CORONATION
MERCHANT BANK

Repositioning for sustainable growth

ANNUAL REPORT AND ACCOUNTS 2019

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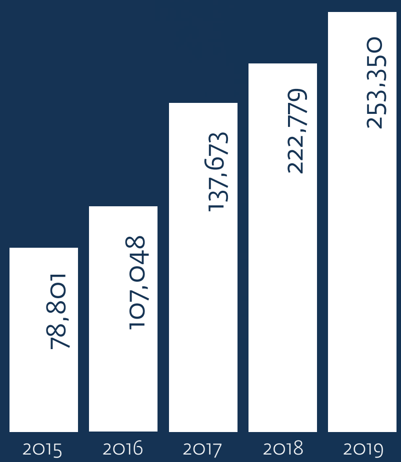
Overview



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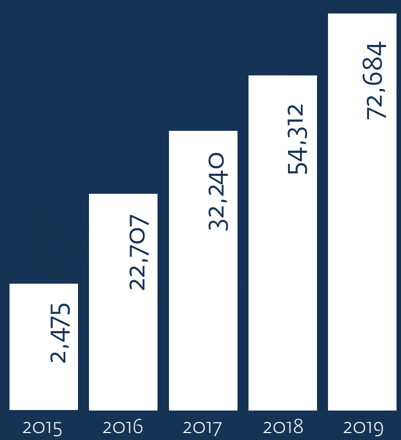
34%
Total Assets
(N'million)



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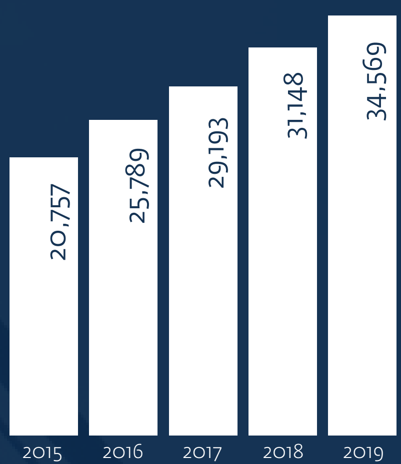
133%
Loans and Advances
to Customers
(N'million)



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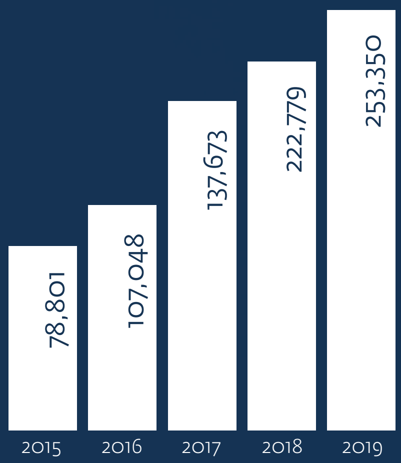
Shareholder's Fund
(N'million)



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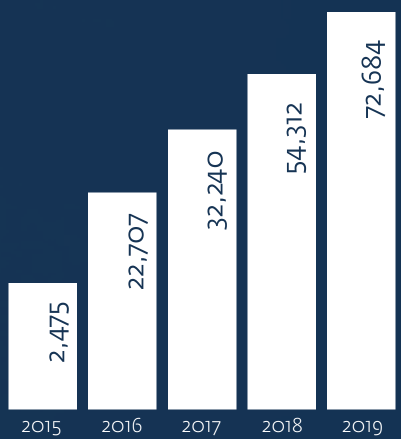

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Loans and Advances
to Customers
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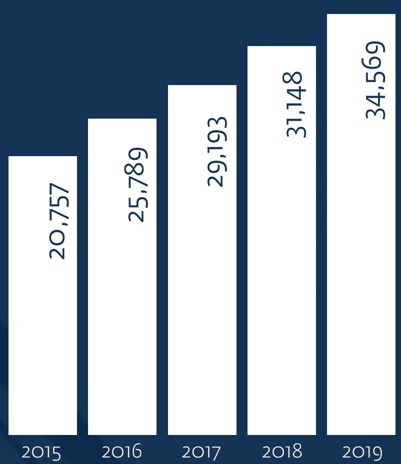


*14%

Shareholder's Fund
(N'million)

Overview

Coronation Merchant Bank

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

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

Driven by its vision of becoming Africa's premier Investment Bank and with an asset base of over N253bn, the Bank is certain to leverage its privileged direction by some of Nigeria's individuals who excelled and rose to the top of merchant banking sector at its height of excellence to become the industry model for risk management, corporate governance and responsible business practices.

Going into the next five years, Coronation Merchant Bank plans to rank top 3 position across specific areas of product focus. The Bank will leverage its robust distribution network and strategic alliances both regional and international to provide high quality services across West Africa and beyond. Our comprehensive service offering is based on end-to-end synergies created within the Bank.

Our business philosophy is hinged on Integrity, transparency and high ethical standards. This philosophy which guides our day-to-day operational decisions is anchored on three key elements: customers, sustainability and talent. We will continue to leverage our superior technology platforms to drive operational excellence across the Bank.

"Going into the next five years, Coronation Merchant Bank plans to rank top 3 position across specific areas of product focus."

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

Our Locations

Lagos Office

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

Port Harcourt Office

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

Abuja Office

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

Chairman's Statement

Babatunde Folawiyo

Distinguished Shareholders, Members of the Board of Directors, Ladies, and Gentlemen, I welcome you to the 5th Annual General Meeting of our Bank.

I am pleased to present to you this overview of our 2019 macroeconomic environment, our performance for the year, and our outlook for 2020.

To describe the year as a difficult one understates the challenges we faced during the 2019 financial year. Of all the predictions about 2019, perhaps none seems more appropriate than that which described the year as a year of four distinct quarters, with each quarter posing unique challenges for the business environment. Heightened expectations from regulators, as well as a highly charged atmosphere that preceded the keenly contested presidential election, ensured that 2019 was indeed an exciting year in the economic and political history of Nigeria.

On the global scene, trade tensions between the US and China, the resignation of Theresa May as UK Prime Minister, and the impeachment of US President Donald Trump by the House of Congress amongst several other socio-political factors created uncertainty within the global economy.

I am pleased to inform you that, despite the difficult operating environment, we successfully navigated each quarter and recorded a modest performance across all key financial indices. Our performance in 2019, underlines the growing acceptance of our brand, the fundamental strength of our business model, and our ability to deliver sustainable long-term growth. We build for the long-term, as we believe that our paramount responsibility to society and to our clients is to be there in good times and bad.

> "As we look across our business, we see tangible results of hard work and the relentless commitment of our people to deliver the utmost in customer service. Driven by these values, we have continued to position ourselves as a financial services platform dedicated to serving the needs of its customers by providing simple solutions beyond banking to be the trusted advisor to its customers."

As we look across our business, we see tangible results of hard work and the relentless commitment of our people to deliver the utmost in customer service. Driven by these values, we have continued to position ourselves as a financial services platform dedicated to serving the needs of its customers by providing simple solutions beyond banking to be the trusted advisor to its customers.

At Coronation Merchant Bank, helping our customers grow their businesses and wealth is at the heart of everything we do, which we have been doing by giving them access to our research insights, which guides their business decisions. We believe this is key to our long-term success and to achieving our aim of becoming the best Bank for our customers, our community, and for you, our shareholders.

In recognition of our service innovation and sound corporate governance, we received numerous awards from reputable local and international organizations. Some of the awards include; the Best Investment Bank in Nigeria by Global Finance and Best Investment Bank by Global Banking & Finance Review (which we won for the first time). We also won Best Investment Bank in Nigeria by World Finance and BusinessDayAwards, which we won for the second year. With our dynamic and purpose-driven team, we are determined to consolidate our position as Africa's Premier Investment Bank while creating value and sustainable growth for our customers, our people, the communities we serve, and for you, our shareholders.

Operating Environment

2019 was marked by a slow growth rate, thereby prompting policymakers to create accommodative monetary conditions. The global economic growth rate dropped from 3.6% in 2018 to 2.9% in 2019, with growth in the USA slowing from 2.9% to 2.3%. Developed markets tended to grow slowly, with the Eurozone expanding by 1.2%, the United Kingdom by 1.4%, and Japan by 1.0% in 2019. By contrast, China grew by 6.1%, India by 4.8%, and Asia by 5.6%. Latin America was an exception among emerging economic zones, growing by just 1.0%, while Sub-Saharan Africa grew by 3.3%.

The US Federal Funds rate was cut three times in 2019 on the back of a sharp slowdown in US growth and possible economic recession. This cycle of interest rate cuts followed a year when US rates had risen by a full percentage point to 2.50%. The reversal in the direction of US rates in 2019 prompted capital flows into emerging and developing markets in search of higher yields. As a result, yields on the outstanding US Dollar-denominated sovereign Eurobonds of African countries dropped throughout the year.

The drop in interest rates in developed markets cushioned falls in the prices of commodities. The average price of Brent crude oil in 2019, at US$65.0 per barrel, was 9.4% lower than in 2018. The average price of copper, at US$6,020.0 per tonne, was 8.0% lower than what was obtainable in 2018. The average price of palm oil was 5.0% lower than in 2018. These shifts were not disruptive, by any means, but in general, were unfavourable to commodity producers such as Nigeria.

Global politics presented a more stable picture in 2019 than in 2018, with the US and China reaching several compromises on trade and thereby softening the impact of the ongoing trade war. After general elections, the UK government was able to avoid a no-deal BREXIT, removing a threat to economic development in both the UK and Europe. Europe witnessed the elections of new presidents to the European Commission and the European Council. In Germany, the position of the Chancellor was strengthened following earlier electoral losses. By contrast, China witnessed protracted protests in the Hong Kong Special Administrative Region.

On the local front, the Nigerian economy grew at a rate of 2.27% year-on-year in 2019 against a 1.91% growth rate in 2018. Compared with 2018, the non-oil economy grew at a rate of 2.06% year-on-year in 2019. It was reassuring to see a pick-up in the rate of non-oil growth in the second half of 2019 after the rate had slowed earlier in the year. The strongest drivers of non-oil development were the telecoms and agricultural sectors. By contrast, the manufacturing sector grew very little, and the real estate sector remained in recession for most of the year.

The general elections in February 2019 were successful across the country with the incumbent President Muhammadu Buhari of the All Progressives Congress elected for a second consecutive four-year term. His campaign emphasised the need for security, combatting the insurrection in the north-east of the country, the fight against corruption, and the need to improve tax revenues. Later in the year, the scheduled introduction of the budget was brought forward to restore it to its calendar year.

In the second half of 2019, Nigeria's monetary authorities addressed the issue of the lack of credit expansion by directing banks to make customer loans equivalent to 60.0% of their customer deposits, a hurdle which was later raised to 65.0%. At about the same time, the Federal Government closed the country's land borders to protect domestic manufacturers and farmers from imports. The result of this was that the prices of certain agricultural commodities and food rose sharply.

In October 2019, the Central Bank of Nigeria stopped domestic institutions and companies from participating in the auctions of its open market operation bills leaving institutional investors with the option of buying government debt instead.

The consequence of this policy was that rates on government T-bills fell, from around 15.3% in September to approximately 5.8% in December (average inflation during 2019 was 11.5% year-on-year). In parallel with these falls, market interest rates also fell steeply. This was good news for issuers of debt as several companies took advantage of low-interest rates to issue commercial paper. Financial intermediaries found themselves required to adapt rapidly to the new interest rate conditions as the unconventional policies continued into the new year.

Performance Review

2019 was an active year for the Bank, as outcomes were largely influenced by a combination of the macroeconomic factors and internal factors in the implementation of our 5-year strategy plan, significant changes in the regulatory environment, and the divestments of our former capital market subsidiaries.

> “2019 was an active year for the Bank, as outcomes were largely influenced by a combination of the macroeconomic factors and internal factors in the implementation of our 5-year strategy plan.”

Despite the challenges, the Bank made giant strides in many areas. Total assets reached N253 billion from N223 billion in 2018, with earning assets accounting for 82% of total assets. The 14% growth in the total asset was funded by a 9% increase in customer funds and deposits to N138 billion in 2019 from the prior year size of N126.9 billion. We generated gross earnings of N31.1 billion in 2019, while a 64% growth in our Non-interest income enabled us to deliver a 14% growth in Profit after tax from N4.484 billion in 2018 to N5.097 billion.

Loans and advances grew by 34% to close the year at N72.4 billion with significant exposure to high growth sectors including agriculture and manufacturing. We achieved this without compromising on the quality of our risk assets. I strongly believe that the increase in lending would lay the foundation for future performance as we continue to connect customers to opportunities within and outside the Nigerian economy. Also, the full subscription recorded by our commercial paper during the year is a testament to the strength of the Bank's brand and investment value to investors.

"Regulatory compliance remains a moving target as new technology and trends in the business world continue to introduce new risks. Financial institutions faced a host of challenges in keeping abreast of these changes, as well as putting in place an effective and dynamic risk-based compliance framework that is responsive to the market and regulatory developments."

Regulatory compliance remains a moving target as new technology and trends in the business world continue to introduce new risks. Financial institutions faced a host of challenges in keeping abreast of these changes, as well as putting in place an effective and dynamic risk-based compliance framework that is responsive to the market and regulatory developments.

We recognize that potential weaknesses in our compliance management systems pose severe risks to our reputation. Consequently, we strive to put systems in place to monitor and ensure the conformity of our processes with international best practices and global standards.

In the year under review, the Bank's ratios complied with all regulatory guidelines even though the landscape of the regulatory environment continued to experience sweeping changes. The Bank maintained a Loan to Funding Ratio of 71.1% as at Dec 2019. Capital Adequacy Ratio (CAR) and liquidity ratios of 19.2% and 65.59% respectively. These ratios are healthy levels, given the Bank's current operating environment and underlying market conditions.

Lastly, with our strategic approach to cost optimization, the Bank reduced YOY operating expenses by 1% despite the double-digit inflation in the economy. This was because of a raft of sustainable cost-saving initiatives that drove efficiency without placing constraints on the firm's growth capabilities. Our goal is to continue to reinvest the cost saved in digitalization, human capital development, and creating more value for our various stakeholders.

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

Board Developments

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

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

In addition to this, Mrs. Onome Komolafe, resigned her position as the Executive Director in charge of Operations and Information Technology to pursue other personal endeavours. The resignation took effect from January 1, 2019. The Board recognises her outstanding contributions to the progress of the Bank and wishes her success in her future endeavours.

It is also worthy to note that the Managing Director/Chief Executive Officer, Mr. Abubakar Jimoh, had indicated the intention of retiring from paid employment effective May 1, 2020. In line with the Bank's succession plan, the Board had sought and obtained the approval of the Central Bank of Nigeria to appoint the Deputy Managing Director, Mr. Adebanjo Adegbohungbe, as the Acting Managing Director effective February 1, 2020.

Macroeconomic Outlook

At the end of 2019, global markets continue to show optimism; the S&P 500 Index in the United States, for example, has risen by almost 29% over the year and is trending upwards. Indeed, the International Monetary Fund forecasts a slight acceleration in global growth to 3.3% in 2020. However, it is noteworthy that the yield curve in the United States inverted during 2019, stimulating discussions on the correlation between inverted yield curves and subsequent US recessions. Global commodity markets have continued to be strong. The price of oil has been supported by production cuts that were agreed in December 2019, between the Organization of the Petroleum Exporting Countries and Russia. Naturally, this bodes well for Nigeria, though it also underscores the nation's over-reliance on commodity prices.

Indeed, during December, the rating agency Moody's Investors Service changed the outlook for its B2 rating for Nigeria from stable to negative, citing the weak revenue base of the government and the country's rising debt burden. Such comments call for diligence and vigilance by the Board as we direct the activities of the Bank in 2020.

As we step into 2020, a 'milestone' year during which we celebrate the 5th anniversary of our Bank, we must look back with pride on the progress we have made so far and from it, find the courage to face whatever challenges the future may hold. Given the significant progress we have made, I believe we are very well placed to make the most of the opportunities that exist. Today, our business is stronger and better positioned to withstand the macroeconomic uncertainties and to deliver long-term value for our shareholders.

"As we step into 2020, a 'milestone' year during which we celebrate the 5th anniversary of our Bank, we must look back with pride on the progress we have made so far and from it, find the courage to face whatever challenges the future may hold."

At the end of 2019, global markets appeared supportive of further global growth. For example, the S&P 500 Index in the United States had risen by almost 29% over the year and was trending upwards. Indeed, the International Monetary Fund was forecasting an acceleration in global growth to 3.3% in 2020. Global commodity markets continued to be strengthened by the price of oil, which was supported by a further round of production cuts in line with the agreement between the Organization of the Petroleum Exporting Countries and Russia in December 2019. This scenario was conducive for commodity-producing countries, such as Nigeria, to prosper.

The positive outlook, however, was overturned in a short space of time. In mid-January a new virus, the COVID-19 virus, spread through the province of Wuhan in China. Soon the epidemic travelled to neighbouring countries and then to Europe and the United States, becoming a pandemic in the process. Africa has not been spared, and, as in other countries around the world, the Nigerian authorities took the step of introducing restrictions on travel, schools, and other gatherings. The effect on the world is such that the Organisation for Economic Cooperation and Development has lowered its forecast of global growth in 2020 from 3.0% year-on-year to 2.4%.

The outbreak of the COVID-19 pandemic was followed by another negative development for the Nigerian economy. In early March 2020, the longstanding agreement between OPEC and Russia was not renewed, with the leading member of OPEC, Saudi Arabia, vowing to increase production, and Russia stating that it was prepared to sit out a period of prolonged low oil prices. The price of oil collapsed in a matter of weeks, from over US$50 per barrel to close to US$26 per barrel. With these two large oil producers contemplating and perhaps planning for an extended period of oil prices substantially under US$50 per barrel, the monetary and budget characteristics of Nigeria face challenges in 2020. The authorities are adjusting policies while simultaneously working to mitigate the effects of a severe pandemic.

Thank you for your continued support.

Babatunde Folawiyo

Chairman

Coronation Merchant Bank

CEO's Statement

Abubakar Jimoh

Repositioning
for sustainable growth

> As I look back on the last five years, it is remarkable how much our stakeholders and we have grown amidst changes in the polity, economic, and regulatory landscape.

Distinguished Shareholders, I am delighted to welcome you to the 5th Annual General Meeting of Coronation Merchant Bank and present you with our scorecard for the 2019 financial year.

As I look back on the last five years, it is remarkable how much our stakeholders and we have grown amidst changes in the polity, economic, and regulatory landscape.

We started the year with a focus on staying nimble, strengthening customer relationships, and building our digital capabilities across all customer touchpoints. This focus helped us to navigate several fiscal/monetary policies ranging from land border closure, new guidelines on Open Market Operation ("OMO") activities, increase in the loan-to-deposit ratio of Nigerian Banks, and the introduction of numerous forex restrictions by the Central Bank of Nigeria.

On the global front, despite a notable contraction, the economic environment in 2019 was one of relatively sustained global growth. The monetary-policy environment and political uncertainties such as Brexit and tensions around international trade weighed on economic activities and occasionally on investor confidence.

Macroeconomic Review

2019 was a remarkable year in which the change in the direction of US interest rates brought stock market rallies and steep falls in emerging market sovereign bond yields. After having spent last year raising its target rate by a full percentage point to 2.50%, the US Federal Reserve changed its policy in January and subsequently cut rates three times to 1.75%. Among the consequences was a rise in the US S&P 500 Index of 28.7%, and an increase in the Euro Stoxx 50 Index of 22.4% in US dollars. The Shanghai Shenzhen CSI 300 Index rose by 34.4%, and Hong Kong's Hang Seng Index rose by 9.8% in US dollars.

Inflows from foreign investors boosted the Nigerian foreign reserves. Also, Nigeria's monetary authorities were able to relax market interest rates while maintaining the foreign exchange value of the Naira in the first half of the year. Indeed, the Naira / US dollar exchange rate in the interbank market remained broadly stable for the entire year. However, although the economy grew by 2.27% in 2019, the growth in the non-oil economy was weak in the first half of the year, prompting questions as to how Nigeria could benefit from benign global market conditions.

With the exchange rate issue successfully addressed in 2019, Nigeria's monetary authorities amended policies to encourage economic growth, through credits to the real sector. In the middle of the year, the Central Bank of Nigeria required banks to lend the equivalent of 60.0% of deposits as customer loans by the end of September, and 65.0% by the end of December. The result was rapid credit growth during the second half of the year (albeit from a low base as private sector credit stood at little more than 13.0% of gross domestic product). In October, the Central Bank of Nigeria changed the rules for participating in its OMO bill auctions, preventing local institutions from bidding for new bills. The OMO market was six times the size of the Federal Government of Nigeria Treasury Bill ("T-bill(s)") market. So the effect was for a large amount of liquidity to rotate from OMO bills into the comparatively small pool of T-bills. T-bill rates fell from 15.3% in September to 5.8% in December. By comparison, average inflation in 2019 was 11.5% year-on-year ("YOY"), and in December, it reached 11.9% year-on-year.

The consequences of these policies were manifold. Corporate borrowers enjoyed certain advantages, while savers found it challenging to find rates that matched inflation. Banks and other financial intermediaries were required to adapt rapidly. These notwithstanding, the policies, taken in conjunction with the Federal Government's measures to protect agriculture and industry by closing land borders in August, stimulated economic growth. The economy grew by 2.55% in the fourth quarter of 2019 compared with growth of 2.10% in the first quarter.

Financial Scorecard

2019 was a challenging year for Coronation Merchant Bank, as the first year of implementation of our 5-year strategy coupled with significant regulatory headwinds.

I am happy to report that despite the volatility of our operating environment, we navigated the headwinds that dominated the year to deliver a modest performance in our financial results. Your Bank recorded a Profit After Tax of N5.097 billion, which increased by 14% from N4.484 billion in 2018.

The Bank set a new benchmark for gross earnings by generating N31.1 billion in 2019, representing an increase of 11% in 2018 and making it our fifth consecutive year of a sustained rise in gross revenues. Profit after tax increased by 14% from N4.484 billion in 2018 to N5.097. Non-interest income grew by 64% as the Bank moved to respond to the decline in the rates in the second half of the year.

In line with the overall objective of stimulating growth in the real sector, we grew our loan book by 34% to close the year with N72.4 billion in risk assets. It is worth noting that, despite the growth in the risk assets portfolio, we maintained a healthy credit discipline by investing in human and digital capabilities. In line with our strategic objectives, we have continued to maintain an increased sectorial focus in meeting the financing needs of our customers in agriculture and manufacturing. Our balance sheet grew by 14% to N253 billion from N222 billion in 2018, with earning asset accounting for 82% of total asset. Customers' funds and deposits reached a record N138 billion, up by 9% from the prior year, occasioned by increased trust earned from a growing client base and the diligent execution of our deposit mobilization strategy. The Bank also raised another tranche of Commercial paper liabilities during the year, which was fully subscribed to, further reconfirming investors' confidence in the Bank.

In the year under review, we maintained strong prudential ratios above regulatory limits, with a Capital Adequacy Ratio (CAR) and liquidity ratios of 19.2% and 65.59%, respectively. The Bank maintained a healthy regulatory Loan to Funding Ratio of 71.1% as at Dec 2019.

During the year, the Bank increased its existing tradelines and relationships with trade partners across the major trading centres around the world. The Bank also fully divested from its subsidiaries, returning its focus to its core strength of banking. This divestment is expected to free up additional capital and increase shareholders' value.

In line with the Bank's strategic mantra of leveraging operational excellence to increase value for its stakeholders, we made considerable investments in digital and human capabilities. We maintained a disciplined approach to operating expenses in 2019 without compromising on value creation for our various stakeholders. Operating expenses declined moderately due to effective cost-saving initiatives implemented by the organization. The Bank was able to curtail the YOY operating expense by 1% despite prevalent double-digit inflation.

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

Overall, we have remained focused on our goal of becoming a financial services platform dedicated to helping customers grow, businesses thrive, and communities prosper. With our dynamic and purpose-driven team, we are determined to consolidate our position as Africa's Premier Investment Bank while creating value for our stakeholders.

Entering The Next Phase Of Our Strategic Growth

This year marks the end of the 5-year strategic plan that we set for ourselves in 2015. To a large extent, we succeeded in imprinting our name in the minds of our niche of customers and delivered value to our stakeholders. We won notable international and national awards and gained the respect and admiration of peers, regulators, and the general public. I am proud of the strides we have made so far to reposition our Bank and am optimistic about the next phase of our strategic growth.

“This year marks the end of the 5-year strategic plan that we set for ourselves in 2015. To a large extent, we succeeded in imprinting our name in the minds of our niche of customers and delivered value to our stakeholders.”

In the next five years, we hope to leverage technology to deliver exceptional customer experience through our global trade, investment banking, and treasury management business lines and deliver sustainable growth for our shareholders. Given the steady strategic progress and consistent financial performance, we are entering the next phase of our strategic journey from a position of strength. We are poised to anticipate and proactively react to further changes driven by traditional competitors' strategies, competition from new entrants, technology, changing customer behaviour, and increasing regulatory requirements. We have also identified growth opportunities in the corporate and investment banking space (which currently being underserved). We are positioned to grow our market share in these areas in a manner that reflects our prudent risk appetite. An area of focus, therefore, is to bridge the annual $170billion infrastructure gap in Africa as well as facilitating inter-continental trade.

"Given the steady strategic progress and consistent financial performance, we are entering the next phase of our strategic journey from a position of strength. We are poised to anticipate and proactively react to further changes driven by traditional competitors' strategies, competition from new entrants, technology, changing customer behaviour, and increasing regulatory requirements."

Underpinning everything we do is our commitment to building capabilities that address clients' needs, creating a workplace that attracts and retains talents, and leveraging technology to create operational efficiency.

Becoming A Platform For Improving Lives

As always, the most significant way in which we create social, economic and environmental value is in the ordinary course of our business as we help our clients to invest in their skills, acquire valuable and life-enhancing assets, grow their savings and wealth, manage their risks, expand their businesses, create economic and social infrastructure, and trade in Nigeria and throughout Africa.

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

We believe that building a great institution and creating a better world are not exclusive imperatives but one and same goal. By giving more people, the opportunity to share in the rewards of a growing economy, we help build the foundation for more prosperous communities – and in the process, help secure our firm's long-term future. In 2019, we sponsored one of the largest student investment conference in Africa; "The colloquium". The highly educative and engaging conference brought together over a thousand delegates from across Nigeria and exposed them to leading professionals in the financial sector where they learnt and acquired new skills in finance.

As a platform for improving lives, our aim is to drive the growth that enables businesses to thrive, economies to grow, and ultimately, helps people fulfil their hopes and realise their ambitions. This involves providing responsible banking, creating social impact by giving back to our host communities and doing our part in achieving the sustainable development goals.

As a responsible corporate citizen, we not only have a duty and a vested interest in helping solve the challenges facing our communities but also a vital contribution to make. Hence, we seek to be an active and a long-term corporate citizen in the communities in which we operate. In some instances, we assume this role by taking the lead in sponsoring impact initiatives by gender-based organisations such as Women in Management and Business and Public Service ("WIMBIZ") and

Women in Successful Careers ("WISCAR") projects that have helped empower women and promote gender equality. In other instances, it means financing projects that can improve the living standards in traditionally underserved communities. In 2019, we completed the renovation of Bethesda Primary School in Matogun, Ogun State, to help children learn in a more conducive environment.

In addition to this, we partnered with numerous agencies (i.e., Nigerian Stock Exchange, CFA Nigeria Association, Nigerian Economic Summit Group) in building expertise within the financial sector and projecting our capital markets to the rest of the world. In support of the sustainable development goals, the Bank commenced a waste management initiative that enables us to recycle waste and ensure the protection of our environment. Our goal is simple; to conduct philanthropy with a purpose — making meaningful contributions where our skills and leadership can make a clear difference.

Product & Service Channel Improvements

Being the best Bank for customers is at the heart of our strategy. In support of this, we have continued to invest in our product propositions as well as our digital and telephony channels, with key customer benefits from this investment ranging from reduced processing times, improved ease of access and convenience, and greater efficiency.

Digital remains a crucial area of growth and investment for the business. It has now been expanded across all business areas, reflecting our customers' evolving preferences in how they interact with us. Leveraging our digital capabilities and process automation, manual processing of transactions has reduced by over 50% despite an over 200% increase in the volume of transactions as compared to 2018. This, in turn, has diminished transaction processing time and improved the working condition of our members of staff.

As part of efforts to make financial services simpler, we consciously focused on improving our customer experience across all touchpoints. First, we proactively expanded the range of functionalities available on our Internet Banking platform to allow our customers to do more without needing to come to us. Also, we pioneered new and innovative ways to settle customer transactions quicker, more comfortable, and safer. One of the ways we achieved this was through the introduction of new payment platforms such as NIBSS Automated Payment System ("NAPS") and Remita to aid revenue collection. We also carried out a comprehensive review and customization of our core banking solution to resolve legacy issues and significantly improve operational efficiency. In line with our strategy of becoming a trade-focused bank, we completed the migration and change of identity process from a Discount House to a Merchant Bank on the SWIFT platform.

In recognition that our clients are at the centre of everything we do, we strive to meet their needs by delivering holistic, seamless financial services through the channels of their choice. Through digitization, our customer contact center (Coronation Resolution Center) has gradually evolved from being a touch point for customer enquiries and query resolution to becoming a platform for customer on-boarding, transaction processing and investment advisory. As a Bank, we will continue to make significant investments in initiatives that address emerging trends support through efficient and robust systems and processes.

Regulatory compliance remains a moving target as new technology and trends in the business world continue to introduce new risks. We recognize that any potential weaknesses in our compliance management systems pose severe threats to our reputation before our stakeholders. The Bank has instituted a robust risk-based compliance framework that monitors and ensures that our processes align with international best practices and standards.

In 2019, we completed the re-certification of our Information Security management system by the British Standard Institute (BSI) as required by the Central Bank of Nigeria. Going into 2020, we will pursue certifications in IT service management and business continuity management system. This certification confirms that we have instituted internationally accepted processes to secure customers' information. It also attests to our ability to consistently provide quality service and business continuity in the face of business disruptions.

Our People

What we have in Coronation Merchant Bank is more than just a workforce but a partnership of committed, passionate, and innovative minds working together to achieve a commonly shared vision. What we have is a system where everyone understands the relevance of the role they play and the importance of that role in achieving the organizational goals. As we say in Coronation, we are on a journey, and the destination is greatness. This statement is not mere words but a profession of our ardent belief in the individual talent and veritable opportunities that reside in this our great institution.

Thus, at Coronation Merchant Bank, ensuring the success and growth of our people is not only a moral imperative but our most important factor in delivering long-term sustainable growth. When we look across the business, our people make us who we are; a young, dynamic, and innovative financial services company. With that in mind, we continue to invest heavily in attracting, developing, and retaining extraordinary professionals that can serve our clients and deliver sustainable value for our shareholders.

In 2019, we continued to enrich our employee's career journey by providing them with relevant training through our newly introduced bursary system and providing flexible learning opportunities for capacity building through various academic pursuits.

In addition to this, we conducted engagement forums to continuously gauge employee pulse, seek feedback, and keep them abreast of the Bank's strategic direction. Also, in line with our Sustainable Development Goal of having a more gender-balanced world, we actively promoted gender equality within the organization through deliberate policy developments, recruitments, and staff reward exercises. We recognize that talented and culturally diverse employees deliver lifelong and satisfied customers, which, in turn, creates brand equity and shareholder value for us.

Macro-Economic Outlook

In December 2019, Nigeria's key monetary metrics were very different from the beginning of the year. The Naira's foreign exchange rate, in the interbank market, remains the same. However, the level of foreign exchange reserves is significantly lower than a year earlier. The T-bill price is much lower than inflation, and inflation is rising (albeit slowly). The stability of this configuration may depend on the willingness of international investors to participate in Nigerian capital markets. It is only prudent to prepare for different outcomes under these circumstances.

Economic conditions will likely remain challenging and volatile in 2020, and the Bank will certainly face increasingly intense competition. However, our primary objective will be on meeting our strategic commitment to deliver long-term sustainable growth for our shareholders. Also, to cope with the unrelenting pace of changes in our industry, we hope to sustain our digital agenda in the coming year to enable us to serve customers faster and better.

Lastly, with all gratitude to God, I wish to inform you that this AGM marks my last official assignment as the Managing Director/Chief Executive of this great Bank. Also, I am grateful to you, my shareholders, for allowing me to serve you in that capacity. I do not take the support and confidence that you reposed in me for granted; I was successful because you enabled me to do so. Please continue to support my successor as he takes the Bank to its next level of success, even in these challenging times.

Thank you for your loyalty and continued support.

Abubakar Jimoh

Group Managing Director/CEO

Coronation Merchant Bank Group

2.

Business Overview

Corporate Philosophy

Business Overview

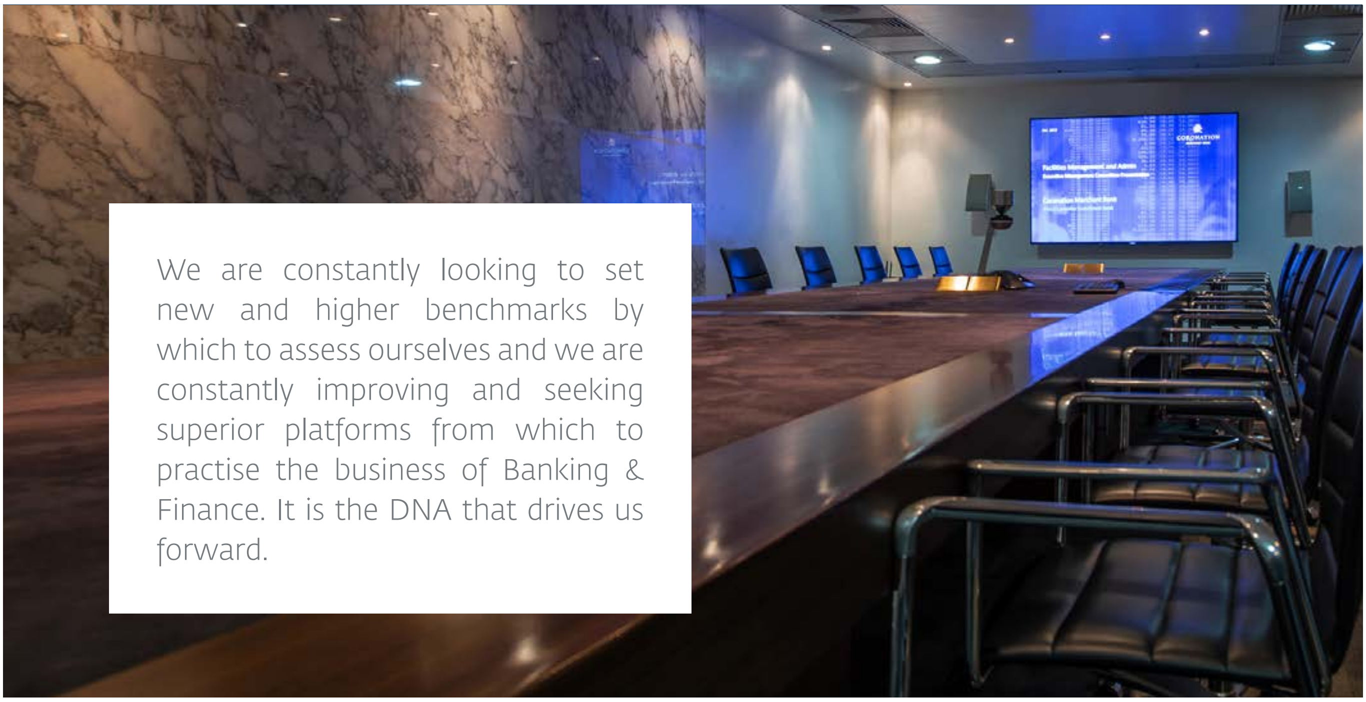
Corporate Philosophy

Our Vision

To be Africa's premier Investment Bank.

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

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



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.

Top People

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

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

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

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

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.

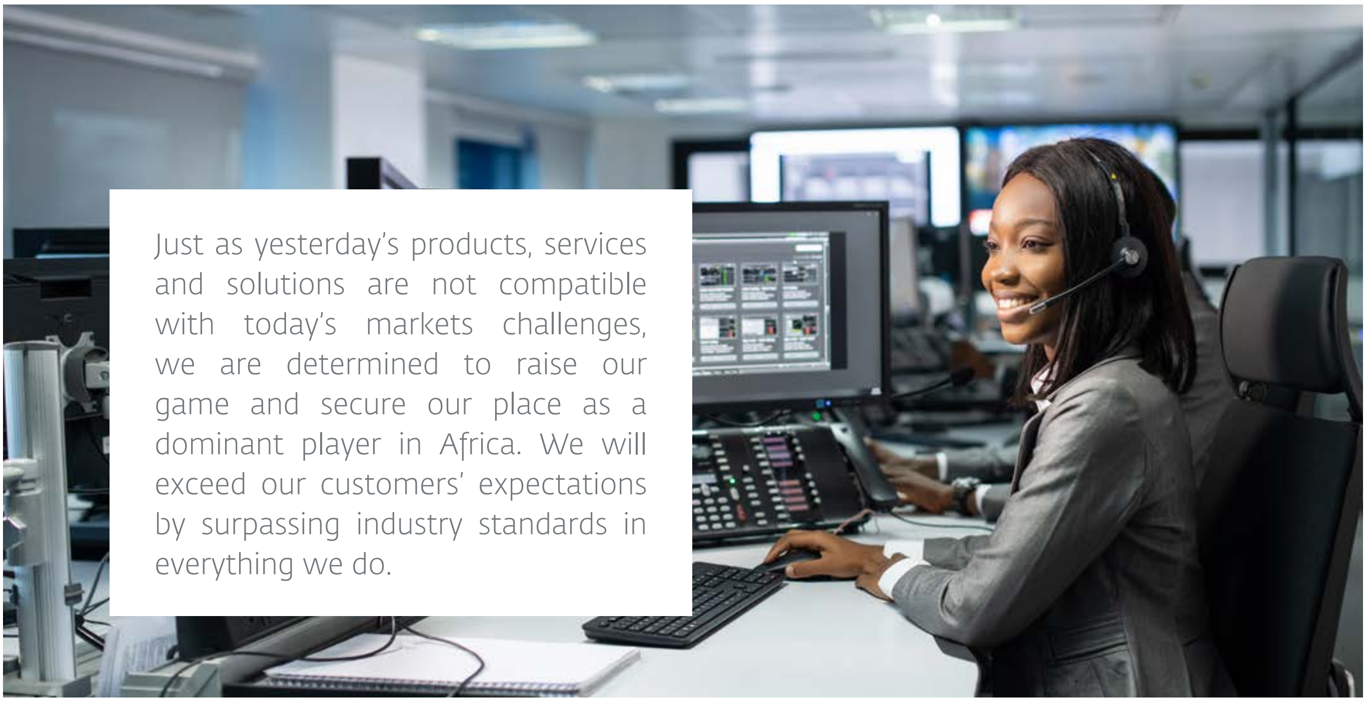
The Bank's innovativeness and creativity will earn it the confidence of regulatory authorities and in the process, gain the attention of international financial organizations and foster partnerships and collaborations with leading agencies, companies and Fintechs.

Our Mission

To be the engine room of Africa's financial markets

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

Coronation MB will therefore be an influential player in the market, setting the pace for transactions and all external stakeholders will seek to 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.

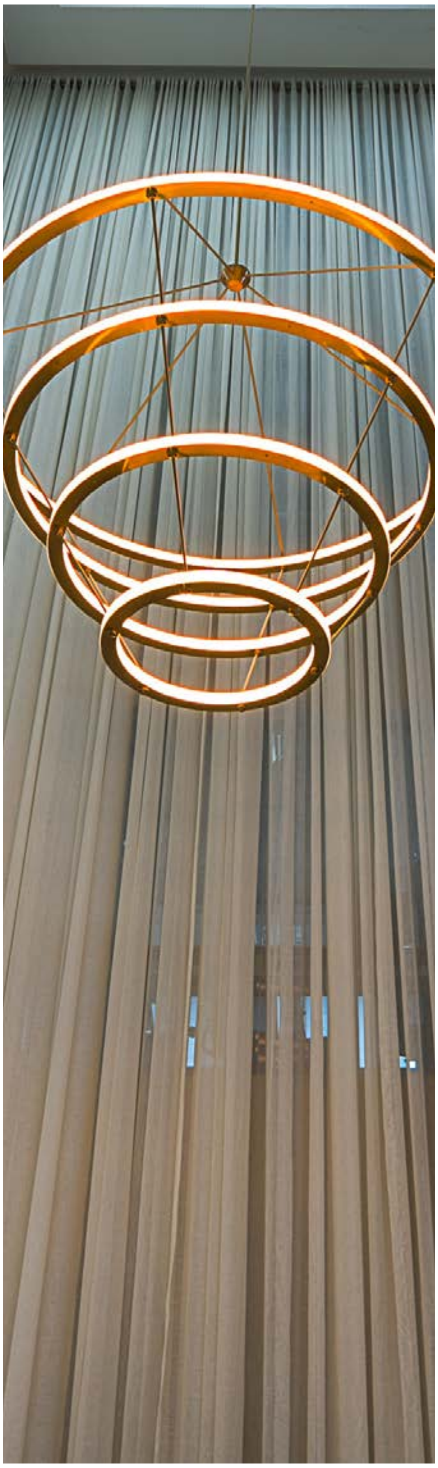


Just as yesterday's products, services and solutions are not compatible with today's markets challenges, we are determined to raise our game and secure our place as a dominant player in Africa. We will exceed our customers' expectations by surpassing industry standards in everything we do.

Our Core Values

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

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



Innovation

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

Integrity

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

Teamwork

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

Excellence

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

Developng People

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

Leadership

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

Ernst & Young
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57 Marina, Lagos

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Building a better working world

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

We have performed the evaluation of the Board of Coronation Merchant Bank Limited (CoronationMB) for the year ended 31st December, 2019 in accordance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance (CCG) 2014.

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

Our approach included the review of CoronationMB's Corporate Governance framework, and all relevant policies and procedures. We obtained written representation through online questionnaires administered to the Board members and conducted one on one interviews with the directors and key personnel of the Bank.

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

On the basis of our work, the Board of CoronationMB has complied with the requirements of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance 2014 for Banks and Discount Houses during the year ended 31st December 2019.

Specific recommendations for the further improvement of CoronationMB's Corporate Governance practices have been articulated and included in our detailed report to the Board. This report should be read in conjunction with the Corporate Governance section of the CoronationMB Annual Report.

For: Ernst & Young

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

Corporate Overview

How we are structured

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

Coronation Merchant Bank

Global Markets and Treasury

Overall Aspiration: Providing great service and execution to its clients at competitive prces.

Our Businesses:

- Tenured deposits
- Fixed Income (Bonds, T-Bills & CPs)
- Foreign Exchange (FX)
- Derivatives

Trade and Corporate Services

Overall Aspiration: A trade finance led provider of financing solutions to large medium sized corporates, providing flexible, customized solutions as quickly and conviently.

Our Businesses:

- Trade Finance
- Working capital
- Corporate lending
- Asset financing
- Trade finance
- Liguidity management
- Corporate current account
- Payment and collections

Investment Banking

Overall Aspiration: A nimble and agile team that delivers personalized services and strong execution.

Our Businesses:

- Mergers and acquisition
- Debt capital market
- Equity capital market
- Project finance
- Structured finance
- Financial advisory

Enablers

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

Investment Banking

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

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

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

Product & Service offerings

Financial Advisory and Mergers & Acquisitions

Through our Financial Advisory and M&A product, we offer our clients distinctive corporate finance and strategic advice on complex transactions including buy-side and sellside financial advisory services on business combinations, acquisitions, divestments, hive-offs, asset and company valuations, buy outs and buy ins, and business restructuring transactions.

Capital Markets

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

Project & Structured Finance

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

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

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

Sector Focus

Product Coverage	
Capital Markets	
Equity Capital Markets	Debt Capital Markets
Consumer	• Food & Beverage • Household and Personal Care Products • Consumer Electronics • Distribution & Logistics
Financial Institutions	• Banks • Insurance • Pensions • Fund Management • Non-Depository Financial Institutions • Financial Technology
Oil & Gas	• Upstream • Midstream • Downstream • Services
Industrials	• Heavy Industries • Construction • Steel & other fabrications • Tool and Machinery

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

Achievements in 2019

Our performance demonstrates our extensive experience, bespoke execution of holistic end-to-end transactions, increasingly robust distribution capabilities and increased Investment Banking coverage. The Division further deepened its market presence by participating in some landmark transactions in the course of 2019.

FGN/Debt Management Office

Capital Markets

Promissory Note Issuance

₦1.2 Trillion

Joint Financial Adviser

Lagos State Government

Capital Market

Series III

₦100 Billion

Joint Issuing House

Dangote Cement Plc

Capital Markets

Commercial Paper Programme

₦50 billion (Issued in multiple series)

Joint Issuing & Placement Agent

Continental Reinsurance Plc

Mergers & Acquisition

Scheme of Arrangement

₦21 Billion

Independent Expert

Sacvin Nigeria Limited

Mergers & Acquisition

Scheme of External Restructuring

Financial Adviser

Wapic Insurance Plc

Capital Markets

Rights Issuance

₦5.9 billion

Joint Issuing House

Access Bank Plc

Capital Markets

Green Bond Issuance

₦15 billion

Joint Issuing House

Access Bank Plc

Capital Markets

₦100 Billion Commercial Paper Issuance

Series 17 and 18

Issuing, Collecting and Paying Agent

Access Bank Plc

Capital Markets

Naira Bond Issuance

₦30 billion

Joint Issuing House

The success of various transactions and deals executed by the Coronation MB's Investment Banking franchise in 2019 further demonstrates the progress we have made on our journey towards becoming Africa's Premier Investment Bank.

Strategic Business Opportunities, Outlook & Priorities in 2020

The Nigerian economy will continue to be driven by some of the factors that has shaped the recovery since the recession in 2016. Notably, the economy in 2019 recorded its third consecutive year of improvement in real economic growth – on the back of a large and fast growing youthful population, and increased oil and non-oil productivity given the government's resolve to support local production and whilst reducing imports.

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

The strategic priorities of Coronation MB's Investment Bank in 2020 are to continue to deliver uncompromised excellent services that further deepen our existing client relationships, enhance our distribution and transaction execution capabilities, expand sector coverage and grow market share by targeting sectors in which opportunities are plentiful.

We expect to ride the wave of uncertainty to identify opportunities and guide our clients towards harnessing them.

Corporate Banking

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

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

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

Strategic Intent

To position Coronation Merchant Bank Limited as one of the leading Corporate Banking Institutions in Nigeria. This will be driven by excellent customer satisfaction facilitated through an effective financial service platform.

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

Our KPIs towards Excellence

Client Selection
Exclusively Selected "Niche" Clientele

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

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

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

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

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

Products and Services

Trade Solutions

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

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

Cash Management

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

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

Financing

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

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

Key Focus Areas

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

Achievements

Coming into operation in September 2015, the Corporate Banking Division swiftly established itself as one of the leading Corporate Banks within the Merchant Banking space. Leveraging on our unique expertise and high-quality resources to deliver a unique value proposition to key players and market leaders in our primary focus areas, i.e., FMCG, Energy, Agriculture, Real Estate & Construction and General Commerce. We strategically grew a portfolio of high quality and selected Risk Assets class of over N70 billion with zero non-performing loans to date.

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

Outlook

2019 continued along the economic recovery of Nigeria, with increased positive economic development across the economic landscape despite the varying challenges across the year.. In 2020, we project continued growth and increasing opportunities for discerning Corporates in the Country.

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

Agriculture & Commodities

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

Fast Moving Consumer Goods

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

Industrials

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

Energy, Oil & Gas and Natural Resources

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

Information and Communications Technology

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

Services

Unit focuses on the providing banking services to transportation, shipping, maritime and logistics businesses.

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

Global Markets & Treasury

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

The division is made up of two broad units;

Asset and Liability Management (ALM)

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

Sales and Trading

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

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

Product and Service Offerings

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

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

Key Focus Areas

Global markets and treasury covers the following sectors;

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

Notable Achievements in 2019

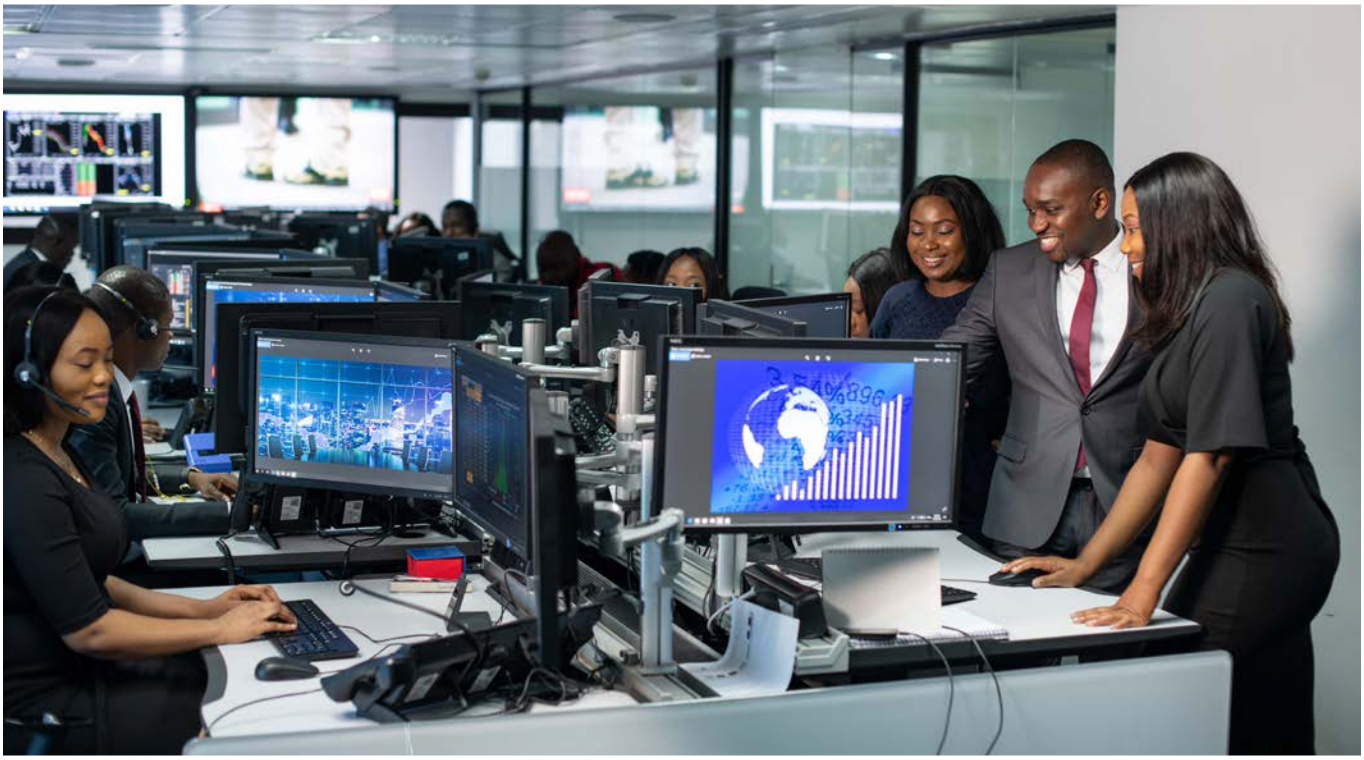
In 2019, Global Markets and Treasury maintained its Top 5 franchise in fixed income trading in Nigeria financial markets and also grew our Foreign exchange activities by 335%. We provided deep access and coverage across both Fixed income and Foreign currencies. We continue to invest in our digital capabilities to provide value to our clients and improve efficiency.

We broadened our client base and expanded our Repo funding desk to provide financing for clients looking to deepen their access to the fixed income markets. Despite the volatile trading markets, we continued to be a leading liquidity provider supporting both foreign portfolio investors and local institutional clients access fixed income products and structured FX solutions. Our ambition is to have the preeminent Global Markets franchise with industry leading revenues.

Outlook for 2020

We expect the economy to witness moderate growth considering the volatilities in oil prices and concerns around rising inflation. We expect OMO yields to moderate, however remain sufficiently attractive to keep the inflows. With lower yields on other investment securities and the recent changes in cash reserve ratio, we expect net interest margins to remain under pressure albeit with lower cost of funding.

We see opportunities in enhancing fixed income revenues as we envisage a volatile fixed income yields in the interbank markets. In addition, we also see opportunities in enhancing our clients experience and growing our financing capabilities across Fixed income and FX derivatives products.



Operations & Information Technology

The Operations and Information Technology division of the Bank has proven to be a strategic business enabling unit with the primary focus of supporting the businesses units in delivering their strategic mandate. Given the imperatives of customer satisfaction and operational efficiency, this division continuously ensures that systems and processes are continuously improved and optimised

The success story of this division is built on successive improvements. Every year, the division has surpassed the achievements of the previous one. With the support of an outstanding team, the achievement of the Bank's strategic objectives are assured.

Operations: Review of 2019:

In continuation of the initiatives that commenced in 2018, the operations arm of the bank deployed several initiatives that ensured, faster turnaround times, better customer experience and effective cost management. There was a wholistic review of standard operating procedures to ensure our processes align with best practices. Manual processes were cut by about 50% with the immediate benefit of staff cost reduction and improved closing time for staff. Despite over 200% increase in the volume of transactions compared to 2018, processes were more efficient and this resulted in a 30% drop in headcount within the group. Transaction turn around times also improved significantly through the implementation of workflow automation of several processes.

Customer Experience

In 2019, we focused on improving the customer experience of both internal and external customers. The after-sales enquiry function that was the responsibility of the sales team was migrated to the Customer Engagement Centre of the bank. This improved customer face time by about 60% for the Sales team. Customers are now very familiar with our Contact Centre unit for all enquiries and complaints resolution. During this year, there was a reduction in the number of walk in customers for enquiries as more customers now use our other electronic platforms for enquiries and compliant resolution.

Another major achievement is the ehancement of the online banking platform. Existing features were enhanced and additional features were introduced to allow customers have full advantage of electronic banking. There has been about 30% increase in the use of the internet banking compared to 2018.

In our strive for excellence, we also automated the account opening procedure of the bank. This will help fast-track the account opening process and also ensure our account opening packages are electronically stored from the point of request.

Priorities for 2020

Our focus this year is to continue to drive efficiencies across our processes. We will work closely with the Information Technology team to deploy channels that will support business objectives. More processes will be hosted on the Work flow Application in order to further eliminate manual processes. Capacity development of our people is also a priority this year. We believe highly skilled people will ensure effective support to the business teams. As we begin the digitization journey this year, we will also work with the relevant stakeholders to ensure the implementation of the strategy.

Information Technology

As Coronation Merchant Bank, we clearly understand like most leading businesses across the globe, that the success of any enterprise in a rapidly advancing financial service landscape can largely be attributed to the effectiveness of technology in enabling its business model.

The Bank in its transformation journey into a client-centric, digital and integrated financial services organization, has continued to utilize technology in driving its business objectives, thereby creating a path to maintain its lead in the merchant banking space.

In the past year, the Bank has continued to invest significantly in initiatives geared at increasing efficiency gains and responding in an agile manner to emerging trends and the increasing needs of our customers. The following key investments, clearly mapped to the Bank's strategic aspirations, were made in the course of the year as a continuation of our strategic re-focus for Information Technology and have resulted in increased profitability with reduced cost to serve.

- Comprehensive review and customization of our core solution (Finacle) to resolving legacy issues and significantly improve operational efficiency.
- Increase in customer engagement touchpoints through an integrated Contact Center with capacity to engage via; Chat, Social Media, e-mails, telephones and manage customer enquiries
- Development of integrated workflows to drive automation and seamless processing
- Introduction of new payment platforms – NAPS, Remita

to aid revenue collections.

- Complete migration and change of identity to process transactions on SWIFT as a Merchant Bank
- Implementation of a number of risk-mitigating actions for enhancement of the Bank's security on critical applications, user workstations and servers infrastructure.
- Setting up of a Security Operations Center for proactive management of IT Security Risk and Threat Intelligence
- Optimization of existing infrastructure to attain a 99.4% uptime for consistent service delivery including the integration of other Bank representative offices to the Head Office Network
- Business Continuity Planning site expansion and relocation of the Bank's Data Center to meet enhanced risk requirements.
- Deployment of business reporting solutions and infrastructure to serve as foundation for analytics and machine learning capacity development.
- Implementation of foundational technology to drive digitalization – Data center relocation and upgrade, Back-up solutions, data storage etc.
- Institution of Governance Structures with clearly defined terms of reference to ensure delivery and value realization

In addition to the above focus areas, we also understand that the pace of digital and the race to innovate has left many organisations lacking an enterprise-wide digital roadmap. Our awareness of this fact necessitated the articulation of a business led digital strategy which was done in the course of the year and will form the basis for our journey through the next decade.

In 2020, while the IT function continues to deliver value by addressing other identified gaps and optimising our infrastructure, our focus will be on creating a "Digital first" impression. Digital technology holds an immense promise to improve service, to reduce risks and to reduce costs. But to make this promise real, we intend to create much simpler and more agile internal structures that drive our strategic objectives and develop competitive advantage in digital capabilities for rapid expansion and innovation.

As we continue to provide an enabling platform for the achievement of the Bank's strategic objectives, we are also mindful of the risks associated with disruption to Technology platforms which underpin our critical business processes and client services. Our focus initiatives as IT in 2020 will include the following:

- .Alignment of IT architecture and standards to reduce technical complexity and leverage common functions and services.
- Further enhance operational processes, including management of changes to minimise adverse impact, and response to IT incidents for swift resolution.
- Implement strategic infrastructure and application roadmaps, leveraging new technologies to enhance capacity, scalability, security, and reduce reliance on legacy IT systems.
- Establish effective, proactive monitoring of the technology environment, providing continual visibility of the health and performance of systems and processes.
- Maintain and test IT resilience capabilities to withstand failure and minimize service disruption.

We remain committed to enable the Bank's positioning as a leader in the financial services space, by providing an enabling environment for innovation and development through combining state-of-the-art technology with analyst know-how, to make Coronation MB the financial service provider of choice.

3.

Governance

The Board

Babatunde Folawiyo
Non-Executive Director (Chairman)

B.Sc Economics
London School of Economics

LL.B, Law
London School of Economics

Masters in Law
University College, London

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

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

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

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

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

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

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

Babatunde Dabiri
Non-Executive Director (Independent)

B. Sc Economics
University of Ibadan

M.BA
Columbia University, New York.

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

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

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

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

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

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

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

Suzanne Olufunke Iroche
Non-Executive Director (Independent)

B.Sc, Economics
University of Lagos

M.Sc Management
J. L. Kelog Graduate School of Management, Northwestern University, Evanston, Illinois, USA.

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

She began her career at First Bank of Nigeria, after which she advanced to different positions at the International Merchant Bank and later moved to Chartered Bank Plc as a pioneer member of staff to set up the Treasury Division. She later joined United Bank for Africa (UBA) PLC where she rose to the position of Executive Director Wealth Management and was responsible for Treasury and Correspondent Banking/ Multilateral Agency business and UBA subsidiaries in Asset Management, Trustees and Pension Custody. Her next assignment was as Executive Director Global Banking where she was responsible for the Banks African regional expansion and establishment of subsidiaries across the continent and supervision of existing global offshore operations of the Bank. In 2009, she was appointed by the Central Bank of Nigeria as turnaround CEO of Finbank Plc as part of its financial sector reform programmes to ensure financial system stability and served the bank meritoriously until her retirement in 2012. She currently has interests in Financial Consultancy, Governance and Art.

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

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

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

Olubunmi Fayokun
Non-Executive Director (Independent)

Bachelor of Laws (LL.B) Obafemi Awolowo University, Ile-Ife

Admitted to the Nigerian Bar in 1985

Ms. Fayokun is a Senior Partner in the law firm of Aluko & Oyebode, a member of the firm's Management Board and heads the firm's Capital Markets' and M&A practice groups. Prior to joining the firm, Ms. Fayokun was the Legal Adviser/Company Secretary of Denham Management Limited.

Ms. Fayokun's career spans over three decades during which she has represented a highly diversified clientele of top-tier indigenous, international and multinational companies in various sectors including banking, oil and gas, FMCG, power, aviation, and insurance.

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

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

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

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

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

Larry Ettah
Non-Executive Director

B.Sc., Industrial Chemistry
University of Benin

M. BA, Finance/Marketing
University of Benin

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

He holds B.Sc. degree in Industrial Chemistry (1985); MBA (1988) both from the University of Benin. He is a graduate of the renowned Executive Programme of Ross School of Business, University of Michigan. He also has attended Executive Education Programmes at the Graduate School of Business, Stanford University, Harvard Business School, USA, IMD Lausanne, Switzerland, University of Oxford, United Kingdom and Institut Européen d'Administration des Affaires, Fontainbleau, France ("INSEAD"). He began his career as a Management Trainee at UACN in 1988 and ascended to the board of UACN in 2004. Before his promotion to the position of Group Managing Director, he held several senior management positions in UACN. Before his retirement in December 2017 as Group Managing Director of UACN, he chaired the following companies: UAC Property Development Company Plc (UPDC), Chemical & Allied Products Plc (CAP), Portland Paints & Products Nigeria Plc, Livestock Feeds Plc and UNICO CPFA. He was also a Non-Executive Director of Grand Cereals Limited. He equally chaired Pro-Health HMO.

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

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

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

Evelyn Ndali Oputu
Non-Executive Director

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

B. Sc, Business Administration
University of Lagos

PGD, Mass General Management
Harvard Business School

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

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

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

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

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

Adamu Mahmoud Atta
Non-Executive Director

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

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

M.Sc, Politics Economics
Ahmadu Bello University, Zaria

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

He has several years of experience chairing and serving on may boards, including WAPIC Insurance Plc, Coronation Merchant Bank, Cinafindev Nigeria Limited, UNITEK Modular Builders Nigeria Limited, Inter Foods Limited, Workwell Engineering & Tractor Nigeria Limited, Supertex Limited, Nigerian Tourism Development Corporation, Nigerian Industrial and Competitiveness Advisory Council amongst others. Mr. Atta has been appointed to various committees in the oil, gas and textile industries and to the Nigerian Business Forum by the Federal Government of Nigeria. He also played a role in the work of the Nigerian Extractive Industry Transparency Initiative (N-EITI) and was involved in the creation of the accounting model which tracks development in oil and gas industries. He is also a member of the Nigeria Business Forum.

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

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

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

Idaere Gogo Ogan
Non-Executive Director

B.Sc, Economics
University of Port-Harcourt

M.BA, International Finance
Middlesex University, London

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

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

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

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

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

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

Abubakar Jimoh
MD/CEO

BSc and MSc Finance
University of Lagos, Nigeria;

AMP
Lagos Business School, Nigeria;

CFA, FRM, CGA, FCA, CGA, ACIB

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

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

One of his notable achievements includes the transformation of ADHL from a failing Discount House to a Merchant Bank (Coronation Merchant Bank) with an A rating He was also an Independent Non-Executive Director on the Board of Shelter Afrique in Nairobi, Kenya between 2012 and 2013.

Mr. Jimoh is a member of the Board Credit and Investment Committee and the Board Risk Management Committee and would be retiring from the Board effective May 2, 2020.

Banjo Adegbohungbe
Deputy Managing Director

BSc. Mechanical Engineering
Obafemi Awolowo University
Ile-Ife

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

HCIB

Banjo has over 26 years of banking experience in operations, technology, product management, relationship management and treasury.

He spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Ltd) in various functions including technology, business process improvement, and trade operations, rising to become the Head, Trade Operations in 2005 prior to joining Access Bank in March 2007. He was at various times Group Head, Global Trade, Group Head, Global Payments, and Group Head, Corporate Operations before joining Coronation Merchant Bank as Executive Director and Chief Operating Officer in charge of charting a strategic direction for the back office, technology and electronic/digital channels for the Bank. In July 2019, the CBN approved the appointment of Banjo as a Deputy Managing Director of the Bank in line with the Bank's succession plan for the office of the Managing Director/CEO.

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

Banjo is a member of the Board Credit and Investment Committee and Board Risk Management Committee of Coronation Merchant Bank Limited.

Management Team

Abubakar Jimoh
MD/CEO

BSc and MSc Finance
University of Lagos, Nigeria;

AMP
Lagos Business School, Nigeria;

CFA, FRM, CGA, FCA, CGA, ACIB

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

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One of his notable achievements includes the transformation of ADHL from a failing Discount House to a Merchant Bank (Coronation Merchant Bank) with an A rating He was also an Independent Non-Executive Director on the Board of Shelter Afrique in Nairobi, Kenya between 2012 and 2013.

Mr. Jimoh is a member of the Board Credit and Investment Committee and the Board Risk Management Committee and would be retiring from the Board effective May 2, 2020.

Banjo Adegbohungbe
Deputy Managing Director

BSc. Mechanical Engineering
Obafemi Awolowo University Ile-Ife

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

HCIB

Banjo has over 26 years of banking experience in operations, technology, product management, relationship management and treasury.

He spent 14 years in Citibank Nigeria (formerly Nigeria International Bank Ltd) in various functions including technology, business process improvement, and trade operations, rising to become the Head, Trade Operations in 2005 prior to joining Access Bank in March 2007. He was at various times Group Head, Global Trade, Group Head, Global Payments, and Group Head, Corporate Operations before joining Coronation Merchant Bank as Executive Director and Chief Operating Officer in charge of charting a strategic direction for the back office, technology and electronic/digital channels for the Bank. In July 2019, the CBN approved the appointment of Banjo as a Deputy Managing Director of the Bank in line with the Bank's succession plan for the office of the Managing Director/CEO.

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

Banjo is a member of the Board Credit and Investment Committee and Board Risk Management Committee of Coronation Merchant Bank Limited.

Magnus Nnoka
Chief Risk Officer

BSc. Economics, MBA, MSc. Risk Management

Magnus Nnoka is the Chief Risk Officer (CRO) of Coronation Merchant Bank Limited. In his role as the CRO, he oversees the enterprise risk management and control responsibilities in the Bank.

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

In over 24 years in the banking sector, Magnus has garnered experience that cuts across banks and core areas of Treasury, Branch Management/operations and enterprise risk management.

Magnus holds a first degree in Economics, an MBA in marketing and master's degree in risk management

He has attended various executive strategy and leadership education/training programs at prominent institutions including the Lagos Business School, Pan Atlantic university, Wharton Business School, University of Pennsylvania and University of Wisconsin, both in U.S.A.

Magnus is a Certified Risk Manager/Trainer and belong to some professional bodies.

He is currently the National President, Risk Management Association of Nigeria.

Abiodun Sanusi
Head, Investment Banking

BSc Accounting, MBA, CFA, FCA, ACITN

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

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

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

Cornelia Utuk
Company Secretary/ Legal Adviser

LLB, BL,, MBA

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

She began her two-decade-long career in the Credit Office of the now-defunct Standard Trust Bank in June 1999 and remained there until 2005, when it merged with the United Bank of Africa (UBA) Plc. Whilst at UBA. She developed competencies in credit risk management (analysis, control, administration and monitoring). She joined Associated Discount House Limited (ADHL) in September 2014 as the Company Secretary/ Legal Adviser and Group Head for Corporate Services.

Cornelia has attended Dale Carnegie Leadership training, management and corporate governance courses in McGill University and Harvard Business School respectively. She is a Fellow of Institute of Credit Administration and an Affiliate Member of the Chartered Institute of Personnel Management UK. Also, she is a member of WIMBIZ and serves as the Secretary General of the Association of Bank Legal Advisers and Company Secretaries.

Ademola Adekoya
Head, Corporate Banking

BSc Estate Management

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

Mr. Demola began his banking career in August 2002 at Guaranty Trust Bank Plc (GTB) as an Executive Trainee in the Energy Unit of the Credit and Marketing Group. Prior to joining GTB, he worked as Head of Property Management at Leke Sanni & Associates. In May 2003, Mr. Adekoya joined Access Bank Plc as Senior Banking Officer, Global Financial Markets. He joined Coronation Merchant Bank in August 2015 as Assistant General Manager of Corporate Banking after spending 8 years in Marina Securities Limited as Group Head of Financial Advisory Services.

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

Ibrahim Bello
Chief Compliance Officer

BSc Accounting. FCA, MBA, ACAMS.

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

He has gained over a decade's experience in financial control, fund management, relationship management, compliance and risk management. He commenced his career at Saro Agro Sciences Limited in 2004 as an Accountant, and then progressed to the role of Financial Controller at Stanbic IBTC Pension Managers Ltd., gaining a mass of expertise in risk and compliance, stockbroking, and fund management, in a variety of positions. In 2009, he became the Head of the Relationship Management Desk for Foreign Stockbroking clients. Before he joined Coronation Merchant Bank, he served as a Compliance Manager at Citibank Nigeria.

He is an Associate Member of the Institute of Chartered Accountants of Nigeria (ICAN), as well as an Associate Certified Anti-Money Laundering Specialist (ACAMS).

Dele Dopemu
Chief Audit Executive

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

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

Before his current role as the Chief Audit Executive, he was the Head, Quality Assurance Internal Audit Group in Access Bank where he was responsible for aligning the processes and procedures defined by the Board and Top Management in line with the best practice. As the Country Operating Officer in Access Bank Zambia, he was responsible for the Bank's Operations and Information Technology. He also worked in Diamond Bank Plc, Union Bank Plc and Deloitte (Audit) and was involved in some mergers and acquisitions of Banks.

As the Chief Audit Executive, Dele provides independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Bank internal control, risk management, governance systems, and processes.

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

Chukwukadibia Okoye
Chief Financial Officer

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

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

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

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

Iyobosa Sorae
Head, Treasury and Global Markets

BSc Business Administration, MBA

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

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

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

Onayimi Aiwerioghene
Group Head, Enterprise Management

BSc. Chemical Engineering, MSc. Chemical Process Engineering .

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

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

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

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

Corporate Information as at 31 December 2019

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

Chairman

Mr. Babatunde Folawiyo

Directors

Mr. Abubakar A. Jimoh - Chief Executive
(Retiring effective May 2, 2020)

Mr. Banjo Adegbohungbe - Deputy Managing Director

Mr. Larry Ettah - Non-Executive Director

Mr. Adamu Atta - Non-Executive Director

Mr. Idaere Gogo Ogan - Non-Executive Director

Mr. Babatunde Dabiri - Non-Executive/Independent Director

Mrs. Suzanne Iroche - Non-Executive/Independent Director

Ms. Olubunmi Fayokun - Non-Executive/Independent Director

Ms Evelyn Oputu - Non-Executive Director

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

Company Secretary

Mrs. Cornelia Utuk

RC No. 207138

FRC Registrar No.

FRC/2012/0000000000246

Registered Office

Coronation House

10 Amodu Ojikutu Street

Victoria Island

Lagos, Nigeria

E: cmb@coronationmb.com

W: https//www.coronationmb.com

Auditors

PricewaterhouseCoopers

Landmark Towers

5B Water Corporation Drive

Victoria Island, Lagos

Tel: +234(0)1 271 1700

W: www.pwc.com/ng

Directors' Report

The Directors have the pleasure in presenting their report on the affairs of Coronation Merchant Bank Limited and the Bank's Audited Financial Statements with the External Auditors' Report for the financial year ended December 31, 2019.

1. Legal Form

The Bank was initially incorporated in Nigeria under the Companies and Allied Matters Act, CAP C20, Laws of the Federation, 2004 as Associated Discount House Limited on October 22, 1992. The Central Bank of Nigeria licensed the Company 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 went through a process of conversion to Coronation Merchant Bank Limited who sought for and obtained a Merchant Banking license on the 30th of April 2015. The new Bank commenced operation on July 1, 2015.

2. Strategic Direction

- To be the most efficient and profitable bank in the merchant banking space with a lean and highly productive workforce
- 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.

3. Principal Activity and Business Review

The Bank is primarily engaged in the following activities:

- Corporate Banking
- Investment Banking
- Private Banking and Wealth Management
- Global Markets and Treasury

4. Ownership of the Bank

As at 31st December 2019, the shareholding structure of the Bank consisted of 14 shareholders made up of 13 institutional investors and 1 individual investor as shown below:

S/N	Shareholder	Current Holding	% Shareholding	Current Holding	% Shareholding
			31 Dec 2019		31 Dec 2018
1	Wapic Insurance Plc	1,151,522,548	22.80	1,151,522,548	22.80
2	Marina Securities Limited	1,146,884,889	22.71	1,146,884,889	22.71
3	Coronation Capital (Mauritius) Limited	672,530,308	13.32	672,530,308	13.32
4	United Securities Limited	407,836,646	8.08	407,836,646	8.08
5	Regali Estates Limited	377,358,491	7.47	377,358,491	7.47
6	Mikeade Investment Company Limited	283,018,868	5.60	283,018,868	5.60
7	DTD Holdings Limited	226,415,094	4.48	226,415,094	4.48
8	Afdin Construction Limited	188,679,245	3.74	188,679,245	3.74
9	UNICO (CPFA) Limited	186,718,491	3.70	186,718,491	3.70
10	Cream Cowry Links Limited	169,811,321	3.36	169,811,321	3.36
11	Abubakar Aribidesi Jimoh	103,773,585	2.05	103,773,585	2.05
12	Tropics Finance & Investment Limited	68,449,624	1.36	68,449,624	1.36
13	UNICO (CPFA) Gratuity Fund	48,679,250	0.96	48,679,250	0.96
14	Tonibso Limited	18,867,925	0.37	18,867,925	0.37
	Total	**5,050,546,285**	**100**	**5,050,546,285**	**100**

* Within the year, the Bank received a notification of a share sale transaction involving UNICO (CPFA) Limited, UNICO (CPFA) Gratuity and a new investor, Barracuda Capital Partners Limited. The transaction is being reviewed by the CBN and transfer of ownership to the new investor is contingent on the receipt of the CBN's approval.

* Regali Estates Limited has notified the Bank of its intention to transfer its holding in the Bank to a sister Company (Coastal Properties Limited). Same is also being reviewed by the CBN.

5. Analysis of Shareholding

The shareholding pattern of the Bank as at 31 December 2019 was as follows :

Range	Number of Shareholders	% of Shareholders	Number of Shares Held	% of Shareholding
10,000,000 – 50,000,000	2	14.29	18,867,925	0.37
50,000,001 – 100,000,000	1	7.14	68,449,624	1.36
100,000,001 – 150,000,000	1	7.14	103,773,585	2.05
150,000,001 – 200,000,000	3	21.43	358,490,566	7.10
200,000,001 – 250,000,000	1	7.14	461,812,835	9.14
250,000,001 – 300,000,000	1	7.14	283,018,868	5.60
300,000,001-400,000,000	1	7.14	377,358,491	7.47
400,000,001 and above	4	28.57	3,378,774,391	66.91
	14	**100**	**5,050,546,285**	**100**

6. Substantial Interest in Shares

According to the register of members as at 31 December 2019, the following shareholders held more than 5% of the issued share capital of the Bank:

Shareholder	Number of shares held	% of Shareholding	Number of shares held	% of Shareholding
		31-Dec-2019		31-Dec-2018
WAPIC Insurance Plc	1,151,522,548	22.80	1,151,522,548	22.80
Marina Securities Ltd	1,146,884,889	22.71	1,146,884,889	22.71
Coronation Capital (Mauritius) Ltd	672,530,308	13.32	672,530,308	13.32
United Securities Ltd	407,836,646	8.08	407,836,646	8.08
Regali Estates Ltd	377,358,491	7.47	377,358,491	7.47
Mikeade Investment Co. Ltd	283,018,868	5.60	283,018,868	5.60

7. Directors and their Interests

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

	31-Dec-2019		31-Dec-2018	
Name of Director	Direct	Indirect	Direct	Indirect
B. Folawiyo (Chairman)	-	226,415,094	-	226,415,094
I. Ogan (Non-ED)	-	-	-	-
L. Ettah (Non-ED)	-	235,397,741	-	235,397,741
A. Atta (Non-ED)	-	-	-	-
E. Oputu (Non-ED)	-	-	-	-
B. Dabiri (Independent)	-	-	-	-
S. Iroche (Independent)	-	-	-	-
O. Fayokun (Independent)	-	-	-	-
A. Jimoh (GMD/CEO)	103,773,585	-	103,773,585	-
A. Adegbohungbe (ED)	-	-	-	-

8. Details of Indirect Holdings

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

S/N	Name	Companies	Indirect Holdings	Total Indirect Holdings
1	Babatunde Folawiyo	DTD Holdings Ltd	226,415,094	226,415,094
2	*Larry Ettah	Unico (CPFA) Limited	186,718,491	235,397,741
		Unico (CPFA) Gratuity Fund	48,679,250	

9. Retiring Directors

Onome Komolafe resigned as an Executive Director effective 01 January 2019.

10. Directors Retiring By Rotation

The Directors to retire every period shall be those who have been longest in office since their last appointment. In accordance with the provisions of Section 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, Ms. Olubunmi Fayokun and Mr Idaere Gogo Ogan shall retire by rotation and being eligible have offered themselves for re-election.

11. Directors' Interests in Contracts

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

Related Director	Interest in Entity	Name of Company	Services to the Bank
Babatunde Folawiyo	DTD Holdings Ltd	Monterosa Construction Ltd	Construction Services

12. Property and Equipment

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

13. Donations

The Bank identifies with the aspiration of the community and the environment in which it operates. To this end, the Bank made donations to the following charitable and non-charitable organizations during the year:

Purpose		Amount (N'000)
Sponsorship - Islamic Finance News (IFN) Nigeria Forum 2019		2,000
Sponsorship - RIMANs 19th Annual International Conference		1,000
Donation - Fusion Sanskr uti Arts Foundation		500
CSR - World Savings Day Programme		2,537
Sponsorship - NBCC 2019 Sharing Experience Series		1,000
Sponsorship - Financial Markets Dealers Association (FMDA)		950
Sponsorship - Indian Women Association Diwali Mela 2019		500
Sponsorship - CFA Society Nigeria 2019 CareerFair		1,000
Sponsorship - Dale Carnegie Workplace Conference		1,000
CSR - UNILAG Investment Conference		1,625
	Total	**12,112**

14. Post Balance Sheet Events

There were no significant events after the balance sheet date.

15. Human Resources

i Diversity in Employment

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

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

ii. Composition of Employees by Gender

Gender	Bank
Female	56
Male	65
	121

iii. Senior Management Composition by Gender

The Bank's senior management refers to employees in the positions of Assistant General Manager and above. As at 31 December 2019, the Bank had 7 top management employees broken down as follows:

	Female	Male	Total	% Female	% Male
AGM – GM	1	4	5	20%	80%
ED – MD/CEO	0	2	2	0%	100%
Total	1	6	7	20%	80%

iv. Composition of Board Members by Gender

Gender	Board	%
Female	3	36.3
Male	7	63.7
	10	100

The Bank achieved a 20% female representation at Senior Management level and 36.3% female representation on the Board.

v. Employment of Disabled Persons

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

As at 31 December 2019, the Bank had no physically disabled person in its employment.

vi. Health, Safety and Welfare of Employees

The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank retains top-class hospitals for the provision of medical services for its employees and their immediate families under its Health Insurance Scheme.

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

vii. Training of Employees

The Bank encourages the participation of employees in arriving at decisions in respect of matters affecting their wellbeing. To this end, the Bank provides opportunities where employees deliberate on issues affecting the Bank and employee interests, with a view to making inputs to decisions thereon. The Bank places a high premium on the development of its manpower and sponsors its employees for various training courses, both locally and overseas.

viii. Statement of Commitment to Maintain Positive Work Environment

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

a. Equal opportunity is given to all qualified members of the Bank's operating environment

b. The Bank maintains business premises designed with a view to guaranteeing the safety and healthy living conditions of its employees and customers alike. Employees are adequately insured against occupational and other hazards. In addition, the Bank retains top-class hospitals for provision of medical services for its employees and their immediate families under its Health Insurance Scheme.

c. Fire prevention and fire-fighting equipment are installed in strategic locations within the office premises.

d. The Bank operates both a Group Personal Accident and the Workmen's Compensation Insurance for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act 2014 for its employees.

16. Disclosure of Customer Complaints in Financial Statements for the Year Ended 31 December 2019

In line with the Central Bank of Nigeria (CBN) circular referenced FPR/DIR/CIR/GEN/01/020, the Bank received, processed and resolved seven (2018: six) customer complaints during the period. Refer to the report on customer complaints.

17. Credit Ratings

The prudential guidelines, as released by the CBN, requires that banks should have themselves credit rated by a credit rating agency on a regular basis. It is also required that the credit rating is updated on a continuous basis from year to year. Furthermore, it is required that banks should disclose this credit rating prominently in their published annual reports periodically. Below are the credit ratings that Coronation Merchant Bank has been assigned by the various credit rating agencies that have rated the Bank in no particular order:

Rating Agency	Rating	Outlook	Issue Date	Previous Rating
Agusto & Co	A+	Stable	24 June 2019	A+ (stable outlook)
Global Credit Rating	A-	Stable	July 2019	A- (Positive outlook)

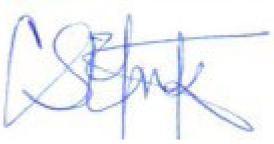
18. Dividends

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

19. Auditors

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

BY ORDER OF THE BOARD



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

Corporate Governance Report

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

The Board recognizes that effective corporate governance is a key imperative to achieving sustainable growth of the business and ensures a careful implementation of high standards of corporate governance across the Bank. Accordingly, the Bank's governance framework is designed to ensure on-going compliance with the Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses in Nigeria ('the CBN Code'); the Securities and Exchange Commission's Code of Corporate Governance.

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

In assessing the Bank's compliance with Corporate Governance Best Practice, Agusto & Co rated Coronated MB 'A+ with a stable outlook' driven by strong corporate governance processes, the ability to meet the financial obligation and stakeholder expectations and a strong governance process for risk management.

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

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

Developments on the Board

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

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

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

Retirement and Re-election of Directors

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

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

Board Effectiveness

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

Board Composition–Guiding Principles

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

We are comfortable that the Board is sufficiently diversified to optimize its performance and deliver sustainable value to stakeholders. The Board's composition is aligned with global best practice on the parity of Non-Executive Directors to Executive Directors. In 2019, the Board had more Non-Executive Directors than Executive Directors, with three Non-Executive Directors being Independent as against two required by the CBN Code. Non-Executive Directors are appointed to the Board to bring independent, specialist knowledge and impartiality to strategy development and execution monitoring.

Training and Induction

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

Individual Trainings

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

S/N	Director	Course Title	Organisers	Date
1	Babatunde Folawiyo	Executive Programme	Singularity University, California	September 2019
2	Suzanne Iroche	Board Practice Series	IMD, Switzerland	October 2019
3	Olubunmi Fayokun	International Directors Programme	Insead, Fontainbleau	June and October 2019

General Training

All Directors were trained on the following themes by Ernest & Young on the 20th November 2019:

- Emergence of Artificial Intelligence in Financial Services
- Blockchain and cryptocurrency: Money laundering and terrorist financing risks to Banks
- Global Rise in Identity Theft and what Directors must know

Performance Monitoring and Evaluation

The Board, in the discharge of its oversight function, continuously engages with Management and contributes ideas to the planning and execution of the Bank's strategy. In line with the Bank's annual calendar, the Board had its retreat on November 20, 2019, where the strategy for the coming year was rigorously debated and agreed between Management and the Board.

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

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

The Board has also established a system of independent annual evaluation of its performance, that of its committees and individual directors. The evaluation is done by an independent consultant approved by the Board. In the 2019 financial year, the Bank engaged the services of Ernst and Young Professional Services to review and evaluate the performance of the Board. The exercise covered the Directors' self-assessment and peer assessment in addition to the assessment of the Board Standing Committees.

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

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

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

Shareholders and Regulatory Engagement

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

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

Shareholders meetings are held in the open as required by the Bank's Articles of Association and extant laws and regulations, to deliberate on issues affecting the Bank. The Annual General Meeting is a medium for promoting interaction between the Board, management, and shareholders. Attendance at the Annual General Meeting is open to shareholders or their proxies, while members of the press usually monitor proceedings at such meetings, representatives of the Central Bank of Nigeria and the Securities and Exchange Commission. The Board ensures that the Bank provides shareholders with adequate notice of meetings.

An Extraordinary General Meeting may also be convened at the request of the Board or shareholders holding not less than 10% of the Bank's paid-up Capital.

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

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

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

Access to Information and Resources

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

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

Board Responsibilities

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

Directors' Remuneration Policy

Objectives

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

a. Promote excellence and balance between short term and long-term performance such that Coronation MB's financial goals and shareholders' expected returns are met and sustained.
b. Enable Coronation MB to attract, motivate and retain people of proven ability, experience and skills in the market in which it competes for talent and impact the Bank's present and future goals.
c. Align the compensation for Directors with the volume of work, risks associated with decisions taken by the Board and the complexity of the merchant banking business.
d. Boost the level of commitment expected of the directors and enhance the quality of Board decisions, effectiveness and accountability.
e. To ensure that both internally and externally, remuneration policies and programs are transparent, well communicated, easily understood and aligned with the interest of shareholders and leading corporate governance practices.

Remuneration Structure

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

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

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

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

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

Components of Non-Executive Directors Remuneration

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

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

Roles and Responsibilities

The Board Governance and Nominations Committee shall be responsible for:

a. Ensuring that the compensation package for the Managing Director and other Executive Officers serves to:
    i. Attract, retain and motivate outstanding management staff who add value to Coronation MB;
    ii. Ensure that remuneration to Executive Directors is performance driven;
    iii. Provide a highly competitive base salary structure for Executive Directors;
    iv. Link annual variable pay opportunities to attainment of pre-defined performance measures.

b. Making recommendations to the Board:
    i. on the remuneration packages of Executive Directors and Non-Executive Directors;
    ii. on the salary and service conditions of senior management staff;
    iii. on the remuneration policy.

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

Compensation Review

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

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

Approval

Directors' remuneration should be recommended by the Board Governance and Nominations Committee to the full Board for approval and presented to the shareholders at the Annual General Meeting for ratification.

Disclosure

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

Review of this Policy

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

Board Composition and Role

The Board had ten (10) members, which include the Chairman, seven (7) Non-Executive Directors and two (2) Executive Directors inclusive of the Managing Director/Chief Executive Officer. The Board can reach impartial and independent decisions as it is comprised of a blend of independent and non-independent directors with no shadow or alternate directors. The Board is made up of the following members:

S/N	Name	Designation
1	Mr. Babatunde Folawiyo	Chairman
2	Mr. Babatunde Dabiri	Non-Executive Director /Independent
3	Mrs. Suzanne Iroche	Non-Executive Director /Independent
4	Ms. Olubunmi Fayokun	Non-Executive Director /Independent
5	Mr. Larry Ettah	Non-Executive Director
6	Ms. Evelyn Oputu	Non-Executive Director
7	Mr. Adamu Atta	Non-Executive Director
8	Mr. Idaere Ogan	Non-Executive Director
9	Mr. Abubakar Jimoh	Executive Director
10	Mr. Adebanjo Adegbohungbe	Executive Director

Governance Structure

The Coronation Merchant Bank Limited is committed to upholding the tenets of good governance as enshrined in the various Regulators' Codes. The Board opines that it has effectively and efficiently discharged its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committee Charters, and the above Codes during the 2018 financial year.

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

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

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

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

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

The Role of the Chairman

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

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

The Role of Managing Director/Chief Executive Officer

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

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

The Role of the Company Secretary

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

Delegation of Authority

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

Board Meetings

The Board opines that it has effectively and efficiently discharged its responsibility of ensuring that the Bank complies materially, with its internal Board Charter, Board Committee Charters, and the above Codes during the 2019 financial year. The Coronation MB Board was able to achieve this due to the existence of the following Governance structures:

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

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

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

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

The Board channeled considerable time and efforts in discussing the following issues in 2019 amongst others:

- Review of Board Committee charters/policies.
- Reconstitution of Board Committees.
- Consideration and approval of the 2019 budget.
- Approval of credit facilities.
- Consideration of top management and board appointments.
- Consideration of updates on the implementation of Board Retreat outcomes.
- Approval of the funding plan and asset plan
- Approval of capital projects
- Approval of interim and full-year audited financial statements.

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

S/N	Names of Directors	AGM	Board Meeting	Strategy
1	Babatunde Folawiyo (Chairman)	1	4	1
2	Suzanne Iroche	0	4	1
3	Evelyn Oputu	1	3	1
4	Babatunde Dabiri	1	4	1
5	Adamu Atta	1	4	1
6	Larry Ettah	1	4	1
7	Abubakar Jimoh	1	4	1
8	Fayokun	1	4	1
9	Idaere Gogo Ogan	1	4	1
10	Adebanjo Adegbohungbe	1	4	1

Board Standing Committees

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

a. Board Risk Management Committee

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

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

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

b. Board Credit and Investment Committee

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

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

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

Board Governance and Nominations Committee

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

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

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

d. Board Audit Committee

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

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

The Committee is required to have a minimum of four Directors made up of Non-Executive Directors only. The Committee meets at least once a quarter. The number of meetings and attendance by members were as follows:

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

Role and Focus of the Board Audit Committee

The duties of the Board Audit Committee are as enshrined in Section 359 (3) and (4) of CAMA and the Codes of Corporate Governance issued by the CBN and SEC and include:

1. scertaining whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
2. Reviewing the scope and planning of audit requirements.
3. Reviewing the findings on management matters in conjunction with the external auditor and management's responses

thereon.

4. Keeping under review the effectiveness of the Company's system of accounting and internal control.
5. Making recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Company, ensuring the independence and objectivity of the external auditors and that there is no conflict of interest which could impair their independent judgement.
6. Authorizing the internal auditor to carry out investigations into any activity of the Company which may be of interest or concern to the Committee.
7. Assisting in the oversight of the integrity of the company's financial statements and establish and develop the internal audit function.

Management Committees

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

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

Going Concern

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

External Auditors

Messrs PricewaterhouseCoopers (PwC) acted as our external auditors for the 2019 financial year. The Board confirms that the Bank has complied with the regulatory requirement as enshrined in the CBN and SEC Codes of Corporate Governance on the rotation of audit firm and audit partners. PwC was appointed the Bank's sole external auditors from the 2013 Financial year and has held office for seven years.

Code of Ethics

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

Compliance Officer is responsible for monitoring compliance.

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

Consumer Protection and Customer Complaints Management

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

Adoption of the Gender Diversity Policy

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

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

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

Directors' Responsibilities

Statement of Directors' Responsibilities in relation to the Consolidated Financial Statements for the year ended 31 December 2019.

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

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

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

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

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

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

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

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

Report of the Board Audit Commitee

To the members of the Board Audit Committee

In accordance with the provisions of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Coronation Merchant Bank Ltd hereby report on the financial statements for the year ended 31 December 2019 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 Bank are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the year ended 31 December 2019 were satisfactory and reinforce the Bank's internal control systems.

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

- We have deliberated on the findings of the external auditors who have confirmed that necessary cooperation was received from Management in the course of their audit and we are satisfied with Management's responses thereon and with the effectiveness of the accounting and internal control system of the Bank.

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

Members of the Audit Committee are:

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

Customer's Compliants and Feedback

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

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

Complaints Handling

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

Complaints Tracking and Reporting

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

S/N	Currency	Designation	Number		Amount Claimed (N'000)		Amount Refunded (N'000)	
			2019	2018	2019	2018	2019	2018
1	NGN	Delay in application of funds	-	1	-	-	-	-
2	NGN	Non payment of tenured funds	1	-	70	-	70	-
3	NGN	Discrepancy and re-imbursement of accrued interest	6	4	35,650	15,940	31,031	15,940
4	NGN	Delay in processing/service delivery	8	2	2,653	-	-	-
5	NGN	Internet banking usage/token complaint	17	2	-	-	-	-
6	NGN	Excess charges/fees	6	2	5,044	-	4,816	-
7	NGN	Erroneous debit from account	4	2	2,115	-	3,148	-
8	NGN	Discrepancy with account balance	-	2	-	-	-	-

Solicited Customer Feedback

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

- Customer forums
- Customer interviews

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

Report on Enterprise Risk Management

Overview

Coronation Merchant Bank Limited (Coronation MB) is a fast-paced, result-driven and innovative organisation. As a wholesale Financial Institution, our business activities and services cover Corporate Banking, Trade Finance, Investment Banking, Project Finance, Private Banking, Wealth Management, Global Markets and Treasury.

Merchant Banking business involves taking risks. The challenge is to manage these risks and reduce their impact as much as possible. These risks go beyond the traditional Credit, Market, and Operational risk and include Concentration, Strategic, Liquidity, Interest Rate Risk in the Banking Book (IRRBB), Reputational, Legal, Environmental and Social risks, Cyber risks as well as "other" risks.

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

As a Bank, we understand that risk is:

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

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

Coronation MB Risk Management Process

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

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

Fig: CMB Risk Management Process

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

Risk Management Framework

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

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

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

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

- Risk Management is conceived and implemented to facilitate the achievement of organizational goals and objectives;
- Risk Management is applied in strategy setting and provides an effective role in establishing alternative strategies;
- Risk Appetite is derived from risk management and culture. Risk appetite is the amount of risk that an organization and its individual managers are willing to accept in pursuit of achieving core purpose, mission and vision.
- Our risk management activities aim at minimizing the divergence between expectations and outcomes, thus ensuring the realization of more predictable results. This is achieved through a robust framework, clearly defined and transparent processes for the identification of all factors that may lead to the said divergences ("Risk Identification"); estimation of the likelihood of their occurrence and the extent or severity of their impact in the event of occurrence ("Risk Assessment/

Measurement"); design of effective controls to minimize both the likelihood and the impact of risk events ("Risk Control"); establishment of procedures to ensure that these controls are effective and are being complied with ("Risk Monitoring"); regular reporting of risk events and controls ("Risk Reporting"); and provision of sufficient capital to absorb the adverse impact of unexpected losses.

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

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

The table below shows the Bank's principal risk types and specific risk management approaches

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
1	Credit Risk	It is the probability that borrowers or counterparties will fail to meet their obligations according to the agreed terms thereby resulting in a loss for the Bank.	The Bank manages its credit exposures following the principle of diversification across products, client segments and industry sectors. The credit risk in the Bank is controlled and mitigated in the following ways: • Rigorous credit analysis to unearth the risk issues and proffer mitigant for same • Counterparty credit search • Setting and enforcement of credit authorization limits • Proper due diligence and complete documentation before loans are granted • Effective loan monitoring, with a dedicated team that monitors the credits on a portfolio and client bases for risk reporting • Back testing of rating models to ensure optimum functionality • Cooperation among all departments involved in the lending process.
2	Market Risk	Coronation MB defines market risk as the potential loss due to changes in interest rates, equity prices, commodity prices, foreign exchange rates.	The Board of Directors set the Bank's tolerance limit for interest rate risk. The primary limits include gap limits, deposit concentration limits, stop Loss limits, Value at Risk (VaR) limits, counterparty limits, etc. on the Bank's acceptable risk appetite. The Bank minimizes exposures to losses caused by adverse movements of market factors by setting defined limits of relevant Treasury Instruments. Coronation MB considers the effect of currency risk on the banking book and measures it at balance sheet level by matching all FX denominated assets against liabilities of similar and /or other foreign currency.

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
3	Operational Risk	Operational risk is defined as the risk of loss from inadequate or failed internal processes, people, and systems or from external events. In line with BCBS convention, operational risks include fraud, legal, regulatory, compliance and execution and business practices.	The Bank controls operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Bank's franchise. The management of Operational risk involves Risk and Control Self-Assessment (RCSA) of all the processes in the Bank, establishment of Key Risk Indicators (KRIs) and approaches for mitigating them, maintenance of loss database, etc.
4	Liquidity Risk	This is the risk to Coronation MB's income and capital adequacy arising from its inability to meet obligations as and when due and at reasonable cost. This makes the Bank vulnerable to litigation, damaged reputations, and financial loss.	The Bank uses the following methods to control liquidity risk: • Balance sheet trend showing key ratios performance in terms of capital, liquidity, asset quality and concentration. • Limit trigger and/or breach escalation. • Daily monitoring of interbank placement with counterparties to ensure the bank's capital is protected. • The activation of a contingency funding plan as last resort where necessary The management of liquidity in the bank is a critical function shared amongst the treasury, market risk management and ALCO. Monitoring and reporting are done by the former while the latter coordinates activities to ensure the Bank's liquidity is optimal.
5	Interest Rate Risk in Banking Book (IRRBB)	Interest Rate Risk in the Banking Book (IRRBB) is defined as "the current or prospective risk to the bank's capital and earnings arising from adverse movements in the interest rates that affect the institutions banking book positions"	The Bank mitigates Interest Rate Risk in the Banking Book (IRRBB) using defined limit for various instruments and securities. Typically, the banking book is priced on a floating interest rate basis with respect to the MPC decisions and the general market conditions. The management of IRRBB is driven through regular reviews by ALCO. They also develop policies on the type of deposits to take and those to deemphasize to manage down the Bank's re-pricing gap risk.
6	Reputational Risk	Reputational risk is the potential threat that the reputation of Coronation MB can be damaged by one or more reputational risk events due to negative publicity, adverse rumours or public perceptions about the Bank's business practices, conduct or financial condition.	The control and mitigation of reputational risk is a key function of the Brand and communication unit of the Bank especially in the media space. They monitor media publication and information about the bank in a methodical manner. The customer service department serves as the first line of resolution of customer dissatisfaction and as such officers in this department are properly trained to empathize, listen and handle complains in a professional manner.
7	Environmental & Social Risk	The Environmental & Social (E and S) risks of Coronation MB are the potential negative consequences to our business that result from our business operations, and the impacts (or perceived impacts) of our client's activities on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, residents).	The Bank continuously monitors its portfolio of risk assets and investments under the auspices of financial performance and environmental and social risk considerations. This monitoring is achieved at an individual level for Category A and B, while category C is performed on portfolio basis.

S/N	Principal Risk Types	Risk Definition	Risk Management Approach
8	Credit Concentration Risk	This is defined as risk that may arise from lopsided distribution of the Bank's loans to individual borrowers, a product type, a bank of related parties or an industry/geographical location. It also covers deposit concentration to specific customers, and/or deposit types.	The Bank manages Concentration Risk by setting internal limits that guide concentration eg Single Obligor Limit (SOL=50% of SHF), Sectoral limits (18% of total exposure), insider related exposure limit (5% of total exposure) , deposit concentration limits, net interbank position to total deposits limits, etc. These internal limits act as triggers for the regulatory limits. Stop lending decisions are the last resort when a sector or counterparty etc. has triggered the internal limits set.
9	Investment Risk	Investment risk is the probability or likelihood of occurrence of losses to the Bank relative to the expected return on investments due to changes in market prices of investments.	The management of Investment risk is achieved with the following: • Significant investments approved by the Board after review by top Management • Stringent portfolio selection and diversification strategies • Highly experienced professionals in the Investment Banking unit advise on strategic investments
10	Legal Risk	Legal Risk means loss to earnings and capital arising from violations or non-compliance with agreements, laws, rules, regulations, prescribed practices, or ethical standards.	The Bank adopts a proactive approach to the management of its legal risk. Staffed with a qualified legal team and armed with formal polices and controls; steps for mitigation of these risks include: • Recruitment of qualified Legal team • Training and retraining of all staff in basic legal precept with regards to business relationships • Review of all relevant laws, regulations and pronouncements made by the relevant regulatory authorities and application of same to the Bank's businesses and relationships. • Review of all disputes involving the Bank to ensure that the best approach is adopted in resolving them. • Review of all Agreements and loan documents to ensure that the Bank is adequately protected and that they are in conformity with the Bank's policies, and relevant laws and regulation.
11	Cyber Security Risk	CMB defines Cybersecurity risk as the probability of exposure or loss resulting from a cyber attack or data breach on critical information assets.	• The bank adopts CBN's risk-based cybersecurity framework • Leverages on standard frameworks. E.g ISO 27001 • Aligns to CBN IT blueprint on Information security • Implementation of Nigeria Data privacy regulation requirements to address data Privacy • Implements Layered security to address all enterprise security architecture • Continuous measurement of the information security strategies • Capacity Building • Subscription to security organizations for knowledge sharing • Enhanced due diligence before onboarding vendors • Adopts practical approach to improving critical cybersecurity infrastructure i.e processes to Identify, Protect, Detect, Respond, and Recover from incidences. • Tailored awareness training/publication for staff and customers. • Develops a process of measuring the effectiveness of our information security controls • Seeks stakeholders' expectations of information security to align their goals to security strategies

Risk Management Philosophy and Culture

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

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

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

Thus, it is meant to facilitate:

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

Guiding Principles

Coronation MB has identified the following attributes as guiding principles for its risk culture.

The board and senior management shall:

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

- Continue to demonstrate appropriate standards of behavior in development of strategy and pursuit of objectives.

Objectives, Scope and Coverage

Core Objective

Core objective of risk management is to provide a reasonable degree of assurance to the Board of Directors (BOD) that the risks threatening Coronation MB's achievement of its vision to "become Africa's premier investment bank" are identified, measured, monitored and controlled through effective integrated risk management system covering Credit risk, market risk, operational risk, investment risk, liquidity risk, reputational risk, money laundering & terrorist financing risk, cyber risk and other material risks.

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

Supporting Objectives

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

Scope and Coverage

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

Risk Management Strategy

Coronation MB adopts the following strategies in its Risk Management process:

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

to identify, assess/measure, monitor and control all the identified risk elements;

Risk Appetite

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

Risk Appetite Statement

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

"Coronation MB would accept all medium/moderate risks in every activity it undertakes to achieve set out business and strategic objectives". "The quantitative expressions of our medium/moderate risk appetite are reflected in the limits and thresholds, backed by operating policies and procedures. These quantitative thresholds cut across the entire sphere of the Bank's business and are implemented along with qualitative expressions to protect the Bank's going concern status"

This statement of Risk Appetite seeks to identify and formally communicate the strategies for the effective management of the key drivers of value in the attainment of the major strategies outlined in Coronation MB's corporate strategic plan.

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

Credit Risk Appetite

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

1. For portfolio quality, the Bank's target is to maintain an NPL ratio <=3%, which is 200 basis points below the regulatory NPL ratio of <=5%.
2. The Bank's minimum acceptable risk rating of BBB+ for all its obligors ensures credits are extended to obligors who are deemed credit-worthy and have the capacity to repay their loans as at when due.
3. To avoid concentration risk, the Bank targets a Single Obligor Limit (SOL) of <=40% of shareholders' funds, 1000 basis points lower than the regulatory SOL of <=50% of shareholders' funds
4. To ensure diversified portfolio across all sectors, loans to economic industrial sectors should not exceed 18% of

total credit portfolio, which is 200 basis points lower than the regulatory 20% of total portfolio.

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

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

Operational Risk Appetite

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

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

Market Risk Appetite

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

- Exposure Limits for various instruments in Trading Book - Exposure Limits are set such that performing non-maturity analysis of the liabilities are based on historical data. The core deposits of the Bank should be able to fund the Bond portfolio and Corporate Investment positions.
- Portfolio Stop Loss Limits - Stop Loss limits are set based on the maximum that the Bank is willing to lose on its capital. Every position has a specific risk charge of 10% as capital that needs to be set aside hence stop loss limits are set for trading assets, bonds and FCY exposures.
- Management Action Triggers - The Management Action Trigger is set at 20% of budgeted monthly trading income for trading assets. When losses beyond this level are incurred, a review of the trading strategy shall be carried out.
- Value at Risk (VaR) Limit – This represents a portion of the capital set aside for market risk purposes. It is measures as a percentage of shareholders' funds.
- Security Position Loss Limit – This refers to mark-to-market loss on each security position.

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

Capital Management

Overview

Capital is the investment in, or contribution to, the business of the institution that ranks behind depositors and other creditors as to entitlement to repayment or return on investment It is the measure by which the bank's solvency is assessed.

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

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

Capital Assessment and Planning

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

- Risk Governance Structure

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

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

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

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

Capital Management Strategy

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

Coronation MB's comprehensive capital management programme involves:

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

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

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

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

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

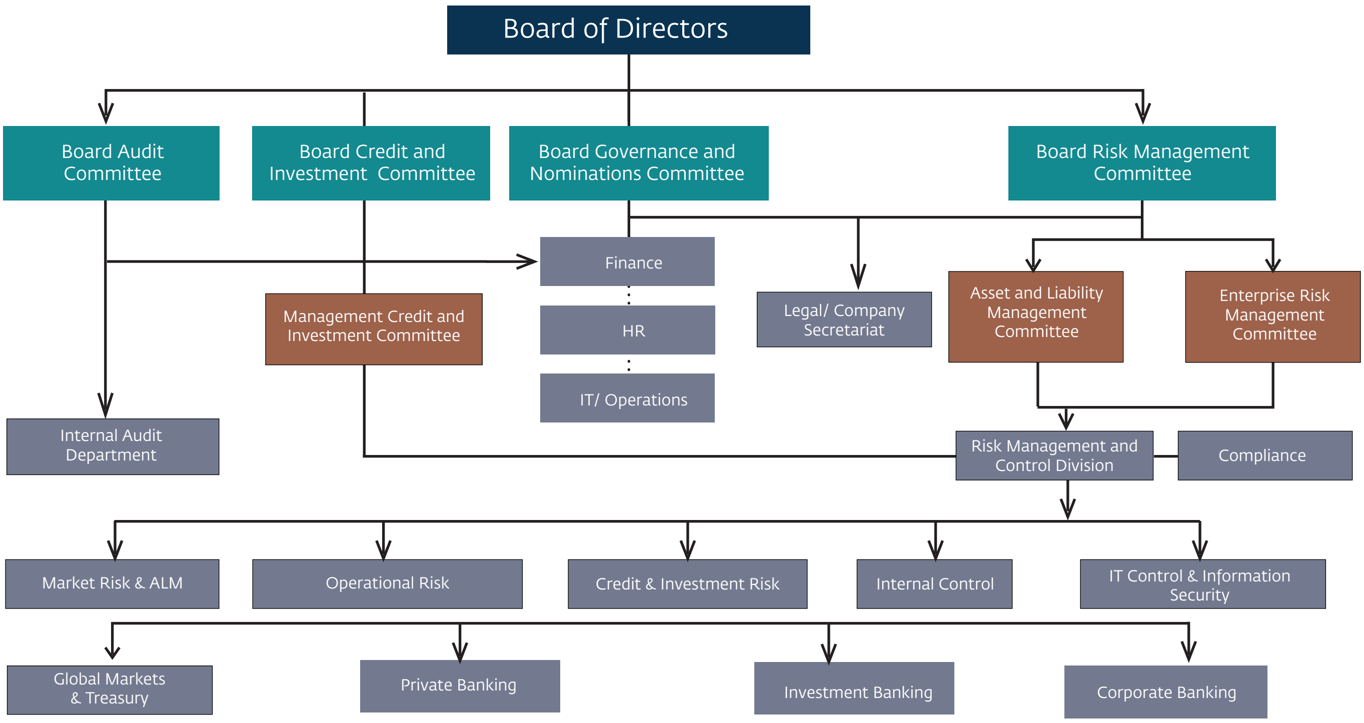
RISK MANAGEMENT GOVERNANCE STRUCTURE

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

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

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

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



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

First Line of Defense - Risk Management and Ownership

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

- Managing risks/implementing actions to manage and treat risks at a transaction level;
- Implementing risk management processes on an ongoing

basis as changes occur with business mix, systems, or regulatory and other requirements; and

- Executing risk assessments and identifying emerging risks at the transaction/business case level.

Second Line of Defense - Risk Oversight, Policies & Methodologies

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

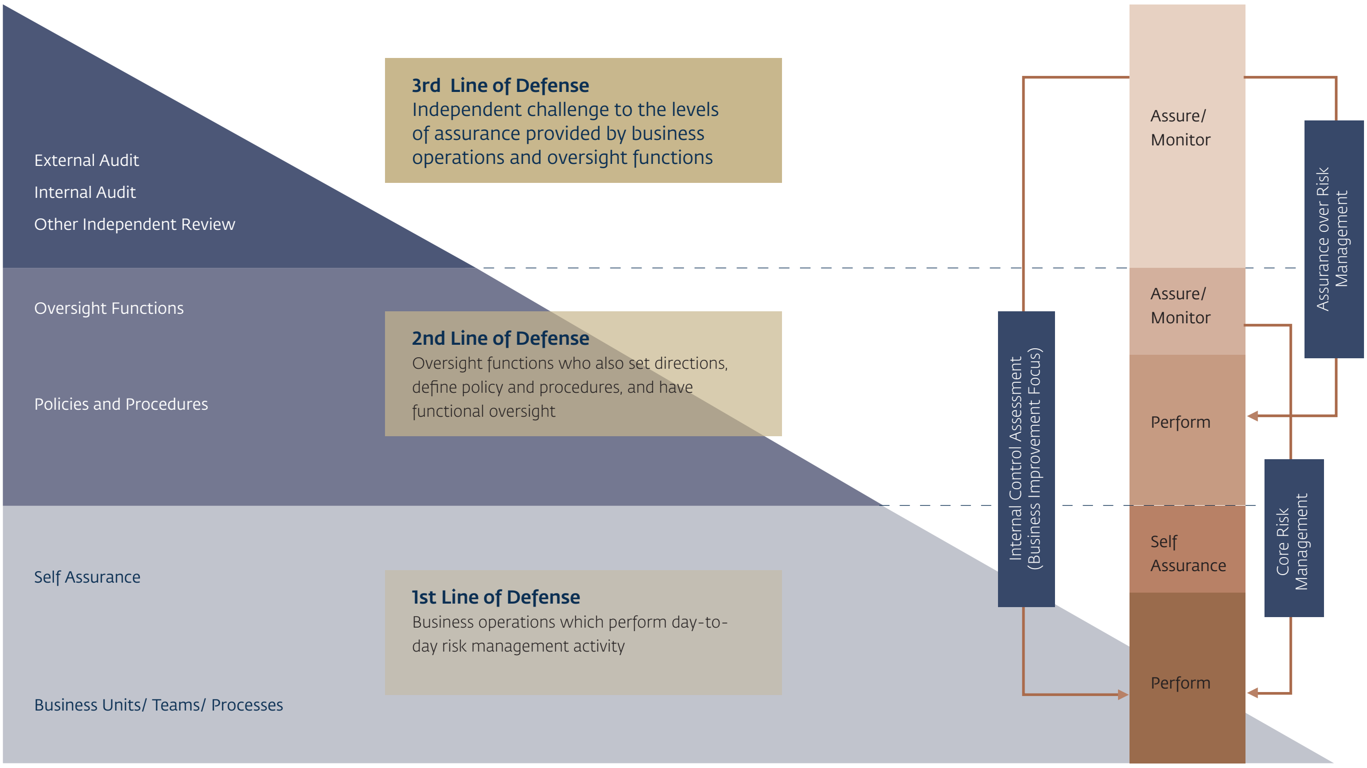
- Assist in determining risk capacity, risk appetite, allocations, and strategies for managing risk
- Establishing risk management policies, methodologies, and processes;
- Strategically linking the controls of risk enterprise-wide;
- Providing guidance and coordination among all monitoring participants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

Third Line of Defense - Risk Assurance

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

- Provide independent and objective assurance on the overall effectiveness of the risk governance framework, design, and implementation.
- Providing oversight on the risk management process;
- Reporting to the executive management committee, the audit committee, and the board of directors on:
    i. the state of the control environment;
    ii. gaps in the controls or monitoring environment;

Three Lines of Defense



Roles and Responsibilities

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

The specific roles and responsibilities of the various Committees are as set out below.

Board of Directors (BOD)

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

- Setting the tone at the top and overseeing management's role in fostering and maintaining a sound corporate risk culture.
- Approval of risk policies to ensure there is an efficient set of standards for risk management throughout Coronation MB that include risk identification, quantification, setting of exposure and risk limits, monitoring, controlling and reporting.
- Setting appetite for risk taking at the enterprise level and at other various levels in consistence with business strategies of the Bank.
- Ensuring effectiveness, independence, and integrity of risk management system through internal control & audit.
- Periodically (at least annually) reviewing the risk strategy and significant risk policies of Coronation MB.

- Establishing Coronation MB's overall strategy and policies relating to the management of individual risk elements to which the Bank is exposed.
- Approval of Coronation MB's risk appetite and monitoring the risk profile against this appetite.
- Ensuring risk strategy reflects Coronation MB's risk tolerance.
- Ensuring that Coronation MB has an appropriate and adequate communication plan for managing individual risk elements.
- Periodically receive risk reports from management highlighting key risk areas, control failures and remedial action steps taken by management.
- Ensuring that senior management as well as individuals responsible for managing individual risks facing Coronation MB possess the required expertise and knowledge to accomplish the functions of the risk management division.
- Ensuring senior management takes necessary steps to identify, measure, monitor, control and report all risks Coronation MB is exposed to.
- Ensuring that management maintains an appropriate system of internal control and review its effectiveness.

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

Board Risk Management Committee (BRMC)

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

The Roles and Responsibilities of the BRMC are:

- Primary role of the BRMC is to effectively coordinate the efforts of Risk Committees to provide an integrated view of risks faced by the Bank to the BoD at regular intervals and to effectively implement the BOD's strategy for risk management.
- Based on the reports received, the BRMC will take decisions and provide guidance / mandate to risk committees and relevant functions of the firm on management of risks.
- Make suitable recommendations to the BOD as it deems fit and examine any other matters referred to it by the BOD.
- BRMC will review issues raised by Internal Audit that impact risk management and make suitable recommendations to the BOD.
- The Committee, by the powers delegated to it by the BOD, will approve any changes in risk policies. Changes to the policy approved by BRMC must be ratified by the BOD within an acceptable timeframe set by the BOD.
- Approval of exceptions to the risk policies upon thorough enquiry into circumstances leading to exceptions, nature, size and genuineness of exceptions. Repetition of exceptions of similar nature should lead to changes in the policy. Repeated instances of similar exceptions are handled through changes in the policies rather than approved as exceptions.
- BRMC will review the roles of the risk committees, at least on an annual basis, based on revision in policies and provide suitable recommendations to the BOD.
- Ensure that adequate policies and controls are in place to manage the adverse effects of risks in the operations of Coronation MB;
- Evaluate the adequacy of Coronation MB's risk management systems and control environment;
- Review Coronation MB's processes for assessing and improving internal controls, particularly those relating to areas of significant risk;
- Approve the provision of risk management services by external service providers;
- Monitor compliance with established policies through

periodic review of reports provided by management, statutory auditors and the supervisory authorities;

- Approve the appointment of senior officers to manage risks; and
- Review reports on Coronation MB's risk profile, the action plans put in place to manage high risks and monitor progress against plan to achieve these actions.

Board Credit and Investment Committee (BCIC)

The Board Credit and Investment Committee shall:

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

Asset & Liability Management Committee (ALCO):

The Asset & Liability Management Committee (ALCO) shall:

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

Enterprise Risk Management Committee (ERMC):

As stated in the charter, ERMC shall:

- Address all categories of material risks, and their components, to which the Bank is exposed.
- Manage significant/material risk exposures (individually or aggregate) at a much higher level than the individual business units.

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

Management Credit & Investment Committee (MCIC):

The MCIC shall:

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

Enterprise Risk Management Department:

The Enterprise Risk Management Unit perform the following roles:

- Spearhead the implementation of the enterprise-wide risk management framework across Coronation MB for the management of risks viz market risk, reputation risk, legal and compliance risk, credit risk, investment risk and operational risk etc.
- Develop risk policies, principles, process, and reporting standards that define Coronation MB's risk strategy and appetite in line with Coronation MB's overall business

objectives;

- Ensure that controls, skills and systems are in place to enable compliance with Coronation MB's policies and the standards
- Perform stress testing on an enterprise-wide level; and ensure compliance with BASEL II and other international best practices in Risk Management
- Ensure business continuity, defined as the ability to sustain operations in the event of major crises and have crisis management policies in place;
- Identify and monitor emergent risks that may be material for the Bank in future due to changes in the risk environment;
- Understand the business strategy of the Bank and use necessary measures to influence both the board and the managers and employees responsible for making day-to-day decisions;
- Enable the Bank to make decisions based on a better appreciation of the relationship between risk and reward;
- Promote risk awareness while providing education and training on risk management.

Credit Risk Management Department:

The Credit Risk Management function of the bank has specific and overall responsibility for facilitating risk asset creation and exposure management in the bank. This function encompasses the following as it relates to credit risk:

- Designing and developing credit risk management framework and structures and ensuring bank wide compliance.
- Coordination of the risk management policy definition process.
- Drafting specific credit risk policies, standards, procedures, and guidelines to manage the credit risk cycle (identify, measure, monitor and mitigate/control).
- Identifying industry best practices, participating in industry conferences, surveys, monitoring trends and emerging practices to be up to date on regulations in credit risk and maintaining a repository of all related documents.
- Identifying inherent credit, financial and business risks in facility requests; and recommending appropriate structure for credit facilities to ensure that the risk of credit loss is properly mitigated including credit terms, security, and repayment terms.
- Establishing credit risk limits (exposure limits, risk limits, concentration limits etc.), while seeking approval from BOD, monitoring and reporting on an ongoing basis.
- Monitoring the performance of the credit rating system on a periodic basis by validating them.
- Protecting` the quality of the entire loan portfolio by undertaking portfolio evaluations and conducting comprehensive studies on the environment to test the resilience of the loan portfolio, as per Credit and Investment Risk Policy Guide, on regular basis. Timely, accurate and complete reporting of risk assets and risk asset portfolio quality and performance to provide informed basis for management actions and decision-making.

ALM & Market Risk Management Unit

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

Operational Risk Management Unit

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

Roles & Responsibilities of IT Control and Information Security Management Unit

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

The Unit function is broken into:

Information Security Governance & Strategy

- Information Security Governance
- Information Security Awareness
- Data Privacy

IT Risk Management

- Network Security Risk
- Data & Operating Systems Risk
- Application Security Risk
- Product & Process Risk

ISMS Monitoring & Incident Management

- Information Security Incident Management
- Security Control & Monitoring
- Access & Authorization Management

Responsibilities

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

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

Roles & Responsibilities of Compliance Department

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

Role of Internal Audit

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

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

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

Sustainable Banking Report 2019

Overview

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

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

Coronation Merchant Bank's Commitment to Sustainable Banking

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

- Provision of loans and credit facilities to projects only where the borrower can comply with our respective social and environmental policies and procedures that implement the Equator Principles.
- Promote work life practices that conform with its human right polices
- Render advisory services only to socially responsible businesses that reflect sound environmental management practice. By doing so, negative impacts on project-affected ecosystems and communities would be avoided
- Contribute its quota regularly through Corporate Social Responsibility (CSR) and Sustainability in its strategy by:
    - Pledging to 'Do No Harm': The Bank shall commit to preventing and minimizing the environmentally and/or socially detrimental impacts of our portfolios and operations.
    - Commitment to Accountability: Coronation MB shall be accountable to its stakeholders, particularly those that are affected by the activities and side effects of companies we finance.

Applicable E & S Standards

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

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

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

Environmental and Social Risk Management Governance (ESG)

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

1. Environmental and Social Due Diligence:

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

2. Environmental and Social Risk Screening:

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

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

- Production or activities involving forced labour or child labour;
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements;
- Production or trade in weapons and ammunitions; illicit or hard liquor
- To support act/acts of terrorism
- To purchase illegal firearms
- To support illegal military activity
- Gambling, casinos and equivalent enterprises;
- To support production and distribution of illicit drugs
- Any business relating to pornography or prostitution;
- Trade in wildlife or wildlife products regulated under CITES;
- Racist or anti-democratic media
- Production or use of or trade in hazardous materials such as radioactive materials, unbounded asbestos fibres and products containing PCBs;
- Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans
- Significant conversion or degradation of Critical Habitat; Production and distribution of racist and

anti-democratic media;

- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where CMB considers the radioactive source to be trivial and/or adequately shielded.
- Significant alteration, damage, or removal of any critical cultural heritage; or
- Relocation of Indigenous Peoples from traditional or customary lands.

3. Environmental and Social Risk Categorization

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

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

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

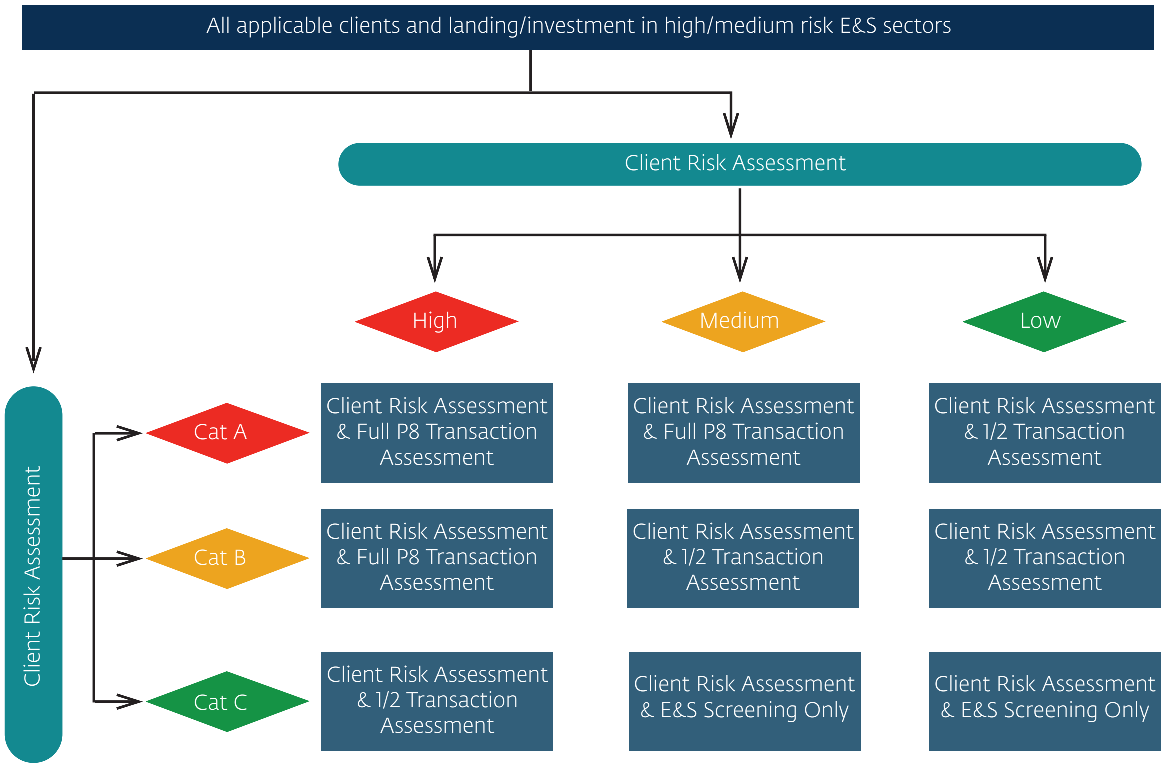
In Coronation MB, Environmental and Social Risks are categorized in line with the IFC, Equator Principle and NSBP recommendations as shown below:

Risk Ratings	Definition	Interpretation	E & S Treatment
A	High Risk	Major or Irreversible E & S Impact	Detailed
B	Medium/Moderate Risk	Material but reversible E & S Impact	Moderate
C	Low Risk	Minor and reversible E & S Impact	Light

Financial Advisory (M & A)	E & S Risk Rating
Working Capital Finance	B/C
Import/ Trade Finance	B/C
Agric Finance	B/C
Project and Real Estate Finance	A/B
Object Finance	A/B
Specialized Lending	A/B
Others	A/B/C
Investment Products	**Risk Rating**
Capital Market Services	B/C
Financial Advisory (M & A)	B/C
Product & Structured Finance	B/C
Other Treasury Investment Products	B/C

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

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



Category A

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

E&S due diligence for Category A transactions involve the following:

- Review of independent consultant reports and recommendations;
- Review of the project's Action Plan and E&S Management System;
- Engagement with the client and stakeholders as deemed appropriate and necessary;
- Review of the client's commitment, capacity and track record to manage potential and expected E&S issues in the project
- Site visit and the completion of Coronation MB's Site Visit Checklist.

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

Special Considerations

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

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

Category B

All Category B Lending/Investment transactions in High or Medium risk sectors, irrespective of client risk rating, require additional E&S due diligence to ensure the project is managed in a manner consistent with Performance Standard 1 and 2. Additional Performance Standards can be considered if a relevant E&S risk issue has been identified. Where deemed appropriate and necessary by Coronation MB, such Lending/ Investment transactions may, on a case by case basis, require review by a third-party consultant independent to the bank and the client. For all Category B, E&S due diligence by Coronation MB involves the following:

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

Category C

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

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

Environmental & Social Risk Monitoring and Review Process

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

- At origination, the E&S categorization is obtained and the assessment and disclosure form is completed
- Project inspection and audit
- Independent review with the various stakeholders and invitation of experts where necessary
- Counterparties also receive correspondences on the action steps agreed and the progress made on the steps agreed.
- Institute a supervision program for the facilities and the investments activities the Bank is involved in. This is to be done in line with the incorporation of sustainability banking into the credit and investment process.
- Implement an Annual Monitoring Report and updates on the Environmental and Social Action Plan (excluding category) against the environmental and social conditions for investment/facility approval and the client's commitments. Where relevant, identify and review

opportunities for further improving client performance on the sustainability front.

- If the client fails to comply with its environmental and social commitments, as expressed in the environmental and social conditions for investment/facility approval, Coronation MB shall work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, the Bank will exercise remedies as appropriate.
- The Bank also monitors progress of sustainable banking implementation against assessment and disclosure on the part of the customer and against Coronation MB measurement metrics on the part of the Bank.

Human Rights

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

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

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

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

Capacity Building

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

Women Economic Empowerment & Gender Equality Consideration

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

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

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

Information Disclosure

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

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

Clients Collaboration

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

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

In line with international best practices, the Bank shall jointly undertake with its clients being financed, measures to implement acceptable performance standard about E&S issues.

The drive for sustainability, environmental and social issues however starts with internal collaboration. To this end, Bank's management and Board of Directors play important roles in driving risk management and sustainable growth. This approach will help improve the financial, social, and environmental sustainability of investments, and enhances the public trust in its operations.

Our Sustainability Journey in 2019

Launch of Waste Management Initiative

In a bid to manage our environmental and social footprint, the Bank commenced a waste management initiative which has helped to reduce the amount of waste generated in the premises. Coronation Merchant bank engaged the services of a recycling company for the purpose, a process that began with replacement of existing waste bins with compartmentalised ones to encourage proper separation of wastes into recyclable and non-recyclable wastes. Recyclable wastes are, thereafter, received by the company who ensures they are converted into more useful materials, while decomposable wastes are discarded by the Lagos State Waste Management Agency (LAWMA). The bank's staff and janitors alike are continuously being educated on the relevance of proper waste separation to ensure the process is seamless.

Co-sponsorship of The Largest Students' Investment Conference in Sub-Saharan Africa

As part of our objective to encourage educational activities, and as part of our Corporate Social Responsibility, the Bank contributed to the success of one of the largest students Investment Conference in Sub-Saharan Africa; "The colloquium". The highly educative and engaging conference brought together selected 1000 delegates from finance and investment clubs across 9 Nigerian Universities alongside graduate professionals, seasoned CEOs and thought leaders from different works of life to discuss on the theme "Driving Investment in Africa through Innovation and Leadership". The Investment society thrives on knowledge and aims to provide members with the strong foundation necessary to lunch a

successful career in finance and investment through sponsor-led workshops, intensive training programs, stock pitches, business case competitions, networking sessions, and on-campus recruiting events whilst also working hard to achieve excellent academic grades.

Renovation of Bethesda Nursery/Primary School Matogun, Ogun State

The graduating class of 2018 of the Coronation Academy identified a school in Ogun State where they contributed to improve the poor educational standard. The class raised funds which was used to refurbish the school building and procure new sets of furniture for the students and teachers of Bethesda Nursery and Primary School at Matogun area of Ogun State. The project was officially commissioned on Friday March 15th, 2019, by representatives of the bank led by our Chief Compliance Officer.

Involvement in Community Activities – Financial Literacy Day & World Savings Day

The bank participated actively in the regulatory Global Money Week event which held in Abuja and Port-Harcourt in March & October 2019. Delegates from the bank visited the schools and enlightened students on financial literacy, investment options and in debt analysis of the banking industry. The students left the event feeling elated and poised to take step to secure their financial future.

Women Economic Empowerment

At Coronation MB, there's a firm believe that women play a crucial role in achieving sound economic growth and poverty reduction. The Bank also recognizes that women are effective and efficient managers of resource. To this end, the number of the bank's female employees was c.46% of the total workforce. This was an improvement from the previous year's ratio of 42%. Again, the number of females in the bank's Board of Directors stood at 30% within the reporting period.

In a bid to continue to show support for women, the Bank also sponsored a program organized by Women in Successful Careers (WISCAR). Generally, women are often prevented from realizing their economic potential because of gender inequity and it is in the light of this that the Bank is open to creating opportunities for women through programs/ activities against gender inequality.

The bank also expended about N14.1mm on capacity building for female employees, an increase from N8.4mm spent the previous year.

Whistle Blowing Procedure

Whistle-Blowing Procedure

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

KPMG Telephone lines

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. During the financial year, the bank received a whistle blowing report via the the KMPG reporting channels and this was treated in line with the Bank's whistle blowing policy.

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

4.

Financial Statements

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 financial position of Coronation Merchant Bank Limited ("the bank") as at 31 December 2019, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

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

- the consolidated and separate statements of comprehensive income for the year ended 31 December 2019;
- the statement of financial position as at 31 December 2019;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

PricewaterhouseCoopers Chartered Accountants, Landmark Towers, 5B Water Corporation Road, Victoria Island, Lagos, Nigeria

pwc

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances – N58.28 million (refer to notes 3.9, 4.1 and 25) We focused on this area because management exercises significant judgement, using subjective assumptions when determining both the timing and the amounts to recognise as impairment on financial assets. Due to the significance of judgement used in estimating the impairment amounts, this is considered a key audit matter. The IFRS 9 'Financial Instruments' standard uses a forward-looking expected credit loss (ECL) model which requires significant judgement in measuring ECL. The key areas of judgment are as follows: • the definition of default and credit impaired financial assets focusing on both the qualitative and quantitative criteria used by the Bank; • the identification of exposures with a significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank; • the determination of the 12 month probability of default (PD) for stage 1 loans using obligor specific and macroeconomic factors as well as extrapolation of lifetime PD by leveraging independent external rating scale; • estimating the Loss Given Default (LGD) by using collateral values from the workout process, determining an appropriate cost of recovery and discount rates used in deriving the present value of the collateral; • estimating the credit equivalent of loan commitments and the behavioural lifetime of revolving facilities used in determining the lifetime exposure at default (EAD); and • incorporating forward looking information in building the economic scenarios used in the ECL model and making judgment on the probability weights for the scenarios.	We performed the following procedures in response to the key audit matter identified: • checked that the bank applied a default definition that is consistent with IFRS 9 qualitative default criteria; • evaluated the reasonableness of the bank's definition of significant increase in credit risk; • applied a risk-based target testing approach in selecting a sample of credit facilities for detailed reviews of related customer files and account statements to determine whether they were in default per management's definition; • assessed the reasonableness of the quantitative and qualitative thresholds set by management for Stage 2 and 3 classifications in line with the recommendations of the International Financial Reporting Standards, Central Bank of Nigeria guidelines and our knowledge of the industry; • using our internal credit modelling experts - we tested reasonableness of the methodology used in determining the probability of default; - we assessed the reasonableness of mapping the internally generated risk ratings to independent external ratings; • evaluated the reasonableness of the Loss Given Default by checking collateral values to valuation reports along with assumptions on cost of recovery and discount rates; • assessed the reasonableness of the credit conversion factor used in determining the exposure at default of loan commitments and the behavioural lifetime of revolving facilities and checked completeness and accuracy of exposures to source data; • we checked the reasonableness of forward-looking information incorporated into the impairment

- calculations and challenged the multiple economic scenarios chosen as well as their probability weights;

- assessed other significant areas of complexity and estimation uncertainty in the ECL model;

- We checked that data was completely and accurately transferred from the source systems to automated ECL model application;

- We reviewed the IFRS 9 disclosures for reasonableness.

Other information

The directors are responsible for the other information. The other information comprises *Corporate Information, Directors' Report, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Board Audit Committee, Report on Customers' Complaints and Feedback, Enterprise Risk Management Report, Sustainability Banking Report, Whistle-Blowing Policy, Value Added Statement and Five-Year Financial Summary* (but does not include the consolidated and separate financial statements and our auditor's report thereon) which we obtained prior to the date of this audit report, and other sections of Coronation Merchant Bank Limited's 2019 Annual Report, which are expected to be made available to us after that date.

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

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

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

When we read the other sections of the Coronation Merchant Bank Limited 2019 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance are responsible for overseeing the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Bank 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 Bank to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

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

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

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

v) the bank did not pay penalties in respect of contraventions of the Banks and Other Financial Institutions Act and relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2019.

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

4 March 2020

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

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Naira	Notes	Bank Dec 2019	Bank Dec 2018	Group Dec 2019	Group Dec 2018
Continuing operations					
Interest income at amortised cost	7a	16,496,901	16,352,501	16,496,901	16,352,501
Interest income at FVTOCI	7b	7,117,057	6,673,663	7,117,057	6,673,663
Interest income at FVTPL	7c	1,479,057	1,260,656	1,479,057	1,260,656
Interest expense	8	(20,664,692)	(17,291,460)	(20,664,692)	(17,291,460)
Net interest income		4,428,323	6,995,360	4,428,323	6,995,360
Net impairment write back/(charge) on financial assets	9	(90,521)	(85,559)	(90,521)	(85,559)
Net interest income after impairment charges		4,337,802	6,909,801	4,337,802	6,909,801
Fee and commission income	10	1,351,031	1,700,352	1,351,031	1,700,352
Net gains on investment securities	11	4,011,964	1,661,263	4,011,964	1,661,263
Net foreign exchange income	12	314,810	129,349	314,810	129,349
Other operating income	13	357,995	179,616	357,995	179,616
Personnel expenses	14	(1,404,905)	(1,433,036)	(1,404,905)	(1,433,036)
Other operating expenses	15	(3,944,813)	(3,951,598)	(3,944,813)	(3,951,598)
Profit before tax		**5,023,884**	**5,195,747**	**5,023,884**	**5,195,747**
Taxation	16	(257,172)	(711,375)	(257,172)	(711,375)
Profit for the year from continuing operations		**4,766,712**	**4,484,372**	**4,766,712**	**4,484,372**
Discontinued operations:					
Profit from discontinued operations	17	331,119	-	4,727	92,327
Profit for the year		5,097,830	4,484,372	4,771,439	4,576,699
Other comprehensive income (OCI) net of income tax :					
Items that will not be subsequently reclassified to the income statement:					
- Fair value changes on equity investments during the year		1,239,893	(1,013,107)	1,239,893	(1,010,010)
Items that may be subsequently reclassified to the income statement:					
- Fair value changes on debt investments during the year		175,520	-	136,901	-
Other comprehensive profit / (loss), net of related tax effects		**1,415,413**	**(1,013,107)**	**1,376,794**	**(1,010,010)**
Total comprehensive income for the year		**6,513,243**	**3,471,265**	**6,148,232**	**3,566,689**
Profit for the year attributable to owners of the parent include:					
Continuing operations		4,766,712	4,484,372	4,766,712	4,484,372
Discontinued operations	17	331,119	-	4,727	92,327
		5,097,830	4,484,372	4,771,439	4,576,699
Total comprehensive income for the year attributable to owners of the parent include:					
Continuing operations		6,182,125	3,471,265	6,143,506	3,474,362
Discontinued operations	17	331,119	-	4,727	92,327
		6,513,243	3,471,265	6,148,233	3,566,689
Earnings per share attributable to ordinary shareholders					
- continuing operations					
Basic (kobo)	18	94	89	94	89
- Discontinued operations					
Basic (kobo)	18	7	-	-	2

The accompanying notes form an integral part of the financial statements

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2019

In thousands of Naira	Notes	Bank Dec 2019	Bank Dec 2018	Group Dec 2018
Assets				
Cash and balances with banks	19	8,956,378	3,211,035	3,537,509
Due from financial institutions	20	57,473,891	36,914,556	37,035,896
Non pledged trading assets	21	11,408,065	8,101,708	8,101,708
Derivative financial assets	22	2,410,142	1,388,676	1,388,676
Investment securities	23	60,307,880	87,626,086	88,633,134
Pledged assets	24	16,326,798	10,168,280	10,168,280
Loans and advances to customers	25	72,683,949	54,312,459	54,762,067
Other assets	26	10,745,065	7,845,696	7,213,746
Investment in subsidiaries	27	-	4,614,711	-
Investment properties	28	-	-	1,903,592
Right of use assets	28	76,861	-	-
Intangible assets	29	706,412	622,503	1,323,531
Property and equipment	30	6,472,233	2,974,252	3,591,631
Deferred tax assets	31	5,777,715	4,998,887	5,006,661
		253,345,389	222,778,849	222,666,431
Asset classified as held for sale	32	5,000	-	-
Total assets		**253,350,389**	**222,778,849**	**222,666,431**
Liabilities				
Due to financial institutions	33	25,978,923	12,159,545	12,159,545
Due to customers	34	138,087,891	126,896,867	126,190,780
Non-pledged trading liabilities	21	523,876	8,169,494	8,169,494
Commercial paper liabilities	35	12,610,440	18,053,345	18,053,345
Derivative financial liabilities	22	2,420,349	1,373,716	1,373,716
Current tax liabilities	16	280,971	520,248	545,298
Other liabilities	36	38,712,890	24,457,369	24,658,400
Deferred tax liabilities	31	166,220	-	2,577
Total liabilities		**218,781,560**	**191,630,584**	**191,153,155**
Equity				
Share capital	37	5,050,546	5,050,546	5,050,546
Share premium	37	3,655,348	3,655,348	3,655,348
Statutory reserve	37	7,608,741	6,844,066	6,844,066
Fair value reserve	37	870,146	(545,267)	(506,647)
Regulatory risk reserve	37	2,460,504	1,403,384	1,403,384
Retained earnings	37	14,923,544	14,740,188	15,066,579
Total equity attributable to owners of the Bank		**34,568,829**	**31,148,265**	**31,513,276**
Total liabilities and equity		**253,350,389**	**222,778,849**	**222,666,431**

The accompanying notes form an integral part of the financial statements. The financial statements were approved by the Board of Directors on 17 January 2020 and signed on its behalf by:

Additional certification by:

Babatunde Folawiyo
Chairman
FRC/2014/NBA/0000006371

Abubakar Jimoh
Managing Director/CEO
FRC/2013/ICAN/0000001481

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

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Fair value reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2019	**5,050,546**	**3,655,348**	**15,066,579**	**6,844,066**	**1,403,384**	**(506,647)**	**31,513,276**
Profit for the year	-	-	4,771,439	-	-	-	4,771,439
Other comprehensive income, net of tax							
Net changes in allowance on FVOCI financial instruments	-	-	-	-	-	-	-
Fair value changes during the year	-	-	-	-	-	1,376,794	1,376,794
Total comprehensive income	-	-	4,771,439	-	-	1,376,794	6,148,232
Dividend paid to shareholders	-	-	(1,666,680)	-	-	-	(1,666,680)
Transfer between reserves	-	-	(1,821,795)	764,675	1,057,120	-	-
Non-cash distribution to shareholders (Note 17)	-	-	(1,426,000)	-	-	-	(1,426,000)
Transactions with equity holders, recorded directly in equity	-	-	(4,914,475)	764,675	1,057,120	-	(3,092,680)
Balance at 31 December 2019	**5,050,546**	**3,655,348**	**14,923,542**	**7,608,741**	**2,460,504**	**870,147**	**34,568,829**

GROUP	Share Capital	Share Premium	Retained Earnings	Statutory Reserves	Regulatory Risk Reserve	Fair value reserve	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Balance at 1 January 2018	**5,050,546**	**3,655,348**	**13,435,958**	**6,171,410**	**647,767**	**501,709**	**29,462,738**
Changes on initial application of IFRS 9	-	-	(2,641)	-	-	1,654	(987)
Restated balance at 1 January 2018	5,050,546	3,655,348	13,433,317	6,171,410	647,767	503,363	29,461,751
Profit for the year	-	-	4,576,699	-	-	-	4,576,699
Other comprehensive income, net of tax:							
Fair value changes during the year	-	-	-	-	-	(1,010,010)	(1,010,010)
Total comprehensive income	-	-	4,576,699	-	-	(1,010,010)	3,566,689
Final dividend paid to shareholders	-	-	(1,515,164)	-	-	-	(1,515,164)
Transfer between reserves	-	-	(1,428,273)	672,656	755,617	-	-
Transactions with equity holders, recorded directly in equity	-	-	(2,943,437)	672,656	755,617	-	(1,515,164)
Balance at 31 December 2018	**5,050,546**	**3,655,348**	**15,066,579**	**6,844,066**	**1,403,384**	**(506,647)**	**31,513,276**

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

CORONATION MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Bank DECEMBER 2019 N'000	Bank DECEMBER 2018 N'000	Group DECEMBER 2019 N'000	Group DECEMBER 2018 N'000
Cash flows from operating activities					
Profit before income tax from continuing operations		5,023,884	5,195,747	5,023,884	5,307,333
Profit before income tax from discontinued operations		331,119	-	4,727	-
Adjustments for non-cash items:					
Depreciation charge on property and equipment	30	441,832	402,513	468,110	423,149
Depreciation charge on right of use assets	28	15,307	-	15,307	-
Amortisation of intangible assets	29	158,554	190,001	187,807	201,177
Write off of property and equipment	30	-	95,146	-	118,880
Loss on sale of amortized cost investment securities	23	98,441	-	98,441	-
Gain on sale of subsidiaries	17	(331,119)	-	(4,727)	-
Gain on disposal of property and equipment	13	(5,268)	(1,818)	(5,268)	-
Net impairment charge on loans and advances	9	29,874	21,333	29,874	22,073
Net impairment charge on placements	9	53,119	10,954	53,119	10,956
Net impairment charge on investment securities	9	218	3,864	218	6,256
Net impairment charge/(writeback) on off balance sheet	9	8,224	(211)	8,224	(211)
Net impairment (writeback)/charge on other asset	9	(914)	49,619	(914)	60,948
Net interest income	7, 8	(4,428,323)	(6,995,360)	(4,428,323)	(7,576,534)
Dividend earned	13	(363,663)	(93,548)	(363,663)	(1,480)
		1,031,285	**(1,121,760)**	**1,086,816**	**(1,427,453)**
Changes in working capital					
Financial assets held for trading (with original maturity > 90 days)		(3,970,253)	(7,430,117)	(3,970,253)	(7,430,117)
Due from financial institutions (with original maturity > 90 days)		(7,560,469)	-	(7,560,469)	-
Derivative financial instruments		25,167	(4,897)	25,167	(4,897)
Restricted deposit with CBN		(3,569,924)	(2,887,614)	(3,569,924)	(2,887,614)
Loans and advances to customers		(18,167,592)	(22,537,751)	(17,887,507)	(22,972,819)
Pledged assets		(6,158,518)	3,624,189	(6,158,518)	3,387,641
Other assets		980,427	1,339,428	(145,794)	1,963,788
Due to customers		11,731,053	45,815,924	12,437,140	46,481,947
Financial liabilities held for trading		(7,645,618)	8,014,437	(7,645,618)	8,014,437
Deposits from financial institutions		13,964,543	913,680	13,964,543	913,680
Other liabilities		10,659,038	5,940,396	10,458,007	6,094,182
Cash generated from operations		**(8,680,861)**	**31,665,915**	**(8,966,410)**	**32,132,775**
Interest received		28,363,034	18,169,020	28,363,034	18,536,225
Interest paid		(21,371,747)	(14,238,873)	(21,371,747)	(14,024,904)
Income taxes paid	**16**	(1,109,057)	(183,986)	(1,134,107)	(254,441)
Net cashflows (used in) / generated from operating activities		**(2,798,631)**	**35,412,076**	**(3,109,230)**	**36,389,655**

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

	Notes	Bank DECEMBER 2019 N'000	Bank DECEMBER 2018 N'000	Group DECEMBER 2019 N'000	Group DECEMBER 2018 N'000
Cash flows from investing activities					
Dividend received		59,335	93,548	59,335	1,480
Sale/(purchase) of FVTOCI investment securities		13,559,019	(48,781,910)	14,290,908	(48,719,799)
Purchase of property plant and equipment	30	(1,560,405)	(415,217)	(1,560,405)	(739,557)
Addition to right of use assets	28	(43,465)	-	(43,465)	-
Purchase of intangible assets	29	(242,463)	(267,755)	(242,463)	(287,196)
Purchase of investment properties		-	-	-	(246,485)
Proceeds from disposal of subsidiaries	17	1,105,642	-	-	-
Proceed from sale of amortized cost investment securities	23	12,236,046	-	12,472,584	-
Proceeds from sale of property and equipment	30	35,048	22,208	35,048	36,009
Net cash generated / (used) in investing activities		**25,148,757**	**(49,349,126)**	**25,011,542**	**(49,955,548)**
Cash flows from financing activities					
Commercial paper liabilities	35	(5,442,905)	18,509,901	(5,442,905)	18,509,901
Dividend paid		(1,666,680)	(1,515,164)	(1,666,680)	(1,515,164)
Net cash (used) / generated in financing activities		**(7,109,585)**	**16,994,737**	**(7,109,585)**	**16,994,737**
Increase in cash and cash equivalents		**15,240,540**	**3,057,687**	**14,792,727**	**3,428,844**
Analysis of changes in cash and cash equivalents					
At start of year		38,424,193	35,366,506	38,872,007	35,443,163
At end of year		53,664,734	38,424,193	53,664,734	38,872,007
Increase in cash and cash equivalents		**15,240,541**	**3,057,687**	**14,792,727**	**3,428,844**
Cash and cash equivalents comprise:					
Balances with banks	19	2,877,491	1,506,866	2,877,491	1,833,340
Unrestricted balances with central banks	19	820,702	2,771	820,702	2,771
Placement with other financial institutions with maturity of less than 90 days	20	49,966,541	36,914,556	49,966,541	37,035,896
		53,664,734	**38,424,193**	**53,664,734**	**38,872,007**

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

CORONATION MERCHANT BANK LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Reporting Entity

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

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

The principal activities of the Bank as a discount house comprised trading in treasury bills, Federal Government of Nigeria bonds, bankers acceptance and commercial papers. It also provided short-term liquidity management services to financial and non-financial institutions.

The principal activities of the Bank as a Merchant Bank include the provision of finance and credit facilities, dealing in foreign exchange services, acting as issuing house, underwriting services, treasury management services, financial services, consultancy services, advisory services, asset management services and proprietary trading.

During the year, the Bank disposed off its investments in Coronation Securities Limited and Coronation Asset Management Limited. The former was disposed by way distribution of non-cash dividend to the existing shareholders; while the latter was sold to Coronation Capital (Mauritus). As at 31 December 2019, the entity is no longer a group.

2. Statement of compliance with International Financial Reporting Standards

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

3. Summary of significant accounting policies

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

3.1 Basis of preparation

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

(a) Functional and presentation currency

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

(b) Basis of measurement

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

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

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are described in note 4.

3.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Bank

Below are the IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2019 that are relevant to the Bank.

None of these standards was early adopted in the prior year by the Bank as early adoption is not permitted by the Financial Reporting Council of Nigeria (FRCN).

Except for the new standard - IFRS 16, the adoption of these amendments did not have any impact on the current year or any prior year and is not likely to affect future years.

- Amendments to IFRS 11, 'Accounting for acquisitions of interests in joint operations'; and
- Amendments to IAS 38, 'Clarification of acceptable methods of depreciation and amortisation
- IFRS 9 Financial Instruments (amendment)
- Amendment to IAS 19 Employee Benefits
- IFRIC 23 Uncertainty over Income Taxes Treatments

IFRS 16 Leases

The IASB issued the new standard for accounting for leases - IFRS 16 in January 2016. The standard does not significantly change the accounting for leases for lessors. However, it requires lessees to recognise most leases on their statement of financial position as lease liabilities with a corresponding right-to-use assets. Lessees must apply a single model for all recognised leases and will have the option to recognise right-of-use asset and lease liaibitily for 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition for recognised leases will be similar to finance lease accounting, with interest and depreciation expense recognised separately in the income statement. IFRS 16 became effective 1 January 2019.

The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Bank.

In terms of IAS 1 Presentation of financial statements (IAS 1), the nature of these identified lease contracts are aligned to tangible asset. Therefore, the Right of Use (ROU) assets are presented on the face of the statement of financial position. The depreciation on the ROU asset is presented as part of operating expenses. The lease liabilities are presented as part of the Other liabilities line on the face of the statement of financial position. The interest expense on the leased liability will be presented in net interest income.

On transition date 1 January 2019, lease liabilities were recognized with respect to existing operating leases (Note 3.6). The change in accounting policy affected the following items in the statement of financial position of the Bank on 31 December 2019:

- The total ROU is stated currently at N76.8 million; N42 million out of this was prepaid during the year.
- Lease liability was stated at N53 million

Amendment to IAS 19 Employee Benefits

This amendment was issued 7 February 2018 and became effective 1 January 2019. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The amendment also clarifies that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the year; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in the other comprehensive income (OCI). The Bank has considered the amendment and concluded that the prescribed approach does not have a material impact on the Bank.

IFRIC 23 Uncertainty over Income Taxes Treatments

This interpretation which became effective 1 January 2019, clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Bank.

IFRS 9 Financial Instruments (amendment)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively.

(b) New standards issued but not effective

The following standards have been issued or amended by the IASB but are yet to become effective for annual years beginning on or after 1 January 2019:

- Amendment to IFRS 3 Business Combination
- IFRS 17 Insurance Contracts
- Amendment to IAS 1 and IAS 8 - Definition of material

The other new standards do not have material impact on the Group

Amendment to IFRS 3 Business Combination

The Group has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates.

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). In October 2018, after the post implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centres majorly on the definition of a Business.

They include:

- That to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by

removing the reference to an ability to reduce costs;

- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permitted a simplified assessment of whether an acquired set of activities and assets is not a business.

  This amendment is effective 1 January 2020 and does not have any impact on the Group.

IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting years beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts.

This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

This standard does not impact the Group in anyway.

Amendment to IAS 1 and IAS 8 - Definition of material

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material' is quoted below:
" An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity".

The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting years beginning on or after 1st January 2020. The Bank has taken into consideration the new definition in the preparation of its annual account.

3.2 Basis of consolidation

(a) Subsidiaries

The accounting policies of subsidiaries that are consolidated by the Group conform to the Group's accounting policies. IntraGroup transactions, balances and unrealised gains (losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the Group and non controlling interests (NCI) are determined on the basis of the Group's present ownership interest in the subsidiary.

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 demonstrate it has:

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

The investor shall reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed. The existence and effect of potential voting rights are considered when assessing whether the 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. Increases in the Group's interest in a subsidiary, when the Group already has control, are accounted for as transactions with equity holders of the Group. The difference between the purchase consideration and the Group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.

(d) Loss of control

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

(e) Disposal of subsidiaries

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

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

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

(g) Transactions eliminated on consolidation

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated.

3.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

3.5 Operating income

(a) Interest income and expense

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

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

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

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

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis.
- interest on fair value through other comprehensive securities calculated on an effective interest basis.
- interest on fair value through profit or loss securities calculated on an effective interest basis.

(b) Fees and commission

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

Other fees and commission income, including account servicing fees, investment management and other fiduciary activity fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed (over time). When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment year (over-time).

(c) Net gains/losses on investment securities

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

(d) Foreign exchange income

Foreign exchange income include the following:

- foreign exchange trading gains,

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

(e) Dividends

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

3.6 Leases - IFRS 16 (Applicable from 1 January 2019)

(a) Single lessee accounting model

All leases are accounted for by recognising a right-of-use asset and a lease liability except for: leases of low value assets and leases with a duration of twelve months or less. All leases that meet the criteria as either a lease of a low value asset or a short term lease are accounted for on a straight-line basis over the lease term.

(b) Lease liabilities

Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Bank) this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Bank, should it be reasonably certain that this option will be exercised;
- Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The incremental borrowing rate applied on lease liabilities represents the average prime lending rate.

(c) Right-of-use assets

Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

The Bank applies the cost model subsequent to the initial measurement of the right-of-use assets.

(d) Interest expense on lease liabilities

Interest expense on lease liabilities, determined with reference to the interest rate implicit in the lease or the Bank's incremental borrowing rate, is recognised within interest expense over the lease period.

(e) Depreciation on right-of-use assets

Subsequent to initial measurement, the right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Bank at the end of the lease term. This depreciation is recognised as part of operating expenses.

(f) Separation of lease and non-lease components

Contracts may contain both lease and non-lease components. The Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

(g) Extension and Termination of leases

When the Bank terminates or cancels a lease, the right-of-use asset and lease liability are derecognised. On derecognition of the right-of-use asset and lease liability, any difference is recognised as a derecognition gain or loss together with termination or cancelation costs in profit or loss. Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

Extension and termination options are included in the Bank's lease arrangements. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. Most of the extension options are subject to mutual agreement by the Bank and some of the termination options held are exercisable only by the Bank. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(h) Reassessment of lease terms and lease modifications that are not accounted for as a separate lease

When the Bank reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right-of-use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right-of-use asset is reduced to zero any further reduction in the measurement of the lease liability, is recognised in profit or loss.

Impact on the financial statements

On adoption of IFRS 16, the Coronation Merchant Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate which is 15.75% as of 1 January 2019.

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. The adoption of IFRS 16 had a nil impact on opening equity as at 1 January 2019.

	As at 31 December 2018	Impact of IFRS 16		As at 1 January 2019
		Reclassification	Remeasurement	
	N'000	N'000	N'000	N'000
Assets				
Right-of-use assets	-	4,630	61,768	66,398
Prepayment	4,630	(4,630)	-	-
Liabilities				
Lease liabilities [1]	-	-	(61,768)	(61,768)

(1) Lease liabilities are payable within one year (January 2020)

i) Right of use assets as at 1 January 2019

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to leases for office space.

j) Practical expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- electing not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for

contracts entered into before the transition date, the Bank relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

k) Leases - IAS 17 (Applicable until 31 December 2018)

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

Operating lease

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

Finance lease

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

Lease payments under IAS17

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

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

3.7 Income tax

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

(a) Current tax

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

(b) Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

3.8 Financial assets and liabilities

Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement-date, the date on which the Bank receives value for purchase or sales of assets.

Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

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

Debt instruments

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

The Bank only measures cash and balances with banks, loans and advances to banks and customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of profit or loss. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in Net gains on investment securities

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. Interest income from these financial assets is included in interest income using the effective interest rate method. Impairment expenses are presented as separate line item in net impairment charge on financial assets.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within net gains/(loss) on investment securities in the year in which it arises.

Equity instruments

The Bank initially measured all equity investments at fair value through profit or loss. Where the Bank's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Bank's right to receive payments is established.

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

Business model assessment

The Bank determines its business model at the level that best reflects how it manages Bank's of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

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

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the year for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial Liabilities

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. Interest expense is included in 'Interest expense' in the Statement of comprehensive income.

(h) Cash and balances with banks

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

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

(i) Pledged assets

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

(j) Derivative financial instruments

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

(k) Reclassification of financial assets

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

The following are not changes in business model;

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

Reclassification date

All reclassifications are applied prospectively from the reclassification date.

When the Bank reclassifies a financial asset between the amortised cost measurement category and the fair value through other comprehensive income measurement category, the recognition of interest income is not changed and it continues to use the same effective interest rate.

However, when the Bank reclassifies a financial asset out of the fair value through profit or loss measurement category, the effective interest rate is determined on the basis of the fair value of the asset at the reclassification date.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions.

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. They also derecognise the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates

- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the year between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.
If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Modification of financial assets and liabilities

Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value and recalculates a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.

If the terms are not substantially different for financial assets or financial liabilities, the group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new carrying gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or gains and losses on financial instruments within non-interest revenue (for all other modifications).

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Bank has a legal enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') remain on the statement of financial position; the counterparty liability is included in amounts due to other Bank's, deposits from Bank's, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell (reverse repos') are recorded as money market placement. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in net gains/(loss) on investment securities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise nonobservable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed.

3.9 Impairment of financial assets

Overview of the ECL principles

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Provision on other assets are computed using the simplified approach as stipulated by IFRS 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates which is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The Bank has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Group categorises its financial instruments into Stage 1, Stage 2,Stage 3 and POCI, as described subsequently:

- Stage 1: On origination, a financial asset (provided that it is not a purchased or originated credit impaired asset) will be in stage 1 of the general model for expected credit losses. Financial assets that have not had a significant increase in credit risk since initial recognition or that (upon assessment and option selected by the Bank) have low credit risk at the reporting date remain in stage 1. For these assets, 12-month expected credit losses ('ECL') are recognised. 12-month ECLs are the ECLs that result from default events that are possible within 12 months after the reporting date.
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the Group) but that do not have objective evidence of impairment. For these assets, lifetime ECLs are recognised. Lifetime ECLs are the ECLs that result from all possible default events over the maximum contractual year during which the Bank is exposed to credit risk. ECLs are the weighted average credit losses, with the respective risks of a default occurring as the weights.
- Stage 3: This includes financial assets that have objective evidence of impairment at the reporting date. The Bank records an allowance for the Lifetime ECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial

recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Changes in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial Recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Measuring the Expected Credit Loss

The ECL calculations are based on the Probabilities of Default (PDs), Loss Given Default (LGD), as well as Exposure at Default (EAD). These components are outlined in details below:

1. Probability of Default (PD): 12-month PD estimates are required to calculate 12-month ECLs for accounts classified as Stage 1. These PD estimates also form the basis of the lifetime PD curves, which are required to calculate lifetime ECLs for accounts classified as Stage 2. Due to the Bank's largely zero default experience, the Bank has employed Fitch's probability of default rates as it deems it to be a reliable and suitable data for the Bank's current portfolio. In addition, macro-economic adjustment is applied to account for differences in the current economic conditions and those underlying the PDs.

Incorporation of forward looking information and macroeconomic factors

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs. The macroeconomic variables considered for the adjustment of the probabilities of default are listed below:

- Crude oil prices,
- Inflation rate,
- GDP growth rate
- FX Exchange rates (USD/NGN)

As a proxy for default rates, the Bank relied on non-performing loans (NPL) information issued by CBN as there are currently no experiences of non-performing loans. Incorporation of macro-economic adjustments to the Lifetime PDs results in forward-looking best-estimate, optimistic and downturn lifetime PD curves, which are used in the ECL calculations.

2. Loss Given Default (LGD): Lifetime LGDs are required to calculate lifetime ECLs. The Group has currently determined its LGDs for its Loan book and off-balance sheet items on a facility level by considering the amounts recoverable from assigned collaterals. Other considerations include: Collateral haircut, time to disposal and cost of recovery. Where the same collateral is used by a customer on more than one facility, the model split the collateral on a pro-rata basis based on the outstanding value of all the facilities (for both collateral FSV and OMV where applicable). For Investment Securities, the LGD estimate was determined using the Moody's recovery rate, which is calculated as (1 - Recovery rate). The average recovery rate for

unsecured bonds and the non-crisis rate was used in obtaining the best estimate and optimistic LGDs respectively. In other to obtain the downturn LGD, an average of the crisis and recession market recovery rates was used.

3. Exposure at Default (EAD): The EAD reflects the expected changes in the outstanding balance of the facilities over the lifetime of the facilities. For all loans, the assumed contractual payments, based on the original loan amount, interest rate and repayment term, were calculated and applied. For Commercial Overdrafts, the credit conversion factor ("CCF") was assumed to be 50% in line with the CBN guideline, which was then applied to determine the expected future drawdowns. For Off-balance sheet exposures, the EAD is set equal to the contract's current commitment as at the reporting date and the credit conversion factor ("CCF") was assumed to be 20% in line with the CBN guideline, these were applied to determine the expected future drawdowns. For Investment securities, the assumed contractual payments, based on the original carrying amount, interest rate and term, were calculated and applied.

When estimating the ECLs, the Bank considers three scenarios (optimistic, best-estimate and downturn) and each of these is associated with different PDs, EADs and LGDs. Three ECL figures were therefore calculated for each account (optimistic, best-estimate and downturn ECLs) and probability-weighted to arrive at a single ECL impairment for each account. The likelihood of the best-estimate, downturn and optimistic scenarios were assumed to be 75%, 12.5% and 12.5% respectively based on professional judgement. The EIR is used to discount all ECLs to the reporting date.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of Lifetime ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

  These expected 12-month macro-adjusted default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
  The final ECL impairment is calculated as the probability-weighted average of the ECLs produced under the three macro-economic scenarios.
  - POCI: Purchase or Originated Credit Impaired (POCI) assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.
  - Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an

approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

The stage classification of each account in the portfolio is categorized based on the number of payments missed, classification status, forbearance states and credit risk ratings as at the valuation date compared with the credit ratings as at the origination date.

1. Number of payments missed

The Bank categorises accounts with nil missed payment under Stage 1. In addition, accounts with 1 to 2 missed payments are classified as Stage 2, as these accounts are assumed to have experienced a significant increase in credit risk since initial recognition. The Group considers 1 missed payment to be equivalent to the 30 days past due rebuttable presumption for Stage 2 classification. Finally, accounts with 3 or more missed payments are classified as defaulted accounts under Stage 3.

2. Classification status

Accounts classified as "Performing" are Stage 1 accounts, while accounts classified as either "Substandard", "Doubtful" or "Loss" are, for the purposes of this project, classified as defaulted accounts (and classified as Stage 3). Accounts classified as "Watchlist" are classified as Stage 2.

3. Forbearance states

In addition to this, and in line with CBN expectations, all loans that have been restructured e.g. the term extended, are assumed to have significantly increased credit risk since origination and are thus classified as Stage 2, if not already classified as Stage 2 or Stage 3. Thus, all accounts flagged as forbearance are classified as Stage 2. However, if there is an evidence that there actually has not been a significant increase in credit risk since initial recognition, then this accounts can be re-classified as Stage 1.

4. Credit ratings

The Bank generates credit ratings for each obligor using the internal credit rating system for its customers. Both objective and subjective factors are taken into consideration in assessing the credit worthiness of a borrower. The internal credit rating system is a twenty-two level rating grid, ranging from AAA (lowest risk) to D (highest risk), with D indicating default as this accounts are all classified as "Doubtful" and "Lost".

Depending on the rating bucket (i.e. low, medium or high risk), an account whose probability of default has dropped by a significant threshold from the time of origination of the loan contract is classified as Stage 2 as these accounts are assumed to have experienced a significant increase in credit risk since initial recognition. In addition, any account whose credit rating has dropped from one rating bucket to the next rating bucket is also classified as Stage 2. The bank has a maximum threshold of B- and any customer with a rating below this is considered a very high risk and non investment.

Qualitative criteria:

In line with paragraph B.5.5.17 of the IFRS 9 standard, the Bank will assess changes in significant risk given the relevant qualitative factors, these could include:

- Expectation of forbearance or restructuring due to financial difficulties;
- An actual or expected significant change in the financial instrument's external credit rating;
- An actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally;
- Evidence that full repayment of interest and principal without realisation of collateral is unlikely, regardless of the number of days past due;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations;

Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations. The bank has deemed government issued securities (treasury bills and bonds) to be of low credit risk.

Backstop Indicator

A backstop indicator is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments for both principal and interest.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- It is becoming probable that the borrower will enter bankruptcy.
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria listed have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

Backward transitions, i.e. from Stage 3 to Stage 2 or from Stage 2 to Stage 1, uses an assumed probation year of 90 days. Accounts only transition to Stage 1 from Stage 2 or to Stage 2 from Stage 3 if they were last classified as impaired, i.e. 30+ days past due, or default, i.e. 90+ days past due, respectively, more than 90 days ago.

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a yearly basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as external valuers.

Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

3.10 Investment properties

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

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

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

3.11 Property and equipment

(a) Recognition and measurement

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

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

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other operating income in the income statement.

(b) Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and its cost can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. The costs of the day-to-day repairs and maintenance of property and equipment are recognised in income statement as incurred.

(c) Depreciation

Depreciation is recognised in the income statement on a straight-line basis to write down the cost of items of property and equipment, to their residual values over the estimated useful lives. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Leasehold improvements	Over the shorter of the useful life of the item or lease term
Land	Not depreciated
Buildings	50 years
IT equipment	4 years
Furniture and fittings	3 -5 years
Office Equipment	3 -5 years
Motor vehicles	4 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each date of the statement of financial position. Assets are reviewed for impairment whenever events or changed in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Asset not available for use (including capital work in progress) are not depreciated. Upon completion capital work in progress assets are transferred to the relevant asset category. Depreciation methods are reassessed at each reporting date and adjusted if appropriate.

(d) De-recognition

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

3.1.2 Intangible assets

(a) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or 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 Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its technical feasibility to complete the software, intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life from the point at which the asset is available for use. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment. Development costs previously recognised as an expense are not recognised as an asset in subsequent period.

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

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

3.13 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than goodwill and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of goodwill is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are 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 goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

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

3.14 Discontinued operations and non-current assets (or disposal groups) held for sale

The Bank presents discontinued operations in a separate line in the income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and:

a. Represents a separate major line of business or geographical area of operations;
b. Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
c. Is a subsidiary acquired exclusively with a view to resale (for example, certain private equity investments).

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Bank's operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Bank restates prior years in the income statement.

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are re-measured in accordance with the Bank's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Bank's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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

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

3.15 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expenses.

Restructuring

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

3.16 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

3.17 Employee benefits

(a) Defined contribution plans

A defined contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due in respect of service rendered before the end of the reporting year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in futu re payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting year in which the employees render the service are discounted to their present value at the reporting date.

The Bank operates a funded, defined contribution pension scheme for employees. Employees and the Bank contribute 8% and 15% respectively of the qualifying staff salary in line with the provisions of the Pension Reforms Act.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting year are discounted to their present value.

(c) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.18 Share capital and reserves

(a) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(b) Dividend on the Bank's ordinary shares

Dividends on ordinary shares are recognised in equity in the year when approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting year are dealt with in the subsequent events note.

(c) Treasury shares

Where the Bank or any member of the Bank purchases the Bank's share capital, the consideration paid is deducted from the shareholders' equity as treasury shares until they are cancelled or disposed. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(d) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(e) Statutory credit reserve

In compliance with the Prudential Guidelines for Licensed banks, the Bank assesses qualifying financial assets using the guidance under the Prudential Guidelines. The guidelines apply objective and subjective criteria towards providing losses in risk assets. Assets are classified as performing or non-performing. Non performing assets are further classed as substandard, doubtful or lost with attendant provisions per the table below based on objective criteria.

Classification	%	Basis
Substandard	10%	Interest and/or principal overdue by 90 days but less than 180 days
Doubtful	50%	Interest and/or principal overdue by 180 days but less than 365 days
Lost	100%	Interest and/or principal overdue by more than 365 days

A more accelerated provision may be done using the subjective criteria. A 2% provision is taken on all risk assets that are not specifically provisioned.

The results of the application of Prudential Guidelines and the impairment determined for these assets under IFRS 9 are compared. The IFRS 9 determined impairment charge is always included in the income statement.

Where the Prudential Guidelines provision is greater, the difference is appropriated from retained earnings and included in a non - distributable 'regulatory risk reserve'. Where the IFRS 9 impairment is greater, no appropriation is made and the amount of IFRS 9 impairment is recognised in income statement.

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

4.0 Use of estimates and judgements

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

i. Allowances for credit losses
ii. Valuation of financial instruments
iii. Determination of fair value of property classified as asset held for sale
iv. Determination of impairment of property and equipment, and intangible assets excluding goodwill
v. Assessment of recoverability of deferred tax assets
vi. Determining the lease term

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

Key sources of estimation uncertainty

4.1 Allowances for credit losses

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

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as exchange rates, crude oil prices, GDP and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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

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

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

Sensitivity of Exposure at default - Probability of Default (PD) & Loss Given Default (LGD)

If the PDs and LGDs were increased by 2%, impairment write back would have been reduced by N0.74m (Dec 2018: MN0.33m) but if the PDs and LGDs were decreased by 2%, there would have been a further write back of impairment of N0.74m (N0.32m).

	Group	Group	Group	Group
	Dec-19	Dec-18	Dec-19	Dec-18
	Loans and advances to individuals		Loans and advances to corporates	
Impact on profit before tax				
Changes in LGD and PD by +/-2%	15	12	723	549

Statement of prudential adjustments

Provisions under prudential guidelines are determined using the time based provisioning regime prescribed by the Revised Central Bank of Nigeria (CBN) Prudential Guidelines. This is at variance with the expected credit loss model required by IFRS 9. As a result of the differences in the methodology/provision regime, there will be variances in the impairments allowances required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS Standards when IFRS is adopted. However, Banks would be required to comply with the following:

a) Provisions for loans recognised in the profit and loss account should be determined based on the requirements of IFRS. However, the IFRS provision should be compared with provisions determined under prudential guidelines and the expected impact/changes in general reserves should be treated as follows:

- Prudential Provisions is greater than IFRS provisions; the excess provision resulting should be transferred from the general reserve account to a "regulatory risk reserve.
- Prudential Provisions is less than IFRS provisions; IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter reversed to the general reserve account.

b) The non-distributable reserve should be classified under Tier 1 as part of the core capital.

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

Statement of prudential adjustments		**Dec-19**	**Dec-18**
In thousands of Naira			
Bank	**Note**		
Loans & advances:			
Expected Credit Loss (ECL) on loans to customers			
- Loans to Individuals	25(b)	2,293	586
- Loans to Corporate	25(b)	55,989	27,822
Total impairment allowances on loans per IFRS		**58,282**	28,408
Total regulatory impairment based on prudential guidelines		2,518,786	1,431,792
Required Regulatory Risk Reserve (See movement below)		**2,460,504**	**1,403,384**
Balance, beginning of the year		1,403,384	647,767
Additional transfers to/(from) regulatory risk reserve		1,057,120	755,617
Balance, end of the year		**2,460,504**	**1,403,384**

4.2 Valuation of financial instruments

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

4.2.1 Recurring fair value measurements

In thousands of Naira

Bank

December 2019

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	4,651,289	-	-	4,651,289
Government bonds	6,756,776	-	-	6,756,776
Derivative financial assets	-	2,410,142	-	2,410,142
Pledged assets	15,220,586	-	-	15,220,586
Investment securities				
- Financial Instruments at FVOCI				
Treasury bills	33,429,604	-	-	33,429,604
Bonds	7,976,584	5,892,825	-	13,869,409
Equity securities	47,529	-	11,289,213	11,336,742
	68,082,368	8,302,967	11,289,213	87,674,548
Liabilities				
Derivative financial liabilities	-	2,420,349	-	2,420,349
Non pledged trading liabilities:				
Treasury bills	-	-	-	-
Government bonds	523,876	-	-	523,876
	523,876	2,420,349	-	2,944,225

Bank

December 2018

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	3,635,183	-	-	3,635,183
Government bonds	4,466,848	-	-	4,466,848
Pledged assets				
Treasury bills	4,854,171	-	-	4,854,171
Derivative financial assets	-	1,388,676	-	1,388,676
Investment securities				
- Financial Instruments at FVOCI				
Treasury bills	48,683,906	-	-	48,683,906
Bonds	2,776,209	12,382,412	-	15,158,621
Equity secu rities	63,637	-	10,899,414	10,963,051
	64,479,954	13,771,088	10,899,414	89,150,456
Liabilities				
Derivative financial liabilities	-	1,373,716	-	1,373,716
Non pledged trading liabilities				
Government bonds	8,169,494	-	-	8,169,494
	8,169,494	1,373,716	-	9,543,210

Group

December 2018

	Level 1	Level 2	Level 3	Total
Assets				
Non pledged trading assets				
Treasury bills	3,635,183	-	-	3,635,183
Government bonds	4,466,848	-	-	4,466,848
Pledged assets				
Treasury bills	4,854,171	-	-	4,854,171
Derivative financial assets	-	1,388,676	-	1,388,676
Investment securities				
- Financial Instruments at FVOCI				
Treasury bills	49,239,283	-	-	49,239,283
Bonds	2,852,866	12,426,413	-	15,279,279
Equity secu rities	158,112	-	10,899,414	11,057,526
	65,206,463	13,815,089	10,899,414	89,920,966
Liabilities				
Derivative financial liabilities	-	1,373,716	-	1,373,716
Non pledged trading liabilities				
Government bonds	8,169,494	-	-	8,169,494
	8,169,494	1,373,716	-	9,543,210

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

4.2.2 Financial instruments not measured at fair value

Bank

December 2019

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	8,956,378	-	8,956,378
Due from financial institutions	-	-	57,538,364	57,538,364
Loans and advances to customers	-	-	72,683,949	72,683,949
Pledged assets				
Bonds	1,106,212	-	-	1,106,212
Investment securities				
- Financial assets at amortised cost				
Bonds	1,672,125	-	-	1,672,125
Other assets	-	-	9,966,574	9,966,574
	2,778,337	8,956,378	140,188,887	151,923,602
Liabilities				
Deposits from financial institutions	-	-	25,978,923	25,978,923
Due to customers	-	-	138,087,891	138,087,891
Commercial paper liabilities	-	-	12,610,440	12,610,440
Other liabilities	-	-	37,761,571	37,761,571
	-	-	214,438,825	214,438,825

Bank

December 2018

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	3,211,035	-	3,211,035
Due from financial institutions	-	-	36,925,911	36,925,911
Loans and advances to customers			54,312,459	54,312,459
Pledged assets				
Bonds	5,314,109	-	-	5,314,109
Investment securities				
- Financial assets at amortised cost				
Bonds	12,821,286	-	-	12,821,286
Other assets	-	-	6,997,499	6,997,499
	18,135,395	3,211,035	98,235,869	119,582,299
Liabilities				
Deposits from financial institutions	-	-	12,159,545	12,159,545
Due to customers	-	-	126,896,867	126,896,867
Commercial paper liabilities	18,053,345	-	-	18,053,345
Other liabilities	-	-	23,367,355	23,367,355
	18,053,345	-	162,423,767	180,477,112

Group

December 2018

In thousands of Naira

	Level 1	Level 2	Level 3	Total
Assets				
Cash and balances with banks	-	3,537,509	-	3,537,509
Due from financial institutions	-	-	37,047,253	37,047,253
Loans and advances to customers	-		54,762,067	54,762,067
Pledged assets				
Bonds	5,314,109	-	-	5,314,109
Investment securities				
Financial assets at amortised cost				
Bonds	12,821,286	-	-	12,821,286
Treasury bills	236,547	-	-	236,547
Other assets		-	6,422,821	6,422,821
	18,371,942	3,537,509	98,232,141	120,141,592
Liabilities				
Deposits from financial institutions	-	-	12,159,545	12,159,545
Due to customers	-	-	126,190,780	126,190,780
Commercial paper liabilities	-	-	18,053,345	18,053,345
Other liabilities	-	-	23,506,587	23,506,587
	-	-	179,910,257	179,910,257

(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.

The fair value for the investment securities is based on estimations using market prices and earning multiples of quoted securities with similar characteristics. All other trading assets are already measured and carried at fair value.

(v) Other assets

The bulk of these financial assets are acount receivables expected to be realised/settled in less than one year. The carrying value of these financial assets is a reasonable approximation of fair value.

(vi) Due to customers

The estimated fair value of due to customer balances is the amount repayable on demand or maturity of the underlying instruments.

(vii) Deposits from financial instituions

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(viii) Other liabilities

The carrying amount of financial assets in other liabilities is a reasonable approximation of fair value.

(ix) Unobservable inputs used in measuring fair value

- The information below describes the significant unobservable inputs used at year end in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Type of financial instrument	Fair value as at 31-Dec- 2019 (N'm)	Valuation technique	Significant unobservable input	Fair value measurement sensitivity to unobservable input
Unquoted equities	N11.3m (2018:N 10.9m	Discounted cash flows	- Risk adjusted discount rate - Cash flow estimates	Significant increase in the spread above the risk free rate would result in a lower fair value

- **The effect of unobservable inputs on fair value measurement (sensitivity analysis)**

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured at fair value on a recurring basis. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date.

Type of financial instrument	Valuation technique	Significant unobservable input	Variance in fair value measurement	Effect on OCI	
				Favourable N'million	Unfavourable N'million
Unquoted equities	- Discounted cash flow	Risk adjusted discount rate	From (2%) to 2%	2.26 (2018: 2.18)	2.26 (2018: 2.18)

4.2.3 Recognised fair value measurements

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily government bonds, corporate bonds, treasury bills and equity investments classified as fair value through other comprehensive income.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

For level 2 assets, fair value was obtained using a recent market transaction during the year under review. Fair values of unquoted debt securities were derived by interpolating prices of quoted debt secuirties with similar maturity profile and characteristics. There were no transfer between levels 1 and 2 during the year. Instruments included in Level 2 are derivatives financial instruments and corporate bonds.

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 Bank uses widely recognised valuation models for determining the fair value of its financial assets. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:
(i) Quoted market prices or dealer quotes for similar instruments;
(ii) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
(iii) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4.3 Determination of fair value of property classified as asset held for sale

Management employed the services of estate surveyors and valuers expert to value its assets held for sale. The estimated open market value is deemed to be the fair value based on the assumptions that there will be willing buyers and sellers. Recent market prices of neighborhood properties were also considered in deriving the open market values.

4.4 Determination of impairment of property and equipment, and intangible assets excluding goodwill

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

4.5 Assessment of recoverability of deferred tax assets

The deferred tax assets include an amount of N5.611bn (2018: N4.998bn) which relates to mainly carried forward tax losses of the bank. These losses arise due to tax-exempt nature of the Bank's income from government securities. The Bank has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Bank. The Bank is expected to generate taxable income from 2020 onwards. The losses can be carried forward indefinitely and have no expiry date.

4.6 Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

- Otherwise, the Bank considers other factors, including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or Coronation Merchant Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Bank.

4.7 Financial instruments

The Group's 2019 disclosures are not presented, as the Bank had divested from the subsidiaries as at reporting date.

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

Bank	Financial assets			Financial liabilty	
In thousands of Naira	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At amortised cost
December 2019					
Cash and balances with banks					
Balances with banks	-	-	8,135,676	-	-
Unrestricted balances with central banks	-	-	820,702	-	-
Due from financial institutions	-	-	57,538,364	-	-
Derivative financial assets	2,410,142	-	-	-	-
Non pledged trading assets				-	-
Treasury bills	4,651,289	-	-	-	-
Government bonds	6,756,776	-	-	-	-
Investment securities at FVTOCI					
Federal government bonds	-	4,588,917	-	-	-
Treasury bills	-	33,429,604	-	-	-
State government bonds	-	1,210,058	-	-	-
Eurobonds	-	2,177,609	-	-	-
Corporate bonds	-	5,892,825	-	-	-
Equity securities with readily determinable fair values	-	47,529	-	-	-
Unquoted equity securities at fairvalue	-	11,289,213	-	-	-
Investment securities at amortised cost					
Federal government bonds	-	-	1,672,125	-	-
Pledged assets					
Government bonds	-	-	1,106,212	-	-
Treasury bills	-	15,143,412	-	-	-
Loans and advances to customers	-	-	72,683,949	-	-
Other assets	-	-	9,966,574	-	-
Financial liabilities					
Deposits from financial institutions	-	-	-	-	25,978,923
Due to customers	-	-	-	-	138,087,891
Non pledged trading liabilities					
Government bonds	-	-	-	523,876	12,610,440
Derivative financial liabilities	-	-	-	2,378,555	-
Other liabilities	-	-	-	-	37,761,571
	13,818,207	73,779,167	151,923,602	2,902,431	214,438,825

Group	Financial assets			Financial liabilty	
In thousands of Naira	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At amortised cost
December 2018					
Cash and balances with banks					
Balances with banks	-	-	3,534,738	-	-
Unrestricted balances with central banks	-	-	2,771	-	-
				-	-
Due from financial institutions	-	-	37,047,253	-	-
Non pledged trading assets				-	-
Treasury bills	3,635,183	-	-	-	-
Government bonds	4,466,848	-	-	-	-
Derivative financial assets	1,388,676	-	-		
Investment securities at FVTOCI					
Available for sale investment securities					
Federal government bonds	-	610,765	-	-	-
Treasury bills	-	49,239,283	-	-	-
State government bonds	-	1,086,515	-	-	-
Eurobonds	-	1,155,586	-	-	-
Corporate bonds	-	12,426,413	-	-	-
Equity securities with readily determinable fair values	-	158,112	-	-	-
Unquoted equity securities at fairvalue	-	10,899,414	-	-	-
Investment securities at amortised cost				-	-
Federal government bonds	-	-	12,821,286	-	-
Treasury bills	-	-	236,547		
Pledged assets				-	-
Government bonds	-	-	5,314,109	-	-
Treasury bills	-	4,854,171	-	-	-
Loans and advances to customers	-	-	54,008,104	-	-
Other assets	-	-	6,422,821	-	-
Financial liabilities					
Deposits from financial institutions	-	-	-	-	12,159,545
Due to customers	-	-	-	-	126,190,780
Non pledged trading liabilities					
Government bonds	-	-	-	8,169,494	-
Commercial paper liabilities	-	-	-	-	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-
Other liabilities	-	-	-	-	23,506,587
	9,490,707	**80,430,259**	**119,387,629**	**9,543,210**	**179,910,257**

Bank	Financial assets			Financial liabilty	
In thousands of Naira	At fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	At fair value through profit or loss	At amortised cost
December 2018					
Cash and balances with banks					
Balances with banks	-	-	3,208,264	-	-
Unrestricted balances with central banks	-	-	2,771	-	-
Due from financial institutions	-	-	36,925,911	-	-
Derivative financial assets	1,388,676	-	-	-	-
Non pledged trading assets				-	-
Treasury bills	3,635,183	-	-	-	-
Government bonds	4,466,848	-	-	-	-
Investment securities					
Investment securities at FVTOCI					
Federal government bonds	-	608,771	-	-	-
Treasury bills	-	48,683,906	-	-	-
State government bonds	-	1,086,515	-	-	-
Eurobonds	-	1,080,923	-	-	-
Corporate bonds	-	12,382,412	-	-	-
Equity securities with readily determinable fair values	-	63,637	-	-	-
Unquoted equity securities at fairvalue	-	10,899,414	-	-	-
Investment securities at amortised cost					
Federal government bonds	-	-	12,821,286	-	-
Pledged assets					
Government bonds	-	-	5,314,109	-	-
Treasury bills	-	4,854,171	-	-	-
Loans and advances to customers	-	-	53,699,243	-	-
Other assets	-	-	6,997,499	-	-
Financial liabilities					
Deposits from financial institutions	-	-	-	-	12,159,545
Due to customers	-	-	-	-	126,896,867
Non pledged trading liabilities				-	-
Government bonds	-	-	-	8,169,494	-
Commercial paper liabilities	-	-	-	-	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-
Other liabilities	-	-	-	-	23,367,355
	9,490,707	**79,659,749**	**118,969,083**	**9,543,210**	**180,477,112**

4.8 Financial assets and liabilities - Fair value measurement

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

Bank *In thousands of Naira* **December 2019**	**Financial assets measured through FVPL**	**Financial assets measured at amortized cost**	**Financial assets measured at FVOCI**	**Financial liabilities measured through FVPL**	**Financial Liabilities measured at amortized cost**	**Total carrying amount**	**Fair value**
Cash and balances with banks	-	8,956,378	-	-	-	8,956,378	8,956,378
Due from financial institutions	-	57,473,891	-	-	-	57,473,891	57,473,891
Non pledged trading assets							
-Treasury bills	4,651,289	-	-	-	-	4,651,289	4,651,289
-Bonds	6,756,776	-	-	-	-	6,756,776	6,756,776
Derivative financial assets	2,410,142	-	-	-	-	2,410,142	2,410,142
Loans and advances to customers	-	72,178,514	-	-	-	72,178,514	73,707,279
Pledged assets							
-Treasury bills	444,622	-	24,888,379	-	-	25,333,001	25,333,001
-Bonds	-	1,106,212	-	-	-	1,106,212	1,026,669
Investment securities							
-Financial assets at FVTOCI							
-Treasury bills	-	-	33,429,604	-	-	33,429,604	33,429,604
-Bonds	-	-	13,869,409	-	-	13,869,409	13,869,409
-Equity	-	-	11,360,295	-	-	11,360,295	11,360,295
-Financial assets at amortised cost							
-Bonds	-	1,672,125	-	-	-	1,672,125	1,551,889
Other assets	-	9,966,574		-	-	9,966,574	9,966,574
	14,262,829	151,353,694	83,547,687	-	-	249,164,210	250,493,196
Deposits from financial institutions	-	-	-	-	25,978,923	25,978,923	25,978,923
Due to customers	-	-	-	-	138,087,891	138,087,891	138,087,891
Non pledged trading liabilities							
- Bonds	523,876	-	-	523,876	-	1,047,752	1,047,752
Derivative financial instruments		-	-	2,420,349	-	2,420,349	2,420,349
Other liabilities	-	-	-	-	37,761,571	37,761,571	37,761,571
	523,876	**12,610,440**	**-**	**2,944,225**	**201,828,385**	**217,906,926**	**217,906,926**

Group *In thousands of Naira* December 2018	Financial assets measured through FVPL	Financial assets measured at amortized cost	Financial assets measured at FVOCI	Financial liabilities measured through FVPL	Financial Liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and balances with banks	-	3,537,509	-	-	-	3,537,509	3,537,509
Due from financial institutions	-	37,035,896	-	-	-	37,035,896	37,035,896
Non pledged trading assets							
-Treasury bills	3,635,183	-	-	-	-	3,635,183	3,635,183
-Bonds	4,466,848	-	-	-	-	4,466,848	4,466,848
Derivative financial assets	1,388,676	-	-	-	-	1,388,676	1,388,676
Loans and advances to customers	-	54,762,067	-	-	-	54,762,067	54,762,067
Pledged assets							
-Treasury bills	-	-	4,854,171	-	-	4,854,171	4,854,171
-Bonds	-	5,314,109	-	-	-	5,314,109	5,314,109
Investment securities							
-Financial assets at FVTOCI							
-Treasury bills	-	-	49,239,283	-	-	49,239,283	49,239,283
-Bonds	-	-	15,279,279	-	-	15,279,279	15,279,279
-Equity	-	-	11,057,526	-	-	11,057,526	11,057,526
-Financial assets at amortised cost							
-Treasury bills	-	236,547	-	-	-	236,547	236,547
-Bonds	-	12,821,286	-	-	-	12,821,286	12,821,286
Other assets	-	6,422,821	-	-	-	6,422,821	6,422,821
	9,490,707	**120,130,235**	**80,430,259**	**-**	**-**	**210,051,201**	**210,051,201**
Deposits from financial institutions	-	-	-	-	12,159,545	12,159,545	12,159,545
Due to customers	-	-	-	-	126,190,780	126,190,780	126,190,780
Non pledged trading liabilities							
-Bonds	8,169,494	-	-	-	-	8,169,494	8,169,494
Commercial paper liabilities	-	18,053,345	-	-	-	18,053,345	18,053,345
Derivative financial liabilities	-	-	-	1,373,716	-	1,373,716	1,373,716
Other liabilities	-	-	-	-	23,506,587	23,506,587	23,506,587
	8,169,494	**18,053,345**	**-**	**1,373,716**	**161,856,912**	**189,453,467**	**189,453,467**

Bank *In thousands of Naira* **December 2019**	**Financial assets measured through FVPL**	**Financial assets measured at amortized cost**	**Financial assets measured at FVOCI**	**Financial liabilities measured through FVPL**	**Financial Liabilities measured at amortized cost**	**Total carrying amount**	**Fair value**
Cash and balances with banks	-	3,211,035	-	-	-	3,211,035	3,211,035
Due from financial institutions	-	36,914,556	-	-	-	36,914,556	36,914,556
Non pledged trading assets				-			
-Treasury bills	3,635,183	-	-	-	-	3,635,183	3,635,183
-Bonds	4,466,848	-	-	-	-	4,466,848	4,466,848
Derivative financial assets	1,388,676	-	-	-	-	1,388,676	1,388,676
Loans and advances to customers	-	54,312,459		-	-	54,312,459	54,312,459
Pledged assets							
-Treasury bills	-	-	4,854,171		-	4,854,171	4,854,171
-Bonds	-	5,314,109	-	-	-	5,314,109	5,314,109
Investment securities							
-Financial assets at FVTOCI							
-Treasury bills	-	-	48,683,906	-	-	48,683,906	48,683,906
-Bonds	-	-	15,158,621	-	-	15,158,621	15,158,621
-Equity	-	-	10,963,051	-	-	10,963,051	10,963,051
-Financial assets at amortised cost					-		
-Bonds	-	12,821,286	-	-	-	12,821,286	12,821,286
Other assets	-	6,997,499	-	-	-	6,997,499	6,997,499
	9,490,707	**119,570,944**	**79,659,749**	**-**	**-**	**208,721,400**	**208,721,400**
Deposits from financial institutions	-	-	-	-	12,159,545	12,159,545	12,159,545
Due to customers	-	-	-	-	126,896,867	126,896,867	126,896,867
Non pledged trading liabilities							
-Bonds	8,169,494	-	-	-	-	8,169,494	8,169,494
Commercial paper liabilities	-	18,053,345	-	-	-	18,053,345	18,053,345
Derivative financial instruments		-	-	1,373,716	-	1,373,716	1,373,716
Other liabilities	-	-	-	-	23,367,355	23,367,355	23,367,355
	8,169,494	**18,053,345**	**-**	**1,373,716**	**162,423,767**	**190,020,322**	**190,020,322**

5.0 Financial Risk Management

5.1 Credit risk management

In Coronation MB, credit risk is the single largest risk; this is in line with the Bank's primary business of financial intermediation in the merchant banking space. The Bank is also exposed to credit risks arising from investments in securities and other trading activities.

The Bank defines credit risk as the risk that obligors will be unable or unwilling to pay interest, and/or principal or fail to perform in their contractual obligations as specified in the agreement. Credit risk therefore may constitute an economic loss whose effect is measured by the cost of replacing cash flows if the other party defaults. This risk could be compounded if the assigned security only partly covers the claims made to the borrower, or if its valuation falls well short of the outstanding exposure at the time of default due to prevailing market conditions.

The Bank's Risk Management philosophy is that a moderate and guarded risk attitude will ensure gradual but sustainable growth in shareholder value and reputation. Extension of credit in Coronation Merchant Bank is guided by its Credit Risk Appetite and Portfolio Management Plan, which sets out specific rules for risk origination and management of the loan portfolio. The Plan also sets out the following:

- Risk assets growth pattern
- Anticipated risk adjusted return on assets
- Target average portfolio rating
- Assessment of the impact of the portfolio on capital adequacy
- Roles and responsibilities of different individuals and committees involved in the credit process.

The key guiding principles of the Bank's credit risk includes the following:

- Precise articulation of policies on exposures, concentrations, pricing, collateral, and portfolio liquidity.
- A risk appetite dependent strategic approach rather than an aggressive approach in the creation of its credit risk assets.
- Minimization of the risk arising from a build-up of concentration in its credit risk asset portfolio in any sector, obligor, or industry.
- Risk based pricing for all loans pricing.
- An integrated mechanism to measure actual against target risk assets, risk adjusted returns and other indicators of a healthy portfolio
- A balance between the creation of risk assets and the portfolio liquidity

Coronation MB recognizes the fact that its main asset is its loan portfolio. Therefore, we actively safeguard and strive to continually improve the health of our loan portfolio. We scrutinize all applications and weed out potential problem loans during the loan application phase, as well as constantly monitor existing loan portfolio.

The goal of the Bank is to apply sophisticated but realistic credit models and systems to monitor and manage credit risk. Ultimately these credit models and systems will be the foundation for the application of internal rating-based approach to calculation of capital requirements. The Bank's Basel II implementation strategy guides the development, implementation, and application of these models.

The pricing of each credit granted reflects the level of risks inherent in the credit. Subject to competitive forces, Coronation Merchant Bank implements a consistent pricing model for loans to its different target markets. The client's interest is guarded at all times, and collateral quality is never the sole reason for a positive credit decision.

Provisions for credit losses meet prudential guidelines set forth by the Central Bank of Nigeria, both for loans for which specific provisions exist as well as for the portfolio of performing loans. Coronation Merchant Bank's credit process requires rigorous proactive and periodic review of the quality of the loan portfolio. This helps us to identify and remediate credit issues proactively.

Management of credit Risk

The management of credit risk is done broadly at three levels; the Board level, Management level and Risk Management level.

At the Board level, credit risk is managed by the Board Credit and Investment Committee and Board Risk Management Committee with the following key roles:

i. Approval of credit Risk framework and appetite
ii. Approval of Credit Risk Strategy
iii. Review of the quality of our loan portfolio on a quarterly basis
iv. Approval of credit requests for which the Management Credit and Investment Committee seeks approval

At the Management level, Credit Risk is managed by Management Credit and Investment Committee (MCIC), and the Enterprise Risk Management Committee (ERMC) with the following key roles:

i. Monthly review of loan portfolio
ii. Monitoring of the actual portfolio concentration limits against targeted performance
iii. Review and recommendation to the Board Credit Committee of Credit Policies and Standards.
All other functions with regards to risk management is at the risk management level.

As if evident in the role of the Board in credit risk management, the development and approval of polices plays a key role in setting the context for which credit risk is managed.

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Principal Credit Policies

The following are the principal credit policies of the Bank:

- **Credit Risk Management Policy:** TThe core objective is to enable maximization of returns on a risk adjusted basis from banking book credit risk exposures that are brought under the ambit of Credit Risk Management Policy by putting in place robust credit risk management systems consisting of risk identification, risk measurement, setting of exposure & risk limits, risk monitoring & control and reporting of credit risk in the banking book.

- **Credit Risk Rating Policy:** The objective of this policy is to ensure reliable and consistent Obligor Risk Ratings (ORRs) and Facility Risk Ratings (FRRs) throughout Coronation Merchant Bank and to provide guidelines for risk rating for exposures in the banking book covering credit and investment books of the Bank.

- **Internal Capital Adequacy Assessment Process (ICAAP) Policy:** The objective of the policy is to ascertain that the bank has sufficient capital in place to cater for all material risks (both Pillar I & II) which it is exoposed to in the course of its business operation. It also enatails identification of material risks, measurement of material risks, monitoring & control of material risks and reporting of material risks.

- **Enterprise-wide Risk Management Policy:** The core objective is to provide reasonable degree of assurance to the Board of Directors that the risks threatening the Bank's achievement of its vision are identified, measured, monitored and controlled through an effective integrated risk management system covering credit, market, operational, interest rate, liquidity and other material risks.

Responsibilities of Business Units and 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, Credit Risk Management is responsible for reviewing and ensuring the correctness of the ORR and FRR assigned to a borrower and facilities. This review includes ensuring the ongoing consistency of the business' Risk Rating Process with Coronation Merchant Bank Risk Rating Policy; ongoing appropriate application of the Risk Rating Process and tools; review of judgmental and qualitative inputs into the Risk Rating Process; ensuring the timeliness and thoroughness of risk rating reviews; and ensuring that the documentation of the Risk Rating Process is complete and current.

Credit process

The Bank's credit process starts with portfolio planning and target market identification which forms part of the origination. Within identified target markets, credits are initiated by relationship managers. The proposed credits are subjected to review and approvals by applicable credit approval authorities. 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 Bank. The complete credit process is shown the diagram below:

(a) Credit Origination

The credit origination encompasses all activities before a credit facility reaches the credit risk management. These activities include customer profiling, application of the risk acceptance criteria, account opening, customer's request for a facility, detailed analysis of the customer's financials and the subsequent preparation of the customer's credit application.

(b) Credit risk measurement

Risk Rating Methodology

The credit rating of the counterparty plays a fundamental role in final credit decisions as well as in the terms offered for successful loan applications. Coronation Merchant Bank employs a robust credit rating system based on international best practices (including Basel II recommendations) in the determination of the Obligor and Facility risks and thus allows the Bank to maintain its asset quality at a desired level.

In Coronation Merchant Bank, the objective of the Risk Rating Policy is to ensure reliable and consistent Obligor Risk Ratings ('ORRs') and Facility Risk Ratings ('FRRs') throughout the Bank and to provide guidelines for risk rating.

The Risk rating policy incorporates credit risk rating models which estimate risk of obligor default and facility risks (covering both recovery as well as Exposure risk). Our long-term goal is to adopt the Internal Rating Based ("IRB") approach. The data required to facilitate the IRB approach are being gathered.

All Coronation Merchant Bank businesses that extend credit are subject to the Risk rating policy.

Credit Risk Rating Models in Coronation Merchant Bank

The Bank has deployed the the credit risk rating models below.

Obligor Risk Rating (ORR) Models have been developed for:

1. Bank and Non Banking Financial Institutions
2. Corporate;
    - Manufacturing Sector
    - Trading Sector
    - Services Sector
    - Real Estate Sector, etc

Facility Risk Rating (FRR) Models have also been developed, which when combined with the ORR score, gives the final rating score for the customer.

Risk Rating Process

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

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

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

Responsibilities of Business Units and Credit Risk Management

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

Risk Rating Scale and external rating equivalent

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

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

The risk rating scale and the external rating equivalent is detailed below:

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

(c) Approval, Credit Risk Control & Mitigation policy

Authority Limits on Credit

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

Collateral Policies

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

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

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

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

Master Netting arrangements

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

Credit related commitments

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

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

(d) Credit Monitoring

Credit risk Monitoring has the responsibility of the Loan Monitoring Department which reports to the Chief Risk Officer, the activity is carried out both at the individual obligor level (covering on and off-balance sheet exposures) and overall portfolio level.

The overriding objective of credit risk monitoring is to ensure that the quality of the Bank's credit portfolio is monitored daily to take prompt and appropriate remedial measures as soon as any deterioration or potential deterioration is identified.
In Coronation MB, Credit risk monitoring achieves the following:

- Ensure quality, adequacy, and continuing relevance of the Bank's credit risk management system
- Ensure quality and performance of credit portfolio at defined level of aggregation
- Quality and performance of obligor credit exposure

5.1.1 Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets are as follows:

In thousands of Naira (N'000)	Note	Bank December 2019	Group December 2018	Bank December 2018
Cash and balances with banks				
- Current balances with banks outside Nigeria	19	8,135,676	3,534,738	3,208,264
- Unrestricted balances with central banks	19	820,702	2,771	2,771
Due from financial institutions	20	57,538,364	37,047,253	36,925,911
Non pledged trading assets				
- Treasury bills	21(a)	4,651,289	3,635,183	3,635,183
- Bonds	21(a)	6,756,776	4,466,848	4,466,848
Derivative financial assets	22	2,410,142	1,388,676	1,388,676
Loans and advances to customers	25	72,742,231	54,791,214	54,340,867
Pledged assets				
- Bonds	24	1,106,212	5,314,109	5,314,109
- Treasury bills	24	15,143,412	4,854,171	4,854,171
Investment securities				
Fair value through other comprehensive income				
- Treasury bills	23(a)	33,429,604	49,239,283	48,683,906
- Bonds	23(a)	13,869,409	15,279,279	15,158,621
Amortised cost				
- Treasury bills	23(b)	-	236,547	-
- Bonds	23(b)	1,672,125	12,821,286	12,821,286
Other assets	26	9,966,574	6,314,396	6,948,038
Total		**228,242,516**	**198,925,754**	**197,748,651**
Off balance sheet exposures				
Guaranteed credit facilities	38(a)	9,982,128	623,000	623,000
Clean line facilities for letters of credit and other trade commitments	38(a)	9,982,128	623,000	623,000
Forward contracts	22	22,219,872	18,181,245	18,181,245
Foreign exchange swap contracts	22	57,227	-	-
Total		**121,273,544**	**50,563,623**	**50,563,623**

Balances included in Other Assets above are those subject to credit risks. The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2019 and 31 December 2018, without taking account of any collateral held or other credit enhancements attached.

A portion of the Bank's financial assets originated by investements in Federal Government Securities (Treasury bills and Bonds) has sufficiently low default risk, which results in no loss allowance being recognised in accordance with the Bank's exepected credit loss model. The carrying amount of such financial assets is N18bn as at 31 December 2019.

For on-balance-sheet assets, the exposures set out above are based on net amounts reported in the statements of financial position.

The Directors are confident in their ability to continue to control exposure to credit risk which can result from both its Loans and Advances portfolio and debt securities.

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

	Bank	Group	Bank
	December 2019	December 2018	December 2018
In thousands of Naira			
Agriculture	26,540,212	14,724,236	14,724,236
Construction	208,711	650,495	650,495`
Finance and insurance	189	1	1
General	524,863	1,187,666	737,318
General commerce	8,207,881	9,273,338	9,273,338
Other Manufactiring (Industries)	35,245,684	24,113,539	24,113,539
Oil And Gas - Downstream	47,073	3,417,092	3,417,092
Real estate activities		328,038	328,039
Transportation and storage	1,901,737	1,096,809	1,096,809
Others	65,881	0	
	72,742,231	**54,791,214**	**54,340,867**

5.1.3 Bank

(a) Credit quality by class December 2019 loans to Individuals

n thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Investment	-	-	-	-	-	-	-	-	-
Standard grade	507,728	-	-	507,728	2,293	-	-	2,293	505,435
	507,728	-	-	507,728	2,293	-	-	2,293	505,435

Loans to Corporate Customers

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Investment	38,723,511	-	-	38,723,511	4,782	-	-	4,782	38,718,729
Standard grade	33,510,992	-	-	33,510,992	11,503	-	-	11,503	33,499,489
	72,234,503	-	-	72,234,503	16,285	-	-	16,285	72,218,218

Off balance sheet

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Investment	11,673,838	-	-	11,673,838	1,123	-	-	1,123	11,672,715
Standard grade	77,340,479	-	-	77,340,479	7,440	-	-	7,440	77,333,039
	89,014,318	-	-	89,014,318	8,563	-	-	8,563	89,005,755

Investment securities

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Investment	48,971,138	-	-	48,971,138	-	-	-	-	48,971,138
Standard grade	-	-	-	-	-	-	-	-	-
	48,971,138	-	-	48,971,138	-	-	-	-	48,971,138

Money market placements

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	57,538,364	-	-	57,538,364	64,473	-	-	64,473	57,473,891
	57,538,364	-	-	57,538,364	64,473	-	-	64,473	57,473,891

Other assets (Using simplified approach)

In thousands of Naira	Gross amount	ECL	Carrying amount
Non-Investment	10,011,035	44,461	9,966,574
	10,011,035	44,461	9,966,574

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

Group

Credit quality by class

December 2019

Loans to Individuals

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	-	-	-	-	-	-	-	-	-
Standard grade	754,845	-	-	754,845	882	-	-	882	753,963
	754,845	-	-	754,845	882	-	-	882	753,963

Loans to Corporate Customers

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
Standard grade	16,067,949	-	-	16,067,949	7,644	-	-	7,644	16,060,305
	54,036,369	-	-	54,036,369	28,266	-	-	28,266	54,008,103

Off balance sheet

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	9,432,218	-	-	9,432,218	62	-	-	62	9,432,156
Standard grade	22,327,160	-	-	22,327,160	277	-	-	277	22,326,883
	31,759,378	-	-	31,759,378	339	-	-	339	31,759,039

Investment securities

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	77,576,395	-	-	77,576,395	787	-	-	787	77,575,608
	77,576,395	-	-	77,576,395	787	-	-	787	77,575,608

Money market placements

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	29,042,870	-	-	29,042,870	525	-	-	525	29,042,345
Standard grade	8,004,384	-	-	8,004,384	10,832	-	-	10,832	7,993,552
Non-Investment	-	-	-	-	-	-	-	-	-
	37,047,254	**-**	**-**	**37,047,254**	**11,357**	**-**	**-**	**11,357**	**37,035,897**

Other assets (Using simplified approach)

In thousands of Naira	Gross amount	ECL	Carrying amount
Investment	6,422,821	108,425	6,314,396
	6,422,821	108,425	6,314,396

Bank
Credit quality by class
December 2018
Investment
Loans to Individuals

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Standard grade	613,800	-	-	613,800	586	-	-	586	613,214
	613,800	-	-	613,800	586	-	-	586	613,214

Loans to Corporate Customers

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	37,968,420	-	-	37,968,420	20,622	-	-	20,622	37,947,798
Standard grade	15,758,644	-	-	15,758,644	7,200	-	-	7,200	15,751,444
	53,727,064	-	-	53,727,064	27,822	-	-	27,822	53,699,242

Off balance sheet

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	9,432,218	-	-	9,432,218	62	-	-	62	9,432,156
Standard grade	22,327,160	-	-	22,327,160	277	-	-	277	22,326,883
	31,759,378	-	-	31,759,378	339	-	-	339	31,759,039

Investment securities

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Internal rating grade									
Investment	76,663,814	-	-	76,663,814	778	-	-	778	76,663,036
	76,663,814	-	-	76,663,814	778	-	-	778	76,663,036

Money market placements

In thousands of Naira	Stage 1 Gross amount	Stage 2 Gross amount	Stage 3 Gross amount	Total Gross amount	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Total ECL	Carrying amount
Investment	28,921,527	-	-	28,921,527	523	-	-	523	28,921,005
Standard grade	8,004,384	-	-	8,004,384	10,832	-	-	10,832	7,993,552
	36,925,911	-	-	36,925,911	11,355	-	-	11,355	36,914,557

Other assets (Using simplified approach)

In thousands of Naira	Gross amount	ECL	Carrying amount
Investment	6,997,499	49,461	6,948,038
	6,997,499	49,461	6,948,038

5.1.3 Credit quality

(b) Credit quality rating by risk rating class

Bank

December 2019

Loans to Retail Customers

External Rating Equivalent	Grade	Gross amount				ECL				Carrying amount
		Stage 1		Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
BBB+	Standard	507,728	-	-	507,728	-	-	-	-	507,728
		507,728	-	-	507,728	-	-	-	-	507,728

Loans to Corporate Customers

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

Investment securities

External Rating Equivalent	Grade	Gross amount				ECL				Carrying amount
		Stage 1		Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
AAA	Investment	-	-	-	-	-	-	-	-	-
AA+	Investment	-	-	-	-	-	-	-	-	-
AA	Investment	-	-	-	-	-	-	-	-	-
AA-	Investment	-	-	-	-	-	-	-	-	-
A+	Investment	-	-	-	-	-	-	-	-	-
A-	Investment	-	-	-	-	-	-	-	-	-
BBB	Non-Investment	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-

Group

December 2018

Loans to Retail Customers

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
BBB+	Standard	754,845	-	754,845	882	-	-	882	753,963
		754,845	-	754,845	882	-	-	882	753,963

Loans to Corporate Customers

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AA	Investment	1	-	1	-	-	-	-	1
A-	Investment	37,968,420	-	37,968,420	20,622	-	-	20,622	37,947,798
BBB+	Standard	16,067,949	-	16,067,949	7,644	-	-	7,644	16,060,305
		54,036,370	-	54,036,370	28,266	-	-	28,266	54,008,104

Investment securities

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AAA	Investment	62,996,854	-	62,996,854	1,110	-	-	1,110	62,995,744
AA+	Investment	2,318,071	-	2,318,071	-	-	-	-	2,318,071
AA	Investment	148,998.38	-	148,998	-	-	-	-	148,998
AA-	Investment	9,708,302	-	9,708,302	-	-	-	-	9,708,302
A+	Investment	1,958,255	-	1,958,255	-	-	-	-	1,958,255
A-	Investment	369,259	-	369,259	-	-	-	-	369,259
B+	Standard	1,994	-	1,994	-	-	-	-	1,994
B	Standard	74,663	-	74,663	-	-	-	-	74,663
		77,576,396	-	77,576,396	1,110	-	-	1,110	77,575,286

Derivative Financial Instruments

External Rating Equivalent	Grade	Gross Nominal Dec-18		Fair Value Dec-18	
AAA	Investment	18,060,715		1,388,676	
Gross amount		**18,060,715**		**1,388,676**	

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies. These instruments are neither past due nor impaired

Bank
December 2018
In thousands of Naira
Loans to Retail Customers

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
BBB+	Standard	613,801	-	613,801	586	-	-	586	613,216
		613,801	**-**	**613,801**	**586**	**-**	**-**	**586**	**613,216**

Loans to Corporate Customers

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AA	Investment	1	-	1	-	-	-	-	1
A-	Investment	37,968,420	-	37,968,420	20,622	-	-	20,622	37,947,798
BBB+	Standard	15,758,644	-	15,758,644	7,200	-	-	7,200	15,751,444
		53,727,065	**-**	**53,727,065**	**27,822**	**-**	**-**	**27,822**	**53,699,242**

Investment securities

External Rating Equivalent	Grade	Gross amount Stage 1	Gross amount Stage 3	Gross amount Total	ECL Stage 1	ECL Stage 2	ECL Stage 3	ECL Total	Carrying amount
AAA	Investment	62,330,197	-	62,330,197	1,101	-	-	1,101	62,329,096
AA+	Investment	2,318,071	-	2,318,071	-	-	-	-	2,318,071
AA-	Investment	9,708,302	-	9,708,302	-	-	-	-	9,708,302
A+	Investment	1,937,985	-	1,937,985	-	-	-	-	1,937,985
A-	Investment	369,259	-	369,259	-	-	-	-	369,259
		76,663,814	-	76,663,814	1,101	-	-	1,101	76,662,713

Derivative Financial Instruments

External Rating Equivalent	Grade	Gross Nominal Dec-19	Gross Nominal Dec-18	Fair Value Dec-19	Fair Value Dec-18
AAA	Investment	22,189,458	18,060,715	2,410,142	1,388,676
Gross amount		**22,189,458**	**18,060,715**	**2,410,142**	**1,388,676**

The external rating equivalent refers to the equivalent ratings for loans and advances by credit rating agencies. These instruments are neither past due nor impaired.

5.1.3 Credit Quality

(c) Credit quality by staging

December 2019
Bank
In thousands of Naira
Loans and advances to retail customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage Loan	-	-	-	-	-	-	-	-	-
Personal Loan	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

Loans and advances to corporate customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Overdraft	-	-	-	-	-	-	-	-	-
Term Loan	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-

December 2018
Group
In thousands of Naira
Loans and advances to retail customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage Loan	-	-	-	-	-	-	-	-	-
Personal Loan	141,042	-	-	141,042	296	-	-	296	140,746
	141,042	-	-	141,042	296	-	-	296	140,746

Loans and advances to corporate customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Overdraft	-	-	-	-	-	-	-	-	-
Term Loan	309,305	-	-	309,305	444	-	-	444	308,861
	309,305	-	-	309,305	444	-	-	444	308,861

December 2018
Bank
In thousands of Naira
Loans and advances to retail customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage Loan	536,854	-	-	536,854	488	-	-	488	536,366
Personal Loan	76,947	-	-	76,947	97	-	-	97	76,850
	613,801	-	-	613,801	585	-	-	585	613,216

Loans and advances to corporate customers

	Gross amount				ECL				Carrying Amount
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Overdraft	6,209,768	-	-	6,209,768	3,905	-	-	3,905	6,205,863
Term Loan	47,517,297	-	-	47,517,297	23,918	-	-	23,918	47,493,379
	53,727,065	-	-	53,727,065	27,823	-	-	27,823	53,699,242

5.1.3 Credit Quality

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

Estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

In thousands of Naira	Bank	Bank	Group
	December 2019	December 2018	December 2018
Against neither past due and not impaired			
Property	758,719	679,153	720,313
Equities	346,881	184,543	437,403
Cash	20,830,958	16,647,868	16,647,868
Pledged goods and assets	11,838,302	26,538,299	26,538,299
All asset debentures and guarantees	22,670,726	10,022,166	10,178,493
Total	**56,445,586**	**54,072,029**	**54,522,376**

Collateral held and other credit enhancements, and their financial effect

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to. However, collateral provides additional security and the Bank generally requests that all borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees. The bank does not sell or repledge the collateral in the absence of default by the owner of the collateral. In addition to the Bank's focus on credit worthiness, the Bank aligns with its credit policy guide to periodically update the validation of collaterals held against all loans to customers. The Bank obtains appraisals of all collaterals because the fair value of the collateral is an input to the impairment measurement.

5.1.4

(a) Credit concentration

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

By Sector
Bank
December 2019

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	8,956,378	-	-	8,956,378
Due from financial institutions	-	57,473,891	-	-	57,473,891
Non pledged trading assets					
-Treasury bills	-	-	4,651,289	-	4,651,289
-Bonds	-	-	6,756,776	-	6,756,776
Derivative financial assets	-	-	2,410,142	-	2,410,142
Loans and advances to customers	72,178,325	189	-	505,435	72,683,949
Pledged assets					-
-Treasury bills	-	-	15,143,412	-	15,143,412
-Bonds	-	-	1,106,212	-	1,106,212
Investment securities					-
Fair value through other comprehensive income					-
-Treasury bills	-	-	33,429,604	-	33,429,604
-Bonds	5,892,825	-	7,976,584	-	13,869,409
Amortised cost					-
-Bonds	-	-	1,672,125	-	1,672,125
Other assets	-	-	-	9,966,574	9,966,574
Total	**78,071,150**	**66,430,458**	**73,146,144**	**10,472,009**	**228,119,761**

Group
December 2018

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	3,537,509	-	-	3,537,509
Due from financial institutions	-	37,047,253	-	-	37,047,253
Non pledged trading assets					
-Treasury bills	-	-	3,635,183	-	3,635,183
-Bonds	-	-	4,466,848	-	4,466,848
Derivative financial assets	-	-	1,388,676	-	1,388,676
Loans and advances to customers	54,008,103	-	-	753,963	54,762,066
Pledged assets					-
-Treasury bills	-	-	4,854,171	-	4,854,171
-Bonds	-	-	5,314,109	-	5,314,109
Investment securities					-
Fair value through other comprehensive income					
-Treasury bills	-	-	49,239,283	-	49,239,283
-Bonds	12,426,413	-	2,852,866		15,279,279
-Equity	-	-	-	-	-
Amortised cost					-
-Treasury bills			236,547		236,547
Other assets	-	-	-	6,314,396	6,314,396
Total	**66,434,516**	**40,584,762**	**84,808,969**	**7,068,359**	**198,896,606**

Bank
December 2018

In thousands of Naira	Corporate	Finance and insurance	Government	Others	Total
Cash and balances with banks	-	3,211,035	-	-	3,211,035
Due from financial institutions	-	36,925,911	-	-	36,925,911
Non pledged trading assets					
-Treasury bills	-	-	3,635,183	-	3,635,183
-Bonds	-	-	4,466,848	-	4,466,848
Derivative financial assets	-	-	1,388,676	-	1,388,676
Loans and advances to customers	53,699,242	-	-	613,214	54,312,456
Pledged assets					-
-Treasury bills	-	-	4,854,171	-	4,854,171
-Bonds	-	-	5,314,109	-	5,314,109
Investment securities					-
Fair value through other comprehensive income					-
-Treasury bills	-	-	48,683,906	-	48,683,906
-Bonds	12,382,412	-	2,776,209		15,158,621
-Equity	-	-	-	-	-
Amortised cost					-
-Treasury bills			-		-
-Bonds	-	-	12,821,286	-	12,821,286
Other assets	-	-	-	6,948,038	6,948,038
Total	**66,081,654**	**40,136,946**	**83,940,388**	**7,561,252**	**197,720,240**

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 sometimes specific medium-term investment cases and other times strategic (or have the potential of becoming strategic) in the medium term.

Each trading unit within the Bank adheres to the general rules set out by the Board of Directors. Moreover, each trading unit has its own set of working procedures and rules that further specify their targets, limits and scope in trading.

The position limits, or any changes to them, are proposed by the Bank's head of trading and then accepted by the Bank's Chief Risk Officer and reviewed by the Bank's CEO. The size of each position limit is based on, among other factors, underlying liquidity, the Bank's risk appetite, as well as legal limitations on individual positions imposed by authorities in Nigeria.

All market risks are reported to the Risk Committee daily (through a dashboard) and quarterly with recommendations made concerning the risk profile including risk appetite, limits and utilization. The head of each business, assisted by the business risk management team, is accountable for all market risks associated with its activities, which are reported to business risk governance and control committees. Oversight and support is provided to the business by the central market risk team.

Coronation Merchant Bank has a dedicated market risk team with the sole responsibility of implementing the market risk control framework. Daily market risk reports are produced for trading portfolios covering all risk categories including interest rate, equity and foreign exchange credit spread risk.

Risk of losses arising from future potential adverse movements in market rates, prices and volatilities are measured using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level.

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

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

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

Traded market risk measurement and control

The measurement/control techniques used to measure and control traded market risk include daily valuation of positions, limit monitoring, gap analysis, sensitivity analysis, value at risk, tail risk, stress testing, etc.

Mark-to-Market (MTM)

The marking-to-market technique establishes historical profit/loss by revaluing money market exposures to prevailing market prices. When no market prices are available for a specific contract period, mark-to-model is used to derive the relevant market prices; it is the Bank's policy to revalue all exposures categorized under the securities trading portfolio on a daily basis. As a general guide, marking to market is performed independently of the trading unit i.e. prices/rates are obtained from external sources.

Daily value at risk (DVaR)

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

Coronation Merchant Bank uses an internal DVaR model based on the variance-covariance (analytical) method. Two years of unweighted historical price and rate data is applied and updated daily. This internal model is also used for measuring value at risk over both a one-day and 10-day holding year at a 99% confidence level for regulatory backtesting and regulatory capital calculation purposes respectively. This model covers general market (position) risk across all approved interest rate, foreign exchange, commodity, equity and traded credit products.

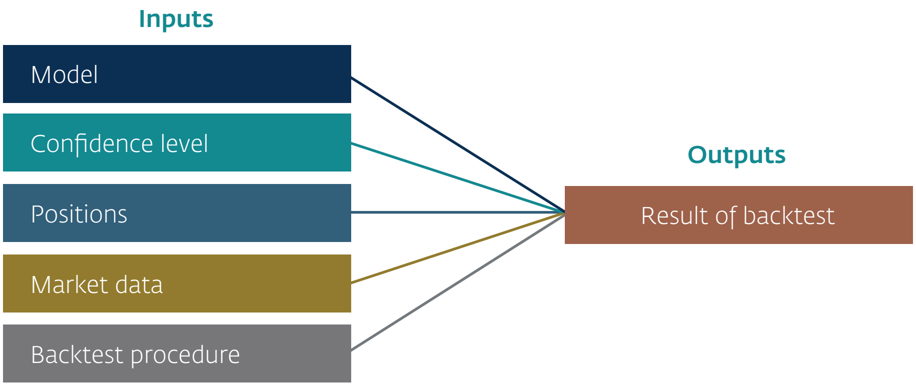
There are a number of considerations that should be taken into account when reviewing DVaR numbers. These are as follows:

- The analytical method assumes that the past is a good representation of the future. This may not always be the case.
- The assumed time horizon will not fully capture the market risk of positions that cannot be closed out or hedged within this time horizon.
- DVaR does not indicate the potential loss beyond the selected percentile.
- Intra-day risk is not captured.
- Prudent valuation practices are used in the DVaR calculation when there is difficulty obtaining rate/price information.

To complement DVaR, tail risk metrics, stress testing and other sensitivity measures are used.

Backtesting

DVaR is an important market risk measurement and control tool and consequently the performance of the model is regularly assessed for continued suitability. The main approach employed is a technique known as backtesting, which counts the number of days when daily trading losses exceed the corresponding DVaR estimate.



The regulatory standard for backtesting is to measure daily losses against DVaR assuming a one-day holding year and a 99% level of confidence. The regulatory green zone of three or less exceptions over a 12-month year is consistent with a good working DVaR model.

Stress testing

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Market Risk complements the VaR measurement by regular stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios.

Stress testing provides an indication of the potential size of losses that could arise in extreme conditions. It helps to identify risk concentrations across business lines and assist senior management in capital planning decisions.

A consistent stress testing methodology is applied to trading and non-trading books. The stress testing methodology assumes that scope for management action would be limited during a stress event, reflecting the decrease in market liquidity that often occurs. The Bank performs two main types of stress/scenario testing. Firstly, risk factor stress testing, where extended historical stress moves are applied to each of the main risk categories, which include interest rate, equity, foreign exchange, commodity and credit spread risk. Secondly, the trading book is subjected to multi-factor scenarios that simulate past years of significant market disturbance and hypothetical extreme yet plausible events.

Stress scenarios are regularly updated to reflect changes in risk profile and economic events. Regular stress test scenarios are applied to interest rates, credit spreads, exchange rates, commodity prices and equity prices. Ad hoc scenarios are also prepared reflecting specific market conditions and for particular concentrations of risk that arise within the businesses.

Risk limits

Risk limits are set and reviewed at least annually to control Coronation Merchant Bank's trading activities in line with the defined risk appetite of the bank. Criteria for setting risk limits include relevant market analysis, market liquidity and business strategy. Trading risk limits are set at an aggregate, risk category and lower levels and are expressed in terms of DVaR. This is further supported by a comprehensive set of non-DVaR limits, including foreign exchange position limits, stop loss limits and Management Action Triggers. Appropriate performance triggers are also used as part of the risk management process.

Foreign Currency Trading Position Limits (FCTPL): The Bank, in keeping with the prudency concept, sets its policy limit for Trading Position at a level lower than the maximum FCTPL approved by the regulatory authority. In setting the internal FCTPL, the following considerations are imperative:

- The Regulatory FCTPL;
- The Bank's tolerance and appetite for FX risk;
- The size and depth of the FX market in Nigeria;
- The degree of volatility of traded currencies;
- The Bank's desired positioning in the relevant FX market with requirements for international business support.

Management Action Trigger (MAT): This establishes decision points to confirm the Board of Directors' tolerance for accepting trading risk losses on a cumulative basis. MAT therefore, takes into account actual cumulative profit/loss as well as potential losses and the loss tolerance is defined as a percentage of gross earnings.

Stop Loss Limit: This limit sets a maximum tolerable unrealized profit/loss to date which will trigger the closing of a position in order to avoid any further loss based on existing exposures. Positions are liquidated uniformly when stop loss limits are breached.

Value-at-Risk Limit: The normal VaR of the portfolio will be the Naira loss that will be exceeded 1% of the time over a one day horizon. The time year may be changed depending on the volume of position held and current market realities. At a maximum of 99% confidence level, and a holding period of 1 day, the bank maintains a VaR limit 6% of Shareholders' funds.

Interest rate risk

Interest rate risk is the exposure of the Bank's financial condition to adverse movements in interest rates, yield curves and credit spreads. The Bank is exposed to interest rate risk through the interest bearing assets and liabilities in its trading and banking books.

Coronation Merchant Bank's objective for management of interest rate risk in the banking book is to ensure a higher degree of interest rate mismatch margin stability and lower interest rate risk over an interest rate cycle. This is achieved by hedging material exposures with the external market.

The Bank’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rated assets and liabilities, the Bank is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the savings rate and 90-day NIBOR and different types of interest. Non-traded interest rate risk arises in the banking book from the provision of retail and wholesale (non-traded) banking products and services, as well as from certain structural exposures within the 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 bank. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the bank's non-trading activities.

The principal tool used to measure and control market risk exposure within the bank's trading portfolios is the open position limits using the Earnings at Risk approach. Specified limits have been set for open positions limits, which are the expected maximum exposure the Group is to be exposed to. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank’s business strategies.

Interest-rate risk is monitored centrally with a Gap report. A limits framework is in place to ensure that retained risk remains within approved appetite.

Foreign exchange risk

Foreign Exchange risk is the exposure of the Bank’s financial condition to adverse movements in exchange rates. The Bank is exposed to foreign exchange risk primarily through its assets, managing customers’ deposits and through acting as an intermediary in foreign exchange transactions between central and commercial banks.

The Bank’s foreign exchange risk is considered at a Group level since an effective overview of such risk is a critical element of the Bank’s asset/liability risk management. The Board of Directors defines its risk tolerance levels and expectations for foreign exchange risk management and ensures that the risk is maintained at prudent levels.

Foreign exchange risk is quantified using the net balance of assets and liabilities in each currency, and their total sum. The assets and liabilities include current positions, forward positions, commitments, and the market value of derivatives in foreign currency.

Our net total currency balance is always within specified regulatory limits which is currently 10% of shareholders’ funds.

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

Bank	**Re-pricing period**						
In thousands of Naira	**Less than 3 months**	**4 - 6 months**	**7 - 12 months**	**1 - 5 years**	**More than 5 years**	**Non-Interest bearing**	**Total**
31 December 2019							
Cash and balances with banks	-	-	-	-	-	8,956,378	8,956,378
Due from financial institutions	57,473,891	-	-	-	-	-	57,473,891
Non pledged trading assets							
-Treasury bills	4,651,289	-	-	-	-	-	4,651,289
-Bonds	6,756,776	-	-	-	-	-	6,756,776
Derivative financial assets	-	-	-	-	-	2,410,142	2,410,142
Loans and advances to customers	26,089,952	46,146,593	6,394	23,498	722,713	-	72,989,150
Pledged assets							
-Treasury bills	-	1,614,881	13,605,705	-	-	-	15,220,586
-Bonds	-	-	-	-	1,106,212	-	1,106,212
Investment securities							
Fair value through other comprehensive income							
-Treasury bills	400,082	2,429,479	9,810,801	-	-	-	12,640,362
-Bonds	-	2,252,475	-	2,728,364	6,718,017	-	11,698,856
Amortised cost							
-Bonds	-	-	-	-	1,672,125	-	1,672,125
Other assets	-	-	-	-	-	9,966,574	9,966,574
	95,371,990	**52,443,428**	**23,422,900**	**2,751,862**	**10,219,067**	**21,333,094**	**205,542,341**
Deposits from financial institutions	-	16,710,297	7,420,429	1,847,054	-	-	25,977,780
Due to customers	73,378,923	58,096,821	4,567,688	-	-	-	136,043,432
Non pledged trading liabilities							
-Bonds	523,876	-	-	-	-	-	523,876
Derivative financial liabilities	-	-	-	-	-	2,378,555	2,378,555
Commercial paper liabilities	12,610,440	-	-	-	-	-	12,610,440
Other liabilties	-	-	-	-	-	37,761,571	37,761,571
	86,513,239	**74,807,118**	**11,988,117**	**1,847,054**	**-**	**40,140,126**	**215,295,654**
Total interest re-pricing gap	8,858,751	(22,363,690)	11,434,784	904,808	10,219,067	(18,807,032)	(9,753,313)

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

Group	Re-pricing period						
In thousands of Naira	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	Total
31 December 2018							
Cash and balances with banks	-	-	-	-	-	3,537,509	3,537,509
Due from financial institutions	37,035,896		-	-	-	-	37,035,896
Non pledged trading assets							-
-Treasury bills	459,383	178,965	2,996,835	-	-	-	3,635,183
-Bonds				2,270,240	2,196,608	-	4,466,848
Derivative financial assets	-	-	-	-	-	1,388,676	1,388,676
Loans and advances to customers	30,249,167	21,291,955	2,549,961	289,087	411,044	-	54,791,214
Pledged assets						-	-
-Treasury bills	647,265	3,601,518	605,388	-	-	-	4,854,171
-Bonds	204,418	-	187,694	1,545,469	3,376,528	-	5,314,109
Investment securities						-	
Fair value through other comprehensive income							
-Treasury bills	912,289	203,865	48,123,128	-	-	-	49,239,282
-Bonds		1,016,436	1,079,879	5,900,665	7,282,299	-	15,279,279
Amortised cost							
-Bonds	-	-	940,359	2,790,792	9,090,135	-	12,821,286
Other assets	-	-	-	-	-	7,200,608	7,200,608
	69,508,418	**26,292,739**	**56,483,244**	**12,796,253**	**22,356,614**	**12,126,793**	**199,564,061**
Deposits from financial institutions	12,335,754	-	-	-	-	-	12,335,754
Due to customers	116,169,130	9,806,012	311,344	959	-	-	126,287,445
Derivative financial liabilities	-	-	-	-	-	1,373,716	1,373,716
Non pledged trading liabilities							
-Bonds	-	-	-	-	8,169,494	-	8,169,494
Commercial paper liabilities	18,053,345	-	-	-	-	-	18,053,345
Other liabilties	-	-	-	-	-	24,658,399	24,658,399
	146,558,229	**9,806,012**	**311,344**	**959**	**8,169,494**	**26,032,115**	**190,878,153**
Total interest re-pricing gap	(77,049,811)	16,486,727	56,171,900	12,795,294	14,187,120	(13,905,322)	8,685,908

Bank	Re-pricing period						
In thousands of Naira	Less than 3 months	4 - 6 months	7 - 12 months	1 - 5 years	More than 5 years	Non-Interest bearing	Total
31 December 2018							
Cash and balances with banks	-	-	-	-	-	3,211,035	3,211,035
Due from financial institutions	36,914,556	-	-	-	-	-	36,914,556
Non pledged trading assets	-	-	-	-	-	-	
-Treasury bills	459,383	178,965	2,996,835	-	-	-	3,635,183
-Bonds	-	-	-	2,270,240	2,196,608	-	4,466,848
Derivative financial assets	-	-	-		-	1,388,676	1,388,676
Loans and advances to customers	30,038,884	21,083,663	2,525,013	286,262	407,044	-	54,340,866
Pledged assets						-	
-Treasury bills	647,265	3,601,518	605,388	-	-	-	4,854,171
-Bonds	204,418	-	187,694	1,545,469	3,376,528	-	5,314,109
Investment securities	-	-	-	-	-	-	
Fair value through other comprehensive income							
-Treasury bills	901,995	201,562	47,580,348	-	-	-	48,683,906
-Bonds	-	11,895,564	-	89,678	3,173,378	-	15,158,621
Amortised cost							
-Treasury bills	-	-	-	-	-	-	-
-Bonds	-	-	940,359	2,790,792	9,090,135	-	12,821,286
Other assets	-	-	-	-	-	7,832,551	7,832,551
	69,166,502	**36,961,273**	**54,835,637**	**6,982,442**	**18,243,694**	**12,432,262**	**198,621,808**
Deposits from financial institutions	12,159,545	-	-	-	-	-	12,159,545
Due to customers	116,730,641	9,853,378	312,848	-	-	-	126,896,867
Derivative financial liabilities	-	-	-	-	-	1,373,716	1,373,716
Non pledged trading liabilities							
-Bonds	-	-	-	-	8,169,494	-	8,169,494
Commercial paper liablities	18,053,345	-	-	-	-	-	18,053,345
Other liabilties	-	-	-	-	-	24,013,876	24,013,876
	146,943,531	**9,853,378**	**312,848**	**-**	**8,169,494**	**25,387,592**	**190,666,843**
Total interest re-pricing gap	(77,777,029)	27,107,894	54,522,789	6,982,442	10,074,200	(12,955,330)	7,954,965

5.2.2 Exposure to fixed and variable interest rate risk

Bank

In thousands of Naira

31 December 2019	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	8,956,378	8,956,378
Due from financial institutions	57,538,364	-	57,538,364
Non pledged trading assets	11,408,065	-	11,408,065
Derivative financial assets	-	2,410,142	2,410,142
Loans and advances to customers	72,683,949	-	72,683,949
Pledged assets	16,326,798	-	16,326,798
Investment securities:			-
- Fair value through other comprehensive income	47,299,013	11,360,295	58,659,308
- Amortised cost	1,672,125	-	1,672,125
Other asset	-	9,966,574	9,966,574
TOTAL	**206,928,314**	**32,693,389**	**239,621,703**
LIABILITIES			
Deposits from financial institutions	25,978,923	-	25,978,923
Due to customers	138,087,891	-	138,087,891
Non pledged trading liabilities	523,876	-	523,876
Derivative financial liabilities	-	2,378,555	2,378,555
Other liabilities	-	37,761,571	37,761,571
TOTAL	**177,201,130**	**40,140,126**	**217,341,256**

Group

In thousands of Naira

31 December 2018	Fixed	Non-interest bearing	Total
ASSETS	**N'000**	**N'000**	**N'000**
Cash and balances with banks	-	3,537,509	3,537,509
Due from financial institutions	37,047,253		37,047,253
Non pledged trading assets	8,101,708	-	8,101,708
Derivative financial assets	-	1,388,676	1,388,676
Loans and advances to customers	54,762,067	-	54,762,067
Pledged assets	10,168,280	-	10,168,280
Investment securities:			-
- Fair value through other comprehensive income	42,719,734	21,798,828	64,518,562
- Amortised cost	13,057,833	-	13,057,833
Other asset	-	6,422,821	6,422,821
TOTAL	**165,856,875**	**33,147,834**	**199,004,709**
LIABILITIES			
Deposits from financial institutions	12,159,545	-	12,159,545
Due to customers	126,190,780	-	126,190,780
Non pledged trading liabilities	8,169,494	-	8,169,494
Commercial paper liabilities	18,053,345	-	18,053,345
Derivative financial liabilities	-	1,373,716	1,373,716
Other liabilities	-	23,506,587	23,506,587
TOTAL	**164,573,164**	**24,880,303**	**189,453,467**

Bank			
31 December 2018	Fixed	Non-interest bearing	Total
ASSETS	N'000	N'000	N'000
Cash and balances with banks	-	3,211,035	3,211,035
Due from financial institutions	36,925,911	-	36,925,911
Non pledged trading assets	8,101,708	-	8,101,708
Derivative financial assets	-	1,388,676	1,388,676
Loans and advances to customers	54,312,459	-	54,312,459
Pledged assets	10,168,280	-	10,168,280
Investment securities:			
- Fair value through other comprehensive income	42,043,699	21,798,828	63,842,527
- Amortised cost	12,821,286	-	12,821,286
Other asset	-	6,997,499	6,997,499
TOTAL	**164,373,343**	**33,396,038**	**197,769,381**
LIABILITIES			
Deposits from financial institutions	12,159,545	-	12,159,545
Due to customers	126,896,867	-	126,896,867
Non pledged trading liabilities	8,169,494	-	8,169,494
Commercial paper liabilities	18,053,345	-	18,053,345
Derivative financial liabilities	-	1,373,716	1,373,716
Other liabilities	-	23,367,355	23,367,355
TOTAL	**165,279,251**	**24,741,071**	**190,020,322**

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 Bank's Treasury.

Cash flow and fair value interest rate risk

The Bank's interest rate risk arises from risk assets, long-term borrowings, deposits from banks and customers. Borrowings issued at variable rates expose the 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 Bank's financial assets and liabilities to various scenarios.

Interest rate movement have both cash flow and fair value effect depending on whether interest rate is fixed or floating. The impact resulting from adverse or favourable movement flows from either retained earnings or OCI and ultimately ends in equity in the following manner:

i. Retained earnings arising from increase or decrease in net interest income and the fair value changes reported in profit or loss.
ii. Fair value reserves arising from increases or decreases in fair value of available-for-sale financial instruments reported directly in other comprehensive income.

Bank
Interest sensitivity analysis - 31 December 2019
Impact on net interest income of +/-1oo basis points changes in rates over one period (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	(88,588)	88,588
6 months	223,637	(223,637)
12 months	114,348	(114,348)
	249,397	**(249,397)**

Group
Interest sensitivity analysis - 31 December 2018
Impact on net interest income of +/-1oo basis points changes in rates over one period (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	770,498	(770,498)
6 months	(164,867)	164,867
12 months	(561,719)	561,719
	43,912	**(43,912)**

Bank
Interest sensitivity analysis - 31 December 2018
Impact on net interest income of +/-1oo basis points changes in rates over one period (N'000)

	Cashflow interest rate risk	
Time Band	**100 basis points decline in rates**	**100 basis points increase in rates**
Less than 3 months	777,770	(777,770)
6 months	(271,079)	271,079
12 months	(271,079)	271,079
	235,612	**(235,612)**

The preceeding table sets out the impact on net interest income of a 100 basis points parallel fall or rise in all yields. A parallel increase in yields by 100 basis points would lead to an increase in net interest income while a parallel fall in yields by 100 basis points would lead to a decline in net interest income. The interest rate sensitivities are based on simplified scenarios and assumptions, including that all positions will be retained and rolled over upon maturity. The figures represent the effect of movements in net interest income based on the 100 basis point shift in interest rate and subject to the current interest rate exposures. However, the effect has not taken into account the possible risk management measures undertaken by the Bank to mitigate interest rate risk. In practice, the Assets and Liability Committee, ALCO seeks proactively to change the interest rate risk profile to minimize losses and optimise net revenues. The projections also assume that interest rates on various maturities will move within similar ranges, and therefore do not reflect any potential effect on net interest income in the event that some interest rates may change and others remain unchanged.

Price sensitivity analysis on bonds and treasury bills

The table below shows the impact of likely movement in yields on the value of bonds and treasury bills. This relates to the positions held for trade and available for sale. Since an increase in yields would lead to decline in market values of bonds and treasury bills, the analysis was carried out to show the likely impact of 50 and 100 basis points increase in market yields. The impact of fair value through profit or loss investments is on the income statement while the impact of fair value through other comprehensive income instruments is on the statement of other comprehensive income.

Bank 31 December 2019	Carrying Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Bonds at Fair value through Profit or Loss	6,756,776	(33,784)	(67,568)
T-bills at Fair value through Profit or Loss	4,651,289	(23,256)	(46,513)
	11,408,065	(57,040)	(114,081)
Impact on Statement of Comprehensive Income			
Investments at Fair value through other comprehensive income	47,299,013	(236,495)	(472,990)
TOTAL	**58,707,078**	**(293,535)**	**(587,071)**

Group 31 December 2018	Caryting Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Bonds at Fair value through Profit or Loss	3,635,183	(18,176)	(36,352)
T-bills at Fair value through Profit or Loss	4,466,848	(22,334)	(44,668)
	8,102,031	(40,510)	(81,020)
Impact on Other Comprehensive Income			
Investments at Fair value through other comprehensive income	64,518,562	(322,593)	(645,186)
TOTAL	**72,620,593**	**(363,103)**	**(726,206)**

Bank 31 December 2018	Caryting Value	Impact of 50 basis points increase in yields	Impact of 100 basis points increase in yields
Impact on Statement of Comprehensive Income			
Bonds at Fair value through Profit or Loss	3,635,183	(18,176)	(36,352)
T-bills at Fair value through Profit or Loss	4,466,848	(22,334)	(44,668)
	8,102,031	(40,510)	(81,020)
Impact on Other Comprehensive Income			-
Investments at Fair value through other comprehensive income	63,842,527	(319,213)	(638,425)
TOTAL	**71,944,558**	**(359,723)**	**(719,446)**

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

Financial instruments by currency

Bank

In thousands of Naira

31 December 2019	**Total**	**Naira**	**US**	**GBP**	**Euro**
Cash and balances with banks	8,956,378	1,197,572	7,637,231	6,209	115,366
Due from financial institutions	57,473,891	8,862,955	48,610,936	-	-
Non pledged trading assets			-	-	-
-Treasury bills	4,651,289	4,651,289	-	-	-
-Bonds	6,756,776	6,756,776	-	-	-
Derivative financial assets	2,410,142	-	2,410,142	-	-
Loans and advances to customers	72,683,949	41,469,883	31,010,711	129,268	74,087
Pledged assets			-	-	-
-Treasury bills	15,143,412	15,143,412	-	-	-
-Bonds	1,106,212	1,106,212	-	-	-
Investment securities			-	-	-
Fair value through other comprehensive income:			-	-	-
-Treasury bills	33,429,604	33,429,604	-	-	-
-Bonds	11,691,800	9,514,191	2,177,609	-	-
-Equity	11,360,295	47,529	11,312,766	-	-
Amortised cost					
-Bonds	1,672,125	1,672,125	-	-	-
Other assets	9,966,574	9,966,574	-	-	-
	237,302,447	**133,818,122**	**103,159,395**	**135,477**	**189,453**
Deposits from financial institutions	25,978,923	5,003,198	20,975,725	-	-
Due to customers	138,087,891	105,239,900	32,847,344	643	4
Non pledged trading liabilities					
- Bonds	523,876	523,876	-	-	-
Derivative financial liabilities	2,378,555	2,378,555	-	-	-
Other liabilties	37,761,571	1,004,939	36,432,590	134,594	189,448
	204,730,816	**114,150,468**	**90,255,659**	**135,236**	**189,452**
Net FCY Exposure	**12,903,977**	**19,667,655**	**12,903,736**	**240**	**1**

Group 31 December 2018	Total	Naira	US	GBP	Euro
Cash and balances with banks	3,537,509	399,623	2,823,179	717	313,990
Due from financial institutions	37,035,896	31,603,645	5,432,251	-	-
Non pledged trading assets					
-Treasury bills	3,635,183	3,635,183	-	-	-
-Bonds	4,466,848	4,466,848			
Derivative financial assets	1,388,676	-	1,388,676	-	-
Loans and advances to customers	54,762,067	30,367,365	23,907,997	-	486,705
Pledged assets					
-Treasury bills	4,854,171	4,854,171	-	-	-
-Bonds	5,314,109	5,314,109	-	-	-
Investment securities					
Fair value through other comprehensive income					
-Treasury bills	49,239,283	49,239,283	-	-	-
-Bonds	14,123,693	12,968,107	1,155,586	-	-
-Equity	11,057,526	408,112	10,649,414	-	-
Amortised cost					
-Bonds	12,821,286	12,821,286	-	-	-
Other assets	6,422,821	6,422,821	-	-	-
	208,659,069	**162,500,554**	**45,357,103**	**717**	**800,695**
Deposits from financial institutions	12,159,545	(118,441)	12,277,986	-	-
Due to customers	126,190,780	126,133,248	56,929	603	-
Non pledged trading liabilities					
-Bonds	8,169,494	8,169,494	-	-	-
Derivative financial liabilities	1,373,716	1,373,716	-	-	-
Other liabilties	23,506,587	1,647,015	21,058,879	-	800,693
	171,400,121	**137,205,032**	**33,393,793**	**603**	**800,693**
Net FCY Exposure	**11,963,426**	**25,295,522**	**11,963,310**	**114**	**2**

Bank

31 December 2018	Total	Naira	US	GBP	Euro
Cash and balances with banks	3,211,035	73,149	2,823,179	717	313,990
Due from financial institutions	36,914,556	31,482,305	5,432,251	-	-
Non pledged trading assets			-	-	-
-Treasury bills	3,635,183	3,635,183	-	-	-
-Bonds	4,466,848	4,466,848	-	-	-
-Equity	-		-	-	-
Derivative financial assets	1,388,676	-	1,388,676	-	-
Loans and advances to customers	54,312,459	29,917,757	23,907,997	-	486,705
Pledged assets			-	-	-
-Treasury bills	10,168,280	10,168,280	-	-	-
Investment securities			-	-	-
Fair value through other comprehensive income			-	-	-
-Treasury bills	48,683,906	48,683,906	-	-	-
-Bonds	15,158,621	14,003,035	1,155,586	-	-
-Equity	21,612,465	10,963,051	10,649,414	-	-
Amortised cost			-	-	-
-Bonds	12,821,286	12,821,286	-	-	-
Other assets	6,997,499	6,997,499	-	-	-
	219,370,814	**173,212,299**	**45,357,103**	**717**	**800,695**
Deposits from financial institutions	12,159,545	(118,441)	12,277,986	-	-
Due to customers	126,896,867	126,839,335	56,929	603	-
Non pledged trading liabilities					
-Bonds		8,169,494	-	-	-
Derivative financial liabilities	1,373,716	1,373,716	-	-	-
Other liabilties	23,367,355	1,507,783	21,058,879	-	800,693
	163,797,483	**137,771,887**	**33,393,794**	**603**	**800,693**
Net FCY Exposure	**11,963,425**	**35,440,412**	**11,963,309**	**114**	**2**

5.2.3 Foreign currency sensitivity analysis

The Bank's principal foreign currency exposure is to US Dollars, as it constituted 99% of the Bank's foreign currency exposure as at 31 December 2019. The table below illlustrates the hypothetical sensitivity of the Bank's reported profit to a 10% and 5% increase in the US Dollar/Naira exchange rates at the year-end dates, assuming all other variables remain unchanged. The sensitivity rate of 10% and 5% represents the management's assessment of a reasonable possible change based on historic volatility.

Bank	**Impact on statement of comprehensive income**	**Impact on statement of comprehensive income**
In thousands of Naira	**31-Dec-19**	**31-Dec-18**
Naira weakens by 10%	1,290,398	1,196,342
Naira weakens by 5%	645,199	598,171
Naira strengthens by 10%	(1,290,398)	(1,196,342)
Naira strengthens by 5%	(645,199)	(598,171)

Foreign currency exposure risk ratio

TThe aggregate Foreign Exchange Risk Ratio measures the sum-total of all single currency foreign exchange open position as a percentage of Shareholders' funds. The open position is derived after taking into account qualifying off-financial position hedging instruments (where they exist). The Bank uses an internal ratio of 9% as the highest tolerable aggregate foreign exchange risk ratio exposure. The aggregate foreign exchange risk ratio pattern of the Bank during the year were as stated below:

High	7.8%
Low	0.1%
Average	1.7%

Price sensitvity analysis on equity

A significant portion of the Bank's equity position is unquoted as such no price sensitivity has been performed. However, for the unquoted equities, a sensitivity of the key valuation inputs was performed in note 4.

5.3 Liquidity risk management

Liquidity risk arises when the Bank is unable to meet expected or unexpected current or future cash flows and collateral needs without affecting its daily operations or its financial condition. The Bank is managed to preserve a high degree of liquidity so that it can meet the requirements of its customers at all times including periods of financial stress.

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

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

The Board approves the Bank's liquidity policy and contingency funding plan, including establishing liquidity risk tolerance levels. The ALCO, in conjunction with the Board and its committees, monitors our liquidity position and reviews the impact of strategic decisions on our liquidity. Liquidity positions are measured by calculating the Bank's net liquidity gap and by comparing selected ratios with targets as specified in the liquidity risk management manual.

Quantifications

Coronation Merchant Bank has adopted both qualitative and quantitative approaches to measuring liquidity risk. Specifically, the Bank adopted the following approaches;

a. Funding and Liquidity plan;

b. Gap Analysis; and

c. Ratio Analysis.

The Funding and Liquidity plan defines the Bank's sources and channels of utilization of funds. The funding liquidity risk limit is quantified by calculating liquidity ratios and measuring/monitoring the cumulative gap between our assets and liabilities. The Liquidity Gap Analysis quantifies the daily and cumulative gap in a business as usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the market required to replace maturing liabilities or assets. The Bank monitors the cumulative gap as a + or – 20% of the total risk assets and the gap as a + or – 20% of total deposit liabilities.

Limit management and monitoring

Active management of liquidity through the framework of limits and control presented above is possible only with proper monitoring capabilities. The monitoring process focuses on funding portfolios, the forward balance sheet and general indicators; where relevant information and data are compared against limits that have been established. The Bank's Group Treasury is responsible for maintaining sufficient liquidity by maintaining sufficient high ratio of liquid assets and available funding for near-term liabilities. The secured liquidity measure is calculated and monitored by risk management. Increased withdrawals of short-term funds are monitored through measurements of the deposit base in the Bank. Liquidity risk is reported to the Board of Directors on a quarterly basis.

Contingency funding plan

Coronation Merchant Bank has contingency funding plan which incorporate early warning indicators to monitor market conditions. The Bank monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, earnings problems or situations beyond its control could cause either a short or long-term liquidity crisis. It reviews its contingency funding plan in the light of evolving market conditions and stress test results.

To monitor liquidity and funding, Treasury prepares a liquidity worksheet twice a month that project sources and uses of funds. The worksheet incorporates the impact of moderate risk and crisis situations. The worksheet is an integral component of the contingency funding plan. Although it is unlikely that a funding crisis of any significant degree could materialise, we consider it important to evaluate this risk and formulate contingency plans should one occur.

The contingency funding plan covers: the available sources of contingent funding to supplement cash flow shortages; the lead times to obtain such funding; the roles and responsibilities of those involved in the contingency plans; and the communication and escalation requirements when early warning indicators signal deteriorating market conditions. Both short term and long-term funding crises are addressed in the contingency funding plan.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and balances with banks and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Group's compliance with the liquidity limit established by the Bank's lead regulator (the Central Bank of Nigeria).

Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	Dec-19	Dec-18
At end of year/year	61.23%	59.59%
Average for the year/year	58.61%	62.29%
Maximum for the year/year	72.95%	68.29%
Minimum for the year/year	40.64%	58.00%

Liquidity risk management

The following table shows the undiscounted cash flows on the bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment.

The amounts in the table below have been compiled as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. For example, demand due to customers are expected to remain stable or increase and unrecognised loan

commitments are not all expected to be drawn down immediately. As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and balances with banks and debt securities issued by federal government, which can be readily sold to meet liquidity requirements.
In addition, the Bank maintains agreed lines of credit with other banks and holds unencumbered assets eligible for use as collateral.

5.3.1 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 2019								
In thousands of Naira								
Cash and balances with banks	8,956,378	8,956,378	8,956,378	-	-	-	-	-
Due from financial institutions	57,473,891	61,338,609	2,000,938	8,192,994	14,584,023	36,560,654	-	-
Non pledged trading assets								
-Treasury bills	4,651,289	4,937,394	196,768	884,027	515,423	3,341,176	-	-
-Bonds	6,756,776	5,777,601	-	85,216	-	-	34,224	5,658,161
Derivative financial assets	2,410,142	22,189,458	5,530,322	16,659,136	-	-	-	-
Loans and advances to customers	72,683,949	72,989,150	26,089,952	40,230,427	5,916,165	6,394	746,212	-
Pledged assets								
-Treasury bills	15,143,412	16,585,140	-	500,000	1,078,000	15,007,140	-	-
-Bonds	1,106,212	852,570	-	-	-	-	-	852,570
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	33,429,604	36,472,254	401,049	381,033	2,379,045	33,311,127	-	-
-Bonds	13,869,409	10,510,075	-	2,232,027	-	30,000	2,505,022	5,743,026
Amortised cost								
-Bonds	1,672,125	993,788	-	-	-	-	-	993,788
Other assets	9,966,574	10,011,035	1,253,059	-	-	-	-	8,757,976
	228,119,761	**251,613,452**	**44,428,466**	**69,164,860**	**24,472,656**	**88,256,491**	**3,285,458**	**22,005,521**
Deposits from financial institutions	25,978,923	26,238,393	-	13,155,955	11,166,243	-	1,916,195	-
Due to customers	138,087,891	138,087,892	75,423,382	35,630,470	22,466,352	4,567,688	-	-
Non pledged trading liabilities								
-Bonds	523,876	523,876	523,876	-	-	-	-	-
Derivative financial liabilities	2,420,349	22,219,872	5,551,146	16,668,726	-	-	-	-
Other liabilities	37,761,571	37,761,571	37,761,571	-	-	-	-	-
	217,383,050	**240,844,341**	**120,961,123**	**79,766,739**	**33,632,595**	**4,567,688**	**1,916,195**	**-**
Gap (asset - liabilities)	10,736,711	10,769,112	(76,532,657)	(10,601,879)	(9,159,939)	83,688,803	1,369,263	22,005,521

Group	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2018								
In thousands of Naira								
Cash and balances with banks	3,537,509	3,537,509	3,537,509	-	-	-	-	-
Due from financial institutions	37,047,253	37,192,258	31,757,863	5,409,204	-	25,191	-	-
Non pledged trading assets								
-Treasury bills	3,635,183	3,785,531	522,661	168,896	269,415	2,824,559	-	-
-Bonds	4,466,848	7,868,590	76,850	150,898	-	324,318	4,258,627	3,057,898
Derivative financial assets	1,388,676	18,060,715	7,095,195	10,508,664	456,856	-	-	-
Loans and advances to customers	54,762,067	54,522,376	309,993	11,519,541	25,072,164	16,970,273	257,936	392,469
Pledged assets								
-Treasury bills	4,854,171	5,500,000	-	-	-	5,500,000	-	-
-Bonds	5,314,109	12,229,169	172,007	149,720	-	321,727	2,619,422	8,966,294
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	49,239,283	56,348,132	522,564	553,961	-	55,271,607	-	-
-Bonds	14,123,693	19,245,398	3,037	432,806	12,155,794	246,329	3,259,017	3,148,415
Amortised cost								
-Treasury bills	236,547	251,838	-	152,715	-	99,123	-	-
-Bonds	12,821,286	21,254,791	162,019	409,557	478,215	1,907,741	6,910,711	11,386,548
Other assets	6,422,821	6,422,821	1,234,769	-	-	-	-	5,188,052
	197,849,446	**246,219,128**	**45,394,467**	**29,455,962**	**38,432,444**	**83,490,868**	**17,305,713**	**32,139,675**
Deposits from financial institutions	12,159,545	12,159,545	12,159,545	-	-	-	-	-
Due to customers	126,190,780	126,967,119	113,359,838	3,005,241	10,598,164	3,876	-	-
Non pledged trading liabilities								
-Bonds	8,169,494	20,150,007	-	480,125	50,652	586,907	5,180,016	13,852,307
Commercial paper liabilities	18,053,345	22,924,137	2,435,396	20,488,741	-	-	-	-
Derivative financial liabilities	1,373,716	106,457	67,347	39,110	-	-	-	-
Other liabilities	23,506,587	23,506,587	1,507,158	-	-	-	21,999,429	-
	189,453,467	**205,813,852**	**129,529,284**	**24,013,217**	**10,648,816**	**590,783**	**27,179,445**	**13,852,307**
Gap (asset - liabilities)	8,395,979	40,405,276	(84,134,817)	5,442,745	27,783,628	82,900,085	(9,873,733)	18,287,368

Bank	Carrying amount	Gross nominal inflow/ (outflow)	0 - 30 days	31 - 90 days	91 - 180 days	181-365 days	Over 1 year but less than 5yrs	Over 5 years
31 December 2018								
In thousands of Naira								
Cash and balances with banks	3,211,035	3,211,035	3,211,035	-	-	-	-	-
Due from financial institutions	36,925,911	37,070,916	31,636,520	5,409,204	-	25,191	-	-
Non pledged trading assets								
-Treasury bills	3,635,183	3,785,531	522,661	168,896	269,415	2,824,559	-	-
-Bonds	4,466,848	7,868,590	76,850	150,898	-	324,318	4,258,627	3,057,898
Derivative financial assets	1,388,676	18,060,715	7,095,195	10,508,664	456,856	-	-	-
Loans and advances to customers	54,312,459	54,072,028	294,709	11,519,541	24,985,396	16,763,020	255,992	253,370
Pledged assets		-						
-Treasury bills	4,854,171	5,500,000	-	-	-	5,500,000	-	-
-Bonds	5,314,109	12,229,169	172,007	149,720	-	321,727	2,619,422	8,966,294
Investment securities								
Fair value through other comprehensive income								
-Treasury bills	48,683,906	55,785,667	271,064	242,996	-	55,271,607	-	-
-Bonds	15,158,621	19,100,550	1,104	432,806	12,131,077	240,105	3,147,043	3,148,415
Amortised cost								
-Bonds	12,821,286	21,254,791	162,019	409,557	478,215	1,907,741	6,910,711	11,386,548
Other assets	6,997,499	6,997,499	6,997,499	-	-	-	-	-
	197,769,704	**244,936,491**	**50,440,663**	**28,992,282**	**38,320,959**	**83,178,268**	**17,191,795**	**26,812,525**
Deposits from financial institutions	12,159,545	12,541,970	-	6,788,278	5,571,178	182,514	-	-
Due to customers	126,896,867	126,967,119	113,359,838	3,005,241	10,598,164	3,876	-	-
Non pledged trading liabilities								
-Bonds	8,169,494	20,150,007	-	480,125	50,652	586,907	5,180,016	13,852,307
Commercial paper liabilities	18,053,345	22,924,137	2,435,396	20,488,741	-	-	-	-
Derivative financial liabilities	1,373,716	18,181,245	7,105,333	10,524,024	551,887	-	-	-
Other liabilities	23,367,355	23,367,355	23,367,355	-	-	-	-	-
	190,020,322	**224,131,833**	**146,267,922**	**41,286,409**	**16,771,881**	**773,297**	**5,180,016**	**13,852,307**
Gap (asset - liabilities)	7,749,382	20,804,658	(95,827,258)	(12,294,127)	21,549,077	82,404,971	12,011,779	12,960,218

5.3.2 Financial instruments below and above 1 year's maturity

Group	December 2018 Within 12 months	After 12 months	Total
In thousands of Naira			
Cash and balances with banks	3,537,509	-	**3,537,509**
Due from financial institutions	37,192,258	-	**37,192,258**
Non pledged trading assets			
-Treasury bills	3,785,531	-	**3,785,531**
-Bonds	552,066	7,316,524	**7,868,590**
Derivative financial assets	1,388,676	-	**1,388,676**
Loans and advances to customers	53,871,971	650,405	**54,522,376**
Pledged assets			
-Treasury bills	5,500,000	-	**5,500,000**
-Bonds	643,453	11,585,716	**12,229,169**
Investment securities			
Fair value through other comprehensive income			
-Treasury bills	56,348,132	-	**56,348,132**
-Bonds	12,837,965	6,407,432	**19,245,398**
Amortised cost			
-Treasury bills	251,838	-	**251,838**
-Bonds	2,957,532	18,297,259	**21,254,791**
Other assets	1,234,769	5,188,052	**6,422,821**
	180,101,700	**49,445,388**	**229,547,089**
Deposits from financial institutions	12,159,545	-	**12,159,545**
Due to customers	126,967,119	-	**126,967,119**
Non pledged trading liabilities			
-Bonds	1,117,683	19,032,323	**20,150,007**
Derivative financial liabilities	1,373,716	-	**1,373,716**
Other liabilities	1,507,158	21,999,429	**23,506,587**
	143,125,221	**41,031,752**	**184,156,974**
Gap (asset - liabilities)	**36,976,479**	**8,413,636**	**45,390,115**

Bank	December 2019 Within 12 months	After 12 months	Total	December 2018 Within 12 months	After 12 months	Total
In thousands of Naira						
Cash and balances with banks	8,956,378	-	**8,956,378**	3,211,035	-	**3,211,035**
Due from financial institutions	61,338,609	-	**61,338,609**	37,070,916	-	**37,070,916**
Non pledged trading assets						
-Treasury bills	4,937,394	-	**4,937,394**	3,785,531	-	**3,785,531**
-Bonds	85,216	5,692,385	**5,777,601**	552,066	7,316,524	**7,868,590**
Derivative financial assets	22,189,458	-	**22,189,458**	1,388,676	-	**1,388,676**
Loans and advances to customers	72,242,938	746,212	**72,989,150**	53,562,666	509,362	**54,072,028**
Pledged assets						
-Treasury bills	16,585,140	-	**16,585,140**	5,500,000	-	**5,500,000**
-Bonds	-	852,570	**852,570**	643,453	11,585,716	**12,229,169**
Investment securities						
Fair value through other comprehensive income				-	-	**-**
-Treasury bills	36,472,254	-	**36,472,254**	55,785,667	-	**55,785,667**
-Bonds	2,262,027	8,248,048	**10,510,075**	12,805,092	6,295,458	**19,100,550**
Amortised cost						
-Bonds	-	993,788	**993,788**	2,957,532	18,297,259	**21,254,791**
Other assets	1,253,059	8,757,976	**10,011,035**	6,997,499	-	**6,997,499**
	226,322,472	**25,290,979**	**251,613,452**	**184,260,133**	**44,004,319**	**228,264,453**
Deposits from financial institutions	25,978,923	1,916,195	**27,895,118**	12,541,970	-	**12,541,970**
Due to customers	138,087,891	-	**138,087,891**	126,967,119	-	**126,967,119**
Non pledged trading liabilities						
-Treasury bills	-	-	**-**	-	-	**-**
-Bonds	523,876	-	**523,876**	1,117,683	19,032,323	**-**
Derivative financial liabilities	2,378,555	-	**2,378,555**	1,373,716	-	**1,373,716**
Other liabilities	37,761,571	-	**37,761,571**	23,367,355	-	**23,367,355**
	204,730,816	**1,916,195**	**206,647,011**	**165,367,844**	**19,032,323**	**164,250,160**
Gap (asset - liabilities)	**21,591,656**	**23,374,784**	**44,966,440**	**18,892,289**	**24,971,995**	**64,014,292**

6 Capital management

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

i. To comply with the capital requirements set by the Central Bank;

ii. To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for 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, an
- Tier 2 capital: unrealised gains arising on the fair valuation of equity instruments held as fair value through other comprehensive income and foreign currency translation reserves with adjustments for deferred tax assets, intangibles and investments in subsidiaries.

In thousands of Naira	Bank December 2019	Bank December 2019
Tier 1 capital		
Ordinary share capital	5,050,546	5,050,546
Share premium	3,655,348	3,655,348
Retained earnings	14,923,544	14,740,188
Other reserves	10,069,245	7,702,183
Total Tier 1	**33,698,683**	**31,148,265**
Less:		
Investments in subsidiaries	-	(4,614,711)
Deferred tax assets	(5,777,715)	(4,998,887)
Regulatory risk reserve	(2,460,504)	(1,403,384)
Intangible assets	(706,412)	(622,503)
Adjusted Tier 1	**24,754,052**	**19,508,780**
Tier 2 capital		
Fair value reserve	870,146	(545,267)
Foreign currency translational reserves	-	-
Other reserves	-	-
Less:		
Investments in subsidiaries	-	545,267
Total Tier 2	870,146	-
Total regulatory capital	**25,624,198**	**19,508,779**
Risk-weighted assets	**133,477,365**	**102,064,149**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.20%	19.11%
Total tier 1 capital expressed as a percentage of risk-weighted assets	18.55%	19.11%

7 Interest income

Amount in thousands of Naira (N'000) unless otherwise stated	Bank	Bank	Group	Group
	Dec-19	**Dec-18**	**Dec-19**	**Dec-18**
7a Financial assets at amortised cost				
Cash and balances with banks	5,749,525	5,352,185	5,749,525	5,352,185
Loans and advances to customers	8,966,309	9,161,983	8,966,309	9,161,983
Investment securities - Financial assets at amortised cost	1,781,067	1,838,333	1,781,067	1,838,333
	16,496,901	**16,352,501**	**16,496,901**	**16,352,501**
7b Investment securities - Financial assets at FVTOCI	7,117,057	6,673,663	7,117,057	6,673,663
	7,117,057	**6,673,663**	**7,117,057**	**6,673,663**
7c Investment securities - Financial assets at FVTPL	1,479,057	1,260,656	1,479,057	1,260,656
	1,479,057	**1,260,656**	**1,479,057**	**1,260,656**

There are no stage 3 financial assets for which interest income was earned during the year ended 31 December 2019 (31 December 2018: NIL).

8 Interest expense

	Bank	Bank	Group	Group
	Dec-19	**Dec-18**	**Dec-19**	**Dec-18**
Deposit from financial institutions	15,468,177	9,898,584	15,468,177	9,898,584
Deposit from customers	5,187,476	7,392,876	5,187,476	7,392,876
Interest expense on lease liability	9,039	-	9,039	-
	20,664,692	**17,291,460**	**20,664,692**	**17,291,460**

9 Net impairment charge / (write back) on financial assets

	Bank	Bank	Group	Group
	Dec-19	**Dec-18**	**Dec-19**	**Dec-18**
Allowance for impairment on loans and advances to customers [note 25b]	29,874	21,333	29,874	21,333
Allowance/(writeback) for impairment on off balance sheet items (see note 36)	8,224	(211)	8,224	(211)
(Writeback)/allowance for impairment on investment securities at amortized cost [see 23b(ii)]	(778)	309	(778)	318
Specific impairment on unquoted equities [see 23a(i)]	1,106	-	1,106	-
(Writeback)/allowance for impairment on other investment securities	(110)	3,555	(110)	3,546
Allowance for impairment on placements [note 20 (i)]	53,119	10,954	53,119	10,954
Writeback/(allowance) for impairment on financial assets in other assets (see note 26c)	(914)	49,619	(914)	49,619
	90,521	**85,559**	**90,521**	**85,559**

10 Fee and commission income

	Bank	Bank	Group	Group
	Dec-19	Dec-18	Dec-19	Dec-18
Credit related fees and commissions	1,307	115,222	1,307	115,222
Account maintenance fees	24,712	27,246	24,712	27,246
Commission on bills and letters of credit	543,604	388,525	543,604	388,525
Treasury income	24,923	21,207	24,923	21,207
Investment banking fees	318,766	972,492	318,766	972,492
Commission on other financial services	437,719	175,660	437,719	175,660
	1,351,031	1,700,352	1,351,031	1,700,352

- Credit related fees and commissions are fees charged to corporate customers other than fees included in determining the effective interest rates relating to loans and advances carried at amortized cost.
- Treasury income is fee income from fixed income trade settlements.

11 Net gains on investment securities

a Net gains on financial instruments mandatorily measured at fair value through profit or loss (FVTPL)

	Bank	Bank	Group	Group
	Dec-19	Dec-18	Dec-19	Dec-18
Treasury bills	926,847	235,077	926,847	235,077
Bonds	1,194,744	375,693	1,194,744	375,693
	2,121,591	610,770	2,121,591	610,770

Net gains on financial instruments measured at fair value through profit or loss on bonds (FVTPL) includes a loss of N98m realised on disposal of FGN bonds held at amortized cost.

(b) Net gains on financial instruments measured at fair value through other comprehensive income (FVTOCI)

	Bank	Bank	Group	Group
	Dec-19	Dec-18	Dec-19	Dec-18
Treasury bills	1,561,507	508,207	1,561,507	508,207
Bonds	328,866	542,286	328,866	542,286
	1,890,373	**1,050,493**	**1,890,373**	**1,050,493**
Total	**4,011,964**	**1,661,263**	**4,011,964**	**1,661,263**

12 Net foreign exchange income

	Bank	Bank	Group	Group
	Dec-19	Dec-18	Dec-19	Dec-18
Net foreign exchange trading income	349,324	112,135	349,324	112,135
Unrealised foreign exchange (loss)/gain on revaluation	(9,347)	12,316	(9,347)	12,316
Derivative (loss)/gain	(25,167)	4,898	(25,167)	4,898
	314,810	**129,349**	**314,810**	**129,349**

13 Other operating income

	Bank Dec-19	Bank Dec-18	Group Dec-19	Group Dec-18
Dividends on equity securities	304,328	93,548	304,328	93,548
Gain on disposal of property and equipment	5,268	1,818	5,268	1,818
Bad debt recovered	1,690	38,002	1,690	38,002
Other income (i)	46,709	46,248	46,709	46,248
	357,995	**179,616**	**357,995**	**179,616**

(i) Other income is majorly made up of charges for hard tokens issued to customers

14 Personnel expenses

	Bank Dec-19	Bank Dec-18	Group Dec-19	Group Dec-18
Salaries and wages	1,295,243	1,321,793	1,295,243	1,321,793
Defined contribution plan	109,662	111,243	109,662	111,243
	1,404,905	**1,433,036**	**1,404,905**	**1,433,036**

15 Other operating expenses

	Bank Dec-19	Bank Dec-18	Group Dec-19	Group Dec-18
Depreciation (see note (i) below)	457,139	402,515	457,139	402,515
Amortisation	158,553	190,001	158,553	190,001
Professional fees and legal expenses	152,267	295,616	152,267	295,616
Staff training	108,717	74,398	108,717	74,398
Insurance	94,447	88,162	94,447	88,162
Business travel expenses	89,866	77,523	89,866	77,523
Deposit insurance premium	208,966	60,896	208,966	60,896
Auditor's renumeration	62,000	62,500	62,000	62,500
Administrative expenses	926,857	775,753	926,857	775,753
Board and AGM expenses	150,713	249,993	150,713	249,993
Operating lease rentals	27,973	46,719	27,973	46,719
Consultancy and outsourcing	886,736	981,710	886,736	981,710
Repairs and maintenance	185,949	121,528	185,949	121,528
Advertisements, publications and marketing expenses	112,934	81,869	112,934	81,869
Events, donations and sponsorship	175,232	306,925	175,232	306,925
Periodicals and subscriptions	5,137	11,000	5,137	11,000
Stationeries, postage, printing and consumables	141,327	124,490	141,327	124,490
	3,944,813	**3,951,598**	**3,944,813**	**3,951,598**

(i) The depreciation also includes depreciation charge for right-of-use asset that amounted to N15.3m (31 December 2018: Nil). The Bank, having adopted the modified approach to IFRS 16 adoption elected not to restate its comparative financial statements.

16 Income tax

In thousands of Naira	Bank Dec-19	Bank Dec-18	Group Dec-19	Group Dec-18
Current tax expense				
Corporate income tax	759,216	454,549	759,216	454,549
Education tax	58,106	-	58,106	-
IT tax	52,196	51,826	52,196	51,826
Capital gains tax	2		2	-
Nigerian Police Fund	260	-	260	-
Prior year's under provision	-	-	-	26,943
	869,780	506,375	869,780	533,318
Deferred tax expense				
Origination of temporary differences (see note 32)	(612,608)	205,000	(612,608)	197,316
Total income tax expense	257,172	711,375	257,172	730,634

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

	Bank Dec-19	Bank Dec-18	Group Dec-19	Group Dec-18
Balance at the beginning of the year	520,248	266,687	545,298	348,484
Tax paid	(1,109,057)	(183,986)	(1,109,057)	(254,441)
Income tax charge	869,780	506,375	869,780	506,374
Prior year's under provision	-	-	-	26,943
Withholding tax utilization	-	(68,828)	-	(82,062)
On disposal of subsidiary	-	-	(25,050)	-
Balance at the end of the year	**280,971**	**520,248**	**280,971**	**545,298**

Income tax liability is to be settled within one year

In thousands of Naira	Bank Dec-19		
	Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax			5,195,747
Income tax using the domestic tax rate		30%	1,558,724
Tax effects of :			
Corporate income tax	759,216	100%	759,216
IT tax	5,219,600	1%	52,196
Education tax levy	2,905,300	2%	58,106
Deferrred tax	(2,042,027)	30%	(612,608)
Nigerian Police Fund	13,000	2%	260
Losses relieved	(2,905,277)	30%	(871,583)
Balancing charge	18,811	30%	5,643
Income not subject to tax	(14,952,319)	30%	(4,485,696)
Expenses not deductible for tax purposes	12,814,904	30%	3,844,471
Capital gains	20	10%	2
Effective tax rate		**5%**	**257,172**

In thousands of Naira	Bank Dec-18			Group Dec-18		
	Reconciling Item Amount	Rate	Effect of Reconciling Item	Reconciling Item Amount	Rate	Effect of Reconciling Item
Profit before income tax			5,195,747			5,307,333
Income tax using the domestic tax rate		30%	1,558,724		30%	1,592,200
Tax effects of :						
Corporate income tax	454,549	100%	454,549	454,549	100%	454,549
IT tax	5,182,602	1%	51,826	5,182,602	1%	51,826
Deferrred tax	683,333	30%	205,000	657,723	30%	197,317
Balancing charge	1,950	30%	585	1,950	30%	585
Income not subject to tax	(5,810,070)	30%	(1,743,021)	(5,921,660)	30%	(1,776,498)
Expenses not deductible for tax purposes	612,374	30%	183,712	612,374	30%	183,712
Excess dividend tax	-	100%	-	-	100%	-
Prior year under provision	-	100%	-	26,943	100%	26,943
Effective tax rate		**14%**	**711,375**		**14%**	**730,634**

17 Discontinued operations

(a) In the December 2018 financial statements, the Group accounted for the Bank's subsidiaries; Coronation Asset Management Limited and Coronation Securities Limited as wholly owned subsidiaries. However, as at reporting date both companies have been sold.

Coronation Asset Management Limited was sold to Coronation Capital (Mauritus) in return for cash settlement and assets transfer to the bank.

On 30 June 2019, the company approved the distribution of its shares in Coronation Securities Limited to the shareholders as a dividend in specie. The distribution was also effected on the same date. The dividend/distribution payable was measured at the fair value of the assets (N1,426,000) to be distributed (shares of the subsidiary) as at that date with a corresponding entry to equity. The difference between the carrying value of the assets (N1,314,711) distributed and the dividend/distribution paid has been recognised in the SOCI.

(b) Results of discontinued operations up to date

Group

	Coronation Securities	Coronation Asset Management Limited	Total
			Dec-19
	N'000	N'000	N'000
Purchase consideration - cash and cash equivalents	-	1,105,642	1,105,642
Fair value of investment in subsidiaries	1,426,000	-	1,426,000
Assets received as purchase consideration	-	2,414,188	2,414,188
Carrying amount of net assets sold	(1,060,150)	(3,468,487)	(4,528,637)
Goodwill disposed on sale	(675,373)	-	(675,373)
Loss on disposal of subsidiaries	**(309,523)**	**51,343**	**(258,180)**
Condensed statement of comprehensive income			
Interest income	130,616	134,928	265,544
Fee income	229,578	155,685	385,263
Other income	20,023	19,812	39,835
Operating expenses	(124,743)	(301,015)	(425,758)
Profit before tax	**255,474**	**9,410**	**264,885**
Taxation	-	(1,977)	(1,977)
Profit after tax	**255,474**	**7,433**	**262,907**
Other comprehensive income	-	2,790	2,790
Total comprehensive income from discontinued operations	**255,474**	**10,223**	**265,697**
Loss on disposal of subsidiairies	(309,523)	51,343	(258,180)
Profit for the year from discontinued operations	**(54,049)**	**58,776**	**4,727**

	Coronation Securities	Coronation Asset Management Limited	Total
			Dec-18
	N'000	N'000	N'000
Condensed statement of comprehensive income			
In thousands of naira			
Interest income	217,696	352,790	570,486
Fee income	166,721	265,693	432,414
Net impairment writeback/(charge) on financial assets	(11,706)	(2,030)	(13,736)
Other income	29,004	31,157	60,161
Operating expenses	(421,328)	(499,133)	(920,461)
Profit before tax	(19,613)	148,477	128,864
Taxation	(31,251)	(5,286)	(36,537)
Profit for the period from discontinued operations	**(50,864)**	**143,191**	**92,327**

(c) Profit from disposal of subsidiaries

	Coronation Securities	Coronation Asset Management Limited	Total
			Dec-19
	N'000	N'000	N'000
Purchase consideration	-	3,519,830	3,519,830
Fair value of investment in subsidiaries	1,426,000	-	1,426,000
Carrying amount of investment at disposal date	(1,314,711)	(3,300,000)	(4,614,711)
	111,289	**219,830**	**331,119**

(d) Condensed statement of financial position

	Coronation Securities	Coronation Asset Management Limited	Total
			Dec-19
	N'000	N'000	N'000
Cash and balances with banks	13,567,804	112,900	13,680,704
Investment securities	80,060	605,193	685,253
Loans and advances to customers	-	179,447	179,447
Other assets	397,574	131,750	529,324
Investment properties	-	2,414,634	2,414,634
Intangible assets	18,840	10,637	29,477
Property and equipment	13,390	848,753	862,143
Deferred tax assets	-	7,316	7,316
Total asset	**14,077,668**	**4,310,630**	**18,388,298**
Financed by:			
Due to customers	12,883,622	-	12,883,622
Current income tax liability	-	6,494	6,494
Other liabilities	129,823	835,649	965,472
Deferred tax liability	4,073	-	4,073
Total liabilities	**13,017,518**	**842,143**	**13,859,660**
Net assets	**1,060,150**	**3,468,487**	**4,528,637**
Net cashflow from operating activities	10,590,180	63,525	10,653,704
Net cashflow from investing activities	(39,338)	(187,654)	(226,992)
Net cashflow from financing activities	-	-	-
Increase in cash and cash equivalents	10,550,842	(124,130)	10,426,712
Cash and cash equivalent, beginning of year	3,016,963	237,030	-
Cash and cash equivalent, end of period	13,567,805	112,900	10,426,712

18 Earnings per share

(a) Basic and diluted from continuing operations

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

	Bank	Bank	Group	Group
In thousands of Naira	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
Profit for the year from continuing operations	4,766,712	4,484,372	4,766,712	4,484,372
Profit for the year from discontinued operations	331,119	-	4,727	92,327
Weighted average number of ordinary shares in issue	5,050,546	5,050,546	5,050,546	5,050,546
	5,050,546	**5,050,546**	**5,050,546**	**5,050,546**
In kobo per share				
Basic earnings per share from continuing operations	94	89	94	89
Basic earnings per share from discontinued operations	7	-	-	2
Total basic earnings per share	**101**	**89**	**94**	**91**

There are no dilutive component in the Bank's capital

There were no diluted shares during the period. The bank has no convertible debt instrument.

19 Cash and balances with banks

In thousands of Naira	Bank Dec-19	Bank Dec-18	Group Dec-18
Balances with banks (see note (i))	8,135,676	3,208,264	3,534,738
Unrestricted balances with central banks	820,702	2,771	2,771
	8,956,378	**3,211,035**	**3,537,509**

(i) Included in balances with banks is an amount of N5.257bn (31 Dec 2018: 1.701bn) representing the Naira value of foreign currencies held on behalf of customers to cover letter of credit transactions. The corresponding liability is included in trade related liabilities reported in other liabilities (see Note 36). This has been excluded for cash flow purposes.

20 Due from financial institutions

Financial assets at amortized cost *In thousands of Naira*	Bank Dec-19	Bank Dec-18	Group Dec-18
Placements	57,538,364	36,925,911	37,047,253
ECL on placements	(64,473)	(11,355)	(11,357)
	57,473,891	**36,914,556**	**37,035,896**

Placements are with other financial insitutions fully secured with acceptable government securities. The current portion has been considered for purpose of cash flows.

(i) Movement in impairment on placements

	Bank Dec-19	Bank Dec-18	Group Dec-18
Balance at the beginning of the year	11,355	401	401
(Writeback)/charge for the year	53,118	10,954	10,956
Balance at the end of the year	**64,473**	**11,355**	**11,357**

20.1 Reconciliation of Cash and cash equivalents

Cash and cash equivalents for purposes of the statement of cash flow comprise balances with less than three months' maturity from the date of acquisition, including balances with banks, deposits held at call with central banks and other short-term highly liquid investments with original maturities less than three months.

a. Cash and Bank Balances and Due from financial instituitions

Balances with banks	8,135,676
Unrestricted balances with central banks	820,702
Due from financial institutions - Placements	57,538,364
Impairment on placements	(64,473)
	66,430,269

b. Non-cash equivalents

Cash collateral on customer's LCs	5,258,185
Money market placements (above 90 days) less impairment	7,507,350
	12,765,535
Cash and cash equivalents (a-b)	**53,664,734**

21 Non pledged trading assets and liabilities

Mandatorily measured at Fair value through profit or loss

(a) Non pledged trading assets	**Bank**	**Bank**	**Group**
In thousands of Naira	**Dec-19**	**Dec-18**	**Dec-18**
Treasury bills	4,651,289	3,635,183	3,635,183
Government bonds	6,756,776	4,466,525	4,466,525
	11,408,065	**8,101,708**	**8,101,708**
Current	4,651,289	3,635,183	3,635,183
Non current	6,756,776	4,466,525	4,466,525
	11,408,065	8,101,708	8,101,708

Non pledged trading liabilities	**Bank**	**Bank**	**Group**
	Dec-19	**Dec-18**	**Dec-18**
Government bonds	523,876	8,169,494	8,169,494
	523,876	8,169,494	8,169,494
Current	523,876	8,169,494	8,169,494
Non current	-	-	-
	523,876	8,169,494	8,169,494

22 Derivative financial instruments

	Derivative assets		**Derivative liabilities**	
Bank	**Notional amount**	**Fair Value Assets / (Liabilities)**	**Notional amount**	**Fair Value Assets / (Liabilities)**
In thousands of Naira	**Dec-19**		**Dec-19**	
Foreign exchange forward contracts	22,189,458	2,410,142	22,219,872	(2,378,555)
Foreign exchange swap contracts	-	-	57,227	(41,794)
	22,189,458	**2,410,142**	**22,277,099**	**(2,420,349)**

Group & Bank	**Notional amount**	**Fair Value Assets / (Liabilities)**	**Notional amount**	**Fair Value Assets / (Liabilities)**
	Dec-17	**Dec-17**	**Dec-17**	**Dec-17**
In thousands of Naira				
Foreign exchange forward contracts	18,060,715	1,388,676	18,181,245	(1,373,716)
	18,060,715	**1,388,676**	**18,181,245**	**(1,373,716)**

All derivative contracts are current in nature. Derivative financial instruments consist of forward and swap contracts. These are held for day to day cash management rather than for trading purposes and are held at fair value. The contracts have intended settlement dates of between 30 days and 180 days. All derivative contracts are considered to be valued with reference to data obtained from the Financial Market Dealer Quotation (FMDQ).

Included in other liabilities are security deposits for swap and future deals which are deposits (collaterised deposits) by counter parties.

The movement in fair value is as a result of a depreciation of the functional currency of the Group (Naira) within the year and an increase in the volume of transactions.

23 Investment securities

(a) At fair value through other comprehensive income

In thousands of Naira

	Bank Dec-19	Bank Dec-18	Group Dec-18
Debt securities			
Federal government bonds	4,588,917	608,771	610,765
Treasury bills	33,429,604	48,683,906	49,239,283
State government bonds	1,210,058	1,086,515	1,086,515
Eurobonds	2,177,609	1,080,923	1,155,586
Corporate bonds	5,892,825	12,382,412	12,426,413
	47,299,013	**63,842,527**	**64,518,562**
Equity securities (designated)			
Quoted equity securities	47,529	63,637	158,112
Unquoted equity securities (i)	11,312,766	10,921,861	10,921,861
	58,659,308	**74,828,025**	**75,598,535**
Specific impairment on unquoted equities [see note 9]	(23,553)	(22,447)	(22,447)
	58,635,755	**74,805,578**	**75,576,088**

(i) Movement in specific impairment on unquoted equities

In thousands of Naira

	Bank Dec-19	Bank Dec-18	Group Dec-18
Balance, beginning of year	22,447	22,447	22,447
Charge for the year	1,106	-	-
Balance, end of year	23,553	22,447	22,447

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

(b) At Amortised cost

In thousands of Naira

	Bank Dec-19	Bank Dec-18	Group Dec-18
Debt securities			
Treasury bills	-	-	236,547
Federal government bonds	**1,672,125**	**12,821,286**	**12,821,286**
Gross Total	1,672,125	12,821,286	13,057,833
Impairment on investment securities at amortized cost	-	(778)	(787)
	1,672,125	**12,820,508**	**13,057,046**
Total investment securities	**60,307,880**	**87,626,086**	**88,633,134**
Current	49,189,374	72,482,102	63,569,243
Non current	11,118,506	15,143,984	25,063,891
	60,307,880	**87,626,086**	**88,633,134**

(i) Based on the recent developments within the regulatory environment, the debt securities at amortized were reviewed based on the provisions of IFRS 9 BC4.145. The Bank disposed N12bn worth of FGN bonds during the year and realised a loss of N98m

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

In thousands of Naira	Bank	Bank	Group
	Dec-19	Dec-18	Dec-18
Balance, beginning of year	778	469	469
(Writeback) / charge for the year [see note 9]	(778)	309	318
Balance, end of year	**-**	**778**	**787**

24 Pledged assets

	Bank	Bank	Group
In thousands of Naira	Dec-19	Dec-18	Dec-18
Financial instruments at FVTOCI			
Treasury bills	15,143,412	4,854,171	4,854,171
	15,143,412	**4,854,171**	**4,854,171**
Financial instruments at amortised cost			
Government bonds	1,106,212	5,314,109	5,314,109
	1,106,212	**5,314,109**	**5,314,109**
Financial instruments at FVTPL			
Treasury bills	**77,174**	**-**	**-**
	77,174	**-**	**-**
	16,326,798	**10,168,280**	**10,168,280**
Current	15,143,412	4,854,171	4,854,171
Non Current	1,183,386	5,314,109	5,314,109
	16,326,798	**10,168,280**	**10,168,280**
The related liability for assets pledged as collateral include:			
Deposits from financial institutions [see note (33) below]	25,978,923	12,159,545	12,159,545

(i) The assets pledged as collateral include assets pledged to third parties under secured borrowing with the related liability disclosed above. The pledges have been made in the normal course of business of the Bank. In the event of default, the pledgee has the right to realise the pledged assets.

As at 31 December 2019, the Bank held N10.06bn (31 December 2018: N25.3Bn) worth of collateral. These have not been recognised in this financial statements.

25 Loans and advances to customers

Financial assets at amortized cost	Bank	Bank	Group
a Loans and advances to individuals	**Dec-19**	**Dec-18**	**Dec-18**
In thousands of Naira			
Non-retail exposures			
Personal loan	54,068	76,948	217,991
Mortgage loan	453,660	536,854	536,854
Less Allowance for ECL/Impairment losses	(2,293)	(586)	(882)
	505,435	613,216	753,963
Loans to corporate entities and other organizations			
Overdraft	5,072,937	7,482,330	7,482,330
Term Loan	67,161,566	46,244,735	46,554,039
	72,234,503	53,727,065	54,036,369
Less Allowance for ECL/Impairment losses	(55,989)	(27,822)	(28,265)
	72,178,514	53,699,243	54,008,104
Total loans and advances to customers	72,742,231	54,340,867	54,791,214
Less: Allowance for impairment losses	(58,282)	(28,408)	(29,147)
Grand Total	72,683,949	54,312,459	54,762,067
Current	72,185,226	53,939,792	54,386,315
Non current	498,723	372,667	375,752
	72,683,949	54,312,459	54,762,067

b Impairment allowance on loans and advances to customers

Group & Bank

Loans to individuals

In thousands of Naira	December 2019			
Internal rating grade				
Standard grade	507,728	-	-	507,728
Total	**507,728**	**-**	**-**	**507,728**

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance as at 1 January 2019	586	-	-	586
- Charge for the year	1,707			1,707
At 31 December 2019	**2,293**	**-**	**-**	**2,293**

Loans to corporate entities and other organizations

In thousands of Naira	December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	38,723,511	-	-	38,723,511
Standard grade	33,510,992	-	-	33,510,992
Total	**72,234,503**	**-**	**-**	**72,234,503**

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance as at 1 January 2019	27,822	-	-	27,822
- Charge for the year	28,167			28,167
At 31 December 2019	**55,989**	**-**	**-**	**55,989**

Investment grades are loans with ratings from AAA to A-, and standard grades are loans with ratings from BBB+ to B-

Group

Loans to individuals

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Standard grade	754,845	-	-	754,845
Total	**754,845**	**-**	**-**	**754,845**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	882			882
At 31 December 2018	**882**	**-**	**-**	**882**

Loans to corporate entities and other organizations

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	37,968,420	-	-	37,968,420
Standard grade	16,067,949	-	-	16,067,949
Total	**54,036,369**	**-**	**-**	**54,036,369**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	28,265			28,265
At 31 December 2018	**28,265**	**-**	**-**	**28,265**

Bank

Loans to individuals

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Standard grade	613,800	-	-	613,800
Total	**613,800**	**-**	**-**	**613,800**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Movement in impairment loans to individuals				
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	586	-	-	586
At 31 December 2018	**586**	**-**	**-**	**586**

(ii) Loans to corporate entities and other organizations

In thousands of Naira	December 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Internal rating grade				
Investment	37,968,420	-	-	37,968,420
Standard grade	15,758,644	-	-	15,758,644
Total	**53,727,064**	**-**	**-**	**53,727,064**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Movement in impairment loans to corporate entities				
ECL allowance as at 1 January 2018	-	-	-	-
- Charge for the year	27,822	-	-	27,822
At 31 December 2018	**27,822**	**-**	**-**	**27,822**

26 Other assets

In thousands of Naira	Bank Dec-19	Bank Dec-19	Group Dec-18
Financial assets at amortized cost			
Accounts receivable	148,022	1,292,291	717,613
Dividend receivable	363,663	-	-
Contribution to AGSMEIS (See note 26(a) below)	741,374	517,156	517,156
Restricted deposits with Central Bank (See note 26(b) below)	8,757,976	5,188,052	5,188,052
	10,011,035	6,997,499	6,422,821
Allowance for impairment on account receivables	(44,461)	(49,461)	(108,425)
Net financial asset	**9,966,574**	**6,948,038**	**6,314,396**
Non-financial assets			
Prepayments	469,626	655,200	656,893
Prepaid employee benefits	309,023	242,616	242,615
Other non financial assets	16,267	16,267	16,267
	794,916	914,083	915,775
Allowance for impairment on non-financial assets	(16,425)	(16,425)	(16,425)
Net non-financial asset	**778,491**	**897,658**	**899,350**
Net other assets	10,745,065	7,845,696	7,213,746
Current	882,052	2,140,488	1,508,538
Non Current	9,863,013	5,705,208	5,705,208
	10,745,065	**7,845,696**	**7,213,746**

(a) The Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS) is a voluntary initiative of the Bankers' Committee approved at its 331st meeting held on 9 February 2017. The Scheme requires all banks in Nigeria to set aside 5% of their audited profit after tax (PAT) annually to support the Federal Government's efforts and policy measures for the promotion of agricultural businesses and small and medium enterprises (SMEs) as vehicles for sustainable economic development and employment generation.

(b) Restricted deposits with central banks comprise the cash reserve requirements of the Central Bank of Nigeria. These balances are not available for day to day operations of the Bank.

(c) Movement in allowance for impairment on other assets:

In thousands of Naira	Bank Dec-19	Bank Dec-18	Bank Dec-18
Balance as at 1 January	65,886	16,267	64,196
- Charge for the year	4,086	49,619	60,654
- Provision no longer required	(5,000)	-	-
Balance, end of the year	60,886	65,886	124,850

27 Investment in subsidiaries

(a) Group entities

Set out below are the Group's subsidiaries as at prior year. As at the year ended 31 December 2019, the Bank had fully divested from its erstwhile subsidiaries. Details of which are in note 17. Information below reflects 2018.

Entity	Nature of business	Country of incorporation	Bank Dec-19		Bank Dec-18	
			% Holding	N'000	% Holding	
Coronation Securities Limited	Capital Market	Nigeria	100%	-	100%	1,314,711
Coronation Asset Management Limited	Asset Management	Nigeria	100%	-	100%	3,300,000
				-		**4,614,711**

Significant restrictions:

There are no significant restrictions on the Bank's ability to access or use the assets and settle the liabilities of any member of the Group to the extent that regulation does not inhibit the Group from having access, and in liquidation scenario, this restriction is limited to its level of investment in the entity .

(b) Condensed results of consolidated entities

(i) The condensed financial data of the consolidated entities are as follows:

	Jun-19		Dec-18	
	Coronation Securities	Coronation Asset Management	Coronation Securities	Coronation Asset Management
Condensed statement of comprehensive income				
In thousands of Naira				
Operating income	380,217	310,425	412,495	652,668
Net impairment on financial assets	-	-	(11,295)	-
Operating expenses	(124,743)	(301,015)	(314,641)	(530,970)
Profit before tax	255,474	9,410	86,559	121,698
Taxation	-	(1,977)	(276)	(18,982)
Profit for the year	255,474	7,433	86,283	102,716
Other comprehensive gain	-	2,790	680	-
Total comprehensive income	255,474	10,223	86,963	102,716
Condensed statement of financial position	Jun-19		Dec-18	
Cash and balances with banks	13,567,804	112,900	3,016,962	237,030
Investment securities	80,060	605,193	44,654	926,912
Loans and advances to customers	-	179,447	-	450,347
Other assets	397,574	131,750	49,171	327,112
Investment properties	-	2,414,634	-	1,879,018
Intangible assets	18,840	10,637	12,801	12,854
Property and equipment	13,390	848,753	15,497	601,879
Deferred tax assets	-	7,316	-	7,772
Total asset	14,077,668	4,310,630	3,139,085	4,442,924

Financed by:				
Due to customers	12,883,622	-	2,100,088	-
Current income tax liability	-	6,495	-	25,050
Other liabilities	129,823	183,679	235,205	974,053
Deferred tax liability	4,073	-	2,577	-
Equity	1,060,150	4,120,456	801,216	3,443,820
Total liabilities and equity	14,077,668	4,310,630	3,139,085	4,442,923
Net cashflow from operating activities	10,590,180	63,525	1,123,643	824,823
Net cashflow from investing activities	(39,338)	(187,654)	47,502	(1,188,940)
Net cashflow from financing activities	-	-	(62,309)	(67,273)
Increase in cash and cash equivalents	10,550,842	(124,130)	1,108,836	(431,390)
Cash and cash equivalent, beginning of year	3,016,963	237,030	1,908,127	668,420
Cash and cash equivalent, end of period	13,567,805	112,900	3,016,963	237,030

28 Right of use assets

Bank	**Building**
In thousands of Naira	**Dec-19**
Balance at 1 January 2019	66,398
Acquisitions	25,770
Balance at 31 December 2019	92,168
Amortization	
Balance at 1 January 2019	-
Amortization for the year	15,307
Balance at 31 December 2019	15,307
Net book value	
Balance at 31 December 2019	76,861

29 Intangible assets

Group

In thousands of Naira	Goodwill	Purchased Software	Total
Cost			
December 2019			
Balance at 1 January 2019	675,373	1,364,185	2,039,558
Acquisitions	-	242,463	242,463
On disposal of subsidiaries	**(675,373)**	**(58,579)**	**(733,952)**
Balance at 31 December 2019	-	1,548,069	1,548,069
December 2018			
Balance at 1 January 2018	675,373	1,076,989	1,752,362
Acquisitions	-	287,196	287,196
Balance at 31 December 2018	675,373	1,364,185	2,039,558
Amortization and impairment losses			
Balance at 1 January 2019	-	716,027	716,027
Amortization for the year*	-	187,807	187,807
On disposal of subsidiaries	-	(62,177)	(62,177)
Balance at 31 December 2019	-	841,657	841,657
Balance at 1 January 2018	-	514,850	514,850
Amortization for the year	-	201,177	201,177
Balance at 31 December 2018	-	716,027	716,027
Net Book Value			
Balance at 31 December 2019	-	706,412	706,412
Balance at 31 December 2018	675,373	648,158	1,323,531

Bank

In thousands of Naira	Purchased Software	Total
Cost		
December 2019		
Balance at 1 January 2019	1,305,606	1,305,606
Acquisitions	242,463	242,463
Balance at 31 December 2019	**1,548,069**	**1,548,069**
December 2018		
Balance at 1 January 2018	1,037,851	1,037,851
Acquisitions	267,755	267,755
Balance at 31 December 2018	1,305,606	1,305,606
Amortization and impairment losses		
Balance at 1 January 2019	683,103	683,103
Amortization for the year	158,554	158,554
Balance at 31 December 2019	**841,657**	**841,657**
Balance at 1 January 2018	493,102	493,102
Amortization for the year	190,001	190,001
Balance at 31 December 2018	683,103	683,103
Net book value		
Balance at 31 December 2019	**706,412**	**706,412**
Balance at 31 December 2018	622,503	622,503

Ammortization method used is straight line.

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

In thousands of Naira	December 2019	December 2018
Coronation Securities Limited	-	675,373
	-	675,373

There were no capitalised borrowing costs related to the internal development of software during the year ended 31 December 2019 (31 December 2018: nil). The goodwill previously recognised in the books of the Group was written off on disposal of the Bank's interest in the subsidiaries.

30 Property and equipment

Group

In thousands of Naira

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Cost									
Balance at 1 January 2019	140,105	486,832	292,845	708,628	60,865	1,889,836	517,703	410,021	4,506,835
Acquisitions*	170,898	62,529	73,376	247,001	103,185	2,077,376	961,758	273,470	3,969,593
Disposals	(9,747)	(3,916)	-	(114,943)	-	-	-	-	(128,605)
Reclassification	-	-	-	26,316	95,990	-	-	(122,306)	-
On disposal of subsidiary	(9,476)	(4,929)	(1,910)	(43,609)	-	-	(297,703)	(287,715)	(645,342)
Balance at 31 December 2019	**291,780**	**540,516**	**364,311**	**823,393**	**260,040**	**3,967,212**	**1,181,758**	**273,470**	**7,702,481**
Balance at 1 January 2018	129,736	462,015	277,188	715,677	59,472	1,889,836	498,733	6,510	4,039,167
Acquisitions	10,475	25,281	15,657	257,760	1,393	-	18,970	410,021	739,557
Disposals	-	(570)	-	(68,778)	-	-	-	(6,510)	(75,858)
Transfers	(106)	106	-	-	-	-	-	-	-
Write offs	-	-	-	(196,031)	-	-	-	-	(196,031)
Balance at 31 December 2018	**140,105**	**486,832**	**292,845**	**708,628**	**60,865**	**1,889,836**	**517,703**	**410,021**	**4,506,835**

*Included as part of acquisitions during the year are assets received from the Coronation Capital (Mauritius) on the divestment of the bank's interests from Coronation Asset Management Limited. The total value of assets received is N2.41bn.

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Depreciation and impairment losses									
Balance at 1 January 2019	66,275	291,633	123,669	342,055	12,426	79,146	-	-	915,204
Charge for the year*	53,038	98,937	64,353	194,199	8,240	49,343	-	-	468,110
Disposal	(7,218)	(2,246)	-	(89,361)	-	-	-	-	(98,826)
On disposal of subsidiary	(15,960)	(2,588)	(824)	(54,691)	-	-	-	-	(74,063)
Balance at 31 December 2019	**96,135**	**385,736**	**187,198**	**392,201**	**20,666**	**128,489**	**-**	**-**	**1,210,425**
Balance at 1 January 2018	36,441	190,273	66,338	269,511	5,719	40,773	-	-	609,055
Charge for the year	29,836	101,765	57,331	189,137	6,707	38,373	-	-	423,149
Disposal	-	(407)	-	(39,442)	-	-	-	-	(39,849)
Transfers	(2)	2	-	-	-	-	-	-	-
Write-offs	-	-	-	(77,151)	-	-	-	-	(77,151)
Balance at 31 December 2018	**66,275**	**291,633**	**123,669**	**342,055**	**12,426**	**79,146**	**-**	**-**	**915,204**
Carrying amounts:									
Balance at 31 December 2019	**195,645**	**154,780**	**177,113**	**431,192**	**239,374**	**3,838,723**	**1,181,758**	**273,470**	**6,492,055**
Balance at 31 December 2018	73,830	195,199	169,176	366,573	48,439	1,810,690	517,703	410,021	3,591,631

*Included as part of depreciation charge during the year is the depreciation charge (January 2019 to June 2019) for the erstwhile subsidiaries of the Bank, Coronation Assets Management Limited and Coronation Securities Limited.

Bank

In thousands of Naira

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Cost									
Balance at 1 January 2019	130,629	481,903	290,935	665,019	60,865	1,889,836	220,000	122,306	3,861,493
Additions*	170,898	62,529	73,376	247,001	103,185	2,077,376	961,758	273,470	3,969,593
Disposals	(9,747)	(3,916)	-	(114,943)	-	-	-	-	(128,605)
Reclassification	-	-	-	26,316	95,990	-	-	(122,306)	-
Balance at 31 December 2019	**291,780**	**540,516**	**364,311**	**823,393**	**260,040**	**3,967,212**	**1,181,758**	**273,470**	**7,702,481**
Balance at 1 January 2018	120,774	457,591	275,418	638,358	59,472	1,889,836	220,000	-	3,661,449
Acquisitions	9,855	24,661	15,517	241,485	1,393	-	-	122,306	415,217
Disposals	-	(349)	-	(51,343)	-	-	-	-	(51,692)
Write offs	-	-	-	(163,481)	-	-	-	-	(163,481)
Balance at 31 December 2018	130,629	481,903	290,935	665,019	60,865	1,889,836	220,000	122,306	3,861,493

*Included as part of acquisitions during the year, are assets received from the Coronation Capital (Mauritius) on the divestment of the Bank's interests from Coronation Asset Management Limited. The total value of assets received is N2.41bn.

	Office Equipment	IT Equipment	Furniture and Fittings	Motor Vehicles	Leasehold Improvements	Building	Land	Work in Progress	Total
Depreciation and impairment losses									
Balance at 1 January 2019	58,486	289,469	123,006	324,708	12,426	79,146	-	-	887,241
Charge for the year	44,867	98,513	64,192	176,677	8,240	49,343	-	-	441,832
Disposal	(7,218)	(2,246)	-	(89,361)	-	-	-	-	(98,826)
Balance at 31 December 2019	96,135	385,736	187,198	412,023	20,666	128,489	-	-	1,230,247
Balance at 1 January 2018	29,924	189,201	66,034	252,714	5,719	40,773	-	-	584,365
Charge for the year	28,562	100,579	56,972	171,320	6,707	38,373	-	-	402,513
Disposal	-	(311)	-	(30,991)	-	-	-	-	(31,302)
Write-Offs	-	-	-	(68,335)	-	-	-	-	(68,335)
Balance at 31 December 2018	58,486	289,469	123,006	324,708	12,426	79,146	-	-	887,241
Carrying amounts:									
Balance at 31 December 2019	**195,645**	**154,780**	**177,113**	**411,370**	**239,374**	**3,838,723**	**1,181,758**	**273,470**	**6,472,233**
Balance at 31 December 2018	72,143	192,434	167,929	340,311	48,439	1,810,690	220,000	122,306	2,974,252

31 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	December 2019			December 2018		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment, and software	-	166,220	(166,220)	-	(106,763)	(106,763)
Allowances for loan losses	7,661	-	7,661	10,794	-	10,794
Tax loss carry forward	5,769,602	-	5,769,602	5,096,727	-	5,096,727
Exchange loss unrealised	452	-	452	-	(1,871)	(1,871)
Deferred tax assets (net)	5,777,715	166,220	5,611,495	5,107,521	(108,634)	4,998,887

	Bank December 2017	Bank December 2018	Group December 2017
Deferred income tax assets			
– Deferred income tax asset to be recovered after more than 12 months	5,769,602	5,096,727	5,096,727
– Deferred income tax asset to be recovered within 12 months	8,113	10,794	10,794
	5,777,715	**5,107,521**	**5,107,521**
Deferred income tax liabilities			
– Deferred income tax liability to be recovered after more than 12 months	166,220	(106,763)	(106,763)
– Deferred income tax liability to be recovered within 12 months	-	(1,871)	(1,871)
	166,220	**(108,634)**	**(108,634)**

(b) **Movement on the net deferred tax assets / (liabilities) account during the year:**

In thousands of Naira

December 2019

Bank	**1 Jan 2019**	**Recognised in P&L**	**Recognised OCI**	**31 Dec 2019**
PPE and intangible assets	(112,172)	(54,048)	-	(166,220)
Allowances for loan losses	3,037	5,766,565	-	5,769,602
Tax loss carry forward	5,108,807	(5,108,355)	-	452
Exchange loss unrealised	(785)	785		-
	4,998,887	**612,608**	**-**	**5,611,495**

December 2018

Bank	**1 Jan 2018**	**Recognised in P&L**	**Recognised OCI**	**31 Dec 2018**
PPE and intangible assets	(112,172)	-	-	(112,172)
Allowances for loan losses	3,037	-	-	3,037
Tax loss carry forward	5,313,807	(205,000)		5,108,807
Exchange gain/(loss) unrealised	(785)	-	-	(785)
	5,203,887	**(205,000)**	**-**	**4,998,887**

Group	1 Jan 2018	Recognised in P&L	Recognised OCI	31 Dec 2017
PPE and intangible assets	(114,660)	4,242	-	(110,418)
Additions	-	(89)	-	(89)
Allowances for loan losses	3,037	-	-	3,037
Tax loss carry forward	5,313,807	(201,469)	-	5,112,338
Exchange loss unrealised	(785)	-		(785)
	5,201,399	**(197,316)**	**-**	**5,004,083**

The Bank has assessed that based on the projected income from the bank's operations for the financial year 2019 - 2023, the deferred tax asset of N5.611 billion for the year ended 31 December 2019 representing 27.5% of the total deferred tax available of N20.4 billion is recoverable. The Bank 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.

32 Assets classified as held for sale

Non-current assets held for sale

The erstwhile subsidiary of the Bank, Coronation Asset Management Limited, transfered investment property land to the Bank as part of the Bank's divestment. The landed property is situated at Sagamu Papalanto. There are several interested parties and the sale is expected to be completed before the end of December 2020. The asset is presented as non-current assets held for sale on the face of the financial statement.

	Bank December 2019	Bank December 2018	Group December 2018
In thousands of Naira			
Balance at 01 January	-	-	29,575
Reclassification	**5,000**	**-**	**-**
Disposal	-	-	(29,575)
Balance at year end	**5,000**	**-**	**-**

33 Due to financial institutions

	Bank December 2019	Bank December 2018	Group December 2018
In thousands of Naira			
Secured takings	25,978,923	12,159,545	12,159,545
	25,978,923	**12,159,545**	**12,159,545**

Deposit from financial institutions are all current in nature

34 Due to customers

	Bank December 2019	Bank December 2018	Group December 2018
In thousands of Naira			
Current deposit	15,876,424	13,092,012	10,658,074
Call deposit	**25,226,031**	**12,246,389**	**12,246,389**
Customers' investment fund	96,985,436	101,558,466	103,286,317
	138,087,891	**126,896,867**	**126,190,780**

Due to customers are all current in nature

35 Commercial paper liabilities

In thousands of Naira	Bank December 2019	Bank December 2018	Group December 2018
Commercial papers	12,610,440	18,053,345	18,053,345
	12,610,440	**18,053,345**	**18,053,345**

Commercial paper liabilities are all current in nature

36 Other liabilities

In thousands of Naira	Bank December 2019	Bank December 2018	Group December 2018
Financial liabilities			
Sundry creditors	73,453	55,388	83,809
Trade related liabilities1	36,950,161	21,999,429	21,999,429
Lease liabilities [see (i) below]	53,333	-	-
Other financial liabilities	676,061	1,312,199	1,423,010
Impairment on contingents [see (ii) below]	8,563	339	339
	37,761,571	**23,367,355**	**23,506,587**
Non-financial liabilites			
Other current non-financial liabilities	951,319	1,090,014	1,151,813
	951,319	**1,090,014**	**1,151,813**
Total other liabilities	**38,712,890**	**24,457,369**	**24,658,400**

Other liabilies are all current in nature

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

(i) Movement lease liabilities

	Bank December 2019	Bank December 2018	Group December 2018
In thousands of Naira			
Balance at 1 January 2019	61,768	-	-
Interest expense	9,039	-	-
Payment	(17,474)	-	-
Balance at 31 December 2019	**53,333**		

(ii) Movement in impairment on contingents

	Bank December 2019	Bank December 2018	Group December 2018
In thousands of Naira			
Balance, beginning of year	339	-	-
Charge for the year	8,224	339	339
Balance, end of year	**8,563**	**339**	**339**

37 Capital and reserves

A Share capital

		Bank	Bank
	In thousands of Naira	December 2019	December 2018
(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**

		Bank	Bank
	In thousands of Naira	December 2019	December 2018
(b)	Issued and fully paid-up :		
	5,050,546,281 ordinary shares of N1 each	**5,050,546**	**5,050,546**

Ordinary shareholding:

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

B Share premium

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

	Group	Group
In thousands of units	December 2019	December 2018
Balance, beginning of year	3,655,348	3,655,348
Additions through share issuance	-	-
Balance, end of year	**3,655,348**	**3,655,348**

C Reserves

Other Reserves

Other regulatory reserves

(i) **Statutory reserves**

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by S.16(1) of the Banks and Other Financial Institution Act of Nigeria, an appropriation of 30% of profit after tax is made if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

(ii) **Fair value reserve**

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

(iii) **Regulatory risk reserve**

The regulatory risk reserves warehouses the difference between the allowance for impairment losses on balance on loans and advances based on Central Bank of Nigeria prudential guidelines and Central Bank of the foreign subsidiaries regulations, compared with the loss incurred model used in calculating the impairment under IFRSs.

(iv) **Retained earnings**

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

38 Contingencies

(i) Legal proceedings

'There were some outstanding legal proceedings with claims amounting to N1.8bn (31 December 2018: N348.9 million) against the Bank as at 31 December 2019. The claims are being defended vigorously by the Bank as they are considered to be of no merit whatsoever. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Bank, either individually or in the aggregate. No provision has been made for the year ended 31 December 2019.

a. These comprise:

	Group	Bank	Bank
	December 2019	**Dsecember 2018**	**December 2018**
In thousands of Naira			
Contingent liabilities:			
Clean Line Letters of Credit	89,014,318	31,759,378	31,759,378
Guaranteed credit facilities	9,982,128	623,000	623,000
	98,996,446	32,382,378	32,382,378
Commitments:			
Software Acquisition	194,556	266,102	266,102

39 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both. The definition includes subsidiaries and pension schemes, as well as key management personnel.

'The parent company of the Group was Coronation Merchant Bank Limited. As at the year ended 31 December 2019, the Bank had fully divested from its erstwhile subsidiaries. See details below:

	Ownership interest (%)	
	31 Dec 2019	**31 Dec 2018**
Coronation Securities Limited	0%	100%
Coronation Asset Management Limited	0%	100%

Transactions with key management personnel

'The Bank's key management personnel, and persons connected with them, are also considered to be related parties. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as members of the Executive Management Committee of the Bank (AGM and above grade level), executive and non-executive directors of the Bank. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with Coronation Merchant Limited 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:

a Related party oustanding balances

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

(i) Changes in the board of directors

Mrs. Onome Komolafe resigned during the year, effective 1 January 2019.

(ii) Changes in the shareholding

There were no changes in the related party shareholdings in the bank during the year

Other account balances with related parties are stated below:

		Bank	
(iii) Customer investment fund and deposits from related parties	**Relationship**	**31 Dec 2019 N'000**	**31 Dec 2018 N'000**
United Securities Limited	Shareholder	24,076	172,799
Wapic Insurance Plc	Shareholder	441,409	86,891
Coronation Securities Limited	Common ownership	3,850,073	767,877
Coronation Trustees Limited	Common ownership	243,171	1,973,778
Coronation Asset Management Limited	Common ownership	21,415	900,070
Marina Securities	Shareholder	17,235	7,298
UNICO CPFA	Shareholder	294	
DTD Holding Limited	Shareholder	158,943	
Key management personnel	Employee	51,414	25,763
Directors	Directorship	232,232	220,815
		5,040,262	**4,155,291**

	Directors	Key management personnel	Shareholders and other affiliated companies
- Movement in related party deposit			
Year ended 31 December 2019			
At 1 January	220,815	25,763	3,908,714
Net funds received during the year	11,417	25,651	847,902
At 31 December 2019	**232,232**	**51,414**	**4,756,616**
Interest expense	4,678	-	5,593
Year ended 31 December 2018			
At 1 January	59,125	11,070	4,630,483
Funds received during the year	161,690	14,693	(721,769)
At 31 December 2018	220,815	25,763	3,908,714
Interest expense	**4,730**	**-**	**59,102**

The above balances are customer deposits and investment funds in treasury bills and bonds. They are unsecured by the Bank and carry variable interest rates and are repayable on demand or as specified in the investment guideline. The bank is licensed as a Portfolio/Funds Manager and Corporate Investment Adviser by the Security and Exchange Commission (SEC).

(iv) Other related party transactions includes:

	Nature of transaction	Relationship	31 Dec 2019 N'000	31 Dec 2018 N'000
Wapic Insurance Plc	Payment for motor vehicle insurance premium	Subsidiary	10,631	10,480
			10,631	**10,480**

b Loans to related parties

Balances and transactions with related party as at:

Bank Relationship	Facility type	Status	31 Dec 2019	31 Dec 2018
Executive management and directors	Mortgage, Personal and Car loan	Performing	740,985	745,754
			740,985	**745,754**
Interest earned on staff loan			35,476	37,340

The loans issued to key management personnel as disclosed above represent staff loans and payable between tenors ranging from 1 to 15 years depending on the loan type. The significant loan type is the mortgage loans advanced to qualifying staff in employment of the Bank. The mortgage loans are collateralised by the underlying property. There were no impairment charges related to the amounts outstanding.

c Key management compensation

	Group December 2019	Bank December 2018	Bank December 2018
Salaries and other short-term employee benefits:			
Salaries and wages	583,110	763,887	951,825
Other staff benefits	48,566	59,589	76,198
	631,676	**823,476**	**1,028,023**

d Insider related credits

In compliance with Central Bank of Nigeria circular BSD/1/2004 on Insider related credits, the Bank had no insider related credits during the year.

40 Employees

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

	Bank Number December 2019	Bank Number December 2018	Group Number December 2018
Executive directors	2	3	3
Management	13	16	19
Non-management	106	106	130
	121	**125**	**152**

Compensation for the above staff (excluding executive directors):

	Bank N'000 31 Dec 2019	Bank N'000 31 Dec 2018	Group N'000 31 Dec 2018
Salaries and wages	1,040,014	1,056,586	1,396,591
Pension cost - defined contribution scheme	95,544	94,096	119,897
	1,135,558	**1,150,682**	**1,516,488**

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

	Bank Number 31 Dec 2019	Bank Number 31 Dec 2018	Group Number 31 Dec 2018
N300,001 - N2,000,000	13	21	32
N2,000,001 - N2,800,000	5	6	7
N2,800,001 - N3,500,000	7	13	16
N3,500,001 - N5,500,000	44	32	35
N5,500,001 - N10,500,000	28	29	35
N10,500,001 - N20,000,000	10	13	14
Above N20,000,000	12	8	10
	119	**122**	**149**

In accordance with the provisions of the Pensions Act 2014 (ammended), the Bank operates a contributory pension scheme. The contribution by employees and the Company are 8% and 15% respectively of the employees' basic salary, housing and transport allowances.

41 Directors' emoluments and expenses

Remuneration paid to the Directors (excluding certain allowances) was:	Bank	
	31 Dec 2019	31 Dec 2018
Fees and sitting allowances	153,750	167,400
Executive compensation	73,071	84,949
Pension cost - defined contribution scheme	14,118	17,147
Other director expenses	41,781	58,558
	282,720	**328,054**

Fees and other emoluments disclosed above include amounts paid to:

	31 Dec 2019	31 Dec 2018
Chairman	32,936	21,500
Highest paid director	49,450	49,450

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

	Number	
	31 Dec 2018	31 Dec 2017
N300,001 - N2,000,000	-	-
N10,500,001 - N20,000,000	5	2
Above N20,000,000	5	9
	10	**11**

42 Compliance with banking regulation

During the year under review, no regulatory fine was paid.

43 Dividends

A dividend in respect of the year ended 31 Dec 2019 of 33 kobo per share (2018: 33 kobo) amounting to a total dividend of N1.68 billion (2018: N1.68 billion) is to be approved by the shareholders. These financial statements do not reflect this dividend payable.

44 Events after the reporting date

The Chief Executive, Mr. Abubakar A. Jimoh, resigned subsequent to year end with effective date of 1 May 2020. Mr. Banjo Adegbohungbe, the current Deputy Managing Director, was however appointed as the new Chief Executive of the Bank with effective date of 1 May 2020, subject to the approval of the Central Bank of Nigeria.

45 Non- Audit Services

During the year, the auditors Mssr PwC performed the following non-audit engagements:

Service	Description	Contract Sum N'000
Information security management systems services	Provision of advice on the revamp of the Bank's current ISMS controls, assessment and support of the bank in its preparation for ISO re-certification.	1,050
Professional services on NDIC certification	Certification of total deposit liabilities outstanding in the books of the Bank as at 31 December 2019.	2,000
Tax transfer pricing (TP) services	Preparation and filing of TP documentation report and returns to FIRS including preparation of documentation transfer pricing risks, issues and opportunities with existing pricing practices (as well as recommendations to address these risks); and preparation of TP declaration and disclosure documentations.	3,200
	Total	**6,250**

CORONATION MERCHANT BANK LIMITED
OTHER NATIONAL DISCLOSURES

Value added statement*
For the year ended 31 December 2019

Bank	31 Dec 2019		31 Dec 2018	
	N'000	%	N'000	%
Gross income	0		-	
Interest paid	(20,664,692)		(17,291,460)	
	(20,664,692)		(17,291,460)	
Impairments	(90,521)		(85,559)	
Administrative expenses (local and foreign)	(5,349,718)		(5,384,634)	
Value added	**-26,104,931**	100	**(22,761,653)**	100
Value added distribution				
To government				
- Income taxes	1,109,057	-4%	183,986	-1%
- IT Levy	50,239	0%	50,239	0%
To employees				
- Salaries and other benefits	1,404,905	-5%	1,433,036	-6%
The future:				
- Depreciation and amortisation of property and equipment and intangibles	615,692	-2%	592,516	-3%
- Deferred tax	612,608	-2%	-	-
Expansion (transfer to reserves)	-29,897,433	115%	-25,021,430	110%
	-26,104,931	100%	**-22,761,653**	100%

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

Five Year Financial Summary

GROUP

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and balances with banks	8,956,378	3,211,035	8,188,002	5,638,415	7,523,866
Due from financial institutions	57,473,891	36,914,556	29,509,041	16,246,877	16,246,877
Non pledged trading assets	11,408,065	8,101,708	1,137,667	3,443,570	-
Derivative financial assets	2,410,142	1,388,676	116,520	-	-
Investment securities					
At Amortised cost	1,672,125	12,820,508	7,447,089	15,257,502	11,746,851
At fair value through other comprehensive income	58,635,755	74,805,578	20,338,589	16,860,186	12,611,114
Pledged assets	16,326,798	10,168,280	18,840,555	14,232,448	20,086,561
Loans and advances to customers	72,683,949	54,312,459	32,239,585	22,706,561	2,475,468
Other assets	10,745,065	7,845,696	6,415,957	588,671	203,258
Right of use assets	76,861	-	-	-	-
Intangible assets	706,412	622,503	544,749	463,406	388,435
Property, plant and equipment	6,472,233	2,974,252	3,077,084	3,000,668	1,732,500
Investment in subsidiaries	-	4,614,711	4,614,711	3,314,711	520,260
Deferred tax asset	5,777,715	4,998,887	5,203,887	5,265,490	5,217,194
	253,345,389	222,778,849	137,673,436	107,018,505	78,752,384
Assets held for sale	**5,000**	**-**	**-**	**29,575**	**48,756**
Total assets	**253,350,389**	**222,778,849**	**137,673,436**	**107,048,080**	**78,801,140**
Liabilities					
Due to financial institutions	**25,978,923**	**12,159,545**	**11,206,114**	**18,637,966**	**22,852,261**
Due to customers	138,087,891	126,896,867	77,766,608	54,146,766	34,877,290
Non pledged trading liabilities	523,876	8,169,494	-	-	-
Derivative financial liabilities	2,420,349	1,373,716	106,457	-	-
Commercial paper liabilities	12,610,440	18,053,345	-	-	-
Current income tax liabilities	280,971	520,248	266,686	211,288	137,911
Other liabilities	38,712,890	24,457,369	19,134,419	8,262,903	176,677
Deferred tax liability	166,220	-	-	-	-
Total liabilities	**218,781,560**	**191,630,584**	**108,480,284**	**81,258,923**	**58,044,139**
Equity					
Share capital	5,050,546	5,050,546	5,050,546	5,050,546	4,854,118
Share premium	3,655,348	3,655,348	3,655,348	3,655,348	3,331,241
Statutory reserve	7,608,741	6,844,066	6,171,410	5,478,651	3,968,782
Fair value reserve	870,146	(545,267)	466,220	923,039	443,156
Credit risk reserve	2,460,504	1,403,384	647,767	397,224	60,948
Retained earnings	14,923,544	14,740,188	13,201,861	10,284,349	8,098,756
Total equity	**34,568,829**	**31,148,265**	**29,193,152**	**25,789,157**	**20,757,001**
Total equity and liabilities	253,350,389	222,778,849	137,673,436	107,048,080	78,801,140
Total equity	**31,513,276**	**29,462,738**	**25,877,708**	**20,236,741**	**16,527,357**
Total equity and liabilities	**222,666,431**	**136,702,443**	**106,572,106**	**78,280,880**	**74,123,245**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31 Dec 2019 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2016 N'000	31 Dec 2015 N'000
Interest and similar income	25,093,015	24,286,820	22,195,656	13,321,639	11,169,291
Interest and similar expense	(20,664,692)	(17,291,460)	(14,633,478)	(5,484,124)	(6,882,393)
Net interest income	4,428,323	6,995,360	7,562,178	7,837,515	4,286,898
Impairment (charge) / write back for credit losses	(90,521)	(85,559)	51,596	(70,119)	(6,734)
Net interest income after impairment charge for on financial assets	4,337,802	6,909,801	7,613,774	7,767,396	4,280,164
Fee and commission income	1,351,031	1,700,352	1,300,432	931,374	65,701
Net gains/(loss) on investment securities	4,011,964	1,661,263	881,968	308,257	1,263
Net foreign exchange income	314,810	129,349	225,931	220,716	-
Other operating income	357,995	179,616	144,785	9,989	2,183
Operating expenses	(5,349,718)	(5,384,634)	(5,234,061)	(4,040,232)	(2,019,134)
Profit before tax	5,023,884	5,195,747	4,932,829	5,197,500	2,330,177
Taxation	(257,172)	(711,375)	(314,433)	(164,605)	892,223
Profit for the year	**4,766,712**	**4,484,372**	**4,618,396**	**5,032,895**	**3,222,400**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net fair value (losses)/gains on FVTOCI financial instruments					
- Fair value changes during the year	175,520	(1,013,107)	(424,592)	444,062	71,284
- Net loss recycled to profit&loss on disposal of FVTOCI instruments	-	-	(32,227)	-	-
Other comprehensive income/(loss) for the year (net of tax)	175,520	(1,013,107)	(456,819)	444,062	71,284
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	4,942,232	3,471,265	4,161,577	5,476,957	3,293,684

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 5th Annual General Meeting of members of Coronation Merchant Bank Limited will hold on the 13 April 2020 at 5th Floor of Coronation House, 10 Amodu Ojikutu Street, Victoria Island, Lagos at 02.00 p.m Nigerian time. You will be asked to consider and, if thought fit, to pass the following resolutions:

A. ORDINARY BUSINESS

As Ordinary Resolutions:

1. To receive the Audited Consolidated Financial Statements for the year ended December 31, 2019 and the Reports of the Directors, Auditors and Audit Committee thereon.
2. To declare a final dividend.
3. To re-elect Mr. Idaere Gogo Ogan as a Non-Executive Director.
4. To re-elect Ms. Olubunmi Fayokun as an Independent Non-Executive Director
5. To re-appoint PricewaterhouseCoopers as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting.
6. To authorize the Board of 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:

7. That the Director's fees for the financial year ending December 31, 2020 be and is hereby fixed at N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for other Non-Executive Directors.
8. To consider the report of the Board Performance Appraisal for the year ended December 31, 2019 and re-appoint the firm of Ernst & Young as Consultants for the Board Performance Review for the year ending December 31, 2020..

To consider, and if thought fit, pass the following resolutions as Special Resolutions of the bank:

9. That the old Article 17 should be amended as follows:

'A resolution in writing, signed by all the Members for the time being entitled to receive notice of a meeting of the Members, or a Member's decision communicated via e-mail or electronic signature shall be as valid and effectual as if it had been passed at a General Meeting of the members duly convened and held.

Any such resolution in writing may consist of several documents in similar form each signed to the like terms each signed by one or more of the Members or their authorized attorneys, and in the case of a Member being a corporate body, signed by one of its Directors, or an authorized person.

10. That a new Article be inserted as Article 18 as follows:

'Any Member may validly participate in a General Meetings by conference telephone or other forms of virtual communication equipment provided all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted for determining a quorum and entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the chairman of the meeting is seated'.

11. That a new Article be inserted as Article 19 as follows:

a. 'A printed or electronic copy of a Statement of Financial Position and Statement of Comprehensive Income together with a copy of the Auditors' report ("the Annual Report") together with a notice of General Meeting shall be served on Member, debenture holder, external Auditor, Director and Alternate Director or Regulator, either personally, through e-mail or other electronic or by courier at least twenty-one days before the meeting at which the same are to be laid before the Members of the Bank.

b. Where a notice and a printed copy of the Annual Report is served by courier, service shall be deemed to be effected at the expiration of 7 days from the time when the letter containing the same is posted to the last known address. Where a notice is served or by e-mail or any other electronic means it shall be deemed to be effected 24 hours after the e-mail has been sent to the last known address of the recipient.'

12. That a new Article be inserted as Article 63 as follows:

'Notice of meetings of the Directors shall be served on every Director and Alternate Director either personally or by sending it through e-mail or by courier. Where a notice is served by courier, service shall be deemed to be effected at the expiration of 7 days from the time when the letter containing the same is posted. Where a notice is given by e-mail it shall be deemed to be effected 24 hours after the sending of the e-mail.'

13. That a new Article be inserted as Article 64 as follows:

'Where a notice is sent by post, it shall be sent by registered post if addressed to a member in Nigeria and by e-mail to a member resident outside Nigeria or by or any other electronic means of communication. The service of such notice shall be deemed to be effected by properly addressing, prepaying and posting the letter containing the notice or by proof of delivery via any other electronic means of communication.'

14. That a new Article be inserted as Article 65 as follows:

'Subject to the provisions of the Companies and Allied Matters Act, any notice given in pursuance of these regulations or any document delivered or sent by post or e-mail to or left at the registered address of any member shall, notwithstanding such member being deceased and whether or not the Bank has notice of his death, be deemed to have been duly served in respect of any registered share whether held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof, and such service shall for all purposes of these regulations be deemed a sufficient service of such notice or document on his or her heirs, executors or administrators and all persons, if any, jointly interested with him or her in any such share.'

15. That a new Article be inserted as Article 66 as follows:

'A notice (which expression for the purposes of these regulation shall be deemed to include, any summons, notice, process, order, judgment or any other document in relation to, or in the winding up of the Bank), may be given by the Bank to any member either personally at his registered address by courier or registered post or by e-mail or any other electronic means of communication. Provided that in the case of a member having a registered address outside Nigeria it shall be given by e-mail or any other electronic means of communication.'

16. That Article 68 of the Bank's Articles of Association be amended as follows:

'Any Director may validly participate in Board meetings by conference telephone or other forms of communication equipment provided all persons participating in the meeting are able to hear and speak to each other throughout the meeting. A person so participating shall be deemed to be present in person at the meeting and shall accordingly be counted for the purpose of determining a quorum and entitled to vote. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no group which is larger than any other group, where the chairman of the meeting is seated'.

17. That Article 70 of the Bank's Articles of Association be amended as follows:

'A resolution in writing, signed by all the Directors for the time being entitled to receive notice of a meeting of the Directors or of a committee of the Directors, or a decision communicated by e-mail or electronic signature by Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held. Any such resolution may consist of several documents to the like terms each signed by one or more Directors in the manner prescribed by this Article'.

18. That the Bank's Memorandum and Articles of Association be renumbered accordingly following the amendments proposed in the foregoing resolutions.

PROXY

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy to attend and vote in his/her stead. A Proxy need not be a member. A proxy form is attached to the Notice and it is valid for the meeting. All instruments of proxy should be duly stamped It must be completed and deposited at the office of the Company Secretary at 2nd Floor, Coronation House, 10 Amodu Ojikutu Street, Victoria Island Lagos not later than 48 hours prior to the time of the meeting.

DATED THIS 31st DAY OF MARCH 2020

CORNELIA GEORGE UTUK
COMPANY SECRETARY
FRC/2014/NBA/00000007492

NOTES

Dividend

If the proposed final dividend of 33 kobo per ordinary share is approved the dividend will be credited on the date of the Annual General Meeting.

Closure of Register

The Register of Members of the Bank will be closed on April 11, 2020 to enable the Company Secretary to prepare for payment of dividend.

Rights of shareholders to ask questions

Shareholders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Bank on or before the 22nd April 2020.

Profiles of Directors

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

EXPLANATORY NOTES TO THE PROPOSED RESOLUTIONS

The Notes below provide explanation to the proposed resolutions.

Resolutions 1-8 are being proposed as ordinary resolutions. This means that for each resolution to be passed a simple majority of votes in favour of the resolution is required.

Resolutions 9-18 are being proposed as Special Resolutions. This means that for each resolution to be passed at least 75% of the votes cast in favour of the resolution is required. Please note that if you abstain from voting you will not be counted in the calculation of the proportion of votes 'for 'or 'against' a resolution.

Resolution 1: Annual Report and Accounts

The Directors are required under Section 345(1) of the Companies and Allied Matters Act 1990 to lay before the Company in the General Meeting for each financial year copies of the financial statements of the Company made up to a date not exceeding nine months prior to the date of the meeting. This provides the shareholders the opportunity to ask questions on the content of the Annual Report and Financial Statements.

Resolution 2: Declaration of Final Dividend

By Section 379(1) of the Companies and Allied Matters Act 1990, the General Meeting has the power to approve or reduce the final dividend recommended by the Directors but cannot increase the amount. If the 33 kobo final dividend per ordinary share recommended by the Directors is approved, the final dividend net of withholding tax will be payable on April 13, 2020 to those shareholders registered on the Company's register of shareholders as at March 31, 2020.

Resolutions 3-5: Re-election/Election of Directors

The Company's Article of Association require one third of all Non-Executive Directors (rounded down) to stand for re-election every year (depending on their tenure on the Board) together with directors appointed by the Board since the last Annual General Meeting ("AGM"). In keeping with the requirement, Mr. Idaere Gogo Ogan and Ms. Olubunmi Fayokun will retire at this AGM and being eligible for re-election will submit themselves for re-election. It is hereby confirmed that following a formal evaluation, the directors continue to demonstrate commitment to their role as Non-Executive Directors.

The Board considers all the directors submitting themselves for re-election as highly experienced and having good understanding of the financial services industry. Given their experience and background the Board believes that they will continue to add value to the Bank.

The brief profiles of the directors standing for election or re-election are set below. The Board recommends that these directors should be elected or re-elected to maintain the needed balance of skill, knowledge and experience on the Board.

Idaere Gogo Ogan - Non-Executive Director

B.Sc, Economics, University of Port-Harcourt
M.BA, Management, Middlesex University, London

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

Prior to his appointment as Chairman of the Calvary Group, he was the Head, Corporate Bank Pharmaceutical Group at Guaranty Trust Bank PLC. Mr. Ogan sits on the Board of several companies as Director and Chairman. Currently, he is the Chairman, Board of Directors of United Securities Limited (USL); Director in Marina Securities Limited and Eastern Bulkcem Company Limited (Eagle Cement) and a ranking member of Access Bank Plc Shareholders' Audit Committee. He is a member, Institute of Directors of Nigeria which is an affiliate of the Institute of Directors United Kingdom. Mr. Ogan joined the board of Coronation Merchant Bank on 1st November 2017. He is aged 53 as at the date of this meeting.

He is a member of the Board Credit and Investment Committee, Board Risk Management Committee, Board Governance and Nominations Committee, and Board Audit Committee.

Olubunmi Fayokun - Non-Executive Director (Independent)

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

Ms. Fayokun is a Senior Partner in the law firm of Aluko & Oyebode and heads the firm's Capital Markets' and M&A practice groups. Before joining the firm, Ms. Fayokun was the Legal Adviser/Company Secretary of Denham Management Limited.

Ms. Fayokun's career spans over three decades during which she has represented a highly diversified clientele of top-tier indigenous, international and multinational companies in various sectors including banking, oil and gas, FMCG, power, aviation, and insurance.

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

Ms. Fayokun joined the board of Coronation Merchant Bank on May 30, 2017, and the Central Bank of Nigeria approved her appointment on November 1, 2015. She is aged 56 as at the date of this meeting.

She is a member of the Board Credit and Investment Committee, Board Risk Management Committee, Board Governance and Nominations Committee and Board Audit Committee.

The interest of Directors standing for re-election in the ordinary shares of the Bank as at December 31, 2019 are as shown below:

S/N	Director's Name	Direct Holding	Indirect Holding
1	Idaere Gogo Ogan	Nil	Nil
2	Olubunmi Fayokun	Nil	Nil

Resolutions 6:

Approval of Appointment of Auditor/Auditor's Remuneration

Section 357(1) of the Companies and Allied Matters Act 1990 provides that every company shall at each general meeting appoint an auditor to audit the financial statements of the company and to hold office from the conclusion of that annual general meeting until the conclusion of the next annual general meeting.

PricewaterhouseCoopers was appointed as the statutory auditor of the Bank by the ordinary resolution of shareholders passed at the 4th Annual General Meeting held on 13th of April 2019. The Board Audit Committee has recommended the re-appointment of PricewaterhouseCoopers as the Company's External Auditors and the Auditors have indicated their willingness to so act for the next one year.

Section 361 (1)(b) of the Companies and Allied Matters Act provides that the remuneration of the auditor of a company shall subject to Section 361(1)(a) be fixed by the company in general meeting or in such manner as the company in general meeting may determine. Pursuant to this provision, the shareholders will be required to authorize the Directors to fix the remuneration of the auditor for the financial year ending December 31, 2020.

Resolutions 7

Approval of Directors' Fees

The Company is required by law to seek the approval of the annual fees payable to the Non-Executive Directors. Shareholders will therefore be required to approve annual fees N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for other Non-Executive Directors for the next year.

Resolution 8

Appointment of a Consultant for 2020 Annual Board Performance Appraisal

By virtue of Section 5.4.6. of CBN Code of Corporate Governance for Banks and Discount Houses, the Company is required to appoint a Consult to conduct annual Board and Directors' review/appraisal covering all aspects of the Board's structure and composition, responsibilities, processes and relationships, as well as individual members' competencies and respective roles in the Board's performance. The outcome of the review is expected to be presented to shareholders at the Annual General Meeting.

Following the completion of the evaluation exercise, the appraisal report for the year ended December 31, 2019 has been presented to shareholders at this AGM. Pursuant to the aforementioned provision, the shareholders will be required to approve the appointment of the firm of Ernst & Young as the external Consultant for the Board Performance Appraisal for the financial year ending December 31, 2020.

Amendment of Memorandum and Articles of Association

A number of amendments to the Bank's Memorandum and Articles of Association are being proposed to bring the Board operations in line with the leading governance practices in the new age of information and communication technology and in line with the Bank's commitment to promoting environmental sustainability.

Resolution 9

The Resolution authorizes the inclusion of Article 16 in the Articles of Association to provide for delivery of Annual Reports to shareholders and the Regulators physically or electronically.

Resolutions 10

The resolution authorizes the inclusion of Article 18 in the Articles of Association to allow members, directors and other stakeholders to participate in General Meetings physically or virtually.

Resolutions 11

The resolution authorizes the inclusion of Article 19 in the Articles of Association on service/delivery of Notices of General Meetings by physical delivery to the registered address, or by courier, by e-mail or other electronic means of communication.

Resolution 12

The Resolution authorizes the inclusion of 63 and 64 in the Articles of Association on service/delivery of Notice of meetings of Directors either by physical delivery to the registered address, or by courier, by e-mail or other electronic means of communication.

Resolution 13

The resolution authorizes the inclusion of Article 65 in the Articles of Association to provide for service of notices or correspondences to a deceased member.

Resolution 14

The Resolution authorizes the inclusion of the Article 66 on the meaning of Notice as used in the Articles of Association.

Resolution 15

The Resolution seeks to authorise the inclusion of the word "seated" at the end of the Article 68 of the Bank's Articles of Association.

Resolution 16

The Resolution seeks to amend Article 70 of the Articles of Association to allows board members approve written resolution by e-mail, electronic signature in addition to manual signature.

Resolution 17

The Resolution seeks to permit the renumbering of the Memorandum and Articles of Association following the approval of the proposed amendments.

Proxy form

CORONATION
MERCHANT BANK

The 5th Annual General Meeting of CORONATION MERCHANT BANK LIMITED which will be held at 5th Floor of Coronation House at 10 Amodu Ojikutu Street, Victoria Island, Lagos 2.00 p.m on 13 April 2020.

We .... as a member of CORONATION MERCHANT BANK LIMITED hereby appoint

....(or failing, the chairman of the meeting as our proxy to act and vote

for us on our behalf at the Annual General Meeting of the Company to be held at 2.00 p.m. on 13 April 2020 or at any adjournment thereof.

Note

1. A member (shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy and this proxy form has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.
2. Following the normal practice, the chairman of the meeting has been entered on the form to ensure that someone will be at the meeting to act as your proxy, but if you wish, you may insert in the blank space (marked**) the name of any person, whether a member of the Company or not, who will attend the meeting and vote on your behalf.
3. Please sign and post the proxy so as to reach "The Company Secretary, Coronation Merchant Bank Limited, 10 Amodu Ojikutu Street, Victoria Island, Lagos not later than 48 hours before the meeting and ensure that the proxy form is dated, signed and stamped by the Commissioner for Stamp Duties.
4. If executed by a corporate body, the proxy form should be sealed with the common seal or under the hand of an officer or attorney duly authorized in that behalf.
5. It is a requirement of the law under the Stamp Duties Act, Cap 58, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty.

S/N	Ordinary Business/ Resolutions	For	Against	Abstain
1				
2	To declare a final dividend			
3	To re-elect Mr. Idaere Gogo Ogan as a Non-Executive Director			
4	To re-elect Ms. Olubunmi Fayokun as a Non - Executive Director			
5	To re-appoint PricewaterhouseCoopers as the Auditors to the Company from the end of the Annual General Meeting until the end of the next year's Annual General Meeting.			
	To authorize the Directors to fix the remuneration of the External Auditors (PriceWaterHouseCoopers) for 2020 financial year.			
6	That the Director's fees for the financial year ending December 31, 2020 be and is hereby fixed at N17,500,000 (Seventeen Million, Five Hundred Thousand Naira only) for the Chairman and N15,000,000 (fifteen million Naira only) for other Non-Executive Directors			
7	To appoint the Consultant for Board Performance Appraisal from Ernst & Young for the year ended December 31, 2020.			
8	Special Resolutions – Amendments to the Articles of Association			
9	A Resolution to authorise the amendment of Article 17 for written resolutions of members to be communicated via emails or signed with electronic signatures			
10	A Resolution to authorise the inclusion of a new Article 18 for members to participate in General Meetings virtually			
11	A Resolution to authorise the inclusion of a new Article 19 on service of physical or electronic copies of notice of a General Meeting of Members to stakeholders			
12	Resolutions to authorise the inclusion of new Articles 63 and 64 on delivery of Notices of Board meetings at the last known address of director, or by courier or by e-mail			
13	A Resolution authorising the inclusion of an Article 65 to provide for service of notices or correspondences to a deceased member.			
14	A Resolution authorising the inclusion of the Article 66 on the meaning of Notice			

S/N	Ordinary Business/ Resolutions	For	Against	Abstain
15	A Resolution to authorise the inclusion of the word "seated" at the end of the Article 68 of the Articles of Association on virtual Board meetings.			
16	A Resolution to amend Article 70 of the Articles of Association to allow board members approve written resolution by e-mail, electronic signature in addition to manual signature.			
17	A Resolution to permit the renumbering of the Articles of Association following the approval of the proposed amendments.			

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

The common seal of the shareholder, ______________________ was hereby affixed in the presence of

____

DIRECTOR

DIRECTOR/COMPANY SECRETARY

______________________ ______________________

Place Company Seal Here

www.coronationmb.com