantly from 9.6% in December 2015 to 18.55% in Dec 2016 thus eroding the purchasing power of naira and hindering business growth.

To stem the tide of spiraling inflation and stimulate capital inflow for economic growth, CBN increased Monetary Policy Rate (MPR) by 200 basis points to 14 per cent from 12 per cent as well as active Open Market Operations (OMO) to tighten liquidity. The equities market continued its lackluster performance in 2016 as the Nigerian Stock Exchange All Share Index declined by 11.6% to close at 26,874.62 (December 30th 2016). Poor corporate earnings performance underpinned by slow economic growth, as well as risk averse sentiments by investors in an environment where the effective return on treasury bills averaged over 20% in 2016 continued to drive the decline in the equities market.

Performance Review for 2016 Financial Year

Despite the tough market and economic conditions, the Bank recorded significant improvement across key performance indices in 2016. The Group delivered an impressive Profit Before Tax (PBT) of N5.3 billion in 2016, which represents an increase of 128% over the last year's performance of N2.3bn. Consequently, the Earnings per Share increased significantly by 48% from 69k in 2015 to N1.03k in 2016. Post impairment net interest income grew by 86% from N4.3 billion in 2015 to 8.0bn in 2016 largely driven by an increased earnings from treasury assets and significant loan growth. In a bid to rebalance the overall funding mix, there was a considerable reduction in the exposure to financial institution during the year. Deposits to customers increased by 58% to N55billion while the deposits to financial institutions reduced drastically by 18%. This led to 150bps reduction in the overall funding cost of the Bank. The Bank achieved 200bps improvement in the Cost to Income Ratio in 2016 (2016: 45%, 2015:47%).

Aside from the strong earnings performance, the Group also recorded a significant growth in its Balance Sheet in 2016. The total asset increased significantly from N78.3 billion in 2015 to N107.1 billion in 2016 largely due to sizeable increase in loans and advances. Shareholders' funds increased from N 20.2billion to N 25.9 billion, signifying a healthy growth of 28%. Due to the significant growth in risk asset, the loan to deposit ratio also increased from 4.31% in 2015 to 31% in 2016 against the 80% threshold stipulated by the CBN. During the course of the year, we made deliberate effort to increase our exposure to high quality obligors that falls 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. As at December 31, 2016, our Non-Performing Loans (NPL) ratio stood at zero percent.

Subsequent to this stellar performance in 2017, we have proposed a dividend of 15kobo per ordinary share of N1.00 upon approval at the Annual General Meeting to shareholders of the Bank.

Board Developments and Corporate Governance

Our approach to strengthening Group-wide governance involves the complete separation of the Capital Market Group from the Banking Group. Throughout last year, there was no change to the Board of Directors of the Bank. As we fine tune the dimensions of our business plan in the Capital Market segment, we shall be guided by the ultimate objectives of maximizing shareholder value. Over the next 12 months, we shall focus on strengthening the Boards of the Capital Market businesses. We shall build the right level of stewardship required to drive sustainable business growth across all business lines.

> Aside from the strong earnings performance, the Group also recorded a significant growth in its balance sheet in 2016

Outlook

The risks to the outlook remained elevated particularly for emerging markets and developing economies where the economic environments are marked by declining commodity prices, reduced capital flows, pressure on currencies and increasing financial market volatility.

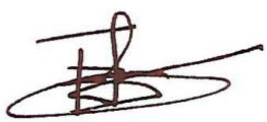
Growth in 2017 will remain stifled due to the uncertainty in the global economic conditions. Mixed economic forecasts across most emerging markets suggest a stiffer and more intense competition in the financial services. While we are aware of the challenges that lie ahead, we are confident that the sound governance structure and continuous focus on our strategic priorities will guarantee profitable business growth in 2017. The year 2017 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.

We are delighted with our laudable feats in 2016 and are confident that together we will achieve our ultimate goal of becoming the engine room of Africa's financial markets. 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.

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.

Thank you.



MR. TIJANI BABATUNDE FOLAWIYO
Chairman

CEO's Statement
Creating an enduring future...

Distinguished shareholders, ladies and gentlemen, it is my privilege and honor to present to you the financial results and reports of Coronation Merchant Bank for the year ended 31 Decmeber 2016. It gives me great joy to present the reports for the first financial year of your beloved Bank operating as a full-fledged Merchant Bank. Today, having clearly put in place the processes and infrastructures required to be the premier Investment Bank in Africa, we have carefully articulated our plans and are currently implementing our strategy to achieve this overall objective. I must congratulate the Board of Directors and the entire Management and Staff of Coronation Securities Limited and the Coronation Asset Management Limited for securing the approvals of the Securities and Exchange Commission to operate as subsidiaries of Coronation Merchant Bank. The expansion of our franchise into the Capital Market Business (Asset Management & Trustees) will enable us offer a broader set of products and services that will not only deepen existing relationships but also open up new opportunities in the retail segment of our business. As I present to you the 2016 financial statements and the report of the performance of our Company in the course of the financial year, permit me to highlight some of the key events in our operating environment that underscored that performance.

Business Environment

The global economic landscape in 2016 was characterized by slower than expected global trade, weak commodity prices and increased volatility in the global financial market. The path to the modest improvements in the advanced economies has increasingly turned fragile owing to persistent uncertainties from the BREXIT shock and the outcome of the US Presidential Elections. US Economy exceeded its growth expectation in Q3 2016, growing at an annual rate of 2.9 per cent, a significant uptick from the average growth rate of 1.1 per cent in H1 2016 largely attributed to the robust surge in exports, coupled with improved consumer spending. The short term downside risks from Brexit vote have largely subsided while the long term potential economic impact remains uncertain.

The latest GDP released by the Nigeria Bureau of Statistics revealed that real income worsened in Q3, 2016 as output contracted further by 2.24 per cent relative to its level in 2015. The non-oil sectors recorded a flat growth in quarter 3 after shrinking for two consecutive periods. The shortage of foreign exchange, low fiscal activity, high energy prices and accumulation of salary arrears by over two third of the states in Nigeria characterized 2016. Inflation rate accelerated to 18.55% in December 2016; the highest since 2005. To stem the tide of spiraling inflation and stimulate capital inflow for economic growth, Central

Bank of Nigeria increased Monetary Policy Rate (MPR) by 200 basis points to 14 per cent from 12 per cent which adversely affected lending activities of financial institutions. Despite the introduction of flexible exchange rate policy, replacement of the retail Dutch Auction System (rDAS) with an order-based system and implementation of capital control measures to curb forex challenges, the naira eventually depreciated by over 60% at the official market in 2016.

The economic and regulatory challenges we faced in 2016 cannot be underestimated, neither can the impact on our businesses be ignored. Despite these enormous challenges, we continued with the execution of our strategy to distinguish our Bank in the market and ensure we are well equipped to survive in times like this.

Against the backdrop in the macroeconomic environment, we stayed close to our clients while prudently managing risk and resources to deliver a net profit attributable to shareholders of N6.1billion, up 68% on the previous year.

Our Strong Financial Performance

Against the backdrop in the macroeconomic environment, we stayed close to our clients while prudently managing risk and resources to deliver a net profit attributable to shareholders of N6.1billion, representing 68% growth over the position in 2015. This strong performance was driven by the dedication of our employees and the disciplined execution of our strategy of diversifying our earning streams even in a difficult environment.

The Group recorded a significant growth in the financial performance as the Profit-Before-Tax grew by 129% from N2.3bn in 2015 to N5.34bn in 2016. Our net-interest income grew from N4.3bn in 2015 to N8.0bn in 2016 largely due to positive growth in risk assets and investment income. Also, during the year, the Bank recorded 200bps improvement in the funding cost as some of the expensive funds were replaced with low cost deposits.

Our deliberate focus on the efficiency of our business operations has yielded considerable returns as the Cost to Income ratio reduced by 200bps to 45% in 2016. We are not oblivious of the current macroeconomic realities facing our business, we strongly believe that the Bank is well positioned to deliver greater value to her shareholders in 2017.

Risk Management Practice

We believe that prudent risk-taking (aligned with our strategic priorities) is fundamental to our business, and we maintain a conservative framework to manage liquidity and capital. The Group will continue to adhere to our robust enterprise risk management standards in order to insulate our business operations from business shocks and market volatility. Over the years, these policies have protected the Bank whilst allowing us to pursue opportunities that drive long-term growth and value. With our strong capital adequacy ratio and industry leading NPL ratios, we are confident that the Bank has the appropriate capacity to protect and safeguard the interests of her depositors and shareholders at all times. Beyond the aspiration of surpassing our 'A' Agusto &Co risk rating with a stable outlook and earning the endorsements of other leading global rating agencies, our risk management strategy will guarantee business continuity and crisis management.

Conclusion

Whilst we are optimistic about our performance in 2017, we cannot completely ignore the impact of the current macroeconomic challenges on our business. The macroeconomic environment is likely to remain challenging throughout the rest of 2017. We are convinced that repositioning of our institution as a full-service merchant Bank, with strong capital markets and asset management capabilities remains a key differentiator for our business. In 2017, we will continue to implement our client-focused, capital-efficient strategy, with an emphasis on our market-leading franchises.

We recently concluded the recruitment of a Divisional Director for the Corporate Banking business who will deepen penetration and further enhance the contribution of the business to the Group. The expansion of our of business into asset management and securities trading will enable the group harness the myriad of opportunities in the retail segment by offering broader set of products and services. We will continue to consistently invest in our infrastructure, processes and people required to provide superior services to our customers.

We 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
Managing Director/Chief Executive Officer

2
BUSINESS REVIEW

Corporate Philosophy
Business Overview

- Investment Banking
- Corporate Banking
- Global Markets and Treasury
- Coronation Securities Limited
- Coronation Asset Management Limited
- Coronation Trustees Limited
- Sustainable Banking Report 2016

Corporate Philosophy

Our Vision

To be Africa's premier Investment Bank

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

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

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

A guide to understanding the elements of our vision:

Top People

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

At Coronation MB we would not under any circumstances compromise on sustainable long term growth and reputation for short term gains.

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

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

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

Global Recognition

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

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

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

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

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

Service and Solution Innovations

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

Strong Risk Management / Governance

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

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

Market Leadership

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

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

Our Mission

To be the engine room of Africa's financial markets

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

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

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

Our Values

At Coronation MB, 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's agenda is achieved.
We strive to attain and exceed the highest possible standards through our passionate and painstaking attention to details. Our vision to transform Coronation MB is a continuous journey. Every employee knows the importance of serving with excellence, whether it's dealing with a customer's query, manning the gates, or working at the service counter, we have to get it right the first time.

Developing People

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

Leadership

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

Strategic Aspiration

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

Coronation Merchant Bank Group

	Banking Group		Capital Market Group	
	Global markets	Corporate Banking	Investment Banking	Wealth Management
Overall Aspiration	*"Achieve market dominance in sales & trading of Financial instruments across multiple asset classes"*	*"To be the leading specialised solution provider to institutional, corporate banking & public sector clients in Nigeria"*	*"To be a top 3 Financial advisor in Nigeria"*	*"Become the preferred investment and wealth manager for institutional investors and UHNIs/ family offices/ HNIs"*
Our Businesses	• Money Market • Fixed Income • Forex • Derivative	• Corporates • Emerging Corporates • Public Sector	• Capital Markets • Mergers &Acquisition Advisory • Projects & Structured Finance	• Asset Management • Wealth Management • Brokerage • Trustee
Enablers	Research	Compliance	Finance & HR	Risk Management
	Operations &Technology			

Investment Banking

Overview

- The Investment Banking business of Coronation MB offers integrated advisory and financing solutions to help our clients achieve their strategic aspirations. We focus on building long-term partnerships with our clients by offering expert advice and bespoke financing solutions whilst leveraging our solid foundation built on scale, deep sector knowledge and the reach of our global network

- The Investment Banking division at Coronation MB offers a complete range of services to fulfil our clients needs including capital raising services, advise on mergers and acquisition as well as project finance & product structuring advise for hedging and liquidity solutions

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

a. Capital Markets: Through our Capital Markets product group we offer clients (corporate, government and supranational institutions) structuring and capital raising services relating to issuance of debt and equity securities in the capital markets

b. Mergers and Acquisitions: Through our M&A product group we proffer innovative buy-side and sell-side financial advisory services for business combinations, acquisitions, divestment and business restructuring transactions.

c. Project & Structured Finance: Through our Project & Structured Finance product group we provide project finance advisory services for 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.

Investment Banking Product Suite

Capital Markets		Mergers & Acquisitions		Projects & Structured Finance	
Equity Capital Markets	Debt Capital Markets	M&A	Financial Advisory	Project Finance	Structured Finance
• Initial Public Offerings (IPO) • Follow-on Offerings • Private Placements • Right Issues • Equity Linked Investments	• Government Bonds (Federal, State & Municipal) • Corporate Bonds • High Yield Bonds	• Buy Side M&A Advisory • Sell Side MEA Advisory • Take Overs • Leverage/ Management Buy Outs • Distressed Sales	• Corporate Finance Advisory • Privatisation Advisory • Restructuring	• Advisory & Structuring • Debt Arrangement & Syndications • Public Private Partnership Advisory	• Multilaced Funding • Syndicated Loans • Bridge Financing • Assest Based Financing & Securitisation • Derivatives Structuring

Key Sector Focus

Coronation MB's investment Banking business has a broad sector focus including:

S/N	Sector	Sub sector
1	Consumer Goods	Food & Beverage, Household & Personal Care and Distribution & Logistics
2	Financial Services	Banking, Insurance and Payment Processing
3	Oil and Gas	Upstream, Downstream, Midstream and Services
4	Industrial	Heavy Industries, Steel Milling and Construction
5	Agriculture	Inputs, Cultivation and Processing
6	Real Estate	Commercial, Retail, Hospitality and Residential
7	Public Sector	Federal and State Governments, Ministries, Parastatals, and other Public Agencies
8	Financial Sponsors and Institutional Investors	Private Equity Firms, PFAs, Asset Management Firms, SWFs, Family Offices and HNIs.

Achievements

Coronation MB's investment Banking franchise got stronger in 2016 as clients trusted us to provide them with M&A and capital raising advice to meet their strategic objectives. As a result, Coronation MB participated in some of the landmark deals executed in 2016. Details of our participation on some of the prominent publicly announced deals include:

a. Joint Financial Adviser to Access Bank Plc on its US$300 million Eurobond Issuance – the only Eurobond issue by a Nigerian Financial institution in 2016;

b. Joint Lead Arranger to UACN Property Development Company Plc on its Series 1-5 Commercial Paper Issue under a N24 billion Commercial Paper Programme; and

c. Joint Lead Arranger to Access Bank Plc on its N35 billion Commercial Paper Issue under the Bank's N100 billion programme – the largest single commercial paper issue by a Nigerian entity till date.

Our strong performance was notable despite the prevailing macroeconomic challenges in the country 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 & 2017 Priorities

Based on expert prediction of a bright economic outlook for 2017 which is projected to see the nation's economy rebound from its current recession and record growth, despite the challenges posed by weaker oil earnings and foreign exchange, we are quite optimistic of opportunities in the year 2017. We see these opportunities to differentiate ourselves and continue to expand our spheres of influence in the various sectors we cover.

Thus, the strategic priorities of Coronation MB's Investment Bank in 2017 is to further deepen our existing client relationships, enhance our distribution capabilities and grow market share by targeting sectors where we see opportunities

Corporate Banking

Overview

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.

The strategic objective of the Corporate Banking division is to position Coronation Merchant Bank Limited as one of the leading Corporate Banking Institution in Nigeria within the next 5 years. This will be driven by excellent customer satisfaction through efficient financial service delivery,.The Bank seeks to achieve the Top 3 position in Corporate Customer Satisfaction ranking within the next 5 years.
Our strategic intent is guided by Coronation Merchant Bank's Vision and Mission

Key Sectors

- Fast Moving Consumer Goods (FMCG): This sector focuses on Food & Beverages, Breweries, Personal Care, Household & Utilities,
- Agriculture: The sector covers complete agricultural value chain ranging from large scale plantations, agro-processing, commodities trading, livestock farming and processing, agro based trading.
- Energy: The energy desk covers the entire sector – Upstream, Midstream, Downstream and Services.
- Power & Infrastructure: This Business Unit covers all the segments of the Power Sector (Generation, Transmission & Distribution), as well as Transport and other Infrastructures.
- Telecoms: The business unit covers Mobile Operators, Fixed & Data Service Providers and Services.
- Real Estate & Construction: The sector provides financial services to well-structured Real Estate Development Firms, Major Construction Firms.
- General Commerce: This covers General Trading, neral Imports, and Value Chain Banking.

Products & Service Offering

Financing We provide access to financing to support working capital, capital expenditure and other financing needs with products and services tailored to your organizations needs	**Working Capital** ◆ Debt Factoring ◆ Invoice Discounting ◆ Overdrafts ◆ Supplier Finance	**Corporate Lending** ◆ Revolving Credit Facility ◆ Time / Term Loans ◆ Guarantees & Bonds ◆ Commercial Papers ◆ Bankers Acceptance	**Asset Finanacing** ◆ Lease Purchase ◆ Finance Lease ◆ Operating Lease
Trade Solutions We offer a range of trade solutions designed to enhance your trade operations	**Letters of Credit** ◆ Export Letter of Credits ◆ Import Letter of Credits ◆ Guarantees	**ECA Financing** ◆ Export financing ◆ Import financing	**Trade Settlements & Finance** ◆ Trade Loans ◆ Trade Collections
Cash Management Effectively and efficiently manage your working capital with our tailored financial products and services aimed optimizing your funds and streamlining operational processes	**Liquidity Management** ◆ Money Market ◆ Currency Deposits	**Corporate accounts** ◆ Current accounts ◆ Payments ◆ Escrow accounts	**Payments & Collection** ◆ Collections ◆ Payments (Domestic & International) ◆ Internet Banking

Achievements

Corporate Banking Division became fully operational and commenced business in September 2015. Within the period, we have been able to on-Board key players and market leaders in our major area of focus i.e FMCG, Energy, Agriculture, Real Estate & Construction and General Commerce.

- Global Markets & Treasury
- Brokerage
- Trustees
- Asset Management
- Risk Management

Global Markets and Treasury

Overview

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

The division is made up of two broad units;

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 manned by qualified professionals with the objective of achieving market dominance in sales and trading of financial instruments across various asset classes, and utilizing the Bank's liquidity in the most efficient manner that maximizes return in a risk controlled environment.

Product and Service Offerings

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

Products & Service Offering

Global market and treasury's wide range of products and services include;

S/N	Products	Description
1	Money Market	Tenure deposits, Treasury bills and Bond link notes Commercial papers and negotiable certificate of deposit
2	Fixed Income	Treasury Bills, Local currency bonds (Soveriegn, Sub-national, Corporate) and Euro-bonds, Prime brokerage Services
3	Foreign Exchange	Foreign Exchange spot and derivatives
4	Structured Products	REPOs, Forwards (Deliverable and Nondeliverable) and Swaps

Notable Achievements in 2016

In 2016, Global Markets and Treasury expanded its fixed income services with the introduction of Prime Brokerage Product specifically targeted at institutions clients and fixed income brokers. This in conjunction with increased market making activities led to a significant growth in the fixed income volumes and revenues.
In addition, the division deepened its derivatives offering product line following the introduction of the Over-the-Counter FX Futures for clients seeking foreign exchange hedging solutions.

Outlook for 2017

In 2017, we anticipate continued macroeconomic headwinds for a few reasons; steady rise in inflation due to input costs stemming from foreign exchange shortfalls, faltering economic growth, possible Impact of external factors such as Brexit and anticipated rise in interest rate within the US economy. Notwithstanding, we believe economic policies to be implemented by the fiscal authority would pave way for a strong recovery before the fourth quarter of 2017.

We believe these headwinds would provide greater opportunities to take calculated risks and improve revenues specifically on the fixed income and foreign exchange product lines. To better manage the funding structure of the Bank, we will continue to explore a more diverse deposit liability base while managing the expected volatility along each line.

Coronation Securities Limited

Overview

Coronation Securities Limited ("Coronation SEC") is a licensed broker - dealer Company. Established on 10 August 2011 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 was challenging in 2016 as various economic reforms and war against corruption took another dimension during the course of the year. As a result, there was a significant slowdown in economic activities that led to higher unemployment, weaker consumer spending and lower profitability of most domestic companies. In addition, the foreign exchange rate disparity arose as a result of the CBN ban on 41 items and the managed floating exchange rate crippled economic activities, while there was little traction from the offshore space as portfolio investors viewed the domestic economic as highly unstable as uncertainties persisted. This led to weak foreign portfolio investment inflow, resulting to a total outflow of N80bln as well as an attendant weak participation on the floor of the Nigerian Stock Exchange.

Specifically, average market turnover in 2016 was N2.3bln (US$9.5mln), a 39% decline when compared with the N3.8bln (US$19.4mln) worth of trades executed in 2015. This implies less revenue for the stockbroking industry as a whole given that brokerage commission is a function of market turnover.

Despite these challenges, we are pleased to inform you that Coronation Securities closed the year in a profit as the company declared a net income of N74mln. Our revenue was also decent at 379mln (PBT) in the light of prevailing macroeconomic challenges.

Despite the challenging environment, we will continue to put in place right policies and measures that will ensure sustained profitability of the business.

1. Products & Services:

Our service offerings remain providing brokerage services in equities and fixed income trading to our numerous clientele base. We also act as stockbrokers to public offerings and rights issue capital raising program, 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.

2. Achievements 2016:

During the year 2016, we improved on our ranking on the floor of the Nigerian Stock Exchange from the 22nd position in 2015 to 18th position in 2016. In addition, Coronation Securities was fully integrated into mainstream operations with our parent company Coronation Merchant Bank as we were able to migrate and also ride on the infrastructure of the Bank during the year in view. We also rationalize our business to ensure that it remains efficient even in the period of macroeconomic challenges to ensure that we remain competitive regardless of the phase in the economic cycle which has been turbulent in recent times. We also commenced a full fledge research desk aimed at providing market intelligence to our internal and external clients.

3. Business Opportunities:

Based on the dim outlook for 2017 COSEC believes the opportunities lies with the following:- Deepening the market depth by proffering solutions geared at the retail space while offering safety and growth of investments- Providing alternative investment options around Derivatives, Futures and Commodities trading.

4. 2017 Outlook & Priorities:

Recent appreciation in global crude prices bodes positively for players in the upstream oil & gas sector including listed names like SEPLAT, OANDO & TOTAL. The consequent impact in the form of increased landing costs (N290/litre) while the PPPRA price ceiling remains at N197/litre may pose a short term challenge to profit margins of players in the downstream sector. Given the 30% average loan book exposure to the Oil & Gas sector, we note that firmer oil prices and expected further uptick in both crude production and price is a positive for the Banking sector. Successful passage of the Petroleum Industry Bill anytime this year, will drive a rally in the Oil & Gas sector.

With inflation climbing to 18.55% y/y the real returns on Treasury bill instruments are looking less attractive at their current levels and may be poised to trend higher. We note that the CBN's reason for leaving the MPR unchanged at the last meeting (and keeping yields on its fixed income securities high) was to attract foreign investors. In addition to these, recently increased global market risk may keep yields at their current levels or higher in the near term whilst keeping foreign portfolio investors on the sidelines on the account of uncertain foreign exchange outlook.

Weakened consumer purchasing power coupled with Naira depreciation and increased operating costs may weigh on profit margins especially for players in the fast moving consumer goods space in the immediate. On the other hand, recent efforts at boosting Dollar inflows in the economy, as implied by the recent agreement signed with International Money Transfer Operators (IMTOs), $600 million loan by AfDB and the Senate's plan to fast track the proceedings to approve the $29.9 billion external borrowing may serve to offset the contraction in margins.

Priorities:

Coronation Securities intends to champion the following initiatives around:

- Retail trading through collaborations with the regulators on financial inclusion initiatives.
- Commence cross broader 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.

Coronation Asset Management Limited

Overview

In Coronation Asset Management, our goal is to deliver sustainable investment returns for our clients through diligent research and adopting best risk management practice as we manage their assets that have been trusted to us. Our investment Committee comprise of a team of professionals with a combined experience of over 90 years, overseeing an asset management business that operates with globally acceptable corporate governance and investment management standards.

As a business, being strategic partners with our clients' means that we are constantly reviewing their financial needs thereby developing appropriate investment solutions to enable them meet their financial goals. With an explicit understanding of the importance of gaining client confidence, we pride ourselves as a trusted partner focused on delivering insightful and sustainable investment solutions to a diverse client base which ranges from Individual clients, family offices, to institutional clients.

Coronation Asset Management Limited is a wholly owned subsidiary of Coronation Merchant Bank

Product & Service Offerings

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

Ultra and High Net-Worth Individuals

- Wealth Planning and Management (Discretionary, and Execution Only Portfolio Management Solutions)
- 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

Outlook, business opportunities and 2017 priorities

The year 2016 was marked by tough macroeconomic conditions which culminated in a negative Gross Domestic Product growth rate, currency depreciation and escalating inflation. The resultant effect was a weakness in business and consumer confidence levels as income levels significantly declined across Board. Despite these adverse realities of the past year, we however remain optimistic of the opportunities that 2017 presents.

The current environment suggests the need for a well formulated investment plan that identifies all possible headwinds and likely investment themes in the designing of an efficient and optimal investment portfolio. In doing this, principles of proper diversification should be adopted that will adequately manage all plausible investment risk that could arise both from global and domestic macro events.

The asset management industry in 2017 is expected to remain competitive, as players strive to create new markets in a volatile operating business environment. We believe the capital market as well as investing activities will become more vibrant as the economy begins to recover in the later part of the year. Consequently, we anticipate more participation from retail investors following improvements in disposable income and restoration of confidence.

Furthermore, the industry in 2017 is set to be driven by advances in technology through digital innovations. Customers overarching needs will border around immediacy, convenience and transparency when considering service offerings.

Change, opportunity and growth summarily describes the outlook for the industry in 2017. The need thus arises for the initiation and execution of plans against these industry changes and improving efficiency to keep at pace with the expansion opportunities.
Coronation Asset Management will continue to improve on product and process innovation as these remain our cornerstone in delivering excellent investment solutions to our clients.

2017 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
- Achieve strong market presence by establishing a clear brand identity, awareness and unique product differentiation
- Strengthen retail distribution of asset/ wealth management products and services
- Better client service quality through enhanced operational efficiency and product innovation
- Emphasize on strict compliance with regulatory environment, ethical responsibilities, transparency and corporate governance

Coronation Trustees Limited

Overview

Coronation Trustees Limited is registered at the Securities and Exchange Commission (SEC) as a trust service provider. As trustee, we have a fiduciary responsibility to protect the interest of our clients by managing and growing trust assets, monitoring obligations, ensuring timely payments of agreed disbursements, and where applicable ensure succession of trust assets; in compliance with the terms of the Trust Deed.

We place a premium on excellent service delivery, technological innovation and deep market knowledge, and thus benchmark ourselves against leading global trust service providers without compromising risks and compliance with 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.

1. Product & Services offering

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

- 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.
- High net worth individuals and families with assets abroad and within the country as well as charities, schools and foundations.

S/N	Estate Planning	Corporate Trust
1	Wills	Bonds
2	Private Trusts	Debentures
3	Philantrpophy	Loan syndications
4	Safekeeping	Collective Investment Schemes (mutual funds)
5	Nominee Services	Trustee Agency

2. Achievements So Far

Having obtained our SEC operating license in July of 2016, we closed the year with an appointment as joint trustees to the Lagos State (Series I) N500 billion Fixed Rate Bond Programme; the largest 2016 subnational bond transaction.. In addition, 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 N1.3billion in less than 6 months from the date of receiving our SEC license.

3. 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.

4. Outlook & 2017 Priorities

The 2016 economic climate had adjusted patterns as it relates to spending, saving, investing and doing business generally. This trend will have significant tendency to affect 2017 business outlook. Thus, we have noted this change on the individual and corporate business segments and will focus on tailored products to suit individual requirements which ultimately will open up new opportunities in the private space.

On the corporate side, the tendency will be to be more engaging on transactions by diverting a little away from traditional models and introducing alternative business models to the satisfaction of parties.

Sustainable Banking Report 2016

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:

(i) Providing finance and credit facilities to non-retail customers;

(ii) Dealing in foreign exchange and providing foreign exchange services;

(iii) Acting as issuing house, or otherwise arranging or coordinating the issuance of securities, for or on behalf of any person;

(iv) Providing underwriting services with respect to equity issuance of securities;

(v) Providing treasury management services including the provision of money market, fixed income, and foreign exchange investment on behalf of clients;

(vi) 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

3
GOVERNANCE


EXIT

THE **BOARD**

Babatunde Folawiyo
Chairman

BSc Economics, 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.

His achievements include an appointment as Honorary Consul of Barbados in Lagos, Nigeria, a position he holds to this day, and the receipt of the African Business Leadership Award in 2010. He is a member of the Bar Association of England and Wales, and the Nigerian Bar Association.

Abubakar Jimoh
MD/CEO

BSc and MSc Finance, AMP Nigeria; CFA, FRM, 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.

Adamu Mahmoud Atta
Director

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

Mr. Atta founded and heads the consultancy, 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, Access Investment & Securities Limited, 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 instil transparency in the sector.

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

Babatunde Dabiri
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 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.

Some of his achievements include being 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.

Evelyn Ndali Oputu
Non-Executive / Independent Director

BSc Business Administration
Diploma

Ms Oputu currently sits on the Boards of several companies in a diverse range of sectors, including insurance, mining, medical services, manufacturing and oil and gas.

In 1982, she was headhunted to found the Treasury & Financial Services Division at International Merchant Bank, before she progressed to Senior Manager & Deputy Head of the Corporate Finance Division. Subsequently, she was made Chairman and Chief Executive at KES Products Ltd. She also served as Executive Director at First Bank Nigeria Plc, where she was responsible for the Corporate Development Division and the Corporate Finance & International Division. From 2005 to 2014, she was the MD/CEO of Bank of Industry Ltd. (BOI).

Her achievements include an appointment as a member of the National Directorate of Employment in 1987 and appointment as Chairman of the Committee of the Financial Management of Aviation Parastatals in 2000.

Larry Ettah
Director

BSc Industrial Chemistry and MBA
Graduate of the Executive Programmes and 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).

Suzanne Olufunke Iroche
Director

BSc Economics
Masters of Management

Mrs Iroche is currently the CEO of Marnaby Limited – a financial consultancy and advisory services firm. She became a Board member of Coronation Merchant Bank in October 2012.

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%.

Some of her achievements include appointment as a member of the University of Lagos Advancement Board in 2010 and appointment as a member of the advisory Board of WISCAR (Women In Successful Careers) – an NGO assisting professional women to succeed in their careers.

Corporate Information

As at 31 December 2016

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. Abubakar A. Jimoh
Mr. Adamu Atta
Mr. Babatunde Dabiri
Ms Evelyn Oputu
Mr. Larry Ettah
Mrs. Suzanne Iroche

Company Secretary
Mrs. Cornelia Utuk

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Landmark Towers
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Bankers
Access Bank
Guaranty Trust Bank
Sterling Bank
Wema Bank

RC No. 207138

FRC Registrar No.
FRC/2012/0000000000246

OUR
PEOPLE

Aigbovbioise Aig-Imoukhuede
Head of Subsidiaries

B.Sc in Business Studies

Aigbovbioise started his Banking career at Fidelity Bank in 1997, where he worked in various capacities in retail Banking, private Banking, commercial Banking, public sector and treasury and funds management. He later joined First Bank and eventually assumed the role of Director of Wealth Management at Marina Securities Limited (MSL), where he was in charge of relationship management and business development.

As the Head of subsidiaries, He is responsible for setting their strategic direction

Onome Komolafe
Chief Operating Officer (COO)

BSc Accounting and MBA

Onome has more than 18 years' experience in core Banking operations.

She began her Banking career began in 1997 at Guaranty Bank Plc, where she held various management positions including Head of Branch Operations, Treasury Operations and Domestic Operations.

As the Chief Operating Officer at Coronation Merchant Bank, She is responsible for implementing business strategies across the organization, 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, ACA, ACTI

Abiodun has over 13 years experience in Investment Banking and has executed transactions in excess of USD 7 billon in his investment career to date.

Prior to joining Coronation Merchant Bank, Abiodun was a Director of Investment Banking covering Renaissance Capital's Sub-Saharan African Investment Banking business. Before joining Rencap, he was an Investment Adviser at Africa Finance Corporation, He was also once the Deputy Head of Investment Banking at Vetiva Capital Management and an Analyst at KPMG Professional Services.

He is responsible for the origination and execution of capital markets, mergers & acquisitions and project & structured finance at Coronation MB

Funke Okoya
Head, Corporate Banking I

BSc Business Administration

Funke has over 16 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. Prior to joining Access Bank as a Regional Head, Commercial Banking Group, she was the pioneer Business Manager of 2 branches at United Bank for Africa (UBA),

Funke joined Associated Discount House in 2013 as the Project Manager for conversion of Discount House to Merchant Bank. Currently as a Group Head in Corporate Banking, she is responsible for originating and managing the Bank's relationships within corporate and Institutional clients.

Ademola Adekoya
Head, Corporate Banking II

BSc Estate Management

Demola has more than 14 years' core Banking experience with a focus on Financial and Business Advisory, Wealth Management, Corporate Finance and Credit & Marketing. His achievement 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

As the Group Head of Corporate Banking, Demola is responsible for originating and managing the Bank's relationships within the corporate market.

Cornelia Utuk
Company Secretary/ Legal Adviser

LLB, BL, MBA

Cornelia has over 18 years work experience in Credit Analysis, Credit Control, Credit Monitoring, Credit Administration, Company Secretarial services and Administration. She began her career in at UBA (formerly Standard Trust Bank), where she worked in the credit office from 1999 to 2007. She left UBA in 2007 to join Marina Securities Limited (MSL) as the Company Secretary and Head of Corporate Services, after which she joined ADHL and was instrumental in the conversion of ADHL to Coronation Merchant Bank

As Company Secretary and Legal Adviser, Cornelia is responsible for leading the development and implementation of the Bank's legal strategy; providing advice and support on legal and regulatory issues to the Bank and its subsidiaries and managing administrative activities of the Coronation Bank Group

Ibrahim Bello
Chief Compliance Officer (CCO)

B.Sc Accounting, ACA, ACAMS

Ibrahim has gained over a decade's experience in financial control, 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

As Chief Compliance Officer, Ibrahim is responsible for establishing strong compliance standards in accordance with industry and global best practices, and acting as a liaison between the Bank and all regulatory bodies.

Emeka Okolo
Head, Coronation Asset Management

B.Sc Applied Mathematics, MBA, CFA

Emeka has over 16 years experience in Banking and Asset Management, Prior to joining Coronation Merchant Bank in July 2016, he served as an Assistant Vice President at Asset and Resource Management (ARM) for three years. At ARM, he was responsible for managing assets of over USD 2 billion in equities, fixed income and alternatives asset classes for both Institutions and Individual clients.

As the Acting Managing Director of Coronation Asset Management – a subsidiary of Coronation Merchant Bank – he is responsible for setting up the company's Asset Management business and development of investment strategies for clients.

Olatunji Odesanya
MD, Coronation Securities

B.Sc Account, CFA, CAIA, ACA, ACS

Tunji has over 12 years experience in securities trading, portfolio management and financial advisory. Prior to joining Coronation Merchant Bank, he was the Managing Director at EFCP Limited where he was the head of trading and dealing. Before this role, he was acting Managing Director at FBN Securities where he set up the offshore trading desk..

As the Managing Director of Coronation Securities Limited – a subsidiary of Coronation Merchant Bank, Tunji is responsible for driving the sales and overall profitability of the business, for ensuring regulatory and internal compliance across the company and for enhancing overall customer experience.

Boyede Adebanjo
MD, Coronation Trustees

B.Sc Economics and Accounting, MBA, ACA, ACCA

Boyede began her career as an accountant in 2005 at J.M. Finn & Co. Stockbrokers in the UK and progressed to the position of Regulatory Reporting Manager at the HSBC Group.
Prior to joining Coronation Merchant Bank in June 2016, she was Deputy Registrar at United Securities Limited.

As the Managing Director of Coronation Trustees Limited – a subsidiary of Coronation Merchant Bank– Boyede is responsible for leading the Company in the protection of clients' assets, and developing innovative trust products to meet money market, capital market, and real estate transactional needs.

Iyobosa Sorae
Head, Securities Dealing

B.Sc Business Administration, MBA

Iyobosa commenced her career after participating in the traineeship programme at the Access Bank School of Banking Excellence in May 2006.
Iyobosa joined Dunn Loren Merrifield in March 2011 as Head of Fixed Income Sales and Trading, where she was responsible for setting up the fixed income unit.

As the Group Head of Securities Dealing, Iyobosa is responsible for managing the solvency of the Bank, market and liquidity risks, profitable investments, and facilitating the development and implementation of activities to contribute to the business's market share, annual revenue and growth target

Chukwukadibia Okoye
Chief Financial Officer (CFO)

MBA Finance, ACA, ACCA

Chukwukadibia's accounting experience began at PricewaterhouseCoopers (PwC) Nigeria in 2007, where he trained in Assurance and Advisory Services
After his time in consulting, he joined United Bank for Africa as the Team Lead Financial Control and Head, Financial and Technical Analysis responsible for IFRS Compliance and financial reporting in the Group

As the Chief Financial Officer, he is responsible for financial reporting, management reporting, risk assessment and controls, tax planning, equity valuations and development of performance measures that support the Group's strategic direction

Onayimi Aiwerioghene
Head, Enterprise Management

B.Sc Chemical Engineering,
M.Sc Chemical Process Engineering

Onayimi began her career in Ariosh Limited in 2007 and later joined Management Consulting Division of KPMG Professional Services in 2008. Over the course of her career at KPMG, she has built a core expertise in HR and strategy advisory, project management and business planning. 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

As the Group Head, Enterprise Management, she is responsible for facilitating the development of the Bank's long-term and annual strategic plans, development of human capital strategies, policies, procedures, development of the overall brand strategy as well as monitoring the successful implementation of each strategy.

Director's Report

Financial Statement for the Year Ended 31 December 2016

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, 2016

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-2016	GROUP 31-Dec-2015	Bank 31-Dec-2016	Bank 31-Dec-2015
	N'000	N'000	N'000	N'000
Net operating income	9,774,155	4,368,041	9,307,851	4,368,041
Operating expenses	(4,386,837)	(2,031,130)	(4,040,232)	(2,031,130)
Profit before tax	5,317,199	2,330,177	5,197,500	2,330,177
Tax Credit/(charge)	(183,909)	892,223	(164,605)	892,223
Profit after tax	**5,133,290**	**3,222,400**	**5,032,895**	**3,222,400**

4 Analysis of Shareholding

The shareholding pattern of the Bank as at 31 December 2016 was as follows:

Range	Number of Shareholders	% of Shareholders	Number of shares held	% of Shareholding
10,000,000 - 50,000,000	2	13%	67,547,175	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%**	**5,050,546,284**	**100%**

5 Substantial interest in shares

According to the register of members at 31 December 2016, the following shareholders held more than 5% of the issued share capital of the Bank:

Shareholder	Number of shares held	% of Shareholders	Number of shares held	% of Shareholders
		31 December 2016		31 December 2015
WAPIC Insurance Plc	1,151,522,548	22.80%	1,151,522,548	23.72%
Marina Securities Ltd	1,146,884,889	22.71%	902,834,743	18.60%
Trust & Capital Ltd	-	-	672,530,309	13.85%
Coronation Capital (Mauritius) Ltd	672,530,308	13.32%	-	-
United Securities Ltd	407,836,646	8.08%	350,000,000	7.21%
Regali Estates Ltd	377,358,491	7.47%	377,358,491	7.77%
Mikeade Investment Co. Ltd	283,018,868	5.60%	283,018,868	5.83%

6 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-16		31-Dec-15	
	Direct	Indirect	Direct	Indirect
B. Folawiyo (Chairman)	-	226,415,094		226,415,094
A. Jimoh (GMD/CEO)	103,773,585	-	-	-
L. Ettah (Non-ED)	-	235,397,741	-	235,397,741
E. Oputu (Non-ED)	-	2,887,629,202	-	2,887,629,202
S. Iroche (Independent)	-	-	-	-
A. Atta (Non-ED)	-	1,151,522,548	-	1,151,522,548
B. Dabiri (Independent)	-	-	-	-

7 Directors Retiring By Rotation

The Directors to retire every year shall be those who have been longest in office since their last appointment. In accordance with the provisions of Section 259 of the Companies and Allied Matters Act CAP C20, Laws of the Federation of Nigeria, 2004 and the Memorandum and Articles of Association of the Company. By virtue of this provision, Mrs. Suzanne Iroche shall be retiring and being eligible, presents herself for re-election.

8 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, none of the Directors had direct or indirect interest in contracts or proposed contracts with the Bank.

9 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.

10 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 period:

PURPOSE	AMOUNT
Capital Market Sponsorship	10,000,000
Sponsorship Donation to KSA At 70	5,000,000
Nigeria Stock Exchange	1,262,800
Access Women Network	1,000,000
Coronation Of Oba of Benin	1,000,000
CIS 20th Annual Conference	1,000,000
Small World Fund Raising Event By Wempco	500,000
AISEC Nigeria	500,000
Corporate Social Responsibility	100,000
Onike Girls Secondary School*	1,800
Nigerian Police Force*	210,564
Ovie Brume Foundation*	215,988
	20,791,152

**Non-cash donation to beneficiaries. These are donations of computers, funitures and other office equipments*

11 Post balance sheet events

There were no significant events after the balance sheet date.

12 Human resources

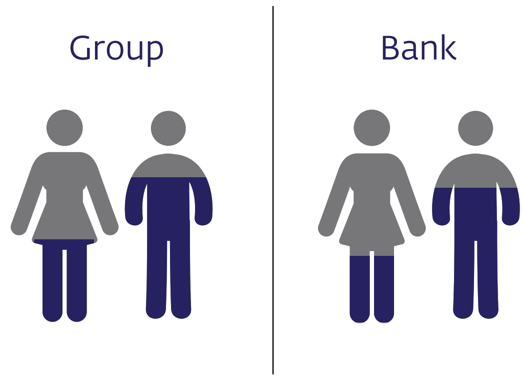
(i) Diversity in Employment

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.

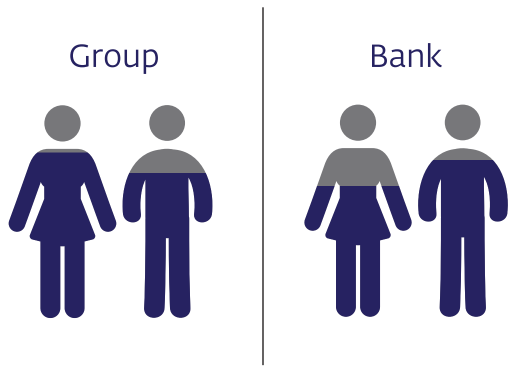
(ii) Composition of employees by gender

	Group	Bank
Female	30	20
Male	52	41
Total	**82**	**61**



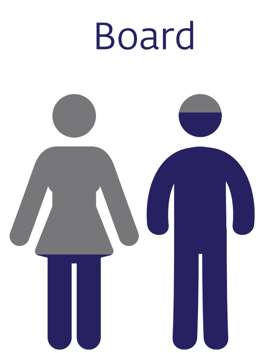
(iii) Senior Management's composition by gender

	Group	Bank
Female	8	5
Male	7	6
Total	**15**	**11**



(iv) Board Member's Composition by Gender

	Board	%
Female	2	29%
Male	5	71%
Total	**7**	**100%**



In line with CBN's directive, management has achieved a minimum of 30% female representation at Senior Management level. However, at Board level we have 28% female representation; efforts are being made to achieve similar ratio of the Senior Management level at Board level.

(v) Employment of disabled persons

In the event of any employee becoming disabled in the course of employment, the Group will endeavour to arrange appropriate training to ensure the continuous employment of such a person without subjecting the employee to any disadvantage in career development.
As at 31 December 2016, the Group had no physically disabled person in its employment.

(vi) Health, Safety and Welfare of Employees

The Group maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the 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.

(vii) 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.

(viii) Statement of commitment to maintain positive work environment

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

13 Disclosure of customer

complaints in financial statements for the year ended 31 December 2016. In line with Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved one (2015: nil) customer complaints during the period. Refer to the report on customer complaints.

14 Dividend

The Board of Directors has proposed a final dvidend of 15 kobo each payable to shareholders on the register of shareholding at the closure date. Withholding tax will be deducted at the time of payment.

15 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 2016

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.

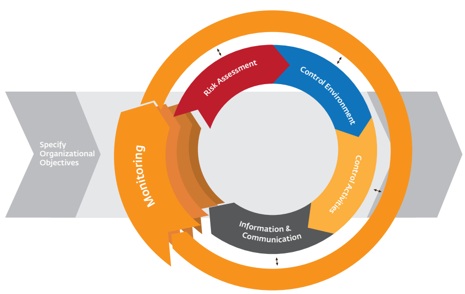
The Codes of Corporate Governance for Banks in Nigeria issued by the Central Bank of Nigeria, other relevant CBN Circulars (Ref: BSD/GCA/CON/CMB/02/071 dated 15 October 2014 on Re-Code of Corporate Governance for Banks and Discount Houses in Nigeria, the Securities and Exchange Commission's Codes of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

Methodology and Approach

The methodology and approach is in accordance with the COSO Internal Control Governance Framework. The COSO Internal Control Integrated Framework is the product of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and is recognized as a leading framework to apply for assessing the effectiveness of internal control. The COSO framework is designed to support Coronation MB as an organization in its efforts to achieve corporate objectives through five (5) Components and seventeen (17) Principles of internal control which are relevant to all entities, its individual operating units and functions.

Accordingly, in Coronation MB, the monitoring process (depicted below) illustrates the comprehensive nature of monitoring and illustrates how effective monitoring considers the collective effectiveness of all five components of internal control.

Control Environment



The Internal organizational environment driven by the management operating philosophy, risk appetite, integrity, and ethical values

Risk Assessment

Risks are identified and the likely impacts on the organization are assessed

Control Activities

Policies and procedures are implemented to ensure organizational objectives and risk mitigation activities are effectively executed

Information and Communication

Relevant information is communicated in an acceptable format and timely fashion to enable the organization meet its objectives.

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 s 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

S/no	Name	Designation
1	Mr Babatunde Folawiyo	Chairman
2	Mr. Adamu Atta	Non-Executive Director
3	Mr. Babatunde Dabiri	Non-Executive Director
4	Ms Evelyn Oputu	Non-Executive Director

S/no	Name	Designation
5	Mr. Larry Ettah	Non-Executive Director
6	Mrs Suzanne Iroche	Non-Executive Director
7	Mr. Abubakar Jimoh	Managing Director/Chief Executive

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 seven (7) members, which include the Chairman, five (5) non-Executive Directors 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 meets quarterly and emergency meetings are convened as may be required by circumstances.

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 Finance & Governance Committee; and
- The Board Credit & Investment Committee.

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 2016 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 leverage technology to Drive Operational Excellence
- To develop specialist capabilities required to become an investment Bank of reference
- To maintain strong corporate governance and high ethical business practices
- Consumer Protection & 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

In compliance with the Bankers' Committee directives at its meeting of April 10 2012, Coronation MB has adopted the Gender Diversity Policy which is targeted at addressing gender equality within the organization through Women's Economic Empowerment. This policy provides a guide to entrenching a corporate culture that promotes gender equality and facilitates a more diverse and representative workforce and management structure within the organization.
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:

- Everyone is valued and respected for their distinctive skills, experiences and perspectives;
- 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, physical or mental disability, or any other irrelevant factor. Accordingly, the Company Currently has two women, Mrs. Suzanne Iroche and Ms Evelyn Oputu as Non-Executive Director to sustain compliance with this policy.

Directors' Responsibility
Financial Statement for the Year Ended 31 December 2016

Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the year ended 31 December 2016

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 Company and Group at the end of the year and of its profit or loss.

The responsibilities include ensuring that the Bank and Group;

I. 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;

II. Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

III. 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

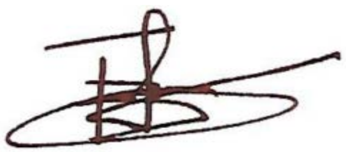
- The requirements of the Companies and Allied Matters Act; and

- 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
16 January 2017

Mr. Abubakar Jimoh
Managing Director/CEO
FRC/2013/ICAN/00000001481
16 January 2017

Report of the Board Audit Committee

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 2016 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 the 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 2016 were satisfactory and re-inforce the Group's internal control systems.

As required by the provisions of the Central Bank of Nigeria 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 interim 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
• Evelyn OPUTU (Ms)	Member
• Larry ETTAH (Mr)	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.

S/N	Currency	Description	Number		Amount Claimed		Amount Refunded	
			2016	2015	2016	2015	2016	2015
1	NGN (only)	Received Complaints	1	-	1,893,443	-	1,893,443	

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 forum
- 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

Coronation Merchant Bank Limited (Coronation MB) engages in the business of merchant Banking, with offerings across Corporate and Investment Banking, Project Finance, Private Banking, Wealth Management, Treasury and Global Markets. Risk is inherent in the business of Banking. The challenge is to actively manage these risks to reduce their possible impact and preserve the franchise of the Bank. As part of the strategic planning process, the potential barriers that will be posed by the existence of these risks must be identified and understood in order to achieve Bank's objectives.

The commencement of Merchant Banking with its complex transactions coupled with global economic issues and challenges in the operating environment require proactive and robust risk management strategic initiatives.

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 it 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:

The 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 Africa's premier Investment Bank are identified, measured, monitored and controlled through effective integrated risk management system covering credit risk, market risk, operational risk, investment risk, liquidity risk, reputational risk 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 the Bank's corporate vision and preserves the wealth of her 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;
- To encourage staff to disclose inherent risks and actual losses openly, fully and honestly;

- To create a process for institutionalizing the lessons learned from a risk event and to penalize reoccurrence.

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.

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 from both internal and external sources

- 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.

S.No	Strategic Component	Target Value	Broad Statement
1	Financial Management	Optimum value creation	• The Bank shall continue to maintain financial pridence and discipline and would not embark on project that would adversely affect its financial performance/targets and shareholders value • The Bank shall maintain unencumbered capital and liquidity capacity against uncertain future occurences
2	Business Management	Drives behaviours	• The Bank's business strategy shall be driven by best standards of behaviours and fair trading in Treasury Marketing & Sales, Credit and Investments.
3	Enterprise Decision Making	Selection of products and investment	• The Bank shall strive to increase its market position with principal focus on the value driven products and investment 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 requirement	• Zero tolerance for regulatory infractions • Full compliance with all regulatory requirements

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

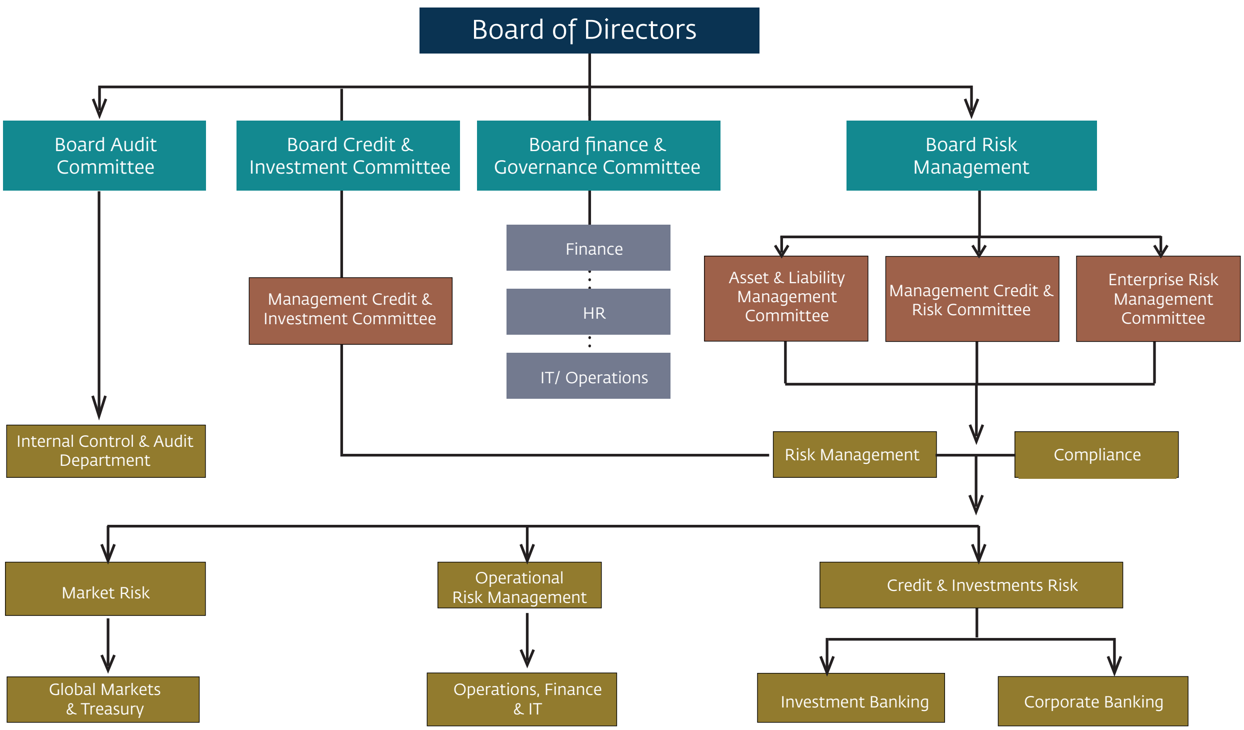
Capital planning is carried out by the Bank in alignment with its strategic objectives and business plans. The capital requirements are assessed to ensure adequacy of capital for supporting business growth envisaged in the business plans. Changes expected in the risk profile of the Bank in the near future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

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.

Risk Management Structure



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 and 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 and 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 perspective 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 systematized 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: ewe

  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
- Complinace 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 deals with the roles and responsibilities of the Board of Directors, Board Committees, Executive Committees and various departments as follows:

Board of Directors

The Board of Directors (BOD) represents the interests of stakeholders and has the ultimate responsibility for risk management. The BOD has the primary responsibility for:

- 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 that the risk strategy reflects Coronation MB's risk tolerance.
- Ensure that Coronation MB has an appropriate and adequate communication plan for managing individual risk elements.
- Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.
- Ensure that senior management as well as individuals responsible for managing individual risks facing Coronation MB possess the required expertise and knowledge to accomplish the functions of the risk management division.
- Ensure senior management takes necessary steps to identify, measure, monitor, control and report all risks Coronation MB is exposed to.
- Ensure that management maintains an appropriate system of internal control and review its effectiveness.
- The Board of Director's Risk Management oversight roles and responsibilities shall be delegated to the Board Risk Management Committee and Board Audit Committee. Without prejudice to the roles of these Committees, the full Board retains the ultimate responsibility for risk management.

Board Risk Management Committee (BRMC)

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 have to 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 (BCIC)

The Board Credit and 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 there commendation 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 provide suitable recommendations to the BOD
- Approve credit facility requests and proposals within limits defined by Coronation MB's credit policy and within the statutory requirements set by the regulatory/ supervisory authorities
- Recommend credit facility requests above stipulated limit to the BOD
- Review credit risk reports on a periodic basis.

Roles & Responsibilities of Asset & Liability Management Committee (ALCO)

- 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.

Roles & Responsibilities of Enterprise Risk Management Committee (ERMC)

- 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.

Roles & Responsibilities of Management Credit & Investment Risk Committee (MC&IRC)

- 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.

Roles & Responsibilities of Risk Management Department

- Champion the implementation of the enterprise-wide risk management framework across Coronation MB for them anagement of risks viz market risk, reputation risk, legal and compliance risk, credit risk, investment risk and operational risk etc.

- Develop risk policies, principles, process and reporting standards that define Coronation MB's risk strategy and appetite in line with Coronation MB's overall business objectives;
- Ensure that controls, skills and systems are in place to enable compliance with Coronation MB's policies and standards;
- 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 in order 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 organisation 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.

Roles & Responsibilities of Compliance Department

- Develop, implement and maintain the Bank's Anti Money Laundering and Compliance Programs
- Establish operating framework for the identification, management, monitoring and reporting of Compliance risks and issues to the Board and Management.
- Responsible for ensuring that the Bank's operating frame work meets internal and regulatory requirements.
- Develop and implement an effective compliance and Money Laundering training programs.
- Develop and implement compliance communication strategy
- Responsible for the development, review and implementation of Compliance Policies and standards and ensuring consistent application across the Bank.
- Participate in industry bodies to ensure alignment of Compliance methodology and influence national trends in Compliance Risk Management.
- Provides advice/guidance to business units, management and the Board on all compliance issues.
- Promote a compliance culture throughout the 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.

Roles & Responsibilities of Market Risk, ALM & Investment Risk Management Unit

- Ensure that Coronation MB's Market Risk Policy & Investment policy is strictly adhered to.
- Formulate and implement the risk measurement methods within the parameters set by risk management.
- Monitor the various limits set for Market Risk and Asset Liability mismatch in Coronation MB's portfolio

- Ensure that the company complies with investment limits placed on exposure to instruments.
- Perform mark to market computation for trading portfolio on a daily basis
- 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 on a daily basis and any exceptions are reported accurately to all the relevant stakeholders

Roles & Responsibilities of 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 in particular 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 Organisation 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 Organisation
- 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 setting process and ensure the adherence to the same

- Analyze the reports by external examiners, including auditors for exceptions and shall 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 Reputation 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) Use 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

Role of Internal Audit

Internal Audit (IA) is an independent appraisal function established within the company to examine and evaluate its internal control systems, improve the effectiveness of risk management, control, and governance processes, including controls over financial reporting.

Internal auditing'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) areas 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;

IA Department 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.

Whistle Blowing Procedure

In line with the Bank's Whistle Blowing Policy, Coronation MB expects all its employees, Directors and stakeholders to observe the highest level of integrity and probity in their daily dealings with the Bank and all its stakeholders. The policy provides a clear framework and guidance for reporting suspected breaches of laws and regulations and the Bank's internal policies.

KPMG Professional Services has been contracted by the Bank to provide consulting assistance in the implementation of the policy. The policy provides that suspected wrongdoing by an employee, vendor, supplier or consultant may be reported through KPMG's Ethics reporting channels provided below.

Telephone

KPMG lines:

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

KPMG E-Mail

kpmgethicsline@ng.kpmg.com

KPMG Web-link

https://apps.ng.kpmg.com/ethics

The Bank's Chief 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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Report of External Consultants on the Board Performance Appraisal of Coronation Merchant Bank Ltd

We conducted the appraisal of the Board of Coronation Merchant Bank for the year ended 3 December, 2016 in accordance with the mandates of the Central Bank of Nigeria (CBN) Code of Corporate Governance 2014 for Banks and other financial Institutions in Nigeria "The CBN Code" or "CBN CCG".

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures' engagements.

The procedures were performed in accordance with the CBN CCG which mandates an annual appraisal of the Board and individual directors with specific focus on the Board structure and composition, responsibilities, proceedings and relationships, individual director's competences and respective roles in the performance of the Board.

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

Our approach included the review of CMB's Corporate Governance framework, and all relevant policies and procedures. We obtained written representation through questionnaires administered to the Board members as well as desktop review of related documentations. On the basis of our work, the Board of Coronation Merchant Bank Ltd has largely complied with the requirements of the CBN CCG during the year ended December 31, 2016.

The outcome of the review and our recommendations are recorded and included in our detailed report to the Board.

Bunmi Akinde
Partner Advisory Services
FRC/2012/ICAN/00000000187

March 31, 2017

Report of Independent Auditor

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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 statements of Coronation Merchant Bank Limited ("the bank") and its subsidiaries (together "the group") as at 31 December 2016, 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 2016;
- 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 financial statements* section of this 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.

We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises: *Directors' report, Corporate governance report, Statement of director's responsibilities, Report of the statutory audit committee, Customers' complaints and feedback, Enterprise risk management, Sustainable banking report, whistle blowing policy, Value added statement and Five year financial summary* (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and: *Financial highlights report, Chairman's statement, Chief Executive's statement, Business overview report and Report of the 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 and will 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 complete annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria 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 has 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.

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- 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 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.

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 statements 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 36d to the financial statements; and;
v) except for contraventions disclosed in Note 39 to the financial statements, the bank has complied with the requirements of the relevant circulars issued by the Central bank of Nigeria.

Anthony Oputa

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria
Engagement Partner: Anthony Oputa
FRC/2013/ICAN/00000000980

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A1226046

15 February 2017

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FINANCIAL STATEMENTS

Consolidated Statement Of Comprehensive Income

For The Year Ended 31 December 2016

In thousands of Naira	Notes	GROUP 31 Dec. 2016	GROUP 31 Dec. 2015	Bank 31 Dec. 2016	Bank 31 Dec. 2015
Gross earnings		15,194,225	11,250,434	14,791,975	11,250,434
Continuing operations					
Interest income	7	13,422,704	11,169,291	13,321,639	11,169,291
Interest expense	8	(5,420,070)	(6,882,393)	(5,484,124)	(6,882,393)
Net interest income		8,002,634	4,286,898	7,837,515	4,286,898
Net impairment charge on financial assets	9	(70,119)	(6,734)	(70,119)	(6,734)
Net interest income after impairment charges		7,932,515	4,280,164	7,767,396	4,280,164
Fee and commission income	10	1,187,193	65,701	931,374	65,701
Net gains on investment securities	11	308,257	1,263	308,257	1,263
Net foreign exchange income	12	220,716	11,407	220,716	11,407
Other operating income	13	55,355	2,772	9,989	2,772
Personnel expenses	14	(1,208,570)	(524,548)	(1,077,511)	(524,548)
Other operating expenses	15	(3,178,267)	(1,506,582)	(2,962,721)	(1,506,582)
Profit before tax		**5,317,199**	**2,330,177**	**5,197,500**	**2,330,177**
Income tax expense	16	(183,909)	892,223	(164,605)	892,223
Profit after tax		**5,133,290**	**3,222,400**	**5,032,895**	**3,222,400**
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		947,329	444,062	959,174	444,062
Other comprehensive gain, net of related tax effects:		947,329	444,062	959,174	444,062
Total comprehensive income for the year		**6,080,619**	**3,666,462**	**5,992,069**	**3,666,462**
Earnings per share attributable to ordinary shareholders					
Basic (kobo)	17	102	69	100	66
Diluted (kobo)	17	102	69	100	66

The accompanying notes form an integral part of the financial statements

Consolidated Statement Of Financial Position

As At 31 December 2016

In thousands of Naira	Notes	GROUP 31 Dec. 2016	GROUP 31 Dec. 2015	Bank 31 Dec. 2016	Bank 31 Dec. 2015
Assets					
Cash and balances with Banks	18	5,655,892	2,994,945	5,638,415	2,994,945
Due from financial institutions	19	16,246,877	20,775,798	16,246,877	20,775,798
Non pledged trading assets	20	3,443,570	-	3,443,570	-
Investment securities	21	33,751,332	24,357,965	32,117,688	24,357,965
Pledged assets	22	14,232,448	20,086,561	14,232,448	20,086,561
Loans and advances to customers	23	22,706,561	2,475,468	22,706,561	2,475,468
Other assets	24	355,915	203,258	588,671	203,258
Investment in subsidiaries	25	-	-	3,314,711	520,260
Investment properties	26	686,865	-	-	-
Intangible assets	27	1,150,989	388,435	463,406	388,435
Property and equipment	28	3,046,591	1,732,500	3,000,668	1,732,500
Deferred tax assets	29	5,265,490	5,217,194	5,265,490	5,217,194
		106,542,530	**78,232,124**	**107,018,505**	**78,752,384**
Asset classified as held for sale	30	29,575	48,756	29,575	48,756
Total assets		**106,572,105**	**78,280,880**	**107,048,080**	**78,801,140**
Liabilities					
Deposits from financial institutions	31	18,637,966	22,852,261	18,637,966	22,852,261
Due to customers	32	53,476,909	34,877,290	54,146,766	34,877,290
Current tax liabilities	16	263,844	137,911	211,288	137,911
Other liabilities	33	8,313,191	176,677	8,262,903	176,677
Deferred tax liabilities	29	2,488	-	-	-
Total liabilities		**80,694,398**	**58,044,139**	**81,258,923**	**58,044,139**

In thousands of Naira	Notes	GROUP 31 Dec. 2016	GROUP 31 Dec. 2015	Bank 31 Dec. 2016	Bank 31 Dec. 2015
Equity					
Share capital	34	5,050,546	4,854,118	5,050,546	4,854,118
Share premium	34	3,655,348	3,331,241	3,655,348	3,331,241
Statutory reserve	34	5,478,651	3,968,782	5,478,651	3,968,782
Treasury stock	34	-	(520,260)	-	-
Available for sale reserve	34	911,194	443,156	923,039	443,156
Regulatory risk reserve	34	397,224	60,948	397,224	60,948
Retained earnings	34	10,384,744	8,098,756	10,284,349	8,098,756
Total equity attributable to owners of the Bank		**25,877,707**	**20,236,741**	**25,789,157**	**20,757,001**
Total liabilities and equity		**106,572,105**	**78,280,880**	**107,048,080**	**78,801,140**

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 16 January 2017 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 2016

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Treasury Stock	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	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)
Changes in fair value of available for sale financial assets	-	-	-	-	-	-	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	-	-	520,260	-	-
Additional capital through share issuance	405,660	669,340	-	-	-		-	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**

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Treasury Stock	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2015	**4,854,118**	**3,331,241**	**5,790,134**	**3,002,062**	**113,890**	**(520,260)**	**(43,828)**	**16,527,357**
Profit for the year	-	-	3,222,400	-	-	-	-	3,222,400
Other comprehensive income, net of tax								
Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	-	42,922	42,922
Changes in fair value of available for sale financial assets	-	-	-	-	-	-	444,062	444,062
Total comprehensive income	-	-	3,222,400	-	-	-	486,984	3,709,384
Transfer between reserves			(913,778)	966,720	(52,942)	-	-	-
Transactions with equity holders, recorded directly in equity	-	-	(913,778)	966,720	(52,942)	-	-	-
At 31 December 2015	**4,854,118**	**3,331,241**	**8,098,756**	**3,968,782**	**60,948**	**(520,260)**	**443,156**	**20,236,741**

Bank	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 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)
Changes in fair value of available for sale financial assets	-	-	-	-	-	959,174	959,174
Total comprehensive income	**-**	**-**	**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 share issuance	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**

Bank	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Available for Sale Reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2015	**4,854,118**	**3,331,241**	**5,790,134**	**3,002,062**	**113,890**	**(43,828)**	**17,047,617**
Profit for the year	-	-	3,222,400	-	-	-	3,222,400
Other comprehensive income, net of tax							
Net loss recycled to profit&loss on disposal of available-for-sale instruments	-	-	-	-	-	42,922	42,922
Changes in fair value of available for sale financial assets	-	-	-	-	-	444,062	444,062
Total comprehensive income	**-**	**-**	**3,222,400**	**-**	**-**	**486,984**	**3,709,384**
Transfer between reserves	-	-	(913,778)	966,720	(52,942)	-	-
Transactions with equity holders, recorded directly in equity	-	-	(913,778)	966,720	(52,942)	-	-
At 31 December 2015	**4,854,118**	**3,331,241**	**8,098,756**	**3,968,782**	**60,948**	**443,156**	**20,757,001**

Consolidated Statement Of Cash Flows

For The Year Ended 31 December 2016

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

	Notes	GROUP DECEMBER 2016 N'000	GROUP DECEMBER 2015 N'000	Bank DECEMBER 2016 N'000	Bank DECEMBER 2015 N'000
Cash flows from operating activities					
Profit before income tax including continuing operations		5,317,199	2,330,177	5,197,500	2,330,177
Adjustments for non-cash items:					
Depreciation charge on property and equipment		181,529	80,725	168,392	80,725
Amortisation of intangible assets		175,751	88,582	170,744	88,582
Loss on sale of property and equipment		95,067	11,996	48,677	11,996
Net impairment loss on loans and advances		49,940	6,734	49,940	6,734
Net impairment loss on unquoted equity		20,179	-	20,179	-
Net interest income		(8,002,633)	(3,066,995)	(7,837,514)	(3,066,995)
Dividend earned	13	(45,147)	(342)	(1)	(342)
		(2,208,115)	**(549,123)**	**(2,182,083)**	**(549,123)**
Changes in working capital					
Financial assets held for trading (with original maturity > 90 days)		(3,434,943)	470,490	(3,434,943)	470,490
Loans and advances to customers		(19,963,088)	(1,998,081)	(19,963,087)	(1,998,081)
Pledged assets		5,854,113	12,209,926	5,854,113	12,209,926
Other assets		(28,374)	(8,371)	(366,233)	(8,371)
Due to customers		19,622,687	14,410,643	20,292,544	14,410,643
Deposits from financial institutions		(4,252,261)	(13,784,339)	(4,252,261)	(13,784,339)
Other liabilities		2,650,772	(56,625)	3,248,209	(56,624)
Cash (utilised in) / generated from operations		**(1,759,209)**	**10,694,520**	**(803,741)**	**10,694,521**
Interest received		10,779,985	10,987,723	10,678,920	10,987,723
Interest paid		(6,405,173)	(7,045,351)	(6,469,226)	(7,045,351)
Income taxes paid	16	(242,810)	(98,892)	(139,524)	(98,892)
Net cashflows generated from operating activities		**2,372,793**	**14,538,000**	**3,266,429**	**14,538,001**

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

		GROUP DECEMBER 2016	GROUP DECEMBER 2015	Bank DECEMBER 2016	Bank DECEMBER 2015
Cash flows from investing activities					
Dividend received		45,147	342	1	342
Investment in subsidiary		-	-	(2,498,059)	-
Net cash from acquired subsidiary	25	367,538	-	-	-
Acquisition of investment securities - Available for sale		(3,551,501)	(5,247,523)	(2,265,121)	(5,247,523)
Purchase of property plant and equipment		(1,569,017)	(1,666,697)	(1,536,277)	(1,666,697)
Purchase of intangible assets		(234,080)	(432,810)	(231,746)	(432,810)
Purchase of investment properties		(686,865)	-	-	-
Purchase of held to maturity investment		(2,718,752)	-	(2,718,752)	-
Redemption of held to maturity investments		-	5,002,492	-	5,002,492
Proceeds from sale of property and equipment		45,760	6,583	37,071	6,582
Net cash generated used in investing activities		**(8,301,771)**	**(2,337,613)**	**(9,212,883)**	**(2,337,614)**
Cash flows from financing activities					
Proceeds from issue of share capital		275,000	-	275,000	-
Dividend paid		(1,035,362)	-	(1,035,362)	-
Net cash used in financing activities		(760,362)	-	(760,362)	-
(Decrease) / Increase in cash and cash equivalents		**(6,689,340)**	**12,200,387**	**(6,706,816)**	**12,200,387**
Analysis of changes in cash and cash equivalents					
At start of year		23,770,743	11,570,356	23,770,743	11,570,356
At end of year		17,081,404	23,770,743	17,063,927	23,770,743
(Decrease) / Increase in cash and cash equivalents		**(6,689,339)**	**12,200,387**	**(6,706,816)**	**12,200,387**
Cash and cash equivalents comprise:					
Balances with Banks		359,926	162,945	342,449	162,945
Unrestricted balances with central Banks		474,601	2,832,000	474,601	2,832,000
Placement with other financial institutions with maturity of less than 90 days		16,246,877	20,775,798	16,246,877	20,775,798
		17,081,404	**23,770,743**	**17,063,927**	**23,770,743**

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

Notes To The Consolidated Financial Statements

For The Year Ended 31 December 2016

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:

- 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 IASB which are not yet effective for these consolidated financial statements. Set below are standards relevant to the group.

Title of 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	While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-forsale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. The other financial assets held by the group include: (i) equity instruments currently classified as AFS for which a FVOCI election is available (ii) equity investments currently measured at fair value through profit or loss (FVPL) which would likely continue to be measured on the same basis under IFRS 9, and (iii)debt instruments currently classified as held-to-maturity and measured at amortised cost which appear to meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets. There will be no impact on the group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. The new hedge accounting rules will align the accounting for hedging instruments more closely with the group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the group is yet to undertake a detailed assessment, it would appear that the group’s current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the group does not expect a significant impact on the accounting for its hedging relationships.

Title of standard	IFRS 9 Financial Instruments
	The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Mandatory application date/ Date of adoption by the Group	IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

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 currently assessing the effects of applying the new standard on the Group's financial statements and has not yet identified any area that are likely to be significantly affected. The Group will make more detailed assessments of the impact over the next twelve months
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 not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable 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:

i power over the investee;

ii exposure, or rights, to variable returns from its involvement with the investee; and

iii the ability to use its power over the investee to affect the amount of the investor's returns

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

i a contractual arrangement between the investor and other vote holders

ii rights arising from other contractual arrangements

iii the investor's voting rights (including voting patterns at previous shareholders' meetings)

iv potential voting rights

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

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

(b) Business combinations

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

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

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

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.
Transactions costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

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

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

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

(c) Acquisitions from entities under common control

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

(d) Loss of control

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

(e) Disposal of subsidaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in income statement.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

The gain/loss arising from disposal of subsidiaries is included in the profit/loss of discontinued operations in the statement of comprehensive income.

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

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

(g) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit/loss and other comprehensive income of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

(h) Transactions eliminated on consolidation

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

3.4 Foreign currency translation

(a) Functional and presentation

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

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

i assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii 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

iii 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 includes foreign exchange gains on revaluation and unrealised foreign exchange gains on revaluation.

(e) Dividends

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

3.6 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 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	Equity securities
			Debt securities
	Loans and receivables	Cash and balances with Banks	Balances with Banks
			Unrestricted balances with central Banks
			Money market placements
		Loans and advances to Banks	
		Loans and advances to customers	Loans to individuals
			Loans to corporate entities and other organisations
		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
		Investment under management	

	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	Derivatives	
	Financial liabilities at amortised cost	Deposits from Banks	
		Due to customers	Demand deposits
			Term deposits
			Term deposits
		Interest bearing borrowings	
		Debt securities issued	
		Other liabilities	

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

(a) Financial assets

The Group allocates financial assets to the following 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 securities.

[v] Investments under management
Investement 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 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 irities 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.
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 Land and Building
Over the shorter of the useful life of the item or lease term Leasehold improvements
Over the shorter of the useful life of the item or lease term

Buildings	50 years
Computer & IT equipments	4 years
Furniture and fittings	3 -5 years
Plant & Equipment	3 -5 years
Motor vehicles	4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed or changed for impairment whenever events 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.

Capital work in progress is not depreciated. Upon completion it is 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.

3.10 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.

3.11 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 allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the 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.

3.12 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.

3.13 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.

3.14 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.

3.15 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.

(d) Share-based payment remuneration scheme

The Group applies IFRS 2 Share Based Payments in accounting for employee remuneration in the form of shares, where such remunerations are given. Employee incentives include awards in the form of shares.

The cost of the employee services received in respect of the shares or share granted is recognised in the income statement over the period that employees provide services, generally the period between the date the award is granted or notified and the vesting date of the shares. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The number of shares expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a forfieture, resulting in an acceleration of recognition of the cost of the employee services.
The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability.

3.16 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 average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(e) Statutory credit reserve

In compliance with the Prudential Guidelines for Licensed Banks, the Group assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing losses in 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.

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 always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non - distributable 'regulatory risk reserve'. Where the 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.

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

4.0 Use Of Estimates And Judgements

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

(i) Allowances for credit losses
(ii)Valuation of financial instruments
(iii) Determination of impairment of property and equipment, and intangible assets excluding goodwill
(iv) Assessment of impairment of goodwill on acquired subsidiaries
(v) Estimation of fair values of investment property

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

The Bank reviews its loan portfolios to assess impairment at least on a half yearly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

The Bank makes use of estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The specific component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently reviewed by the Credit Risk Management Department (CRMD).

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, loss rates and the 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 that were not found to be individually impaired cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar credit characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified.

In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and 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 counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated.

In addition, if the PDs and LGDs were increased by 2%, there would have been an additional impairment charge of N2.41 million and if the PDs and LGDs decreased by 2%, there would have been a write back of impairment of N2.36 million.

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:
The Bank has complied with the requirements of the guidelines as follows:

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 2016, the difference between the Prudential provision and IFRS impairment was N456.07 million (December 2015: N70.86 million) requiring additional transfer of N335.27 million (December 2015: reversal of N52.94 million) to/from 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 **In thousands of Naira**	**December 2016**	**December 2015**
Bank		
Loans & advances:		
Specific impairment allowances on loans to customers		
- Loans to Individuals	-	-
- Loans to Corporate	-	9,840
Collective impairment allowances on loans to customers		
- Loans to Individuals	136	7
- Loans to Corporates	59,719	68
Total impairment allowances on loans per IFRS	**59,855**	**9,915**
Total regulatory impairment based on prudential guidelines	456,079	70,863
	396,224	**60,948**
Movement in credit risk reserves:		
Balance, beginning of the year	60,948	113,890
Additional transfers into/(out of) regulatory risk reserve	335,276	(52,942)
Balance, end of the period	**396,224**	**60,948**

The central Bank of Nigeria (CBN) via circular BSD/DIR/GEN/LAB/08/052 dated 11 November 2015, directed Banks in Nigeria to increase the general provision on performing loans from 1 percent to 2 percent for prudential review of credit portfolios in order to ensure adequate buffer against unexpected loan losses.

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

Group
December 2016

In thousands of naira	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	8,453,138	-	-	8,453,138
Available for sale				
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**

Group
December 2015

In thousands of Naira	Level 1	Level 2	Level 3	Total
Assets			-	
Pledged assets	20,086,561	-	-	20,086,561
Available for sale				
Treasury bills	6,338,065	-	-	6,338,065
Bonds	6,125,286	-	-	6,125,286
Equity securities	139,659	-	-	139,659
	32,689,571	**-**	**-**	**32,689,571**

Bank
December 2016

In thousands of Naira	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	8,453,138	-	-	8,453,138
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**

Bank
December 2015

In thousands of Naira	Level 1	Level 2	Level 3	Total
Assets				
Pledged assets	20,086,561	-	-	20,086,561
Investment securities				
Available for sale				
Treasury bills	6,338,065	-	-	6,338,065
Bonds	6,125,286	-	-	6,125,286
Equity securities	139,659	-	-	139,659
	32,689,571	**-**	**-**	**32,689,571**

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

4.2.2 Financial instruments not measured at fair value

Group
December 2016

In thousands of Naira	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**

Group
December 2015

In thousands of Naira	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with Banks	162,945	2,832,000	-	2,994,945
Due from financial institutions	20,775,798	-	-	20,775,798
Loans and advances to customers	-	-	2,475,468	2,475,468
Investment securities:				
Held to maturity	10,803,253	-	-	10,803,253
Other assets	-	5,542	-	5,542
Liabilities	**31,741,996**	**2,837,542**	**2,475,468**	**37,055,006**
Deposits from financial institutions	-	22,852,261	-	22,852,261
Due to customers	-	34,877,290	-	34,877,290
Other liabilities	-	171,953	-	171,953
	-	**57,901,504**	**-**	**57,901,504**

Bank
December 2016

In thousands of Naira	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**

Bank
December 2015

In thousands of Naira	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with Banks	162,945	2,832,000	-	2,994,945
Due from financial institutions	20,775,798	-	-	20,775,798
Loans and advances to customers	-	-	2,475,468	2,475,468
Investment securities:				
Held to maturity	10,803,253	-	-	10,803,253
Other Assets		5,542	-	5,542
	31,741,996	2,837,542	2,475,468	37,055,006
Liabilities				
Deposits from financial institutions	-	22,852,261	-	22,852,261
Due to customers	-	34,877,290	-	34,877,290
Other liabilities	-	171,953	-	171,953
	-	57,901,504	-	57,901,504

(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 account 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) Deposits from Banks and customers

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.

(vii) 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 securities 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 32.2% and a cash flow growth rate of 1.87% over a period of five years. The Group determined the appropriate discount rate at the end of the reporting period. See note 27b for further details.
Estimation of fair values of investment property.

The Group obtains independent valuations for its 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.

Group
December 2016

	Level 1	Level 2	Level 3	Total
Investment properties	686,865	-	-	686,865
Total	**686,865**	**-**	**-**	**686,865**

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.

For transfers in and out of level 3 measurements see (iv) below.

4.6 Financial Instruments

The Group's financial instruments are categorized as below;

Group December 2016	Financial assets				Financial liabilty	
	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	-	-	-	-	-
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 cost less impairment	-	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	-	-	-	-	-	53,476,909
Other liabilities	-	-	-	-	-	7,315,540
	4,575,092	**25,815,446**	**44,778,720**	**21,036,812**	**-**	**79,430,415**

Group	**Financial assets**				**Financial liabilty**	
December 2015	**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	-	-	162,945	-	-	-
Unrestricted balances with central Banks	-	-	2,832,000	-	-	-
Due from financial institutions	-	-	20,775,798	-	-	-
Non pledged trading assets						
Treasury bills	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Investment securities						
Available for sale investment securities						
Federal government bonds	-	3,592,709	-	-	-	-
Treasury bills	-	6,338,065	-	-	-	-
State government bonds	-	50,543	-	-		-
Corporate bonds	-	2,482,034	-	-		
Equity securities with readily determinable fair values	-	139,659	-	-	-	-
Unquoted equity securities at cost less impairment	-	8,104	-	-	-	-
Held to maturity investment securities					-	-
Federal government bonds	-	-	-	24,357,965	-	-
Pledged assets					-	-
Government bonds	-	-	-	-	-	-
Treasury bills	-	20,086,561	-	-	-	-
Loans and advances to customers	-	-	2,475,468	-	-	-
Other assets	-	-	5,542	-	-	-
Financial liabilities					-	-
Deposits from financial institutions	-	-	-	-	-	22,852,261
Due to customers	-	-	-	-	-	34,877,290
Other liabilities	-	-	-	-	-	171,953
	-	**32,697,675**	**26,251,753**	**24,357,965**	-	**57,901,504**

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	-	-	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 cost less impairment	-	66	-	-	-	-
Held to maturity investment securities						
Federal government bonds	-	-	-	15,257,502	-	-
Pledged assets						
Government bonds	-	-	-	-	-	-
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
Other liabilities	-	-	-	-	-	7,283,288
	4,575,092	**24,181,802**	**44,999,378**	**21,036,812**	-	**80,068,020**

Bank	**Financial assets**				**Financial liabilty**	
December 2015	**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	-	-	162,945	-	-	-
Unrestricted balances with central Banks	-	-	2,832,000	-	-	-
Due from financial institutions	-	-	20,775,798	-	-	-
Non pledged trading assets						
Treasury bills	-	-	-	-	-	-
Government bonds	-	-	-	-	-	-
Investment securities						
Available for sale investment securities						
Federal government bonds	-	3,592,709	-	-	-	-
Treasury bills	-	6,338,065	-	-	-	-
State government bonds	-	50,543	-	-	-	-
Corporate bonds	-	2,482,034	-	-	-	-
Equity securities with readily determinable fair values	-	139,659	-	-	-	-
Unquoted equity securities at cost less impairment	-	8,104	-	-	-	-
Held to maturity investment securities						
Federal government bonds	-	-	-	24,357,965	-	-
Pledged assets						
Government bonds	-	-	-	-	-	-
Treasury bills	-	20,086,561	-	-	-	-
Loans and advances to customers	-	-	2,475,468	-	-	-
Other assets	-	-	5,542	-	-	-
Financial liabilities						
Deposits from financial institutions	-	-	-	-	-	22,852,261
Due to customers	-	-	-	-	-	34,877,290
Other liabilities	-	-	-	-	-	171,953
	-	**32,697,675**	**26,251,753**	**24,357,965**	-	**57,901,504**

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
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
Other liabilities	-	-	-	-	7,315,540	7,315,540	7,315,540
	-	**-**	**-**	**-**	**72,114,875**	**79,430,415**	**79,430,415**

Group In thousands of Naira **31 December 2015**	**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	-	-	2,994,945	-	-	2,994,945	2,994,945
Due from financial institutions	-	-	20,775,798	-	-	20,775,798	20,775,798
Loans and advances to customers	-	-	2,475,468	-	-	2,475,468	2,475,468
Pledged assets							
-Treasury bills	-	-	-	20,086,561	-	20,086,561	20,086,561
-Bonds	-	-	-	-	-	-	-
Investment securities							
-Available for sale							
-Treasury bills	-	-	-	6,338,065	-	6,338,065	6,338,065
-Bonds	-	-	-	6,125,286	-	6,125,286	6,125,286
-Equity	-	-	-	147,763	-	147,763	147,763
-Held to Maturity							-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	11,746,851	-	-	-	11,746,851	10,803,253
Other assets	-	-	5,542	-	-	5,542	5,542
	-	**11,746,851**	**26,251,753**	**32,697,675**	**-**	**70,696,279**	**69,752,681**
Deposits from financial institutions	-	-	-	-	22,852,261	22,852,261	22,852,261
Due to customers	-	-	-	-	34,877,290	34,877,290	34,877,290
Other liabilities	-	-	-	-	171,953	171,953	171,953
	-	**-**	**-**	**-**	**57,901,504**	**57,901,504**	**57,901,504**

Bank In thousands of Naira **31 December 2016**	Trading	Held-to-maturity	Loans and receivables at amortised 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
-Equity	-	-	-	-	-	-	-
Loans and advances to customers	-	-	22,706,561	-	-	22,706,561	22,706,561
Pledged assets							
-Treasury bills	-	-	-	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					-		
-Treasury bills	-	-	-	-	-	-	-
-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
Other liabilities	-	-	-	-	7,283,288	7,283,288	7,283,288
	-	**-**	**-**	**-**	**80,068,020**	**80,068,020**	**80,068,020**

Bank In thousands of Naira **31 December 2015**	**Trading**	**Held-to-maturity**	**Loans and receivables at amortised cost**	**Available-for-sale**	**Financial Liabilities measured at amortized cost**	**Total carrying amount**	**Fair value**
Cash and balances with Banks	-	-	2,994,945	-	-	2,994,945	2,994,945
Due from financial institutions			20,775,798				
Loans and advances to customers	-	-	2,475,468	-	-	2,475,468	2,475,468
Pledged assets							
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	-	-	20,086,561	-	20,086,561	20,086,561
Investment securities							
-Available for sale							
-Treasury bills	-	-	-	6,338,065	-	6,338,065	6,338,065
-Bonds	-	-	-	6,125,286	-	6,125,286	6,125,286
-Equity	-	-	-	147,763	-	147,763	147,763
-Held to Maturity							
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	11,746,851	-	-	-	11,746,851	10,803,253
Other assets	-	-	5,542	-	-	5,542	5,542
	-	11,746,851	26,251,753	32,697,675	-	49,920,481	48,976,883
Deposits from financial institutions	-	-	-	-	22,852,261	22,852,261	22,852,261
Due to customers	-	-	-	-	34,877,290	34,877,290	34,877,290
Other liabilities	-	-	-	-	171,953	171,953	171,953
	-	-	-	-	57,901,504	57,901,504	57,901,504

5 Financial Risk Management

5.1 Credit risk management

Credit risk arises from the failure of an obligor of the Bank to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. This risk is compounded if the assigned collateral only partly covers the claims made to the borrower, or if its valuation is exposed to frequent changes due to changing market conditions (i.e. market risk).

The Bank's Risk Management philosophy is that moderate and guarded risk attitude will ensure sustainable growth in shareholder value and reputation. Extension of credit in Coronation Merchant Bank is guided by its Credit Risk and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio. The Plan also sets out the roles and responsibilities of different individuals and Committees involved in the credit process.

We recognise the fact that our main asset is our 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 are the foundation for the application of internal rating-based approach to calculation of capital requirements. The development, implementation and application of these models are guided by the Bank's Basel II framework and strategy.

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.

The Criticized Assets Committee performs a quarterly review of loans with emerging signs of weakness; the Management Credit Committee and the Board Credit Committee also perform reviews of the quality of our loan portfolio on a quarterly basis. These are in addition to daily reviews performed by our Credit Risk Management department.

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. 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.

If a preliminary analysis of a loan request by the account manager indicates that it merits further scrutiny, it is then analyzed in greater detail by the account manager, with further detailed review by Credit Risk Management. The concurrence of Credit Risk Management must be obtained for any credit extension. If the loan application passes the detailed analysis it is then submitted to the appropriate approval authority for the size of facilities

The standard credit evaluation process is based both on quantitative figures from the Financial Statements and on an array of qualitative factors. Factual information on the borrower is collected as well as pertinent macroeconomic data, such as an outlook for the relevant sector, etc. These subjective factors are assessed by the analyst and all individuals involved in the credit approval process, relying not only on quantitative factors but also on extensive knowledge of the company in question and its management.

a) 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 credit risk rating models below

For Corporates, Financial Institutions and Large Commercial :
Obligor Risk Rating (ORR) Models have been developed for:

1. Bank and Non Banking Financial Institutions

2. Corporate;
- Manufacturing Sector
- Trading Sector
- Services Sector
- Real Estate Sector

3. Small and Medium Enterprises (SME)
Without Financials Facility Risk Rating (FRR) Models have been developed for
1. Loss Given Default (LGD)
2. Exposure at Default (EAD)

Risk Rating Process

In Coronation Merchant Bank, all businesses must have a documented and approved Risk Rating Process for deriving risk ratings for all obligors and facilities (including those covered under Credit Programs). The Risk Rating Process is the end-to-end process for deriving ORRs and FRRs and includes models, guidelines, support adjustments, collateral adjustments, process controls, as well as any other defined processes that a business undertakes in order to arrive at ORRs and FRRs. Risk rating process of each business must be in compliance with the Bank's Risk rating Policy and deviations must be explicitly approved.

Establishing the Risk Rating Process is the joint responsibility of the Business Manager and Independent Credit Risk Manager associated with each business. The process must be documented and must be approved by the Management Credit Committee.

The Risk Rating Process for each business must be reviewed and approved every three years, unless more frequent review is specified as a condition of the approvals. Interim material changes to the Risk Rating Process, as determined by the Independent Credit Risk Manager for the business, must be re-approved.

Responsibilities of Business Units and Independent Credit Risk Management

In Coronation Merchant Bank, Business units and independent credit risk management have a joint responsibility for the overall accuracy of risk ratings assigned to obligors and facilities.

Risk Rating Scale and external rating equivalent
Coronation Merchant Bank operates a 22-point risk rating scale in line with those of international rating agencies, which provides sufficient granularity to ensure better diversification of the risk profile of the Bank's portfolio while avoiding excessive rating concentrations. The grade is composed by numbers from 1 to 10 including + or -modifiers to achieve sufficient grades or score and avoid concentration within one category.

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

Grade	Scale	Explanatory Note
1+	AAA	Obligors are judged to be of the highest quality, subject to the lowest level of credit risk.
1	AA+	Obligors are judged to be of high quality and are subject to very low credit risk.
1-	AA	
2+	AA-	
2	A+	Obligors are judged to be upper-medium grade and are subject to low credit risk.
2-	A	
3+	A-	
3	BBB+	Obligors are judged be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.
3-	BBB	
4+	BBB-	
4	BB+	Obligors are judged to be speculative and are subject to substantial credit risk.
4-	BB	
5+	BB-	
5	B+	Obligors are considered speculative and are subject to high credit risk.
5-	B	
6+	B-	
6	CCC+	Obligors are judged to be speculative of poor standing and are subject to very high credit risk.
6-	CCC	
7	CCC-	
8	CC	Obligors are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
9	C	Obligors are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.
10	D	Lost.

b) Credit Risk Control & Mitigation policy Authority Limits on Credit

The highest credit approval authority is the Board of Directors, supported by the Board Credit Committee and further by the Management Credit Committee.The principle of central management of risk and decision authority is maintained by the Bank.

Collateral Policies

It is the Group's policy that all credit exposures are adequately collateralised.   Credit risk mitigation is an activity of reducing credit risk in an exposure or transferring it to counterparty, at facility level, by a safety net of tangible and realizable securities including approved third-party guarantees/ insurance.

In Coronation Merchant Bank, strategies for risk reduction at the transaction level differ from that at the portfolio level. At transaction level, the most common technique used by the Bank is the collateralization of the exposures, by first priority claims or obtaining a third party guarantee. Other techniques include buying a credit derivative to offset credit risk at transaction level. At portfolio level, asset securitisation, credit derivatives etc. are used to mitigate risks in the portfolio.

However primary consideration when approving credits is always the obligor's financial strength and debt-servicing capacity. The guidelines relating to risk mitigant as incorporated in the guidance note of BCBS on Principles for the Management of Credit Risk (September 2000, Paragraph 34) are be taken into consideration while using a credit risk mitigant to control credit risk.

Bank can utilize transaction structure, collateral and guarantees to help mitigate risks (both identified and inherent) in individual credits but transactions should be entered into primarily on the strength of the borrower's repayment capacity. Collateral cannot be a substitute for a comprehensive assessment of the borrower or the counterparty, nor it can compensate for the insufficient information. It should be recognized that any credit enforcement actions (e.g. foreclosure proceedings) can eliminate the profit margin on the transaction. In addition, Banks need to be mindful that the value of collateral may well be impaired by the same factors that have led to the diminished recoverability of the credit.

The range of collaterals acceptable to the Bank include:

- Cash / Deposit (domestic and foreign currency) with Bank including certificates of deposit or comparable instruments issued by the Bank.
- Certificates of Deposit from other Banks.
- Commodities.
- Debt securities issued by sovereigns and public-sector enterprises.
- Debt securities issued by Banks and corporations.
- Equities - Stocks / Share Certificates of quoted blue chip companies
- Mortgage on Landed Property
- Asset-backed securities.
- Charge on assets (Fixed and/or Floating) - premises/ inventory/ receivables/ merchandise/ plant/ machinery etc.
- Negative Pledges

- Lien on Asset being financed
- Stock Hypothecation
- Shipping Documents (for imports)
- Bankers Acceptance
- Life Assurance Policies

Master Netting arrangements

It is the Group's policy that all credit exposures are adequately collateralised. Notwithstanding, our account opening documentation allows the Bank to net off customers' deposits against their exposure to the Bank. Generally transactions are allowed to run on a gross basis, however, in cases of unfavorable credit migration, the Bank may elect to invoke the netting agreement.

Credit related commitments

It is the Group's policy that all credit exposures are adequately collateralised. Credit risk mitigation is an activity of reducing credit risk in an exposure.

Provisioning policy

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

There have been no changes to the exposures to risk and how they arise, the objectives, policies and processes for managing the risk and the methods used to measure the risk from the previous year.

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 2016	Group December 2015	Bank December 2016	Bank December 2015
Cash and balances with Banks				
Current balances with Banks outside Nigeria	5,181,291	162,945	5,163,814	162,945
Unrestricted balances with central Banks	474,601	2,832,000	474,601	2,832,000
Restricted balances with central Banks				
Due from financial institutions	16,246,877	20,775,798	16,246,877	20,775,798
Non pledged trading assets				
Treasury bills	3,286,430	-	3,286,430	-
Bonds	157,140	-	157,140	-
Loans and advances to customers	22,766,416	2,485,382	22,766,416	2,485,382
Pledged assets Bonds	5,779,310	-	5,779,310	-
Treasury bills	8,453,138	20,086,561	8,453,138	20,086,561
Investment securities				
Available for sale				
Treasury bills	3,065,482	6,338,065	2,230,378	6,338,065
Bonds	15,261,406	6,125,286	14,534,996	6,125,286
Held to Maturity Bonds	15,257,502	11,746,851	15,257,502	11,746,851
Other assets	169,390	5,542	407,525	5,542
Total	**96,098,983**	**70,558,430**	**94,758,127**	**70,558,430**

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 2016 and 31 December 2015, 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 2016	Group December 2015	Bank December 2016	Bank December 2015
Agriculture	8,849,273	-	8,849,273	-
Construction	4,557,764	-	4,557,764	-
Finance and insurance	3,000,000	-	3,000,000	-
Other Manufactiring (Industries)	4,819,086	-	4,819,086	-
Food Manufacturing	-	2,014,236	-	2,014,236
Real estate activities	929,755	335,672	929,755	335,672
Others	610,538	135,474	610,538	135,474
	22,766,416	**2,485,382**	**22,766,416**	**2,485,382**

5.1.3 (a) Credit quality by class

Group	Loans and advances to Individuals		Loans and advances Corporates	
In thousands of Naira	**Dec 2016**	**Dec 2015**	**Dec 2016**	**Dec 2015**
Carrying amount	**285,756**	**125,553**	**22,420,805**	**2,349,915**
Neither past due nor impaired				
AAA - B-	285,892	125,560	22,480,524	2,349,983
Gross amount	285,892	125,560	22,480,524	2,349,983
Allowance for impairment	(136)	(7)	(59,719)	(68)
Carrying amount	**285,756**	**125,553**	**22,420,805**	**2,349,915**
Past due and impaired:				
CC - D	-	9,839	-	-
Gross amount	-	9,839	-	-
Allowance for impairment	-	(9,839)		-
Carrying amount	-	-	-	-

Bank	Loans and advances to Individuals		Loans and advances Corporates	
Carrying amount	285,756	125,553	22,420,805	2,349,915
Neither past due nor impaired	-	-	-	-
AAA - B-	285,892	125,560	22,480,524	2,349,983
Gross amount	285,892	125,560	22,480,524	2,349,983
Allowance for impairment	(136)	(7)	(59,719)	(68)
Carrying amount	285,756	125,553	22,420,805	2,349,915
Past due and impaired:	-	-	-	-
CC - D	-	9,839	-	-
Gross amount	-	9,839	-	-
Allowance for impairment	-	(9,839)	-	-
Carrying amount	**-**	**-**	**-**	**-**

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

5.1.3 (b) Estimate of the fair value of collateral and other security enhancements

Group	**Loans and advances to customers**	
In thousands of Naira	**December 2016**	**December 2015**
Against neither past due and not impaired		
Property	7,150,000	900,000
Equities	3,400,000	3,400,000
Cash	5,069,693	-
Pledged goods and assets	12,900,107	-
Total	**28,519,800**	**4,300,000**

Bank	**Loans and advances to customers**	
In thousands of Naira	**December 2016**	**December 2015**
Against neither past due and not impaired		
Property	7,150,000	900,000
Equities	3,400,000	3,400,000
Cash	5,069,693	-
Pledged goods and assets	12,900,107	-
Total	**28,519,800**	**4,300,000**

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 (a) Credit Concentration

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of net credit risk at the reporting date is shown below:

By Sector

Group

December 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
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
-Equity	194,479	-	-	-	194,479
-Held to Maturity					-
-Treasury bills					-
-Bonds	-	-	15,257,502	-	15,257,502
Other assets	-	-	-	169,390	169,390
Total	**25,088,908**	**21,902,769**	**48,786,784**	**455,146**	**96,233,607**

December 2015 In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with Banks	-	2,994,945	-	-	2,994,945
Due from financial institutions	-	20,775,798	-	-	20,775,798
Non pledged trading assets					
-Treasury bills	-	-		-	-
-Bonds	-	-	-	-	-
-Equity	-	-	-	-	-
Loans and advances to customers	2,349,915	-	-	125,560	2,475,475
Pledged assets	-	-		-	-
-Treasury bills	-	-	20,086,561	-	20,086,561
-Bonds	-	-	-	-	-
Investment securities					-
-Available for sale	-	-			-
-Treasury bills		-	6,338,065		6,338,065
-Bonds	2,482,034	-	3,643,252	-	6,125,286
-Equity	147,763	-	-	-	147,763
-Held to Maturity					-
-Treasury bills	-	-		-	-
-Bonds	-	-	11,746,851	-	11,746,851
Other assets	-	-	-	5,542	5,542
Total	**4,979,712**	**23,770,743**	**41,814,729**	**131,102**	**70,696,286**

Bank 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
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
-Equity	114,991	-	-	-	114,991
-Held to Maturity					-
-Treasury bills					-
-Bonds	-	-	15,257,502	-	15,257,502
Other assets	-	-	-	407,525	407,525
Total	**25,009,420**	**21,885,292**	**47,225,270**	**693,281**	**94,813,263**

December 2015 In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with Banks	-	2,994,945	-	-	2,994,945
Due from financial institutions	-	20,775,798	-	-	20,775,798
Non pledged trading assets	-	-	-	-	
-Treasury bills	-	-	-	-	-
-Bonds	-	-	-	-	-
-Equity	-	-	-	-	-
Loans and advances to customers	2,349,915	-	-	125,560	2,475,475
Pledged assets	-	-	-	-	-
-Treasury bills	-	-	20,086,561	-	20,086,561
-Bonds	-	-	-	-	-
Investment securities	-	-	-	-	-
-Available for sale	-	-	-	-	-
-Treasury bills	-	-	6,338,065	-	6,338,065
-Bonds	2,482,034	-	3,643,252	-	6,125,286
-Equity	147,763	-	-	-	147,763
-Held to Maturity	-	-	-	-	-
-Treasury bills	-	-	-	-	-
-Bonds	-	-	11,746,851	-	11,746,851
Other assets	-	-	-	5,542	5,542
Total	**4,979,712**	**23,770,743**	**41,814,729**	**131,102**	**70,696,286**

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.

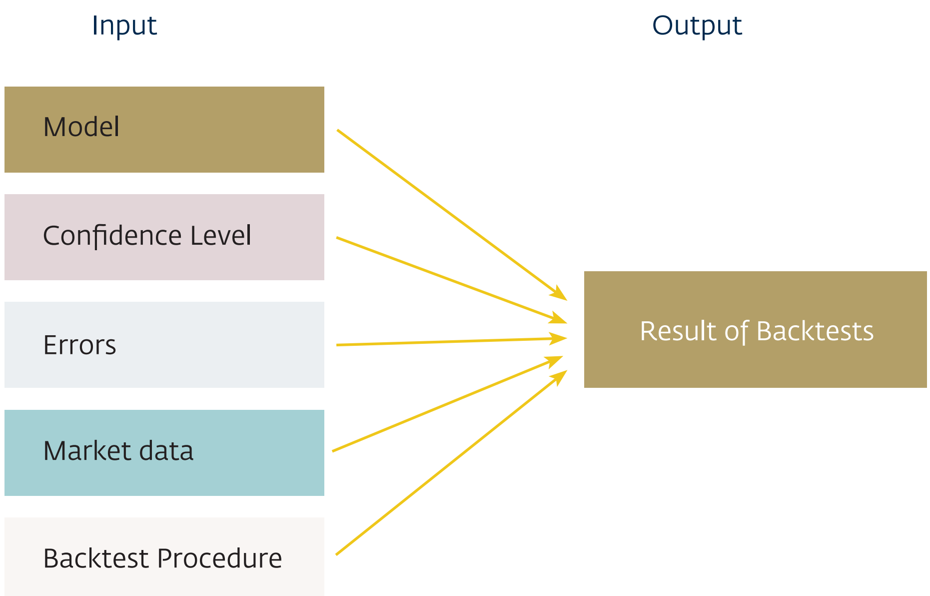
Coronation Merchant Bank uses an internal DVaR model based on the historical simulation method. Two years of unweighted historical price and rate data is applied and updated daily. This internal model is also used for measuring value at risk over both a one-day and 10-day holding period at a 99% confidence 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 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 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	-	-	-	3,065,482
-Bonds	774,779	1,361,790	916,079	4,534,456	7,674,303	-	15,261,406
-Held to Maturity							-
-Bonds	630,803	165,323	2,243,402	3,266,913	8,951,061	-	15,257,502
Other assets	-	-	-	-	-	169,390	-
	27,760,192	**11,656,367**	**21,573,445**	**10,302,021**	**18,981,673**	**5,825,282**	**95,929,592**
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	42,124,604)	9,987,081	1,566,643	10,302,021	18,981,673	1,490,258)	17,053,167

Group	Re-pricing period						
In thousands of Naira **31 December 2015**	**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	-	-	-	-	-	2,994,945	2,994,945
Due from financial institutions	20,562,336	-	-	-	-	-	20,562,336
Non pledged trading assets							-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	-	-	-	-	-	-
Loans and advances to customers	206,578	2,139,457	93,996	8,807	-	-	2,448,838
Pledged assets	-	-	-	-	-	-	-
-Treasury bills	200,141	20,524,175	-	-	-	-	20,724,316
-Bonds							-
Investment securities							-
-Available for sale	-	-	-	-	-	-	-
-Treasury bills	30,183	77,890	6,450,302	-	-	-	6,558,375
-Bonds							-
-Held to Maturity							-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	449,878	551,125	9,531,147	11,575,096	22,208,494	-	44,315,740
Other assets	-	-	-	-	-	5,542	5,542
	21,449,116	**23,292,647**	**16,075,445**	**11,583,903**	**22,208,494**	**3,000,487**	**97,610,092**
Deposits from financial institutions	3,419,417	-	-	-	-	-	3,419,417
Due to customers	16,455,378	532,994	-	-	-	-	16,988,372
Other liabilties	171,953	-	-	-	-	-	171,953
	20,046,748	**532,994**	**-**	**-**	**-**	**-**	**20,579,742**
Total interest re-pricing gap	1,402,367	22,759,653	16,075,445	11,583,903	22,208,494	3,000,487	77,030,349

5.2.1 A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

Bank	**Re-pricing period**						
In thousands of Naira **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	50,702,023	1,726,119	7,522	-	-	-	52,435,663
Other liabilties	-	-	-	-	-	7,283,288	7,283,288
	68,996,734	**1,726,119**	**7,522**	**-**	**-**	**7,283,288**	**78,013,662**
Total interest re-pricing gap	(41,461,053)	9,070,553	21,088,617	10,302,021	18,981,673	(1,237,348)	16,744,465

Bank			Re-pricing period				
In thousands of Naira **31 December 2015**	**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	-	-	-	-	-	2,994,945	2,994,945
Due from financial institutions	20,562,336	-	-	-	-	-	20,562,336
Non pledged trading assets	-	-	-	-	-	-	-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	-	-	-	-	-	-
Loans and advances to customers	206,578	2,139,457	93,996	8,807	-	-	2,448,838
Pledged assets	-	-	-	-	-	-	-
-Treasury bills	200,141	20,524,175	-	-	-	-	20,724,316
-Bonds	-	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-	-
-Available for sale	-	-	-	-	-	-	-
-Treasury bills	30,183	77,890	6,450,302	-	-	-	6,558,375
-Bonds	-	-	-	-	-	-	-
-Held to Maturity	-	-	-	-	-	-	-
-Treasury bills	-	-	-	-	-	-	-
-Bonds	449,878	551,125	9,531,147	11,575,096	22,208,494	-	44,315,740
Other assets	-	-	-	-	-	5,542	5,542
	21,449,116	**23,292,647**	**16,075,445**	**11,583,903**	**22,208,494**	**3,000,487**	**97,610,092**
Deposits from financial institutions	3,419,417	-	-	-	-	-	3,419,417
Due to customers	16,455,378	532,994	-	-	-	-	16,988,372
Other liabilties	171,953	-	-	-	-	-	171,953
	20,046,748	**532,994**	**-**	**-**	**-**	**-**	**20,579,742**
Total interest re-pricing gap	1,402,367	22,759,653	16,075,445	11,583,903	22,208,494	3,000,487	77,030,350

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 2016	**Fixed**	**Non-interest bearing**	**Total**
ASSETS	N'000	N'000	N'000
Cash and balances with Banks	-	5,655,892	5,655,892
Due from financial institutions	16,246,877		
Non pledged trading assets	3,443,570	-	3,443,570
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 asset	-	169,390	169,390
TOTAL	**90,115,606**	**5,923,522**	**79,792,251**
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
TOTAL	**72,114,875**	**7,315,540**	**79,430,415**

31 December 2015	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with Banks	-	2,994,945	2,994,945
Due from financial institutions	20,775,798	-	20,775,798
Non pledged trading assets		-	-
Loans and advances to customers	2,475,468	-	2,475,468
Pledged assets	20,086,561	-	20,086,561
Investment securities:			-
– Available-for-sale	12,463,351	8,104	12,471,455
– Held-to-maturity	11,746,851	-	11,746,851
Other asset	-	5,542	5,542
TOTAL	**67,548,029**	**3,008,591**	**70,556,620**
LIABILITIES			
Deposits from financial institutions	22,852,261	-	22,852,261
Due to customers	34,877,290	-	34,877,290
Other liabilities	-	19,162	19,162
TOTAL	**57,729,551**	**19,162**	**57,748,713**

Bank

31 December 2016	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
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
Loans and advances to customers	22,706,561	-	22,706,561
Pledged assets	14,232,448	-	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 asset	-	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
Other liabilities	-	7,283,288	7,283,288
TOTAL	**72,784,732**	**7,283,288**	**80,068,020**

31 December 2015	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with Banks	-	2,994,945	2,994,945
Due from financial institutions	20,775,798	-	20,775,798
Non pledged trading assets		-	-
Loans and advances to customers	2,475,468		2,475,468
Pledged assets	20,086,561		20,086,561
Investment securities:			-
– Available-for-sale	12,463,351	8,104	12,471,455
– Held-to-maturity	11,746,851	-	11,746,851
Other asset	-	5,542	5,542
TOTAL	**67,548,029**	**3,008,591**	**70,556,620**
LIABILITIES			
Deposits from financial institutions	22,852,261	-	22,852,261
Due to customers	34,877,290	-	34,877,290
Other liabilities	-	19,162	19,162
TOTAL	**57,729,551**	**19,162**	**57,748,713**

Group
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)

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.

Interest sensitivity analysis - 31 December 2015

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	(14,024)	14,024
6 months	(227,597)	227,597
12 months	(160,754)	160,754
	(402,375)	402,375

Bank

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	414,611	(414,611)
6 months	(90,706)	90,706
12 months	(90,706)	90,706
	233,199	(233,199)

Interest sensitivity analysis - 31 December 2015

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	(14,024)	14,024
6 months	(227,597)	227,597
12 months	(227,597)	227,597
	(469,218)	469,218

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 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 T-bills	157,140	(786)	(1,571)
	3,443,570	(17,218)	(34,435)
Impact on Statement of Comprehensive Income			
Available for sale investments	18,326,888	(91,634)	(183,269)
TOTAL	**21,770,458**	**(108,852)**	**(217,704)**

31 December 2015	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	-	-	-
Held for trading T-bills	-	-	-
	-	-	-
Impact on Other Comprehensive Income			
Available for sale investments	12,463,351	(62,317)	(124,634)
			-
TOTAL	**12,463,351**	**(62,317)**	**(124,634)**

Bank

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)	(34,435)
Impact on Other Comprehensive Income			-
Available for sale investments	16,765,374	(83,827)	(167,654)
			-
TOTAL	**20,208,944**	**(101,045)**	**(202,089)**

31 December 2015	Caryinig Value	Impact of 50 basis points increase in yields	Impact of 100 basis points in-crease in yields
Impact on Statement of Comprehensive Income			
Held for trading Bonds	-	-	-
Held for trading T.bills	-	-	-
	-	-	-
Impact on Other Comprehensive Income			
Available for sale investments	12,463,351	(62,317)	(124,634)
TOTAL	**12,463,351**	**(62,317)**	**(124,634)**

5.2.3 Foreign Currency Sensitivity Analysis

The Group's principal foreign currency exposure is to US Dollars, as it constituted 99.88% of the Group's foreign currency exposure as at 31 December 2016. The table below illlustrates the hypothetical sensitivity of the Group and Bank's reported profit to a 10% and 5% increase in the US Dollar/Naira exchange rates at the year end dates, assuming all other variables remain unchanged. The sensitivity rate of 10% and 5% represents the management's assessment of a reasonable possible change based on historic volatility.

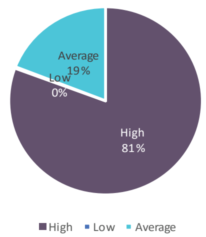
Group	**Impact on statement of comprehensive income**	**Impact on statement of comprehensive income**
In thousands of naira	31-Dec-16	31-Dec-15
Naira weakens by 10%	5,621	2,369
Naira weakens by 5%	2,811	1,184
Naira strengthens by 10%	(5,621)	(2,369)
Naira strengthens by 5%	(2,811)	(1,184)

Bank	**Impact on statement of comprehensive income**	**Impact on statement of comprehensive income**
In thousands of naira	31-Dec-16	31-Dec-15
Naira weakens by 10%	5,621	2,369
Naira weakens by 5%	2,811	1,184
Naira strengthens by 10%	(5,621)	(2,369)
Naira strengthens by 5%	(2,811)	(1,184)

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	17.9%
Low	0.1%
Average	4.2%



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

5.2.3

The table overleaf summarises the Group's financial instruments at carrying amount, Financial instruments by currency:

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
Non pledged trading assets					
-Treasury bills	3,286,430	3,286,430	-	-	-
-Bonds	157,140	157,140	-	-	-
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	-	-	-
	79,959,193	75,063,890	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	-	-
Other liabilties	7,315,540	2,494,175	4,732,748	12,987	75,629
	79,430,415	74,591,322	4,750,476	12,987	75,629
Net Exposure	**56,210**	**-**	**56,141**	**15**	**54**

31 December 2015	**Total**	**Naira**	**US**	**GBP**	**Euro**
Cash and balances with Banks	2,994,945	2,971,256	19,596	-	4,094
Loans and advances to customers	2,475,468	2,475,468	-	-	-
Pledged assets					
-Treasury bills	20,086,561	20,086,561	-	-	-
Investment securities					
-Available for sale					
-Treasury bills	6,338,065	6,338,065	-	-	-
-Bonds	6,125,286	6,125,286	-	-	-
-Equity	147,763	147,763	-	-	-
-Held to Maturity					
-Bonds	11,746,851	11,746,851	-	-	-
Other assets	5,542	5,542	-	-	-
	49,920,481	49,896,792	19,596	-	4,094
Deposits from financial institutions	22,852,261	22,852,261	-	-	-
Due to customers	34,877,290	34,877,290	-	-	-
Other liabilties	171,953	171,953	-	-	-
Net Exposure	**57,901,504**	**57,901,504**	**-**	**-**	**-**

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. 2016	Dec 2015
At end of period/ year	51.25%	143.52%
Average for the period/ year	67.81%	112.23%
Maximum for the period/ year	96.63%	174.32%
Minimum for the period/ year	51.25%	76.75%

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	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2016 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
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	-	-
Other liabilities	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	52,402,426	(37,730,759)	(7,594,029)	10,886,058	24,731,743	22,007,955	40,101,456

Group	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2015 In thousands of Naira								
Cash and balances with Banks	2,994,945	2,994,945	2,994,945	-	-	-	-	-
Due from financial institutions	20,775,798	20,964,716	4,575,137	16,389,579	-	-	-	-
Non pledged trading assets								
Loans and advances to customers	2,475,468	2,541,825	14,621	199,801	2,220,697	97,565	9,141	-
Pledged assets								
-Treasury bills	20,086,561	21,331,000	1,000	205,000	21,125,000	-	-	-
Investment securities								
-Available for sale								
-Treasury bills	6,338,065	6,736,000	-	31,000	80,000	6,625,000	-	-
-Bonds	6,125,286	9,919,925	26,716	199,017	227,600	399,833	5,657,398	3,409,361
-Held to Maturity								
-Bonds	11,746,851	45,268,835	338,098	121,455	562,978	9,736,133	11,824,041	22,686,130
Other assets	5,542	5,542	5,542	-	-	-	-	-
	70,548,516	**109,762,788**	**7,956,059**	**17,145,852**	**24,216,275**	**16,858,531**	**17,490,580**	**26,095,491**
Deposits from financial institutions	22,852,261	3,500,504	3,500,504	-	-	-	-	-
Due to customers	34,877,290	17,376,651	15,879,271	952,204	545,176	-	-	
Other liabilities	171,953	171,953	171,953	-	-	-	-	-
	57,901,504	**21,049,108**	**19,551,728**	**952,204**	**545,176**	**-**		**-**
Gap (asset - liabilities)	12,647,012	88,713,680	(11,595,669)	16,193,648	23,671,099	16,858,531	17,490,580	26,095,491

5.3.1 Residual contractual maturities of financial assets and liabilities

Bank	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2016 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
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	-	-
Other liabilities	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	51,772,661	(36,735,221)	(7,654,028)	9,515,755	24,536,743	22,007,955	40,101,456

Bank	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2015 In thousands of Naira								
Cash and balances with Banks	2,994,945	2,994,945	2,994,945	-	-	-	-	-
Due from financial institutions	20,775,798	20,964,716	4,575,137	16,389,579	-	-	-	-
Loans and advances to customers	2,475,468	2,541,825	14,621	199,801	2,220,697	97,565	9,141	-
Pledged assets	-	-	-	-	-	-	-	-
-Treasury bills	20,086,561	21,331,000	1,000	205,000	21,125,000	-	-	-
-Bonds	-	-	-	-	-	-	-	-
Investment securities	-		-	-	-	-	-	-
-Treasury bills	6,338,065	6,736,000	-	31,000	80,000	6,625,000	-	-
-Bonds	6,125,286	9,919,925	26,716	199,017	227,600	399,833	5,657,398	3,409,361
-Held to Maturity	-		-	-	-	-	-	-
-Bonds	11,746,851	45,268,835	338,098	121,455	562,978	9,736,133	11,824,041	22,686,130
Other assets	5,542	5,542	5,542	-	-	-	-	-
	70,548,516	**109,762,788**	**7,956,059**	**17,145,852**	**24,216,275**	**16,858,531**	**17,490,580**	**26,095,491**
Deposits from financial institutions	22,852,261	3,500,504	3,500,504	-	-	-	-	-
Due to customers	34,877,290	17,376,651	15,879,271	952,204	545,176	-	-	-
Other liabilities	171,953	171,953	171,953	-	-	-	-	-
	57,901,504	**21,049,108**	**19,551,728**	**952,204**	**545,176**	**-**		**-**
Gap (asset - liabilities)	12,647,012	88,713,680	(11,595,669)	16,193,648	23,671,099	16,858,531	17,490,580	26,095,491

5.3.2 Financial instruments below and above 1 year's maturity

	December 2016			December 2015		
Group	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
In thousands of Naira						
Cash and balances with Banks	5,655,892	-	5,655,892	2,994,945	-	2,994,945
Due from financial institutions	16,268,143	-	16,268,143	20,964,716	-	20,964,716
Non pledged trading assets				-	-	
-Treasury bills	3,557,872	-	3,557,872	-	-	-
-Bonds	23,668	295,474	319,142	-	-	
Loans and advances to customers	24,419,315	49,392	24,468,707	2,532,684	9,141	2,541,825
Pledged assets				-	-	
-Treasury bills	9,460,000	-	9,460,000	21,331,000	-	21,331,000
Investment securities				-	-	
-Available for sale				-	-	
-Treasury bills	3,473,611	-	3,473,611	6,736,000	-	6,736,000
-Bonds	3,775,125	26,137,550	29,912,675	853,166	9,066,759	9,919,925
-Held to Maturity				-	-	
-Bonds	3,441,952	27,894,374	31,336,326	10,758,664	34,510,171	45,268,835
Other assets	169,390	-	169,390	5,542	-	5,542
	71,461,601	**62,109,411**	**133,571,012**	**66,176,717**	**43,586,071**	**109,762,788**
				-	-	-
Deposits from financial institutions	18,753,997	-	18,753,997	3,500,504	-	3,500,504
Due to customers	55,099,050	-	55,099,050	17,376,651	-	17,376,651
Other liabilities	7,315,540	-	7,315,540	171,953	-	171,953
	81,168,587	-	81,168,587	21,049,108	-	21,049,108
Gap (asset - liabilities)	**(9,706,986)**	**62,109,411**	**52,402,425**	**45,127,609**	**43,586,071**	**88,713,680**

Bank	December 2016 Within 12 months	December 2016 After 12 months	December 2016 Total	December 2015 Within 12 months	December 2015 After 12 months	December 2015 Total
In thousands of Naira						
Cash and balances with Banks	5,638,415	-	5,638,415	2,994,945	-	2,994,945
Due from financial institutions	16,268,143	-	16,268,143	20,964,716	-	20,964,716
Non pledged trading assets	-	-	-	-	-	-
-Treasury bills	3,557,872	-	3,557,872	-	-	-
-Bonds	23,668	295,474	319,142	-	-	-
Loans and advances to customers	24,419,315	49,392	24,468,707	2,532,684	9,141	2,541,825
Pledged assets	-	-	-	-	-	-
-Treasury bills	9,460,000	-	9,460,000	21,331,000	-	21,331,000
Investment securities	-	-	-	-	-	-
-Available for sale	-	-	-	-	-	-
-Treasury bills	2,569,611	-	2,569,611	6,736,000	-	6,736,000
-Bonds	2,878,822	26,137,550	29,016,372	853,166	9,066,759	9,919,925
-Held to Maturity	-	-	-	-	-	-
-Bonds	3,441,952	27,894,374	31,336,326	10,758,664	34,510,171	45,268,835
Other assets	407,525	-	407,525	5,542	-	5,542
	69,881,956	**62,109,411**	**123,042,113**	**66,176,717**	**43,586,071**	**109,762,788**
Deposits from financial institutions	18,753,997	-	18,753,997	3,500,504	-	3,500,504
Due to customers	54,181,422	-	54,181,422	17,376,651	-	17,376,651
Other liabilities	7,283,288	-	7,283,288	171,953	-	171,953
	80,218,707	-	80,218,707	21,049,108	-	21,049,108
Gap (asset - liabilities)	**(10,336,751)**	**62,109,411**	**51,772,660**	**45,127,609**	**43,586,071**	**88,713,680**

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.

	Group December 2016	Bank December 2016	Bank December 2015
In thousands of Naira			
Tier 1 capital			
Ordinary share capital	5,050,546	5,050,546	4,854,118
Share premium	3,655,348	3,655,348	3,331,241
Retained earnings	10,384,744	10,284,349	8,098,756
Other reserves	6,787,069	6,798,914	4,993,146
	25,877,708	25,789,157	21,277,261
Add/(Less):			
Fair value reserve for available-for-sale	(911,194)	(923,039)	(443,156)
Treasury shares	-	-	(520,260)
Total Tier 1	**24,966,513**	**24,866,118**	**20,313,845**

Less:			
50% Investments in subsidiaries	(1,657,356)	(2,391,672)	-
Deferred tax assets	(5,265,490)	(5,265,490)	(5,217,194)
Regulatory risk reserve	(397,224)	(397,224)	(60,948)
Intangible assets	(1,150,989)	(463,406)	(388,435)
Adjusted Tier 1	16,495,455	16,348,326	14,647,268
Tier 2 capital			
Fair value reserve for available-for-sale securities	911,194	923,039	443,156
Less:			
Investments in subsidiaries	(1,657,356)	(923,039)	-
Total Tier 2	(746,161)	-	443,156
Total regulatory capital	15,749,294	16,348,326	15,090,424
Risk-weighted assets	30,802,830	40,815,014	18,925,392
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets	51%	40.05%	79.74%
Total tier 1 capital expressed as a percentage of risk-weighted assets	54%	40.05%	77.39%

7	Interest Income	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
	Cash and balances with Banks	4,938,907	3,920,501	4,929,872	3,920,501
	Loans and advances to customers	3,079,820	117,421	3,079,820	117,421
	Investment securities				
	-Available for sale	2,853,168	4,332,417	2,761,138	4,332,417
	-Held for trading	844,825	555,308	844,825	555,308
	-Held to maturity	1,705,984	2,243,644	1,705,984	2,243,644
		13,422,704	**11,169,291**	**13,321,639**	**11,169,291**

8	Interest expense				
	Deposit from financial institutions	2,165,424	3,764,607	2,165,424	3,764,607
	Deposit from customers	3,254,646	3,117,786	3,318,700	3,117,786
		5,420,070	6,882,393	5,484,124	6,882,393
	Net interest income	**8,002,634**	**4,286,898**	**7,837,515**	**4,286,898**

Interest income for the period ended 31 December 2016 includes interest accrued on impaired financial assets of Group: NIL (31 December 2015: NIL) and Bank: NIL (31 December 2015: NIL).

9 Net impairment charge on financial assets

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Specific impairment charges on loans and advances (note 23)	-	8,559	-	8,559
Collective impairment charges on loans and advances (see note 23)	59,780	75	59,780	75
Impairment allowance on unquoted equity securities (see note 21)	20,179	-	20,179	-
Write-back of specific impairment on loans and advances	(9,840)	(1,900)	(9,840)	(1,900)
	70,119	**6,734**	**70,119**	**6,734**

10 Fee and commission income

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Credit related fees and commissions	88,749	-	88,749	-
Account maintenance fees	68,131	4,880	68,131	4,880
Commission on bills and letters of credit	441,445	22,315	441,445	22,315
Treasury income	65,974	31,579	65,974	31,579
Investment Bankings fees	239,326	5,000	239,326	5,000
Brokerage fees and commissions	217,678	-	-	-
Commission on other financial services	65,890	1,927	27,749	1,927
	1,187,193	**65,701**	**931,374**	**65,701**

Credit related fees and commissions are fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.

11 Net gains on investment securities

a Net gains on financial instruments classified as held for trading

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Treasury bills	177,783	(37)	177,783	(37)
Bonds	122,419	1,300	122,419	1,300
	300,202	**1,263**	**300,202**	**1,263**

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

b Net gains on financial instruments held as available-for-sale

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Treasury bills	(357,773)	-	(357,773)	-
Bonds	362,807	-	362,807	-
Equity	3,021	-	3,021	-
	8,055	-	8,055	-
Total	**308,257**	**1,263**	**308,257**	**1,263**

12 Net foreign exchange income

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Net foreign exchange trading income	221,836	10,238	221,836	10,238
Unrealised foreign exchange (loss) / gain on revaluation	(1,120)	1,169	(1,120)	1,169
	220,716	**11,407**	**220,716**	**11,407**

13 Other operating income

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Dividends on available for sale equity securities	45,147	342	1	342
Bad debt recovered	9,788	2,430	9,788	2,430
Income from other investments	420	-	200	-
	55,355	**2,772**	**9,989**	**2,772**

14 Personnel expenses

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Salaries and wages	1,132,110	491,448	1,007,979	491,448
Defined contribution plan	76,460	33,100	69,532	33,100
	1,208,570	524,548	1,077,511	524,548

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

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
	Number	**Number**	**Number**	**Number**
Executive Directors	1	1	1	1
Management	17	11	13	11
Non-management	64	36	47	36
	82	**48**	**61**	**48**

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

	Group Dec-16 Number	Group Dec-15 Number	Bank Dec-16 Number	Bank Dec-15 Number
N300,001 - N2,000,000	17	28	10	28
N2,000,001 - N2,800,000	10	6	10	6
N2,800,000 - N3,500,000	11	6	4	6
N3,500,001 - N5,500,000	15	3	13	3
Above N5,500,000	28	4	23	4
	81	47	60	47

15 Other operating expenses

	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Depreciation	181,528	80,725	168,392	80,725
Amortisation	175,751	88,582	170,744	88,582
Professional fees and legal expenses	435,661	137,125	387,019	137,125
Staff training	42,404	34,342	37,291	34,342
Insurance	51,792	26,920	46,051	26,920
Business travel expenses	34,772	19,702	30,893	19,702
Deposit insurance premium	23,476	-	23,476	-
Auditor's renumeration	72,600	55,000	60,000	55,000
Administrative expenses	1,257,541	622,023	1,202,625	622,023
Loss on disposal of property and equipment1	49,307	11,996	48,677	11,996
Board and AGM expenses	212,557	135,318	212,557	135,318
Operating lease rentals	39,818	35,473	39,818	35,473
Consultancy and outsourcing	314,446	58,153	269,524	58,153
Repairs and maintenance	62,055	20,120	58,038	20,120
Advertisements, publications and marketing expenses	48,028	893	43,168	893
Events, donations and sponsorship	104,397	-	103,253	-
Periodicals and subscriptions	3,506	174,036	2,531	174,036
Stationeries, postage, printing and consumables	68,628	6,174	58,664	6,174
	3,178,267	**1,506,582**	**2,962,721**	**1,506,582**

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

16 Income tax	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
In thousands of Naira				
Current tax expense				
Corporate income tax	167,954	114,175	145,813	114,175
IT tax	52,177	23,736	52,177	23,736
Education tax	15,004	-	13,298	-
Prior year's under provision	1,613	2,510	1,613	2,510
	236,748	140,421	212,901	140,421
Deferred tax expense				
Origination of temporary differences (see note 29)	(52,839)	(1,032,644)	(48,296)	(1,032,644)
Total income tax expense	**183,909**	**(892,223)**	**164,605**	**(892,223)**

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

	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
Balance at the beginning of the year	**137,911**	**96,382**	**137,911**	**96,382**
Tax liability coming from acquired subsidiary	135,551	-	-	-
Tax paid	(242,810)	(98,892)	(139,524)	(98,892)
Income tax charge	235,136	137,911	211,288	137,911
Prior year's under provision	1,613	2,510	1,613	2,510
Withholding tax utilization	(3,557)	-	-	-
Balance at the end of the period	**263,844**	**137,911**	**211,288**	**137,911**

Income tax liability is to be settled within one period

In thousands of Naira	Group Dec-16			Bank Dec-16		
	Reconciling Item Amount	Rate	Effect of Reconciling Item	Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax			**5,317,199**			**5,197,500**
Income tax using the domestic tax rate		30%	1,595,160		30%	1,559,250
Tax effects of :						
Minimum tax	167,954.12	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	750,210.17	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%	(1,458,490)
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**

	Group Dec-15	Group Dec-15	Bank Dec-15	Bank Dec-15
In thousands of Naira				
Profit before income tax	**2,330,177**	**2,330,177**	**2,330,177**	**2,330,177**
Income tax using the domestic tax rate	30%	699,053	30%	699,053
Tax effects of :				
IT tax	1%	23,736	1%	23,736
Deferred tax	-44%	(1,032,644)	-44%	(1,032,644)
Income not subject to tax	-30%	(699,053)	-30%	(699,053)
Prior year under provision	0%	2,510	0%	2,510
Effective tax rate	**-38%**	**(892,223)**	**-38%**	**(892,223)**

17 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

In thousands of Naira	Group Dec-16	Group Dec-15	Bank Dec-16	Bank Dec-15
Profit for the period from continuing operations	5,133,290	3,222,400	5,032,895	3,222,400
Weighted average number of ordinary shares in issue	5,032,405	4,854,118	5,032,405	4,854,118
Weighted average number of treasury Shares	-	(209,232)		
	5,032,405	4,644,886	5,032,405	4,854,118
In kobo per share				
Basic earnings per share from continuing operations (annualised)	102	69	100	66

18 Cash and balances with Banks

In thousands of Naira	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
Balances with Banks (see note (i))	5,181,291	162,945	5,163,814	162,945
Unrestricted balances with central Banks	474,601	2,832,000	474,601	2,832,000
	5,655,892	**2,994,945**	**5,638,415**	**2,994,945**

(i) Included in cash on hand and balances with Banks is an amount of N4.821Bn (31 Dec 2015: nil) 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 under other liabilities (see Note 33). This has been excluded for cash flow purposes.

19	Due from financial institutions In thousands of Naira	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
	Money market placements	**16,246,877**	**20,775,798**	**16,246,877**	**20,775,798**

Money market placement comprise the of placement 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	Non pledged trading assets In thousands of Naira	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
	Treasury bills	3,286,430	-	3,286,430	-
	Government bonds	157,140	-	157,140	-
		3,443,570	**-**	**3,443,570**	**-**
	Current	3,308,057		3,308,057	
	Non Current	135,513	-	135,513	-
		3,443,570	**-**	**3,443,570**	**-**

21 Investment securities

(a)	Available for sale investment securities	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
	In thousands of Naira				
	Debt securities				
	Federal government bonds	7,340,178	3,592,709	7,340,178	3,592,709
	Treasury bills	3,065,482	6,338,065	2,230,378	6,338,065
	State government bonds	5,447,604	50,543	4,721,194	50,543
	Corporate bonds	2,473,624	2,482,034	2,473,624	2,482,034
		18,326,888	12,463,351	16,765,374	12,463,351
	Equity securities				
	Equity securities with readily determinable fair values (i)	145,359	139,659	94,746	139,659
	Unquoted equity securities at cost (see (i))	49,120	8,104	20,245	8,104
		18,521,367	12,611,114	16,880,365	12,611,114
	Specific allowance for impairment on equity securities	(27,537)	-	(20,179)	-
		18,493,830	**12,611,114**	**16,860,186**	**12,611,114**

(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. 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.

(b) **Held to maturity investment securities**
In thousands of Naira

Debt securities				
Federal government bonds	15,257,502	11,746,851	15,257,502	11,746,851
	15,257,502	11,746,851	15,257,502	11,746,851
Total	33,751,332	24,357,965	32,117,688	24,357,965
Current	9,324,600	8,734,192	7,690,956	8,734,192
Non Current	24,426,732	15,623,773	24,426,732	15,623,773
	33,751,332	**24,357,965**	**32,117,688**	**24,357,965**

22 Pledged assets

In thousands of Naira	**Group Dec-16**	**Group Dec 2015**	**Bank Dec-16**	**Bank Dec 2015**
Government bonds	5,779,310	-	5,779,310	-
Treasury bills	8,453,138	20,086,561	8,453,138	20,086,561
	14,232,448	20,086,561	14,232,448	20,086,561
Current	9,242,630	13,044,322	9,242,630	13,044,322
Non Current	4,989,818	7,042,239	4,989,818	7,042,239
	14,232,448	**20,086,561**	**14,232,448**	**20,086,561**
The related liability for assets pledged as collateral include:				
Deposits from financial institutions	**18,637,966**	**22,852,261**	**18,637,966**	**22,852,261**

(i) The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. All collateral agreements mature within 12 months. Also included in pledged assets are assets pledged as collateral or security deposits to clearing house and payment agencies of N1Bn (31 December 2015: NIL) 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 2016, the Bank held N11.99 Bn (31 December 2015: N20.84) worth of collateral. These have not been recognised in this financial statement

	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
Current	8,453,138	20,086,561	8,453,138	20,086,561
Non Current	5,779,310	-	5,779,310	-
	14,232,448	**20,086,561**	**14,232,448**	**20,086,561**

23 Loans and advances to customers

a Group

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
Carrying Value	**22,766,416**	**-**	**(59,855)**	**(59,855)**	**22,706,561**

December 2015 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	89,523	-	-	-	89,523
Overdraft	-	-	-	-	-
Personal Loan	45,876	(9,839)	(7)	(9,846)	36,030
	135,399	**(9,839)**	**(7)**	**(9,846)**	**125,553**
Loans to corporate entities and other organizations					
Overdraft	-	-	-	-	-
Term Loan	2,349,983	-	(68)	(68)	2,349,915
	2,349,983	-	(68)	(68)	2,349,915
		-	-		
	2,485,382	**(9,839)**	**(75)**	**(9,914)**	**2,475,468**

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**

Bank

December 2015 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	89,523	-	-	-	89,523
Personal Loan	45,876	(9,839)	(7)	(9,846)	36,030
	135,399	(9,839)	(7)	(9,846)	125,553
Loans to corporate entities and other organizations					
Overdraft	-	-	-	-	-
Term Loan	2,349,983	-	(68)	(68)	2,349,915
	2,349,983	-	(68)	(68)	2,349,915
	2,485,382	**(9,839)**	**(75)**	**(9,914)**	**2,475,468**

Impairment on loans and advances to customers

	Specific allowances		Collective allowances	
In thousands of Naira	Dec 2016	Dec 2015	Dec 2016	Dec 2015
Balance, beginning of period	9,840	3,181	75	-
Impairment charge for the period	-	8,559	59,780	75
Write-offs	-	-	-	-
Provision no longer required	(9,840)	(1,900)	-	-
Balance end of period	**-**	**9,840**	**59,855**	**75**

	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
Current	22,717,024	2,479,990	22,717,024	2,485,382
Non Current	49,392	-	49,392	-
	22,766,416	**2,485,382**	**22,766,416**	**2,485,382**

24 Other assets

	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
In thousands of Naira				
Financial assets				
Accounts receivable	169,390	5,542	407,525	5,542
	169,390	5,542	407,525	5,542
Account receivable are all current in nature				
Non-financial assets				
Prepayments	134,275	80,042	128,896	80,042
Prepaid employee benefits	52,250	117,674	52,250	117,674
	186,525	197,716	181,146	197,716
Gross other assets	**355,915**	**203,258**	**588,671**	**203,258**

25 Investment in subsidiaries

(a) Group entities

Set out below are the group's subsidiaries as at 31 December 2016. 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.

	Country of incorporation	Bank Dec-16		Bank Dec 2015	
		% Holding	**N'000**	**% Holding**	**N'000**
Staff trust scheme	Nigeria	-	-	100%	520,260
Coronation Securities Limited	Nigeria	100%	1,314,711	100%	-
Coronation Asset Management Limited	Nigeria	100%	2,000,000	100%	-
			3,314,711		**520,260**

The Group operated a staff share scheme, through a special purpose entity (SPE), up to March 2013. The scheme was however cancelled and staff rights monetised and paid out. The shares were held in the scheme as treasury shares. These shares have been alloted to the shareholders in the year.

During the year, the Bank acquired 100% stake in Coronation Securities Limited (formerly Marina Securities Stockbroking Services Limited (MSSSL)), a stock broking and investment advisory firm.

Also during the year, the Bank set up Coronation Asset management Limited, an asset management firm to provide fund and portfolio management services to institutions and individuals.

The transactions have significantly increased the group's market share in this industry and complements the group's existing core business.

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 as at 31 December 2016, are as follows:

	Coronation Securities	**Coronation Asset Management**
Condensed profit and loss		
In thousands of naira		
Operating income	327,440	138,235
Net impairment on financial assets	-	-
Operating expenses	(247,285)	(98,688)
Profit before tax	80,155	39,547
Taxation	(19,304)	-
Profit for the year	60,851	39,547
Other comprehensive income	(11,845)	-
Total comprehensive income /(loss)	49,006	39,547
Condensed statement of Financial Position		
Cash and balances with Banks	869,848	306,601
Investment securities	283,632	1,357,368
Loans and advances to customers	(7,359)	-
Other asset	106,636	22,053
Investment properties	-	686,865
Intangible assets	12,210	-
Property and equipment	14,874	31,049
Total asset	**1,279,841**	**2,403,936**

Financed by:		
Due to customers	489,114	-
Current income tax liability	52,555	-
Other liabilities	48,662	364,389
Deferred tax liability	2,488	-
Equity	687,021	2,039,547
Total liabilities and equity	**1,279,840**	**2,403,936**
Net cashflow from operating activities	31,349	384,605
Net cashflow from investing activities	(167,973)	(2,078,004)
Net cashflow from financing activities	412,500	2,000,000
Increase in cash and cash equivalents	275,876	306,601
Cash and cash equivalent, beginning of year	**593,973**	**-**
Cash and cash equivalent, end of year	**869,849**	**306,601**

(c) Acquisition of Subsidiary

The Bank acquired Coronation Securities Limited during the year. Details of the acquisition is as provided below;

Acquisition of Coronation Securities Limited
On the 29th of February 2016, Coronation Merchant Bank acquired 100% equity interest in Coronation Securities Limited (formerly Marina Securities Stockbroking Services Limited (MSSSL)). The newly acquired subsidiary provides stock brokerage and investment advisory services to various clients. This acquisition will enhance the performance of the group especially from fees and commission on the various services performed for the clients. The accounting for the acquistion of the subsidiary resulted in a goodwill of about N675 million and has been recognised in the consolidated financial statements.

Acquisition consideration
The table below summarises the consideration paid for the subsidiaries, the fair value of the assets acquired, liabilities assumed at the acquisition date.

The goodwill of about N675m arise as a result of factors such as expected synergy through combining a highly skilled workforce and obtaining economics of scale.

The fair values of the acquired assets and liabilities, including goodwill have been finalised in the current year.

In thousands of naira	Coronation Securities Access UK
Consideration	
Shares	800,000
Contingent	102,211
Total consideration	902,211
Fair value of net assets	226,838
Goodwill on acquisition	675,373

As at 31 December 2016, the contingent consideration has been paid down to 16.65million as the conditions precedent to the payment were met in the year

Recognised amounts of identifiable assets acquired and liabilities assumed at fair value are as follows;

In thousands of naira	Coronation Securities
Consideration	
Cash at Bank	367,538
Statutory deposit	1,780
Prepayments	16,022
Receivables	55,042
Stockbroking debtors	78,018
Investment	359,109
Property and equipment	35,641
Intangible assets	14,882
Stockbroking creditors	(500,890)
Other liabilities	(57,720)
Tax payable	(106,844)
Capital gain tax	(28,708)
Deferred Tax Liability	(7,032)
	226,838

Coronation Asset Management is an asset management entity incorporated on October 2, 2015 under laws of Federal Republic of Nigeria. The company is registered with the Securities and Exchange Commission to provide fund and portfolio management services to institutions and individuals.

26 Investment properties

	Group Dec-16	Group Dec 2015	Bank Dec-16	Bank Dec 2015
Opening balance at 1 January	-	-	-	-
Acquisitions	634,975	-	-	-
Capitalised subsequent expenditure	51,890	-	-	-
Closing balance at 31 December	**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 measurable 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.

27 Intangible assets

Group In thousands of Naira	Goodwill	Purchased Software	Total
Cost			
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**
December 2015			
Balance at 1 January 2015	-	109,048	109,048
Acquisitions	-	432,810	432,810
Disposal/write-off		(29,189)	(29,189)
Balance at 31 December 2015	**-**	**512,669**	**512,669**
Amortization and impairment losses			
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**
Balance at 1 January 2015	-	64,841	64,841
Amortization for the period		88,582	88,582
Write off	-	(29,189)	(29,189)
Balance at 31 December 2015	**-**	**124,234**	**124,234**
Net Book Value			
Balance at 31 December 2016	**675,373**	**475,616**	**1,150,989**
Balance at 31 December 2015	**-**	**388,435**	**388,435**

Bank

	Purchased	Total
In thousands of Naira	**Software**	
Cost		
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**
December 2015		
Balance at 1 January 2015	109,048	109,048
Acquisitions	432,810	432,810
Disposal/write-off	(29,189)	(29,189)
Balance at 31 December 2015	**512,669**	**512,669**
Amortization and impairment losses		
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**
Balance at 1 January 2015	64,841	64,841
Amortization for the period	88,582	88,582
Write off	(29,189)	(29,189)
Balance at 31 December 2015	124,234	124,234
Net Book Value		
Balance at 31 December 2016	**463,406**	**463,406**
Balance at 31 December 2015	**388,435**	**388,435**

Ammortization method used is straight line.

27b Intangible assets

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

In thousands of Naira	December 2016	December 2015
Coronation Securities Limited	675,373	-
	675,373	-

There were no capitalised borrowing costs related to the internal development of software during the period ended 31 December 2016 (31 December 2015: nil). The recoverable amount of Goodwill as at 31 December 2016 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 2016 (31 December 2015: Nil)

The recoverable amount of Goodwill as at 31 December 2016 was greater than its carrying amount and is thus not impaired.

The recoverable amount was determined using a value-in-use computation as N6.83Bn.

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 2016 are as follows:

	Coronation Securities Limited
Cummulative annual volume growth (i)	**7.00%**
Long term growth rate (ii)	**1.10%**
Discount rate (ii)	**26.72%**

(i) Cummulative annual volume growth rate in the initial four-year period.

(ii) 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 this 5-year period.

Discount Rate

Pre-tax discount rate of 26.72% was applied in determining the recoverable amounts for the only entity with goodwil (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	(721,101)	906,775
Impact of change in growth rate on value-in-use computation	12,169	(12,068)

28 Property and equipment

Group
In thousands of Naira

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Building	Land	Work in Progress	Total
Cost								
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**
Balance at 1 January 2015	37,055	137,102	56,962	168,251	-	-	64,033	463,403
Acquisitions	4,908	129,615	1,345	155,267	-	-	1,375,562	1,666,697
Disposals	(17,550)	(88,394)	(3,504)	(98,979)	-	-	-	(208,427)
Balance at 31 December 2015	**24,413**	**178,323**	**54,803**	**224,539**	**-**	**-**	**1,439,595**	**1,921,673**

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Building	Land	Work in Progress	Total
Depreciation and impairment losses								
Balance at 1 January 2016	19,016	58,293	52,948	58,916			-	189,173
Charge for the period	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**
Balance at 1 January 2015	33,995	114,375	54,613	95,315			-	298,298
Charge for the year	2,552	29,590	1,835	46,748			-	80,725
Disposal	(17,531)	(85,672)	(3,500)	(83,147)			-	(189,850)
Write-Offs								-
Balance at 31 December 2015	**19,016**	**58,293**	**52,948**	**58,916**	**-**	**-**	**-**	**189,173**
Carrying amounts:								
Balance at 31 December 2016	**74,835**	**265,125**	**250,642**	**370,427**	**1,865,562**	**220,000**	**-**	**3,046,591**
Balance at 31 December 2015	**5,397**	**120,030**	**1,855**	**165,623**	**-**	**-**	**1,439,595**	**1,732,500**

Bank

In thousands of Naira

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Building	Land	Work in Progress	Total
Cost								
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**
Balance at 1 January 2015	37,055	137,102	56,962	168,251	-	-	64,033	463,403
Acquisitions	4,908	129,615	1,345	155,267	-	-	1,375,562	1,666,697
Disposals	(17,550)	(88,394)	(3,504)	(98,979)	-	-	-	(208,427)
Balance at 31 December 2015	**24,413**	**178,323**	**54,803**	**224,539**	**-**	**-**	**1,439,595**	**1,921,673**

Depreciation and impairment losses	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Building	Land	Work in Progress	Total
Balance at 1 January 2016	19,016	58,293	52,948	58,916	-	-	-	189,173
Charge for the period	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**
Balance at 1 January 2015	33,995	114,375	54,613	95,315	-	-	-	298,298
Charge for the year	2,552	29,590	1,835	46,748	-	-	-	80,725
Disposal	(17,531)	(85,672)	(3,500)	(83,147)	-	-	-	(189,850)
Write-Offs								-
Balance at 31 December 2015	**19,016**	**58,293**	**52,948**	**58,916**	**-**	**-**	**-**	**189,173**
Carrying amounts:								
Balance at 31 December 2016	**71,952**	**263,656**	**250,416**	**329,081**	**1,865,563**	**220,000**	**-**	**3,000,668**
Balance at 31 December 2015	**5,397**	**120,030**	**1,855**	**165,623**	**-**	**-**	**1,439,595**	**1,732,500**

29 Deferred tax assets and liabilities

(a) Group

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(103,146)	2,488	2,488	129,552	-	129,552
Allowances/(Reversal) for loan losses	21,665	-	-	(30,665)	-	(30,665)
Tax loss carry forward	5,347,105	-	-	5,118,307	-	5,118,307
Exchange gain/(loss) unrealised	(134)	-	-	-	-	-
Net Deferred tax assets	**5,265,490**	**2,488**	**5,267,978**	**5,217,194**	**-**	**5,217,194**

(b) Bank

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	2016			2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	(103,146)	-	(103,146)	129,552	-	129,552
Allowances/(Reversal) for loan losses	21,665	-	21,665	(30,665)	-	(30,665)
Tax loss carry forward	5,347,105	-	5,347,105	5,118,307	-	5,118,307
Exchange gain/(loss) unrealised	(134)	-	(134)	-	-	-
Net defered tax assets/(liabilities)	**5,265,490**	**-**	**5,265,490**	**5,217,194**	**-**	**5,217,194**

	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
Deferred income tax assets				
– Deferred income tax asset to be recovered after more than 12 months	5,243,959	5,247,859	5,243,959	5,247,859
– Deferred income tax asset to be recovered within 12 months	21,531	(30,665)	21,531	(30,665)
	5,265,490	**5,217,194**	**5,265,490**	**5,217,194**
Deferred income tax liabilities				
– Deferred income tax liability to be recovered after more than 12 months	2,488	-	-	-
– Deferred income tax liability to be recovered within 12 months	-	-	-	-
	2,488	**-**	**-**	**-**

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

In thousands of Naira

GROUP 31 December 2016	**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)	4,543		(2,489)
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	**52,839**	**-**	**5,263,001**

Bank	**1 Jan 2016**	**Recognised in P&L**	**Recognised OCI**	**31 Dec 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**

31 December 2015 GROUP	1 Jan 2015	Recognised in P&L	Recognised OCI	31 Dec 2015
PPE and intangible assets	101,408	28,144	-	129,552
Allowances for loan losses	954	(31,619)	-	(30,665)
Tax loss carry forward	4,082,188	1,036,119	-	5,118,307
	4,184,550	**1,032,644**	**-**	**5,217,194**

Bank	1 Jan 2015	Recognised in P&L	Recognised OCI	31 Dec 2015
PPE and intangible assets	101,408	28,144	-	129,552
Allowances for loan losses	954	(31,619)	-	(30,665)
Tax loss carry forward	4,082,188	1,036,119	-	5,118,307
	4,184,550	**1,032,644**	**-**	**5,217,194**

The Group has assessed that based on the projected income from investment securities for the financial year 2017 - 2020, the deferred tax asset of N5.265 billion for the year ended 31 December 2016 representing 37.5% of the total deferred tax available of N14.04 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.

30. Assets classified as held for sale

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

(a) Non-current assets held for sale

The properties were independently valued by Kene Onuora Consulting Estate Surveyors and Valuers. The market value of the Oniru property at 18 December, 2014 was N19,180,800, while the market value of the Sagamu Papalanto property also on 18 December, 2014 was N29,575,000, using open market valuation. The determination of the fair values of the properties were supported by market evidence. The Valuation Technique used by the valuer is Market Approach using Level 2 Inputs.

During the year it came to the notice of the Bank that it no longer holds the ownership rights to the Oniru property but a 15-year operating leasehold rights. Hence this has been reclassified to prepayments and amortised over the period of the lease.

In thousands of Naira	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
Balance at 1 January 2015	48,756	48,756	48,756	48,756
Reclassification	(19,181)	-	(19,181)	-
Balance at 31 December 2016	**29,575**	**48,756**	**29,575**	**48,756**

31	**Deposits from financial institutions In thousands of Naira**	**Group December 2016**	**Group December 2015**	**Bank December 2016**	**Bank December 2015**
	Secured takings	18,637,966	22,852,261	18,637,966	22,852,261
		18,637,966	**22,852,261**	**18,637,966**	**22,852,261**

Deposit from financial institutions are all current in nature

32	Due to customers In thousands of Naira	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
	Current deposit	6,941,139	971,609	7,575,055	971,609
	Call deposit	1,965,067	1,024,502	1,971,608	1,024,502
	Customers' investment fund	44,570,703	32,881,179	44,600,103	32,881,179
		53,476,909	**34,877,290**	**54,146,766**	**34,877,290**

Due to customers are all current in nature

33 Other liabilities

In thousands of Naira	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
Financial liabilities				
Sundry creditors	101,554	169,999	70,926	169,999
Trade related liabilities[1]	4,821,365	-	4,821,365	-
Other financial liabilities[2]	2,392,621	1,954	2,390,997	1,954
	7,315,540	171,953	7,283,288	171,953
Non-financial liabilites				
Other current non-financial liabilities	997,651	4,724	979,615	4,724
	997,651	4,724	979,615	4,724
Total other liabilities	**8,313,191**	**176,677**	**8,262,903**	**176,677**

Other liabilies are all current in nature

[1] This represents the Naira value of foreign currencies held on behalf of customers to cover letter of credit transactions

[2] Included in other financial liabilities are collateral worth N1.35 Billion (2015: NIL) held in respect of outstanding non-deliverable forwards between the Bank's customers and CBN

34. Capital and reserves

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

A	Share capital In thousands of Naira	Bank December 2016	Bank December 2015
(a)	Authorised:		
	Ordinary shares:		
	10,000,000,000 Ordinary shares of N1 each	10,000,000	10,000,000
		-	-
		10,000,000	10,000,000

	In thousands of Naira	Bank December 2016	Bank December 2015
(b)	Issued and fully paid-up :		
	5,050,546,281 ordinary shares of N1 each	5,050,546	4,854,118

Ordinary shareholding:

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to vote at meetings of the Bank. All ordinary shares rank pari-passu with the same rights and benefits at meetings of the Bank.

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

In thousands of units	Group December 2016	Group December 2015
Balance, beginning of year	4,854,118	4,854,118
Additions through share issuance	196,428	-
Balance, end of year	5,050,546	4,854,118

Preference shareholding:

Preference shares do not carry the right to vote. Preference shareholders have priority over ordinary shareholders with regard to the residual assets of the Bank and participate only to the extent of the face value of the shares plus any accrued dividends. No preference shares were in issue as at the end of the reporting period.

The movement on the issued and fully paid-up share capital account during the period was as follows:

In thousands of Naira	Bank December 2016	Bank December 2015
Balance, beginning of year	4,854,118	4,854,118
Additions through share issuance	196,428	-
Balance, end of period	**5,050,546**	**4,854,118**

B Share premium

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

In thousands of Naira	Group December 2016	Group December 2015
Balance, beginning of year	3,331,241	3,331,241
Additions through share issuance	324,107	-
Balance, end of year	**3,655,348**	**3,331,241**

Reserves

(i) Other Reserves

Other regulatory reserves

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.

(iii) Treasury shares

Relates to shares held by the staff trust scheme. The staff trust scheme is a special purpose entity (SPE) controlled by Coronation Merchant Bank. This scheme was discontinued by the Bank in 2014 and the shares warehoused by the Bank. During the year, the warehoused shares were issued to shareholders as part of the acquisition of Coronation Securities Limited.

(v) Fair value reserve

The fair value reserve comprises the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

(vii) 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.

(viii) Retained earnings

Retained earnings are the carried forward recognised income net of expenses plus current period profit attributable to shareholders.

35 Contingencies

Legal proceedings

There was one outstanding legal proceeding with claims amounting to N43.918million against the Group as at 31 December 2016. 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 December 2016.

a. These comprise:	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
In thousands of Naira				
Contingent liabilities:				
Commitments:				
Software Acquisition	44,375	61,745	44,375	61,745
Merchant Bank Building Set-up (Planning and fit-out for Head Office)	-	922,015	-	922,015
Investment property	3,750	-	-	-
	48,125	**983,760**	**44,375**	**983,760**

Operating lease commitments

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	Group December 2016	Group December 2015	Bank December 2016	Bank December 2015
No later than one year	36,582	9,109	36,582	9,109
Later than one year and no later than five years	-	9,010	-	9,010
	36,582	**18,119**	**36,582**	**18,119**

36. Related party transactions

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

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 company included in the Group comprise the following:

Ownership interest (%)

	31 Dec 2016	31 Dec 2015
Staff share trust	-	100%
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:

(i) Changes in the Board of Directors

36a Related party oustanding balances

The transactions entered into with related parties in the normal course of business include deposits and other product placements, treasury bills and bonds dealings, Repo and reverse repo transactions.

(i) Changes in the Board of Directors
There were no changes in the Board during the year

(ii) Changes in the shareholding
During the year the following changes took place in the related party share holdings in the Bank:

	Number of ordinary shares held	% Holding	Number of ordinary shares held	% Holding
	2016		**2015**	
Marina Securities Limited	1,146,884,889	23%	902,834,743	19%
United Securities Limited	407,836,646	8%	350,000,000	7%
Abubakar Aribidesi Jimoh	103,773,585	2%	-	-
Trust and Capital Limited	-	0%	672,530,309	14%
Coronation Capital(Mauritius)Ltd	672,530,309	13%	-	-
	2,331,025,429	**46%**	**1,925,365,052**	**26%**

Other account balances with related and non-related parties are stated below:

(iii) Customer investment fund and deposits from related parties	Relationship	31 Dec 2016 N'000	31 Dec 2015 N'000
United Securities Limited	Shareholder	4,202,947	4,345,976
Wapic Insurance Plc	Shareholder	96,863	502,668
Coronation Securities Limited	Subsidiary	852,371	-
Coronation Asset management Limited	Subsidiary	305,217	-
Key management personnel	Employee	18,884	8,914
Directors	Directorship	60,787	5,625
		5,537,070	**4,863,183**

	Directors	Key management personnel	Shareholders and other affiliated companies
- Movement in related party deposit			
Year ended 31December 2016			
At 1 January	5,625	8,914	4,848,644
Net funds received during the year	55,162	9,970	608,755
At 31 December 2016	60,787	18,884	5,457,399
Interest expense	560	48	40,559
Year ended 31 December 2015			
At 1 January	-	27,967	11,532,375
Funds received during the year	5,625	-	-
Funds repaid during the year	-	(19,053)	(6,683,731)
At 31 December	**5,625**	**8,914**	**4,848,644**
Interest expense	25	11	136,643

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.

36b Loans to related parties

Balances and transactions with related party as at:

Group Relationship	Facility type	Status	31 Dec 2016	31 Dec 2015
Executive management and director	Mortgage, Personal and Car loan	Performing	200,847	98,120
Other key management personnel		Performing	103,725	7,127
			304,572	**105,247**
Interest earned on staff loan			**6,224**	**18,863**

Bank Relationship	Facility type	Status	31 Dec 2016	31 Dec 2015
Executive management and director	Mortgage, Personal and Car loan	Performing	200,847	98,120
Other key management personnel		Performing	103,725	7,127
			304,572	105,247
Interest earned on staff loan			**6,224**	**18,863**

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.

36c Key management compensation

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Salaries and other short-term employee benefits:				
Salaries and wages	655,367	215,566	589,659	215,566
Other staff benefits	37,509	19,825	33,912	19,825
	692,876	**235,391**	**623,571**	**235,391**

36d Insider related credits

In compliance with Central Bank Of Nigeria circular BSD/1/2004 on Insider related credits, the Bank had the following Insider related credits during the year.

	Group 31 Dec 2016	Group 31 Dec 2015	Bank 31 Dec 2016	Bank 31 Dec 2015
Directors	200,847	98,120	200,847	98,120
Key management personnel and other employees	103,725	7,127	103,725	7,127
	304,572	105,247	304,572	105,247

Insiders include Directors and close family members , significant shareholders (with holdings of at least 5%) and employees.

37 Employees

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

	GROUP Number Dec-16	GROUP Number Dec-15	Bank Number Dec-16	Bank Number Dec-15
Executive Directors	1	1	1	1
Management	17	11	13	11
Non-management	64	36	47	36
	82	48	61	48
Compensation for the above staff (excluding executive Directors):				
	Group	**Group**	**Bank**	**Bank**
	N'000	N'000	N'000	N'000
	Dec-16	Dec-15	Dec-16	Dec-15
Salaries and wages	1,132,110	491,448	1,007,979	491,448
Pension cost - defined contribution scheme	76,460	33,100	69,532	33,100
Other staff related expenses	-	-	-	-
	1,208,570	**524,548**	**1,077,511**	**524,548**

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

	NumberDec-16	**Number Dec-15**
N300,001 - N2,000,000	17	28
N2,000,001 - N2,800,000	10	6
N2,800,000 - N3,500,000	11	6
N3,500,001 - N5,500,000	15	3
Above N5,5,000,0000	28	3
	81	46

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 14% respectively of the employees' basic salary, housing and transport allowances.

38 Directors' emoluments and expenses

Remuneration paid to the Directors (excluding certain allowances) was:	GROUP	
	31 Dec 2016	**31 Dec 2015**
Fees and sitting allowances	81,843	47,463
Executive compensation	65,612	44,847
Pension cost - defined contribution scheme	8,621	5,071
Other director expenses	-	-
	156,076	**97,381**

Fees and other emoluments disclosed above include amounts paid to:		
	31 Dec 2016	**31 Dec 2015**
Chairman	28,798	10,945
Highest paid director	**65,612**	**44,847**

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

	Number	
	31 Dec 2016	**31 Dec 2015**
N3,500,001 - N5,500,000	-	6
Above N5,5,000,0000	7	1
	7	**7**

39 Compliance with Banking regulation

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

DESCRIPTION	AMOUNT
Non-disclosure of an unsettled intra-day lending facility (ILF) transaction	2,000,000
Breaches in rendition of report on status of external auditors management letter recommendations.	2,000,000
Same day - late submission of daily returns	25,000
Same day - late submission of daily returns	25,000
	4,050,000

40 Dividends

A dividend in respect of the year ended 31 Dec 2016 of 15 kobo per share (2015: 10.5 kobo) amounting to a total dividend of N757.6 million (2015: 487.7 million) is to be approved by the shareholders. These financial statements do not reflect this dividend payable.

41 Events after statement of financial position date

There were no events after the reporting date

Other National Disclosures - Group

For The Year Ended 31 December 2016

Group	31 Dec 2016		31 Dec 2015	
	N'000	%	N'000	%
Gross income	15,194,225		11,250,434	
Interest paid	(5,420,070)		(6,882,393)	
	9,774,155		4,368,041	
Impairments	(70,119)		(6,734)	
Administrative expenses	(4,386,837)		(2,019,134)	
Value added	**5,317,199**	**100**	**2,342,173**	**100**
Value added distribution				
To government				
- Income taxes	242,810	5%	98,891	4%
- IT Levy	53,172	1%	23,302	1%
To employees				
- Salaries and other benefits	1,208,570	23%	524,548	22%
The future:				
- Depreciation of property and equipment	357,279	7%	169,307	7%
- Deferred tax	52,839	1%	(1,032,644)	-44%
Expansion (transfer to reserves)	3,402,529	64%	2,558,769	109%
	5,317,199	**100**	**2,342,173**	**100**

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

Other National Disclosures - Bank

For The Year Ended 31 December 2016

Bank	31 Dec 2016		31 Dec 2015	
	N'000	%	N'000	%
Gross income	14,791,975		11,237,175	
Interest paid	(5,484,124)		(6,882,393)	
	9,307,851		4,354,782	
Impairments	(70,119)		(6,734)	
Administrative expenses	(4,040,232)		(2,019,134)	
Value added	**5,197,500**	**100**	**2,328,914**	**100**
Value added distribution				
To government				
- Income taxes	139,524	3%	98,892	4%
- IT Levy	51,975	1%	23,302	1%
To employees				
- Salaries and other benefits	1,077,511	21%	524,548	23%
The future:				
- Depreciation of property and equipment	339,136	7%	169,307	7%
- Deferred tax	48,296	1%	(1,032,644)	-44%
Expansion (transfer to reserves)	3,541,058	68%	2,545,510	109%
	5,197,500	**100**	**2,328,914**	**100**

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

Other National Disclosures:
Five Year Financial Summary - Group

GROUP	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
Assets					
Cash and balances with Banks	5,655,892	2,994,945	691,463	(2,275,360)	568,300
Due from financial institutions	16,246,877	20,775,798	10,878,893	13,392,874	9,905,052
Financial assets held for trading	3,443,570	-	470,490	9,622,924	27,340,940
Investment securities:					
Held-to-maturity	15,257,502	11,746,851	16,402,421	8,728,382	10,237,015
Available for sale securities	18,493,830	12,611,114	8,332,907	13,374,599	1,133,062
Pledged assets	14,232,448	20,086,561	32,296,487	21,366,884	38,049,747
Loans and advances to customers	22,706,561	2,475,468	413,078	1,736,058	6,654,288
Other assets	355,915	203,258	194,887	459,840	1,674,472
Intangible assets	1,150,989	388,435	44,207	65,174	1,077
Property, plant and equipment	3,046,591	1,732,500	165,106	124,911	132,347
Investment properties	686,865	-	-	-	-
Investment in subsidiaries	-	-	-	-	-
Deferred tax asset	5,265,490	5,217,194	4,184,550	4,098,254	2,685,900
	106,542,530	78,232,124	74,074,489	70,694,540	98,382,200
Assets held for sale	29,575	48,756	48,756	48,756	37,335
Total assets	**106,572,105**	**78,280,880**	**74,123,245**	**70,743,296**	**98,419,535**

Liabilities					
Due to financial institutions	18,637,966	22,852,261	36,645,218	21,528,055	49,615,998
Due to customers	53,476,909	34,877,290	20,620,987	39,331,967	41,350,639
Current income tax liabilities	263,844	137,911	96,382	68,812	53,242
Other liabilities	8,313,191	176,677	233,301	279,402	670,876
Deferred tax asset	2,488				
Total liabilities	**80,694,398**	**58,044,139**	**57,595,888**	**61,208,236**	**91,690,755**
Equity					
Share capital	5,050,546	4,854,118	4,854,118	2,784,600	2,784,600
Share premium	3,655,348	3,331,241	3,331,241	90,281	90,281
Statutory reserve	5,478,651	3,968,782	3,002,062	2,760,482	2,292,145
Treasury stock	-	(520,260)	(520,260)	(520,260)	(209,232)
Available for sale reserve	911,194	443,156	(43,828)	(115,112)	(70,190)
Credit risk reserve	397,224	60,948	113,890	151,289	149,710
Retained earnings	10,384,744	8,098,756	5,790,134	4,383,780	1,691,466
Total equity	25,877,707	20,236,741	16,527,357	9,535,060	6,728,780
Total equity and liabilities	106,572,105	78,280,880	74,123,245	70,743,296	98,419,535

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2016	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012
Continuing operations	N'000	N'000	N'000	N'000	N'000
Interest and similar income	13,422,704	11,169,291	11,597,365	17,636,453	17,999,723
Interest and similar expense	(5,420,070)	(6,882,393)	(8,736,442)	(14,996,017)	(15,627,993)
Net interest income	8,002,634	4,286,898	2,860,923	2,640,436	2,371,730
Impairment (charge) / write back for credit losses	(70,119)	(6,734)	21,842	1,049	(24,915)
Net interest income after impairment charge for on financial assets	7,932,515	4,280,164	2,882,765	2,641,485	2,346,815
Fee and commission income	1,187,193	65,701	29,679	36,162	180,957
Net gains on investment securities	**308,257**	**1,263**	**(5,273)**	**67,993**	**(161,417)**
Net foreign exchange income	220,716				
Gain on sale of subsiary	-	-	-	160,473	-
Other operating income	55,355	2,183	5,476	149,355	195,638
Operating expenses	(4,386,837)	(2,019,134)	(1,291,585)	(1,252,735)	(1,337,186)
Profit before tax	5,317,199	2,330,177	1,621,062	1,802,733	1,224,807
Income tax	(183,909)	892,223	(10,527)	1,319,512	878,323
Profit for the year	**5,133,290**	**3,222,400**	**1,610,535**	**3,122,245**	**2,103,130**

Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value gains/(losses) on available for sale financial assets	947,329	444,062	71,284	(44,922)	351,274
Other comprehensive income for the year (net of tax)	947,329	444,062	71,284	(44,922)	351,274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,080,619**	**3,666,462**	**1,681,819**	**3,077,323**	**2,454,404**

Other National Disclosures:
Five Year Financial Summary - Bank

Bank

	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
Assets					
Cash and balances with Banks	5,638,415	2,994,945	691,463	(2,275,360)	567,973
Due from financial institutions	16,246,877	20,775,798	10,878,893	13,392,874	9,905,052
Financial assets held for trading	3,443,570	-	470,490	9,622,924	27,340,940
Investment securities					
Held-to-maturity	15,257,502	11,746,851	16,402,421	8,728,382	10,237,015
Available for sale securities	16,860,186	12,611,114	8,332,907	13,374,599	1,133,062
Pledged assets	14,232,448	20,086,561	32,296,487	21,366,883	38,049,747
Loans and advances to customers	22,706,561	2,475,468	413,078	1,736,058	6,654,288
Other assets	**588,671**	**203,258**	**194,887**	**459,840**	**1,674,472**
Intangible assets	463,406	388,435	44,207	65,174	1,077
Property, plant and equipment	3,000,668	1,732,500	165,106	124,911	132,347
Investment in subsidiaries	3,314,711	520,260	520,260	520,260	299,956
Deferred tax asset	5,265,490	5,217,194	4,184,550	4,098,254	2,685,900
	107,018,505	**78,752,384**	**74,594,749**	**71,214,799**	**98,681,829**
Assets held for sale	**29,575**	**48,756**	**48,756**	**48,756**	**37,335**
Total assets	**107,048,080**	**78,801,140**	**74,643,505**	**71,263,555**	**98,719,164**

Liabilities					
Due to financial institutions	18,637,966	22,852,261	36,645,218	21,528,055	49,615,997
Due to customers	54,146,766	34,877,290	20,620,987	39,331,967	41,521,319
Current income tax liabilities	211,288	137,911	96,382	68,812	52,671
Other liabilities	8,262,903	176,677	233,301	279,402	278,439
Total liabilities	**81,258,923**	**58,044,139**	**57,595,888**	**61,208,236**	**91,468,426**
Equity					
Share capital	5,050,546	4,854,118	4,854,118	2,784,600	2,784,600
Share premium	3,655,348	3,331,241	3,331,241	90,281	90,281
Statutory reserve	5,478,651	3,968,782	3,002,062	2,760,481	2,292,145
Available for sale reserve	923,039	443,156	(43,828)	(115,112)	(70,190)
Credit risk reserve	397,224	60,948	113,890	151,289	149,710
Retained earnings	10,284,349	8,098,756	5,790,134	4,383,780	2,004,192
	-				
Total equity	**25,789,157**	**20,757,001**	**17,047,617**	**10,055,319**	**7,250,738**
Total equity and liabilities	**107,048,080**	**78,801,140**	**74,643,505**	**71,263,555**	**98,719,164**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2016 N'000	31 Dec 2015 N'000	31 Dec 2014 N'000	31 Dec 2013 N'000	31 Dec 2012 N'000
Interest and similar income	13,321,639	11,169,291	11,597,365	17,636,453	17,983,750
Interest and similar expense	(5,484,124)	(6,882,393)	(8,736,442)	(14,996,017)	(15,627,993)
Net interest income	7,837,515	4,286,898	2,860,923	2,640,436	2,355,757
Impairment (charge) / write back for credit losses	(70,119)	(6,734)	21,842	1,049	(39,358)
Net interest income after impairment charge for on financial assets	7,767,396	4,280,164	2,882,765	2,641,485	2,316,399
Fee and commission income	931,374	65,701	29,679	36,162	156,557
Net gains on investment securities	308,257	1,263	(5,273)	67,993	(166,780)
Net foreign exchange income	220,716	-	-	-	-
Gain on sale of subsiary	-	-	-	167,548	-
Other operating income	9,989	2,183	5,476	149,355	208,332
Operating expenses	(4,040,232)	(2,019,134)	(1,291,585)	(1,261,510)	(1,210,427)
Profit before tax	**5,197,500**	**2,330,177**	**1,621,062**	**1,801,033**	**1,304,081**
Income tax	**(164,605)**	**892,223**	**(10,527)**	**1,319,512**	**909,622**
Profit for the year	**5,032,895**	**3,222,400**	**1,610,535**	**3,120,545**	**2,213,703**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value gains/(losses) on available for sale financial assets	959,174	444,062	71,284	(44,922)	332,171
Other comprehensive income for the year (net of tax)	959,174	444,062	71,284	(44,922)	332,171
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**5,992,069**	**3,666,462**	**1,681,819**	**3,075,623**	**2,545,874**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2nd Annual General Meeting of Coronation Merchant Bank Limited will hold at The George Hotel, 30, Lugard Avenue, Ikoyi, Lagos on Tuesday, 11 April 2017 at 11.00 a.m to transact the following business:

A. Ordinary Business

1. To lay before the members the Audited Consolidated Financial Statements for the year ended December 31, 2016 and the Reports of the Directors, Auditors and Audit Committee thereon;
2. To declare a final dividend
3. To re-elect Mrs Suzanne Iroche who will be retiring by rotation
4. To authorize the Directors to fix the remuneration of the Auditors.

B. Special Business

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

1. That the Directors of the Bank be and are hereby authorized to invest 5% of the Bank's Profit Before Tax for the year ended December 31, 2016, in the proposed Special Agriculture and Small Businesses Support Funding Scheme of the Central Bank of Nigeria in line with the directive from CBN

2. To approve the remuneration of the Directors of the Bank for the year
3. To approve the report of the Board Performance Appraisal for the year ended December 31, 2016.

BY ORDER OF THE Board

CORNELIA GEORGE UTUK
Company Secretary/General Counsel

NOTES

1. **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.

2. **CLOSURE OF REGISTER**
The Register of Members of the Bank will be closed on March 31, 2017 to enable the Company Secretary prepare for payment of dividend.

3. **DIVIDEND**
If the Dividend recommended by the Directors is approved by the members at the Annual General Meeting, dividend of N0.15k per share will be paid on April 14, 2017 to the Shareholders whose names appear in the Company's register at the close of business on March 31, 2017.

4. **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 10th of April 2017.

5. **PROFILE OF MRS SUZANNE IROCHE**
Mrs. Suzanne Iroche graduated from the University of Lagos with a B.Sc. Economics (Honours) and received a Post-Graduate Degree in Management from the J. L. Kellog Graduate School of Management, Northwestern University, Illinois USA.

She is an accomplished Banker with over 28 years of diversified work experience in the Banking industry which commenced with First Bank in 1981. She had served in different capacities and roles while working with International Merchant Bank, Chartered Bank, United Bank for Africa Plc and finally retired in 2012 as the Group Managing Director/CEO of the erstwhile FinBank Plc.

She was appointed as an Independent Director on the Board of Associated Discount House Limited on October 31, 2012 and has remained an Independent Director since commencement of our merchant Banking business.

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