FIDELITY BANK PLC

REPORT OF THE DIRECTORS AND ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

FIDELITY BANK PLC

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for the Year ended 31 Dcember 2018

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FIDELITY BANK PLC
Directors' Report
For the year ended 31 December 2018

The Directors are pleased to submit their report on the affairs of Fidelity Bank Plc ("the Bank''), together with the financial statements and Independent Auditors' report for the year ended **31 December 2018.**

1 RESULTS

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

	31 December 2018	31 December 2017
	N'million	N'million
		Restated*
Profit before income tax	25,089	19,213
Income tax expense	(2,163)	(1,445)
Profit after income tax	**22,926**	**17,768**
Earnings per share		
Basic and diluted (in kobo)	**79.16**	**61.35**

PROPOSED DIVIDEND

In respect of the 2018 financial year, the Board of Directors recommend a dividend of **11.0 kobo** per Ordinary Share of 50 kobo each amounting to **N3,186M** for approval at the Annual General Meeting. If approved, dividend will be paid to Shareholders whose names appear on the Register of Members at the close of business on 12 April 2019. The proposed dividend is subject to Withholding Tax at the appropriate tax rate, which will be deducted before payment.

2 LEGAL FORM

The Bank was incorporated on 19 November 1987 as a private limited liability company and domiciled in Nigeria. It obtained a merchant banking license on 31 December 1987 and commenced banking operations on 3 June 1988. The Bank converted to a commercial bank on 16 July 1999 and re-registered as a public limited company on 10 August 1999. The Bank's shares have been listed on the floor of the Nigerian Stock Exchange since 17 May 2005.

3 PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the Bank continues to be the provision of banking and other financial services to corporate and individual customers from its Headquarters in Lagos and 235 business offices. These services include retail banking, granting of loans and advances, equipment leasing, collection of deposit and money market activities.

4 BENEFICIAL OWNERSHIP

The Bank's shares are held largely by Nigerian citizens and corporations.

5 SHARE CAPITAL

The range of shareholding as at 31 December 2018 is as follows:

Range		*No. of Holders*	*Holders%*	*Holders Cum*	*Units*	*Units %*
1 -	1,000	94,559	23.49%	94,559	79,857,987	0.28%
1,001 -	5,000	172,066	42.75%	266,625	473,908,777	1.64%
5,001 -	10,000	52,647	13.08%	319,272	432,401,382	1.49%
10,001 -	50,000	59,376	14.75%	378,648	1,423,661,230	4.92%
50,001 -	100,000	11,108	2.76%	389,756	869,947,965	3.00%
100,001 -	500,000	9,761	2.43%	399,517	2,134,546,061	7.37%
500,001 -	1,000,000	1,427	0.35%	400,944	1,057,726,055	3.65%
1,000,001 -	5,000,000	1,100	0.27%	402,044	2,322,370,113	8.02%
5,000,001 -	10,000,000	169	0.04%	402,213	1,240,203,139	4.28%
10,000,001 -	50,000,000	176	0.04%	402,389	3,384,243,253	11.68%
50,000,001 -	100,000,000	23	0.01%	402,412	1,656,718,485	5.72%
100,000,001 -	28,962,585,692	56	0.01%	402,468	13,887,001,245	47.95%
GRAND TOTAL		**402,468**	**100%**		**28,962,585,692**	**100%**

Substantial interest in shares

The Bank's shares are widely held and according to the Register of Members, no single Shareholder held up to 5% of the issued share capital of the Bank during the year.

6 DIRECTORS AND THEIR INTEREST

Changes on the Board

The following changes occurred on the Board of the Bank after the 30th Annual General Meeting which held on May 25, 2018:

SN	Name	Designation	Date
1	Mr. Robert Nnana-Kalu	Non-Executive Director	Retired from the Board on September 4, 2018
2	Mr. Chidi Agbapu	Non-Executive Director	Appointed to the Board on June 11, 2018, approved by the Central Bank of Nigeria on September 3, 2018 and will be presented for Shareholders' approval at the 31st Annual General Meeting.

Retirement by Rotation

In accordance with Article 95(1)(a) of the Articles of Association of the Bank which requires one-third (or the number closest to one-third), of the Non-Executive Directors to retire by rotation at each Annual General Meeting, the Directors due to retire by rotation at the 31st Annual General Meeting are Chief Charles Umolu and Pst. Kings C. Akuma. Being eligible, they have offered themselves for re-election and will be presented for re-election at the 31st Annual General Meeting.

A detailed profile of all the Directors, including a profile of the Directors due for election and re-election, is on the Bank's website- www.fidelitybank.ng.

Directors and their Interests

The Directors who held office during the year ended December 31, 2018 together with their interests in the issued share capital of the Bank as 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 (CAMA), CAP C20, Laws of the Federation of Nigeria, 2004 and the listing requirements of The Nigerian Stock Exchange (NSE) are as detailed below:

NAME OF DIRECTOR	STATUS	31 December 2017 DIRECT	INDIRECT	TOTAL	31 December 2018 DIRECT	INDIRECT	TOTAL
		Units	Units	Units	Units	Units	Units
Mr. Ernest Ebi, MFR, FCIB	Chairman	8,755,163	NIL	8,755,163	8,755,163	NIL	8,755,163
Mr. Alex C. Ojukwu	Non-Executive Director	3,530,000	NIL	3,530,000	1,229,730	NIL	1,229,730
Mr. Michael E. Okeke	Non-Executive Director	2,311,500	NIL	2,311,500	2,311,500	NIL	2,311,500
Otunba Seni Adetu	Independent Non-Executive Director	NIL	NIL	NIL	NIL	NIL	NIL
Chief Charles C. Umolu	Non-Executive Director	20,870,000	NIL	20,870,000	NIL	NIL	NIL
Pst. Kings C. Akuma	Non-Executive Director	650,455	NIL	650,455	650,455	NIL	650,455
Mr. Chidi Agbapu	Non-Executive Director	24,276	NIL	24,276	24,276	NIL	24,276
Mr. Nnamdi Okonkwo	Managing Director/CEO	102,000,000	NIL	102,000,000	102,000,000	NIL	102,000,000
Mr. Mohammed Balarabe	Deputy Managing Director	69,081,467	NIL	69,081,467	69,081,467	NIL	69,081,467
Mrs. Chijioke Ugochukwu	Executive Director	74,178,823	NIL	74,178,823	76,250,000	NIL	76,250,000
Mrs. Aku P. Odinkemelu	Executive Director	44,958,500	NIL	44,958,500	44,958,500	NIL	44,958,500
Mrs. Nneka C. Onyeali-Ikpe	Executive Director	52,456,000	NIL	52,456,000	52,456,000	NIL	52,456,000
*Mr. Adeyeye Adepegba	Executive Director	NIL	NIL	NIL	13,786,000	NIL	13,786,000
**Alhaji Bashari Gumel	Independent Non-Executive Director	NIL	NIL	NIL	NIL	NIL	NIL
***Mr. Robert Nnana-Kalu	Non-Executive Director	2,030,000	NIL	2,030,000	2,030,000	NIL	2,030,000

* Retired on January 24, 2018; **Retired on February 15, 2018; *** Retired on September 4, 2018

Directors interest in Contracts:

The Directors' interests in related party transactions as disclosed in Note 35 to the financial statements and interests in contracts as disclosed below were disclosed to the Board of Directors in compliance with Section 277 of the Companies and Allied Matters Act.

Related Director	**Interest in entity**	**Name of entity**	**Services to the Bank**
#Mr. Alex Ojukwu	Director	Damos Practice Limited	Debt Recovery
#Mr. Michael Okeke	Director	Okeke, Oriala & Co.	Estate Surveyor and Valuation
#*Mrs. Chijioke Ugochukwu	Related Party	Chinedu Ugochukwu	Lease of one (1) branch property

#All the transactions were executed at arms' length;
*The lease is in respect of a commercial real estate development at Ahmadu Bello Way, Victoria Island, Lagos.

Disclosure on Directors' Remuneration

The disclosure on Directors' Remuneration is made pursuant to the Governance Codes and Regulations issued by the Central Bank of Nigeria, Nigerian Stock Exchange and the Securities & Exchange Commission

The disclosure on Directors' Remuneration is made pursuant to the Governance Codes and Regulations issued by the Central Bank of Nigeria, Nigerian Stock Exchange and the Securities & Exchange Commission.

The Bank has a formal Board Remuneration Policy which is consistent with its size and scope of operations. The Policy focuses on ensuring sound corporate governance practices as well as sustained and long-term value creation for shareholders. The policy aims to achieve the following amongst others:

a. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximizing shareholders' return.

b. Enable the Bank attract and retain Directors with integrity, ability, experience and skills to deliver the Bank's strategy.

c. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability.

d. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management.

e. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

Executive Directors' Remuneration:

Executive remuneration at Fidelity Bank is structured to provide a solid basis for succession planning and to attract, retain and motivate the right calibre of staff required to achieve the Bank's business objectives.

The Board sets operational targets consisting of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance for the executives at the beginning of each year.

Executive compensation is therefore tied to specific deliverables and includes fixed and variable pay components. Fixed pay includes basic salary, transport, housing and other allowances.

These are paid monthly, quarterly or annually as appropriate. Variable pay represents pay at risk and is dependent on achievement of pre-set targets.

The Board Corporate Governance Committee (a Committee comprised of only Non- Executive Directors) makes recommendations to the Board on all matters relating to Directors' remuneration. The Executive Directors are not involved in decisions on their own remuneration.

Please see the table below for the key elements of Executive Directors' remuneration arrangements:

Remuneration element	**Objective**	**Payment mode**	**Payment detail**
Base Pay: This is a fixed pay (guaranteed cash) which is not dependent on performance. It comprises basic salary and all cash allowances paid to the Executive Director.			
Base Pay	• To attract and retain talent in a competitive market	• Monthly/Quarterly/ Annually	*Reviewed every 2 years and changes made on need basis and market findings • Salaries for all roles are determined with reference to applicable relevant market practices
Remuneration Element	Objective	Payment Mode	Programme Detail
Performance Incentives: This represents the pay-at-risk i.e. pay contingent on the achievement of agreed key performance indicators.			
Performance Incentive	• To motivate and reward the delivery of annual goals at the Bank and individual levels		• Performance incentives are awarded based on the performance of the Bank and individual directors
	• Rewards contribution to the long-term performance of the Bank	• Annually	• Executive Directors' annual performance incentives are evaluated against the performance metrics defined in his/her approved individual balanced scorecard/KPIs
Benefits and Perquisites: These are the non-monetary compensation provided to the Executive Director, such as official car, club and professional membership subscription.			
Benefits & Perquisites	• Reflect market value of individuals and their role within the Bank	• Actual items are provided or the cash equivalent for one year is given.	• Review periodically in line with contract of employment

** Review of the various remuneration elements means the re-appraisal of the elements to ensure that they are competitive and reflective of industry expectations. They do not necessarily refer to an increment or reduction in the value of the benefits*

Non-Executive Directors Remuneration:

Non-Executive Directors' remuneration is structured to conform to prevailing regulations and is set at a level that is at par with marke developments, reflects their qualifications, the contributions required and the extent of their responsibilities and liabilities.

Non-Executive Directors are paid an annual fee in addition to reimbursable expenses incurred in the course of their role as Boar members, where not provided directly by the Bank. The annual fee is approved by Shareholders at the Annual General Meeting and i paid quarterly in arrears

They also receive a sitting allowance for each meeting attended by them but do not receive any performance incentive payments.

Please see the table below for the key elements of Non-Executive Directors' remuneration arrangements

Remuneration Element	Objective	Payment Mode	Programme Detail
Annual Fees	• To attract individuals with relevant skills, knowledge and experience	• Quarterly	• Reviewed every 2 years and changes made on need basis subject to shareholder approval at the Annual General Meeting.
Sitting Allowances	• To recognise the responsibilities of the Non-executive Directors • To encourage attendance and participation at designated committees assigned to them	• Per meeting	• Reviewed every 2 years and changes made on need basis subject to shareholder approval at the Annual General Meeting.

Review of the various remuneration elements means the re-appraisal of the elements to ensure that they are competitive and reflective of industry expectations. They do not necessarily refer to an increment or reduction in the value of the benefits

The Bank periodically benchmarks its remuneration practices against peer organizations whose business profiles are similar to that of the Bank

7 EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period which could have had a material effect on the financial position of the Bank as at December 31, 2018 and on the profit and other comprehensive income for the year then ended, which have not been adequately provided for or disclosed

8 PROPERTY, PLANT AND EQUIPMENT

Information relating to property, plant and equipment is given in Note 23 to the financial statements. In the Directors' opinion, the fair value of the Bank's properties is not less than the carrying value shown in the financial statements.

9 DONATIONS AND CHARITABLE CONTRIBUTIONS

Donations and gifts to charitable organizations during the Year ended December 31, 2018 amounted to N158,362,356.36 (2017FY – N330,818,921.00). There were no donations to political organizations during the year. The major beneficiaries are:

	REQUESTING/BENEFIARY ORGANISATION	DONATION	AMOUNT (N)
1	CENTRE FOR VALUE IN LEADERSHIP (CVL)	THE 15th CVL ANNUAL LECTURE & INT'L LEADERSHIP SYMPOSIUM	500,000.00
2	REDHOT CONCEPTS (SICKLE CELL AWARENESS CAMPAIGN)	DONATION TO SICKLE CELL AWARENESS MANAGEMENT INITIATIVE	500,000.00
3	EMAPTHY DRIVEN WOMEN INTERNATIONAL INITIATIVE (EDWIIN) / UN	MEDICAL AID FAIR FOR WOMEN LIVING WITH DISABILITIES IN COMMEMORATION OF UNITED NATION'S INTERNATIONAL WOMENS DAY	200,000.00
4	CHARTERED INSTITUTE OF BANKERS OF NIGERIA (CIBN), LAGOS BRANCH	2018 BANKERS WALK FOR FITNESS	150,000.00
5	CENTRE FOR FINANCIAL JOURNALISM	SPONSORSHIP OF THE BULLION LECTURE	2,000,000.00
6	MEADOW HALL FOUNDATION	SPONSORSHIP OF EDUCATION CONVENTION	500,000.00
7	ADVOCACY FOR VERITAS ADDICTION TREATMENT INITIATIVE (AFVATI)	FINANCIAL SUPPORT FOR ADVOCACY FOR VERITAS ADDICTION TREATMENT INITIATIVE (AFVATI)	500,000.00
8	GAZELLE BUSINESS SOLUTIONS	ORGANISATION OF THE FIDELITY YOUTH EMPOWERMENT PROGRAMME (YEA5)	20,000,000.00
9	STRAP & SAFE CHILD FOUNDATION	STRAP & SAFE CHILD 2018 MAY DAY EVENT	300,000.00
10	ROTARY INTERNATIONAL (THE FOUR ROTARY INT'L DISTRICTS IN NIGERIA)	SPONSORSHIP OF THE 2018 ROTARY INTERNATIONAL INSTITUTE ZONE 20A MEETING (MEETING OF ALL THE ROTARY CLUBS IN AFRICA)	5,000,000.00
11	NIGERIAN CONSERVATION FOUNDATION	2018 ANNUAL WALK FOR NATURE CAMPAIGN	800,000.00
12	DOMINICAN UNIVERSITY IBADAN	FUNDRAISING DINNER	2,000,000.00
13	CENTRE FOR SOCIAL AWARENESS ADVOCACY AND ETHICS INCORPORATED	INTERNATIONAL YOUTH LEADERSHIP, CAREER BUILDING AND ENTREPRENEURSHIP SUMMIT	300,000.00
14	EMPATHY DRIVEN WOMEN INTERNATIONAL INITIATIVE (EDWIIN)	FRIENDS OF EDWIIN INTERVENTION SERIES/DONATION OF 10 SEWING MACHINES TO THE DISABLED	500,000.00
15	BESTMAN GAMES	CHILDREN'S FINANCE FAIR 2018	500,000.00
16	TRUCONTACT CSR NIGERIA- CSR/BRAND AWARENESS SPONSORSHIPS	EVENT SPONSORSHIP (TOP 50 BRANDS MAKING A DIFFERENCE IN NIGERIA)	1,000,000.00
17	LAGOS STATE SECURITY TRUST FUND	LAGOS STATE SECURITY TRUST FUND	50,000,000.00
18	KODY & THE KIDS	SPONSORHIP OF READ TO HEAL PROJECT	1,000,000.00
19	NIGERIAN STOCK EXCHANGE (NSE)	NIGERIAN STOCK EXCHANGE(NSE) CORPORATE CHALLENGE 2018	500,000.00
20	ARROW OF GOD ORPHANGE	PROVISION OF FUNITURES AND REPAINTING OF THE BUILDING	622,000.00
21	FLAME ACADEMY & CONSULTING LIMITED (FLAME CONSULTING)	SPONSORSHIP OF BEEP CONFERENCE 1.0	500,000.00
22	CHOSEN CHILD ORPHANAGE AND CARE CENTER	PROVISION OF HOME APPLIANCES, FOOD ITEMS AND PAYMENT OF CHILDREN SCHOOL FEES	434,000.00
23	SALVATION ARMY PRIMARY SCHOOL	DONATION OF BACK TO SCHOOL ITEMS	780,000.00
24	SOUGHT-AFTER CHILDREN ORPHANAGE	EDUCATION SPONSORSHIP FOR SOME CHIDREN AT THE ORPHANAGE	454,000.00

	REQUESTING/BENEFIARY ORGANISATION	DONATION	AMOUNT (N)
25	WESLEY SCHOOL FOR THE HEARING IMPAIRED, LAGOS.	RENOVATION AND EQUIPING OF THE EXISTING HOME ECONOMICS VOCATIONAL CENTER	550,000.00
26	EXCELLENCE INTERNATIONAL SCHOOL, JALINGO	PURCHASE OF ADDITIONAL BOOKS FOR THE LIBRARY AND CONSTRUCTION OF ELECTRONIC SIGN BILL BOARD.	5,000,000.00
27	SIDAKOD NURSERY AND PRIMARY SCHOOL & GRANTHOOD SCHOOL	PROVISION OF SCHOOL BAND AND EDUCATIONAL MATERIALS	180,000.00
28	LOST HOPE RESTORATION CENTER MOTHERLESS BABIES HOME	PROVISION OF WATER TANK; REPAINTING OF THE BUILDING AND PROVISION OF FOOD AND SANITARY WARES.	500,100.00
29	WESLEY SCHOOL FOR THE HEARING IMPAIRED, LAGOS.	PROVISION OF LEARNING AIDS AND CLIPPERS	600,000.00
30	THE HERITAGE HOME ORPHANAGE	DONATION OF SCHOOL FEES FOR CHILDREN, TOYS AND ESSSENTIAL ITEMS	280,000.00
31	DOWN SYNDROME FOUNDATION NIGERIA	DONATION OF FOOD AND OTHER ITEMS TO CHILDREN OF THE FOUNDATION	270,000.00
32	NIGERIAN SOCIETY FOR THE BLIND	DONATION OF 30 MANUAL TYPE WRITERS AND FOOD ITEMS	370,000.00
33	SCHOOL FOR THE LESS PRIVILEGED, HANDICAPPED AND CHILDREN WITH SPECIAL NEEDS, BENUE STATE	PROVISION OF BACK TO SCHOOL ITEMS, TYPE WRITERS, MATRESSES, FOOD AND SANITRY WARES	2,400,000.00
34	SOUTH- EAST, SOUTH- SOUTH PROFESSIONALS CONFERENCE (COMMUNITY DEVELOPMENT INITIATIVES SUPPORT)	SUPPORT FOR COMMUNITY DEVELOPMENT INITIATIVES	500,000.00
35	PRECIOUS KIDS INTERNATIONAL SCHOOL	PROVISION OF EDUCATIONAL MATERIALS, RENOVATION OF EXAMINATION HALL AND BOREHOLE	4,844,937.42
36	EGUARE PRIMARY AND SECONDARY SCHOOL,	BACK TO SCHOOL ITEMS, DRUM SETS AND RENOVATION OF SCHOOL BLOCK	2,209,403.70
37	VARIOUS SCHOOLS ACROSS THE COUNTRY	TEACHING OF SECURITY EDUCATION AND DISTRIBUTION OF CUSTOMISED SECURITY BOOKS	3,510,000.00
38	HEARTS OF GOLD CHILDREN'S HOSPICE	PROVISION OF ESSENTIAL ITEMS	204,075.00
39	RUN FOR A CURE AFRICA	CELEBRATING MOTHERS' DAY IN A MEANINGFUL WAY	200,000.00
40	THE WORLD SICKLE CELL DAY	THE WORLD SICKLE CELL DAY	3,965,000.00
41	ONDO STATE GOVERNMENT- COMMUNITY DEVELOPMENT INITIATIVES SUPPORT	RENOVATION OF THE MKO ABIOLA DEMOCRACY PARK	1,900,000.00
42	VIGILANT HEART ORPANAGE HOME	DONATION OF ESSENTIAL MATERIALS	306,000.00
43	KWARHI B PRIMARY SCHOOL	CONSTRUCTION OF A BLOCK OF THREE CLASS ROOMS	5,001,424.00
44	ARROWS OF GOD ORPHANAGE	PROVISION OF ESSENTIAL ITEMS AND SANITARY WARES	560,000.00
45	COMMUNITY DEVELOPMENT INITIATIVE SUPPORT (SPORTS)	SPONSORSHIP OF 31st ANNUAL DALA HARD COURT TENNIS CHAMPIONSHIP	3,000,000.00
46	FAMILY SUPPORT SCHOOL	CONSTRUCTION OF BASKETBALL AND VOLLEY BALL COURTS	1,075,540.00
47	IKOYI PRISONS	PAYMENT OF GCE REGISTERATION FEES FOR INMATES AND DONATION OF ESSENTIAL ITEMS	815,822.96
48	THE SUN NEWSPAPER- CSR AWARENESS CAMPAIGN (PRINT MEDIA)	CSR CENTRE SPREAD	500,000.00
49	MINNA GENERAL HOSPITAL	RENOVATION & FURNISHING OF THE FEMALE SURGICAL AND PAEDIATRIC WARD OF MINNA GENERAL HOSPITAL	4,105,386.42
50	OGOJA REFUGEE CAMP	PROVISION OF SPORTS EQUIPMENT	3,400,000.00
51	NIGERIAN ARMY	SPONSORSHIP OF TOMBOLA NIGHT	400,000.00

	REQUESTING/BENEFIARY ORGANISATION	DONATION	AMOUNT (N)
52	SCHOOL EDUCATION AND TECHNICAL SUPPORT (SEATS) CALABAR	SPONSORSHIP OF SEATS EXPO 2018	3,000,000.00
53	BISHOP CROWTHER MEMORIAL PRIMARY SCHOOL	DONATION OF EQUIPMENT FOR THE SICK BAY	340,000.00
54	MAKOKO COMMUNITY	SPONSORSHIP OF MEDICAL OUTREACH	1,100,000.00
55	BENUE STATE IDP CAMP	DONATION OF FOOD, CLOTHING AND ESSENTIAL ITEMS	800,000.00
56	LOKOJA IDP CAMP	DONATION OF RELIEF MATERIALS TO FLOOD VICTIMS	530,825.30
57	DESTITUTE HOME	DONATION OF ESSENTIAL ITEMS	255,600.00
58	DOWN SYNDROME FOUNDATION NIGERIA	DONATION OF ESSENTIAL ITEMS	600,700.00
59	PACELLI SCHOOL FOR THE BLIND	PROVISION OF ADDITIONAL STUDY DESKS/CHAIRS	616,000.00
60	WESLEY SCHOOL FOR THE HEARING IMPAIRED, LAGOS.	RENOVATION OF EXISTING HOME FOR SCHOOLS 1 AND 2	550,000.00
61	SPECIAL SCHOOL FOR THE HANDICAPED CHILDREN BAYELSA STATE	PROVISION OF TWO WATER STORAGE TANKS AND RENOVATION OF ONE CLASSROOM BLOCK	2,000,000.00
62	SANTA MARIA NURSERY AND PRIMARY SCHOOL, PORT HARCOURT	PROVISION OF COMPUTERS FOR ICT RESOURCE CENTRE	2,030,000.00
63	PACELLI SCHOOL FOR THE BLIND	PROVISION OF TWO INVERTER BATTERIES AND FOOD ITEMS	326,600.00
64	RIVERS STATE ORPHANAGE HOME	DONATION OF VARIOUS FOOD ITEMS	1,995,000.00
65	HERITAGE HOMES ORPHANAGE	RENOVATION OF PLAY GROUND AND REPAINTING OF THE BUILDING	500,000.00
66	GOOD NEWS HUMANITARIAN FOUNDATION	DONATION OF ESSENTIAL ITEMS	2,000,000.00
67	GUSAU ORPHANAGE HOME	DONATION OF FOOD ITEMS	1,040,000.00
68	KISHIMI SHELTER AND CARE FOUNDATION	PROVISION OF SEWING MACHINES, HAIR DRYERS, GRINDING MACHINES AND OTHER ITEMS	4,865,758.02
69	KADUNA FLOOD VICTIMS/STATE EMERGENCY MANAGEMENT AGENCY (SEMA)	DONATION OF RELIEF ITEMS TO FLOOD VICTIMS	2,314,908.92
70	GOVERNMENT JUNIOR COLLEGE	RENOVATION OF CLASS ROOMS	1,774,274.62
			158,362,356

10 EMPLOYMENT & EMPLOYEES

Gender Analysis as at 31 December 2018

Fidelity Bank is an equal opportunity employer and is committed to promoting gender diversity in the work place. The Bank recognizes that women have different skill sets, viewpoints, ideas and insights which will enable it serve a diverse customer base more effectively. The report on gender analysis as at 31 December 2018 is shown below:

GENDER ANALYSIS OF TOTAL STAFF AS AT 31 December 2018		
GENDER	**NUMBER**	**PERCENTAGE OF TOTAL STAFF**
FEMALE	1,293	44%
MALE	1,615	56%
TOTAL	**2,908**	**100%**

Analysis of the positions held by women in executive, top management and on the Board of Directors is shown below:

GENDER ANALYSIS OF EXECUTIVE MANAGEMENT AS AT 31 December 2018		
GENDER	**NUMBER**	**PERCENTAGE**
FEMALE	3	60%
MALE	2	40%
TOTAL	5	**100%**

GENDER ANALYSIS OF TOP MANAGEMENT (AGM-GM) AS AT 31 December 2018			
GRADE	**FEMALE**	**MALE**	**TOTAL**
General Manager	0	8	8
Deputy General Manager	2	9	11
Assistant General Manager	3	14	17
TOTAL	**5**	**31**	**36**
Percentage	**14%**	**86%**	**100%**

GENDER ANALYSIS OF THE BOARD OF DIRECTORS AS AT 31 December 2018			
GRADE	**FEMALE**	**MALE**	**TOTAL**
Executive Director	3	0	3
Deputy Managing Director	0	1	1
Managing Director	0	1	1
Non Executive Director	0	7	7
TOTAL	**3**	**9**	**12**
Percentage	**25%**	**75%**	**100%**

Employment Of Disabled Persons

Fidelity Bank's policy ensures that there is no discrimination in considering applications for employment including those from physically challenged persons. The policy also ensures that disadvantaged persons are afforded, as far as is practicable, identical opportunities with other employees. The Bank currently has in her employment ten (10) physically challenged persons and ensures that the work environment is accessible and conducive for them.

Health, Safety and Welfare of Employees

The health, safety and wellbeing of all employees both in and outside the workplace is a top priority of Fidelity Bank. The Bank also has not relented but continues to make significant investments along these lines.
Fidelity Bank's employees are provided with comprehensive healthcare coverage through a health management scheme with 1,529 hospitals across the country. The scheme covers each staff, his/her spouse and four biological children.
The Bank also has an International Health Insurance Scheme which provides staff with a personal health insurance plan and emergency medical evacuation support.

These healthcare facilities are actively enhanced with annual health screening exercises that have in recent years included mammograms, prostate screening, eye screening, cardiovascular and tuberculosis screening and immunizations for cerebrospinal meningitis and Hepatitis B.

Beyond direct clinical healthcare support, staff members also benefit from deliberate and structured preventive health awareness programmes across the Bank. In this regard, the Bank carries out well articulated awareness sessions on topical health issues including preventing the spread of malaria, diabetes, hypertension and kidney disease as well as tips for preventing ill-health during inclement weather conditions like harmattan and rainy season.

The Bank has a defined process for preventing the spread of communicable diseases including HIV/AIDS through health campaigns that encourage improvement in personal hygiene and ensures that no person living with HIV/AIDS is discriminated against.

Through regular medical updates from the health insurance provider, emails, text messages and periodic health awareness presentations, staff members are frequently educated on how to take personal responsibility for their health by consciously making better lifestyle choices.

All staff of Fidelity Bank are insured under the Group Life Insurance Scheme. The scheme caters for staff members that die while in the service of the Bank. Entitlements are processed, received and given to the deceased staff's next of kin as stated in the personnel records. There was no workplace related accident or fatality during the review period.

Fidelity Bank is also actively involved in the Nigerian Bankers Games (NBG), the biggest and most popular sporting event in Corporate Nigeria. In 2017, Fidelity Bank successfully defended its medal table position whilst retaining the football trophy. The Bank won the football trophy three consecutive times thus becoming the first bank to do so in the 18-year history of the tournament. With this performance, the Bank now has the trophy for keeps. In the 2018 games, Fidelity Bank topped the medals table with 20 medals, winning 4 more medals than it won in 2017. A breakdown of the medals won by the Bank in 2018 is as follows:

- Gold - 7
- Silver - 8
- Bronze – 5

While Fidelity won the Football trophy for keeps in 2017, having previously defended and won it 3 consecutive times (2015, 2016 and 2017), Fidelity Bank emerged as first runner up in the football competition in 2018, winning silver. However, Fidelity Bank produced the best goal keeper and the highest goal scorer of the Tournament.

Employee involvement and training

The Bank is committed to keeping employees fully informed of its corporate objectives and the progress made thus far in achieving same. The opinions and suggestions of members of staff are valued and considered not only on matters affecting them as employees, but also on the general business of the Bank.

The Bank operates an open communication policy and employees are encouraged to communicate with Management through various media.

Sound management and professional expertise are considered to be the Bank's major assets, and investment in employees' future development continues to be a top priority. Fidelity is a learning organization and believes in the development of her employees, irrespective of their job roles and responsibilities in the Bank.

As an institution committed to maintaining its competitive edge, Fidelity Bank also ensures that employees receive qualitative training within and outside the country. Staff Training Plans are drawn up yearly and hinged on grade specific base-line and function specific programmes. These include local, offshore and in-house programmes.

Worthy of particular mention, are the Weekly Thursday Lecture Series, the Fidelity Business School with its various academies and the E-Learning Management System (LMS) Platform, all of which are designed to deepen staff members' knowledge, skills and productivity.

The Bank currently has nine modern Learning Centers in Lagos, Ibadan, Benin, Port-Harcourt, Owerri, Awka, Enugu, Abuja and Kano. A total of 2,335 staff members participated in various training programs in the 2018 financial year.

Auditors

One of the joint external auditors, PKF Professional Services' (whose appointment was approved by Shareholders at the Annual General Meeting of November 6, 2008) completed the maximum ten (10) year tenure for external auditors in November 2018, in line with the provisions of the Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses in Nigeria, 2014.

The second external auditor, Ernst & Young, has indicated its willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria (LFN) 2004 until the next Annual General Meeting.

Ezinwa Unuigboje
Company Secretary
FRC/2015/NBA/00000006957
2 Fidelity Close
Off Kofo Abayomi Street
Victoria Island
Lagos
Date: 18 March 2019

FIDELITY BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE PREPARATION OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

In accordance with the provisions of Sections 334 and 335 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Sections 24 and 28 of the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, and the Financial Reporting Council Act No. 6, 2011, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Bank, and of the financial performance for the year. The responsibilities include ensuring that:

(a) Appropriate internal controls are established both to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

(b) The Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which ensure that the financial statements comply with requirements of International Financial Reporting Standards and the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines and relevant circulars issued by the Central Bank of Nigeria.

(c) The Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed; and

(d) It is appropriate for the financial statements to be prepared on a going concern basis unless it is presumed that the Bank will not continue in business.

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, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines, and relevant circulars issued by the Central Bank of Nigeria.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and its financial performance for the year.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of financial control.

Nothing has come to the attention of 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 Directors by:

Director **Director**

18 March 2019

Report of the Statutory Audit Committee
For The Year Ended 31 December 2018

To The Members of Fidelity Bank Plc

In compliance with Section 359(6) of the Companies and Allied Matters Act Cap C20 LFN 2004, we:

- Reviewed the scope and planning of the audit requirements and found them adequate.
- Reviewed the financial statements for the year ended 31 December 2018 and are satisfied with the explanations obtained.
- Reviewed the External Auditors Management report for the year ended 31 December 2018 and are satisfied that Management is taking appropriate steps to address the issues raised.
- Ascertained that the Bank has complied with the provisions of Central Bank of Nigeria (CBN) Circular BSD/1/2004 dated February 18, 2004 on "Disclosure of insider credits in the financial statements of banks". In addition, related party transactions and balances have been disclosed in the Notes to the financial statements for the year ended 31 December 2018 in accordance with the prescribed CBN format.
- Ascertained that the accounting and reporting policies of the company for the year ended 31 December 2018 are in accordance with legal requirements and agreed ethical practices.

The External Auditors confirmed having received full cooperation from the Company's Management and that the scope of their work was not restricted in any way.

Chief Frank Onwu
Chairman, Audit Committee
FRC/2014/CISN/00000009012

March 8, 2019

Members of the Statutory Audit Committee are:

1) Mr. Frank Onwu	- Chairman (Shareholder)
2) Dr. Christian Nwinia	- Member (Shareholder)
3) Mr. Chidi Agbapu*	- Member (Shareholder)
4) Mr. Michael Okeke	- Member (Director)
5) Mr. Alex Ojukwu	- Member (Director)
6) Pst. Kings Akuma	- Member (Director)

In Attendance:

Mrs. Ezinwa Unuigboje	- Company Secretary

* Mr. Chidi Agbapu ceased to be a member of the Committee upon the approval of his appointment as a Non-Executive Director by the Central Bank of Nigeria on September 3, 2018

Introduction

This Report is designed to update stakeholders on how Fidelity Bank Plc ("Fidelity" or "the Bank") discharged its fiduciary responsibilities in relation to governance as well as its level of compliance with relevant statutory and regulatory requirements during the review year.

The Board of Directors is committed to ensuring sustainable long term success for the Bank and is mindful that best practice in corporate governance is essential for ensuring accountability, fairness and transparency in a company's relationship with all its stakeholders.

The Bank's Shared Values of Customer First, Respect, Excellence, Shared Ambition and Tenacity (CREST) continue to be the guiding principles which we believe are necessary to sustain the growth of the business and our relationship with stakeholders, while keeping faith with our Vision to be "No. 1 in every market we serve and every branded product we offer".

Corporate Governance Framework

Fidelity Bank has a structured corporate governance framework which supports the Board's objective of achieving sustainable value. This is reinforced by the right culture, values and actions at the Board and Management level and throughout the entire organization.

The Board of Directors is the principal driver of corporate governance and has overall responsibility for ensuring that the tenets of good corporate governance are adhered to in the management of the Bank. In the Bank's pursuit to achieve long-term shareholder value, we constantly strive to maintain the highest standards of corporate governance, which are the foundation on which we manage risk and build the trust of all our stakeholders.

The Board continues to comply with the Bank's internal governance policies and the provisions of the Companies and Allied Matters Act (CAMA) Cap C.20 Laws of the Federation of Nigeria, 2004. The Bank's governance framework is also designed to ensure on-going compliance with applicable governance codes: Central Bank of Nigeria's (CBN) Code of Corporate Governance for Banks and Discount Houses in Nigeria ("the CBN Code"), the Securities & Exchange Commission's Code of Corporate Governance ("the SEC Code"), the Post-Listing Requirements as well as the Rules issued from time to time by the Nigerian Stock Exchange (NSE).

The Bank undertakes frequent internal assessment of its compliance with the Codes/Rules and submits periodic compliance reports to the CBN, SEC, NSE and the Nigeria Deposit Insurance Corporation (NDIC).

The Codes and Rules are quite detailed and cover a wide range of issues, including Board and Management, Shareholders, Rights of other Stakeholders, Disclosure Requirements, Risk Management, Organizational Structure, Quality of Board Membership, Board Performance Appraisal, Reporting Relationship, Ethics and Professionalism, Conflict of Interest, Sustainability, Whistle-blowing, Code of Ethics, Complaints Management Processes and the Role of Auditors. These, in addition to the Bank's Memorandum and Articles of Association, Board, Board Committees and Management Committee Charters, collectively constitute the bedrock of the Bank's corporate governance framework.

The Bank's governance structure is hinged on its internal governance framework, which is executed through the following principal organs:

(a) The Board of Directors
(b) Board Committees
(c) Statutory Audit Committee
(d) General Meetings
(e) Management Committees

Key Governance Development

(a) Board Changes:

The following changes occurred on the Board during the period under review:
i). **Mr. Adeyeye Adepegba**, an Executive Director, retired from the Board on January 24, 2018 to pursue other interests.
(ii). **Alhaji Bashari Gumel**, an Independent Non-Executive Director (INED), retired from the Board on February 15, 2018, following his completion of the maximum tenure of eight (8) years prescribed for INEDs in the Central Bank's guidelines for the appointment of independent directors.
(iii). **Mr. Robert Nnana-Kalu**, a Non-Executive Director, retired from the Board on September 4, 2018, upon expiration of his tenor in line with the Bank's internal governance policy.
(iv). **Mr. Chidozie Agbapu** was appointed as a Non-Executive Director on June 11, 2018 and the appointment approved by the Central Bank on September 3, 2018. He shall be presented to the Shareholders during the 31st Annual General Meeting of the Bank.

(b) Retirement of Joint External Auditor

One of the joint external auditors, **PKF Professional Services'** (whose appointment was approved by Shareholders at the Annual General Meeting of November 6, 2008), have completed the maximum ten (10) year tenure for external auditors in line with the provisions of the Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses in Nigeria, on November 5, 2018.

The second external auditor, **Ernst & Young,** having indicated its willingness to continue in office in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria (LFN) 2004, is now the Bank's sole external auditor. The appointment of Ernst & Young was approved by Shareholders at the 23rd Annual general Meeting which held on May 5, 2011. The firm is currently in its 8th year of service as external auditor and will complete the mandatory maximum ten (10) year term on May 4, 2021.

(c) The Nigerian Code of Corporate Governance, 2018 (NCCG 2018)

The Financial Reporting Council of Nigeria (FRCN), launched the Nigerian Code of Corporate Governance 2018 on January 15, 2019. The Code is applicable to all listed entities including Fidelity Bank. Whilst the Bank is a regulated entity and already in substantial compliance with the provisions of the NCCG 2018, steps are already being taken towards ensuring compliance with the provisions of the new Code.

The Board of Directors
Board Size

Total Board size during the Year ended 31 December 2018 was twelve (12), comprising five (5) Executive Directors including the Managing Director/CEO and seven (7) Non-Executive Directors.

Board Structure and Responsibilities

The Board is responsible for creating and delivering sustainable value to all stakeholders through efficient management of the business. The Board is also responsible for determining the strategic direction of the Bank, which said strategy is implemented through Executive Management, within a framework of rewards, incentives and controls.

Board Structure and Responsibilities - continued

The Board is accountable to the Bank's stakeholders and continues to play a key role in governance. It is the responsibility of the Board of Directors to approve the Bank's organizational strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the Bank to its owners, stakeholders and the regulatory authorities. The Board is also responsible for providing stable and effective leadership for the Bank, to facilitate achievement of its corporate operating objectives.

The Board is accountable to the Bank's stakeholders and continues to play a key role in governance. It is the responsibility of the Board of Directors to approve the Bank's organizational strategy, develop directional policy, appoint, supervise and remunerate senior executives and ensure accountability of the Bank to its owners, stakeholders and the regulatory authorities. The Board is also responsible for providing stable and effective leadership for the Bank, to facilitate achievement of its corporate operating objectives.

Responsibility for the day-to-day management of the Bank resides with the Managing Director/Chief Executive Officer (MD/CEO), who carries out his functions in accordance with guidelines approved by the Board of Directors. The MD/CEO is ably assisted by the four (4) Executive Directors. In line with best practice and requisite regulations, the roles of the Chairman of the Bank and the MD/CEO are assumed by different individuals to ensure that the right balance of power and authority is maintained.

The effectiveness of the Board is derived from the broad range of skills and competencies of the Directors, who are persons of high integrity and seasoned professionals and are competent, knowledgeable and proficient in their professional career, business and/or vocation.

The Directors bring to the Board their diverse experience in several fields ranging from business, corporate finance, accounting, management, banking operations, risk management, project finance, leasing, law, and treasury management. The diverse professional backgrounds of the Directors reflect a balanced mix of skills, experience and competencies that impacts positively on the Board's activities. No individual dominates the decision making process. The Board operated effectively throughout the period and continues to do so.

The Directors are members of the Institute of Directors of Nigeria (IoD) and the Bank Directors Association of Nigeria (BDAN), two non-profit organizations dedicated to promoting good corporate governance and high ethical standards for Nigerian Companies/Banks.

Matters reserved exclusively for the Board include but are not limited to: approval of credit requests in excess of the approval limit of the Board Credit Committee, approval of the Bank's quarterly, half yearly and full year financial statements, disposal of assets other than in the normal course of the Bank's business, mortgaging or otherwise creating security interest over the assets of the Bank, appointment or removal of key management personnel, strategic planning, succession planning and integrity of the financial statements.

The Board has a comprehensive Remuneration Policy which is designed to address the compensation of both Executive and Non-Executive Directors. The Policy is designed to establish a framework for Directors' remuneration that is consistent with the Bank's scale and scope of operations and is aimed at attracting, motivating and retaining qualified individuals with the talent, skill and experience required to run the Bank effectively.

The Board meets quarterly and additional meetings are convened as required. The Directors are provided with comprehensive information at each quarterly meeting and are also briefed on business developments between Board meetings. The Board met eight (8) times during the year ended 31 December 2018.

Details of the Directors who served on the Board during the year ended 31 December 2018 are indicated below:

NO	NAME OF DIRECTOR	DESIGNATION
1	**Mr. Ernest Ebi, MFR, FCIB**	Non-Executive Director/Chairman of the Board of Directors
2	**Otunba Seni Adetu**	Independent Non-Executive Director
3	**Mr. Chidi Agbapu**	Non-Executive Director
4	**Mr. Alex Ojukwu**	Non-Executive Director
5	**Mr. Ezechukwu Okeke**	Non-Executive Director
6	**Pst. Kings Akuma**	Non-Executive Director
7	**Chief Charles Umolu**	Non-Executive Director
8	**Mr. Nnamdi Okonkwo**	Managing Director/CEO
9	**Mr. Mohammed Balarabe**	Deputy Managing Director
10	**Mrs. Chijioke Ugochukwu**	Executive Director
11	**Mrs. Aku Odinkemelu**	Executive Director
12	**Mrs. Nneka Onyeali-Ikpe**	Executive Director
13	***Mr. Adeyeye Adepegba**	Executive Director
14	****Alhaji Bashari Gumel**	Independent Non-Executive Director
15	*****Mr. Robert Nnana-Kalu**	Non-Executive Director

* Retired on January 24, 2018; **Retired on February 15, 2018; *** Retired on September 4, 2018

Directors' Appointments, Retirements and Re-elections

Directors' appointments, retirements and re-elections are effected in accordance with the provisions of the Bank's Memorandum and Articles of Association, the Directors' Selection Criteria Policy, the Central Bank's Assessment Criteria for Approved Persons Regime in Nigeria as well as other relevant laws, to ensure a balanced and experienced Board.

The Board Corporate Governance Committee is charged with the responsibility of leading the process for Board appointments and for ascertaining and recommending suitable candidates for the approval of the Board. The process is transparent and may involve external consultants, particularly for executive positions. The importance of achieving the right balance of skills, experience and diversity is also taken into consideration in making Board appointments.

Board Induction and Continuous Education

Given the increasing complexity of banking transactions, the demands of the operating environment and their weighty oversight responsibilities, the Board of Fidelity Bank acknowledges that its ability to effectively discharge its functions can only be enhanced by qualitative training programs. Training of individual Directors and the Board as a whole are important investments for every organization, given the strong correlation between qualitative Board training programmes and sound corporate governance practices, growth and profitability.

The Bank has a Directors Training Policy which provides for formal induction programmes for newly appointed Directors and bespoke training programmes for serving Directors. The Directors also participate in Regulator initiated training programmes.

An induction plan is designed for all new Directors and involves both personalized in-house orientation including individual meetings with Executive Management and Senior Executives responsible for the Bank's key business areas, and external training. The induction programme includes an overview of the Bank's operations, risk management, treasury operations, internal audit, compliance, corporate governance framework and Board processes. Board development programmes also involve a combination of executive coaching sessions and annual Board strategy retreats.

New Directors also receive a comprehensive induction pack which includes copies of Board/ Board Committee Charters, annual goals, relevant legislations and calendar of Board activities. The induction and training programmes are robust and designed to equip all Directors to effectively discharge their responsibilities whilst improving overall board effectiveness. The Bank renders periodic returns on training programmes attended by Directors to the Central Bank.

During the year under review, the Directors attended the training courses indicated below:

	Course	Vendor	Start date	End date	Name
1	**New Developments in the FINTECH Ecosystem**	FINTECH Association Nigeria	24/01/2018	26/01/2018	Ernest Ebi
					Charles Umolu
					Seni Adetu
					Alex Ojukwu
					Michael Okeke
					Kings Akuma
					Robert Nnana-Kalu
					Nnamdi Okonkwo
					Mohammed Balarabe
					Aku Odinkemelu
					Nneka Onyeali-Ikpe
2	**NSE Fiduciary Awareness Certification Test**	NSE/Center for Business Integrity	05/03/2018	05/03/2018	Seni Adetu
					Pst. Kings Akuma
					Charles Umolu
3	**Compliance Risk Management**	Euromoney training	18/04/2018	20/04/2018	Mohammed Balarabe
4	**McGill Executive Leadership Experience**	McGill Executive Institute, McGill University, Montreal, Quebec, Canada	14/05/2018	19/05/2018	Aku Odinkemelu
5	**Effective Board Risk Oversight Course**	FITC	21/05/2018	23/05/2018	Ernest Ebi
					Nnamdi Okonkwo
					Mohammed Balarabe
					Chijioke Ugochukwu
					Nneka Onyeali- Ikpe
					Alex Ojukwu
					Michael Okeke
					Seni Adetu
					Kings Akuma
					Robert Nnana-Kalu
					Charles Umolu

	Course	Vendor	Start date	End date	Name
6	**Leading Digital Business Transformation**	IMD	11/06/2018	15/06/2018	Chijioke Ugochukwu
7	**Institute of Directors Company Direction Course 1 for New Directors**	Institute of Directors	13/06/2018		Kings Akuma
8	**Cultivating the Conscience of Stewards and Gatekeepers**	Audit Committee Institute	11/07/2018	12/07/2018	Frank Onwu
					Chidi Agbapu
					Christian Nwinia
					Alex Ojukwu
					Kings Akuma
					Michael Okeke
9	**Institute of Directors, Independent Directors Masterclass**	Institute of Directors	23/08/2018		Seni Adetu
10	**CIBN-FITC Bank Directors Continuous Education Programmme**	CIBN/FITC	18/09/2018	19/09/2018	Alex Ojukwu
					Seni Adetu
					Chijioke Ugochukwu
					Aku Odinkemelu
					Michael Okeke
					Chidi Agbapu
					Kings Akuma
1i	**Contemporary Issues in AML/CFT and Sustainable Banking Principles**	IBFC alliance	20/09/2018	20/09/2018	Ernest Ebi
					kings Akuma
					Mohammed Balarabe
					Alex Ojukwu
					Seni Adetu
					Aku Odinkemelu
					Michael Okeke
					Chidi Agbapu
12	**Leading Digital Business Transformation**	FITC	08/10/2018	12/10/2018	Nneka Onyeali- Ikpe
13	**Leading Digital Marketing Strategy**	INSEAD	09/10/2018	12/10/2018	Aku Odinkemelu
14	**New York School of Trade Finance**	Euromoney Training	05/11/2018	09/11/2018	Mohammed Balarabe
15	**Leading Digital Business Transformation**	IMD	12/11/2018	16/11/2018	Nnamdi Okonkwo

	Course	Vendor	Start date	End date	Name
16	**Commercial Risks in Offshore Shipping**	C&I Leasing	29/11/2018	29-Nov-18	Ernest Ebi
					Nnamdi Okonkwo
					Mohammed Balarabe
					Nneka Onyeali-Ikpe
					Alex Ojukwu
					Chidi Agbapu
					Seni Adetu
					Michael Okeke
					Chijioke Ugochukwu
					Kings Akuma
17	**Board Training on IFRS 9**	Ernst & Young	29/11/2018	29/11/2018	Ernest Ebi
					Nnamdi Okonkwo
					Mohammed Balarabe
					Nneka Onyeali-Ikpe
					Alex Ojukwu
					Chidi Agbapu
					Seni Adetu
					Michael Okeke
					Chijioke Ugochukwu
					Kings Akuma
					Frank Onwu
					Christian Nwinia

Access to independent advice:

In compliance with the Codes and global best practices, the Board ensures that the Directors have access to independent professional advice where they deem same necessary to discharge their responsibilities as Directors. The Bank also provides the Directors with sufficient resources to enable them execute their oversight responsibilities.

Independent consultants engaged during the review period include:

No Consultant	Brief
1. KPMG Professional Services	Board Appraisal
	Strategy and Management
2. PricewaterhouseCoopers	Business Process Re-engineering
3 IBFCAlliance Limited	Board Training and Development
4. Deloitte	Independent Evaluation of the Internal Audit Function

Board Performance Appraisal:

The Board, recognizing the need to maintain an energized, proactive and effective Board, adopted a formal Board and Board Committees' Evaluation Policy in April 2012. To give effect to the provisions of the Policy and comply with the Codes, the Board engages an independent consultant to conduct an annual appraisal of the Board's performance and highlight any issues that require remedial action.

The appraisal enables the Board to identify future developmental needs, while also benchmarking its performance against global best practices and enhancing board effectiveness.

The appraisal is extensive and covers the Board, Board Committees and individual Directors, focusing on strategy, corporate culture, monitoring, evaluation, performance and stewardship. A governance survey is also occasionally administered on senior management staff of the Bank and the result of the survey is presented to the Board.

Amongst other indices the annual assessment focuses on the Board's role in the following key areas:

(a) Defining strategy and management of the Board's own activities.
(b) Monitoring Management and evaluating its performance against defined objectives.
(c) Implementing effective internal control systems.
(d) Communicating standards of ethical organizational behaviour by setting the tone at the top.

The independent consultant's (KPMG) report on the Board appraisal is presented to Shareholders at the Annual General Meeting in each year and also submitted to the Central Bank of Nigeria.

Board Meetings

To ensure its effectiveness throughout the year, the Board develops an Annual Agenda Cycle, Annual Goals and Calendar of Board activities at the beginning of each year. These not only focus the activities of the Board, but also establish benchmarks against which its performance can be evaluated at the end of the year.

While a detailed forward agenda is available, same is periodically updated to reflect contemporary issues that may arise, which may be of interest to the Bank in particular and the finance industry or national/global economies. The Board meets quarterly or as the need arises.

A. Board Committees

The responsibilities of the Board are further accomplished through five (5) Standing Committees which work closely with the Board to achieve the Bank's strategic objectives. The Board Committees are listed below:

(a) Board Credit Committee.
(b) Board Risk Committee.
(c) Board Audit Committee.
(d) Board Corporate Governance Committee.
(e) Board Finance and General Purpose Committee.

To enable the Committees', execute their oversight responsibilities, each Committee has a formal Charter which defines its objectives and operating structure including composition, functions, and scope of authority. At the beginning of the year, each Committee develops its Annual Agenda Cycle, Annual Goals and meeting calendar, to focus its activities during the year.

Board Meetings - continued

Complex and specialized matters are effectively dealt with through these Committees which also make recommendations to the Board on various matters as appropriate. The Committees present periodic reports to the Board on all issues considered by them.

The Composition of the Board Committees is detailed below:

S/N	COMMITTEE	MEMBERSHIP	DESIGNATION
1	Board Finance & General Purpose Committee:	Otunba Seni Adetu	Chairman (Independent)
		Pst. Kings Akuma	Non-Executive
		Mr. Ezechukwu Okeke	Non-Executive
		Chief Charles Umolu	Non-Executive
		Mr. Chidi Agbapu	Non-Executive
S/N	**COMMITTEE**	**MEMBERSHIP**	**DESIGNATION**
2	Board Corporate Governance Committee:	Mr. Ezechukwu Okeke	Chairman
		Otunba Seni Adetu	Non-Executive
		Mr. Alex Ojukwu	Non-Executive
		Chief Charles Umolu	Non-Executive
		Mr. Chidi Agbapu	Non-Executive
S/N	**COMMITTEE**	**MEMBERSHIP**	**DESIGNATION**
3	Board Risk Committee:	Mr. Alex Ojukwu	Chairman
		Chief Charles Umolu	Non-Executive
		Pst. Kings Akuma	Non-Executive
		Mr. Ezechukwu Okeke	Non-Executive
		Otunba Seni Adetu	Non-Executive
		Mr. Nnamdi Okonkwo	Managing Director/CEO
S/N	**COMMITTEE**	**MEMBERSHIP**	**DESIGNATION**
4	Board Audit Committee:	Otunba Seni Adetu	Chairman (Independent)
		Mr. Alex Ojukwu	Non-Executive
		Mr Charles Umolu	Non-Executive
		Pst. Kings Akuma	Non-Executive
		Mr. Chidi Agbapu	Non-Executive
S/N	**COMMITTEE**	**MEMBERSHIP**	**DESIGNATION**
5	Board Credit Committee:	Chief Charles Umolu	Chairman
		Otunba Seni Adetu	Non-Executive (Independent)
		Mr. Alex Ojukwu	Non-Executive
		Pst. Kings Akuma	Non-Executive
		Mr. Chidi Agbapu	Non-Executive

1. Board Credit Committee:

This Committee functions as a Standing Committee of the Board with responsibility for Credit Management. The primary purpose of the Committee is to advise the Board on its oversight responsibilities in relation to the Bank's credit exposures and lending practices. The Committee comprises a minimum of four (4) Non-Executive Directors (including an Independent Director), the MD/CEO and Deputy Managing Director. The Committee meets monthly or as the need arises. Its terms of reference include:

(a) Exercising all Board assigned responsibilities on credit related issues.
(b) Review and recommend credit policy changes to the full Board.
(c) Ensure compliance with regulatory requirements on credits.
(d) Approving credits above the Management's credit approval limits.
(e) Tracking the quality of the Bank's loan portfolio through quarterly review of risk assets.
(f) Receive and consider recommendations from the Management Credit Committee (MCC), Asset & Liability Committee (ALCO), and Operational Risk & Service Measurement Committee on matters relating to Credit Management.
(g) Consider and recommend for full Board approval, any Director, Shareholder and Insider-Related credits.
(h) Consider exceptions to rules or policies and counsel on unusual credit transactions.

2. Board Risk Committee:

This Committee functions as a Standing Committee with responsibility for the enterprise risk management activities of the Bank, approving appropriate risk management procedures, and measurement methodologies, as well as identification and management of strategic business risks of the Bank. It consists of a minimum of four (4) Non-Executive Directors one of whom is an Independent Director and the Managing Director. Its terms of reference include:

(a) Establishing the Bank's risk appetite;
(b) Ensuring that business profiles and plans are consistent with the Bank's risk appetite;
(c) Establishing and communicating the Bank's risk management framework including responsibilities, authorities and control;
(d) Establishing the process for identifying and analyzing business level risks;
(e) Agreeing and implementing risk measurement and reporting standards and methodologies;
(f) Establishing key control processes and practices, including limits, structures, impairment, allowance criteria and reporting requirements;
(g) Monitoring the operation of the controls and adherence to risk direction and limits;
(h) Ensuring that the risk management practices and conditions are appropriate for the business environment.

The Committee meets quarterly or as the need arises. Occasionally, a joint meeting is held between the Board Credit Committee and the Board Risk Committee to review credit risk related issues.

The Committee meets quarterly or as the need arises. Occasionally, a joint meeting is held between the Board Credit Committee and the Board Risk Committee to review credit risk related issues.

3. Board Audit Committee:

The Committee functions as a Standing Committee of the Board with responsibility for internal control over financial reporting, including internal and external audit. The Committee is composed of a minimum of four (4) Non-Executive Directors (including an Independent Director who chairs the Committee in line with the Central Bank's guidelines on composition of the Board Audit Committee). The Committee meets quarterly or as the need arises. Its terms of reference include:

(a) Ensuring the integrity of the Bank's financial reporting system.
(b) Ensuring the existence of independent internal and external audit functions.
(c) Ensuring the effectiveness of the internal control system, prudence and accountability in significant contracts and compliance with regulatory requirements.
(d) Effectiveness of accounting and operating procedures, and
(e) Ensuring compliance with legal and regulatory requirements.

4. Board Corporate Governance Committee:

The Board Corporate Governance Committee comprises a minimum of four (4) Non- Executive Directors (including an Independent Director). The Managing Director (and in his absence, the Deputy Managing Director, or an Executive Director nominated by him) and the Executive Director, Shared Services & Products are required to be in attendance at the Committee's meetings. The Committee has oversight responsibility for issues relating to the Bank's Corporate Governance Framework. The Committee meets quarterly or as the need arises. Its terms of reference include:

(a) Review and make recommendations for improvements to the Bank's Corporate Governance Framework.
(b) Recommend membership criteria for the Board and its Committees.
(c) Review and make recommendations on the Bank's key human capital policies.
(d) Review and make recommendations on Key Performance Indicators for the Managing Director and Executive Directors.
(e) Ensure that an independent Board evaluation exercise is undertaken annually.
(f) Provide oversight for Directors' orientation and continuing education programmes.
(g) Ensure proper reporting and disclosure of the Bank's corporate governance procedures to stakeholders.
(h) Ensure proper succession planning for the Bank.

5. Board Finance & General Purpose Committee:

The Board Finance & General Purpose Committee has oversight responsibility for issues relating to the Bank's budgetary process, procurements and strategic planning. The Committee is comprised of a minimum of four (4) Non-Executive Directors (including an Independent Director). The Committee meets quarterly or as the need arises. Its terms of reference include:

(a) Review major expense lines periodically and approve expenditure within the approval limit of the Committee as documented in the financial manual of authorities;
(b) Participate in and lead an annual strategy retreat for the Board.
(c) Review annually, the Bank's financial projections, as well as capital and operating budgets and review on a quarterly basis with Management, the progress of key initiatives, including actual financial results against targets and projections.
(d) Make recommendations to the Board regarding the Bank's investment strategy, policy and guidelines, its implementation and compliance with those policies and guidelines and the performance of the Bank's investment portfolios.
(e) Ensure a transparent and competitive tendering process on major contracts to guarantee the best value for the Bank.
(f) Review and recommend to the Board for approval, the procurement strategy and policy for the Bank.
(g) Ensure that all major contracts are carried out according to the terms and conditions of the contract agreement.
(h) Other finance matters including recommending for Board approval, the Bank's dividend policy, including amount, nature and timing and other corporate actions.
(i) Recommend a comprehensive framework for delegation of authority on financial matters and ensure compliance with same.

B. *Attendance at Board and Board Committee Meetings*

Records of the Directors' attendance at meetings during Year ended 31 December 2018 are provided below:

DIRECTORS	FULL BOARD	BOARD CORPORATE GOVERNANCE COMMITTEE (BCGC)	BOARD AUDIT COMMITTEE (BAC)	BOARD CREDIT COMMITTEE (BCC)	BOARD FINANCE AND GENERAL PURPOSE COMMITTEE (BFGPC)	BOARD RISK COMMITTEE (BRC)
TOTAL NUMBER OF MEETINGS	**8**	**8**	**7**	**15**	**12**	**9**
Mr. Ernest Ebi, MFR, FCIB	8	NA	NA	NA	NA	NA
Mr. Michael Okeke	8	8	NA	NA	12	9
Mr. Alex C. Ojukwu	8	8	7	15	NA	9
Otunba Seni Adetu	8	8	7	15	12	9
Pst. Kings Akuma	8	NA	4	15	12	9
Chief Charles Umolu	8	8	7	15	12	9
Mr. Chidi Agbapu	8	NA	1	2	2	NA
Mr. Nnamdi Okonkwo	8	NA	NA	12	NA	7
Mr. Mohammed Balarabe	8	NA	NA	13	NA	NA
Mrs. Chijioke Ugochukwu	8	NA	NA	NA	NA	NA
Mrs. Aku P. Odinkemelu	8	NA	NA	NA	NA	NA
Mrs. Nneka Onyeali-Ikpe	8	NA	NA	NA	NA	NA
Mr. Adeyeye Adepegba	8	NA	NA	NA	NA	NA
Mr. Robert Nnana-Kalu	8	6	3	11	6	NA
Alhaji Bashari Gumel	8	NA	NA	2	NA	NA

*NA- Not Applicable.

Notes:

i. **Mr. Adeyeye Adepegba** retired on January 24, 2018, before the first Board meeting was convened.
ii. **Alhaji Bashari Gumel** retired on February 15, 2018 before the first Board meeting was convened.
iii. **Mr. Robert Nnana-Kalu** retired on September 4, 2018.
iv. **Mr. Chidi Agbapu's** appointment as a Non-Executive Director was approved by the Central Bank on September 3, 2018.
v. **Pst. Kings Akuma** joined Board Audit Committee in September 2018, following the retirement of Mr. Robert Nnana-Kalu.

C. Statutory Audit Committee

The Statutory Audit Committee was established in compliance with Section 359(3) of the Companies and Allied Matters Act, CAP C20, LFN 2004. The Committee has six (6) members and membership is split evenly between three (3) members of the Board and three (3) members nominated annually by Shareholders at the Annual General Meeting.

The Committee's primary responsibilities include:

(a) Review the External Auditor's proposed audit scope and approach.
(b) Monitor the activities and performance of External Auditors.
(c) Review with the External Auditors any difficulties encountered in the course of the audit.
(d) Review results of the half year and annual audits and discuss same with Management and the External Auditors.
(e) Present the report of the Statutory Audit Committee to the Shareholders at the Annual General Meeting.

Membership and attendance at the Statutory Audit Committee meetings during the year ended 31 December 2018 is as indicated below:

S/N	NAME	DESIGNATION	NUMBER OF MEETINGS	NUMBER ATTENED
1	Mr Frank Onwu	Chairman/ Shareholder Representative	7	7
2	Dr. Christian Nwinia	Shareholder Representative	7	7
3	Mr Chidi Agbapu*	Shareholder Rep.	4	4
4	Mr Michael Okeke	Non-Executive Director	7	7
5	Mr Alex Ojukwu	Non-Executive Director	7	7
6	Pst. Kings Akuma	Non-Executive Director	7	7

NOTES
(j) * **Mr. Chidi Agbapu** ceased to be a member of the Committee following the Central Bank's approval of his appointment as a Non-Executive Director of the Bank.
(ii). The Charter of the Statutory Audit Committee requires that at least two (2) representatives of the Shareholders are present at every meeting. This quorum requirement was met throughout the period under review.

D. General Meetings

Fidelity Bank recognizes that its shareholders are major stakeholders in the enterprise and that General Meetings are the primary avenue for interaction between the shareholders, Management and the Board. Since shareholders collectively constitute the highest decision making organ in the Company, the Bank complies strictly with regulatory requirements and convenes at least one General Meeting (the Annual General Meeting) in each financial year, to give all shareholders the opportunity to participate in governance.

The meetings are convened and conducted in a transparent manner and also attended by representatives of the Central Bank of Nigeria, Securities & Exchange Commission, Nigerian Stock Exchange, Corporate Affairs Commission, Nigeria Deposit Insurance Corporation and various Shareholders' Associations.

The Board takes a keen interest in its responsibility to ensure that material developments (financial and non-financial) are promptly communicated to shareholders. The Board is also conscious of regulatory reporting requirements and routinely discloses material information to all stakeholders. To achieve this, the Bank has developed formal structures for information dissemination via direct communication to all interested parties using electronic and print media as well as its website, www.fidelitybank.ng

D. General Meetings- continued

The Bank's Company Secretariat is well equipped to handle enquiries from shareholders in a timely manner. The Company Secretary also ensures that any concerns expressed by investors, are communicated to Management and the Board as appropriate.

E. Management Committees

In addition to the Board, Board Committees, Statutory Audit Committee and the Shareholders in General Meeting, the Bank's governance objectives are also met through the Management Committees. Each Management Committee has a formal Charter which guides its purpose, composition, responsibilities and similar matters. Fuller details on the operations of the Committees are detailed below:

1. Executive Committee:

The Executive Committee (EXCO) is charged with overseeing the business of the Bank within agreed financial and other limits set by the Board from time to time. This Committee is comprised of the Managing Director and the Executive Directors of the Bank. The Committee meets monthly or as required and has the following key objectives:

(a) Ensure implementation of the Bank's Business Plan and Strategy upon approval of same by the Board;
(b) Review budget presentations for each financial year ahead of presentation to the Board;
(c) Evaluate the Bank's strategy at quarterly intervals and update the Board on same;
(d) Review the Bank's Budget performance at quarterly intervals and update the Board on same at bi-annual intervals;
(e) Review the Bank's Quarterly, Half-Yearly and Full Year financial statements ahead of presentation to the Board and the Regulators;
(f) Review and approve proposals for capital expenditure and acquisitions within its approval limit;
(g) Make recommendations to the Board on dividend and/or corporate actions for each financial year; and
(h) Any other matter as the Board may direct.

2. Asset & Liability Committee:

Membership of the Asset & Liability Committee is derived mainly from the asset and liability generation divisions of the Bank. The Committee meets fortnightly or as required and has the following key objectives:

(a) Review the economic outlook and its impact on the Bank's strategy.
(b) Ensure adequate liquidity.
(c) Ensure that interest rate risks are within acceptable parameters.
(d) Maintain and enhance the capital position of the Bank.
(e) Maximize risk adjusted returns to stakeholders over the long term.

3. Management Credit Committee:

The primary purpose of the Committee is to advise the Board of Directors on its oversight responsibilities in relation to the Bank's credit exposures and lending practices. The Committee also provides guidance on development of the Bank's credit and lending objectives. The Committee meets once a week or as necessary and its key responsibilities include the following:

3. Management Credit Committee- continued

(a) Establishing the Minimum Lending Rate and Prime Lending Rate (PLR).
(b) Recommending Target Market Definition (TMD) and Risk Assets Acceptance Criteria (RAAC).
(c) Pre-approval of Platform Credits (Product Papers).
(d) Recommend Inter-Bank and Discount House Placement Limits.
(e) Review the policies and the methodologies for assessing the Bank's credit risks and recommend appropriate exposure limits.
(f) Approve credit facilities within the Committee's approval limits and recommend for approval as appropriate, credit facilities above its approval limit.
(g) Review and recommend the Bank's loan portfolio limits and classifications.
(h) Review and recommend changes to credit policy guidelines for Board approval.

4. Criticized Assets Committee:

The Criticized Assets Committee is responsible for the review and coverage of the Bank's total risk assets portfolio for quality. It also ensures that approved facilities are operated in accordance with approved terms and conditions and accelerates collection/recovery of non-performing loans. This Committee is comprised of the Managing Director and all the Executive Directors of the Bank and key management personnel including the Chief Risk Officer. The Committee meets monthly or as required and has the following key objectives:

(a) Review of individual credit facilities based on their risk rating and exceptions.
(b) Review of the loan portfolio of Business Divisions/Groups/Units bank-wide.
(c) Review the activities and oversee the effectiveness of the Regional Criticized Assets Committees.
(d) Review of collateral documentation to ensure compliance with approvals.
(e) Approval of portfolio classification/reclassification and level of provisioning.
(f) Approval of loan transfers to any committee or persons for recovery action.
(g) Continuously review and evaluate recovery strategies on each account, and recommend alternative strategies on an account-by-account basis.
(h) Review performance of loan recovery agents, and other third party agents assigned recovery briefs with the objective of delisting non-performers.
(i) Consider and recommend collateral realization on defaulting accounts.
(j) Recommend for EXCO or Board approval, waivers and concessions and propose amounts to be paid as full and final settlement by defaulting borrowers.
(k) Recommend interest suspension for non-performing accounts on a case-by-case basis.

5. Quarterly Business Review Committee:

This Committee meets quarterly or as necessary and has the following key objectives:

(a) Review the Bank's quarterly performance.
(b) Monitor budget achievement.
(c) Assess efficiency of resource deployment in the Bank.
(d) Review product performance.
(e) Reappraise cost management initiatives.
(f) Develop and implement a framework for measuring performance in the Bank.
(g) Develop Key Performance Indicators (KPI) for business and support units within the Bank.
(h) Determine the basis for rewards and consequence management.

6. Operational Risk & Service Measurement Committee:

The Operational Risk & Service Measurement Committee meets monthly or as necessary and over sees all matters related to operational risk and service delivery in the Bank. The Committee is charged with the following key responsibilities:

(a) Ensuring full implementation of the risk management framework approved by the Board of Directors.
(b) Monitoring the implementation of policies, processes and procedures for managing operational risk in all of the Bank's material products, activities, processes and systems.
(c) Ensuring that clear roles and responsibilities are defined for the management of operational risks throughout all levels of the Bank, including all Business and Support Units.
(d) Providing support to the Chief Risk Officer and Chief Compliance Officer to ensure that a culture of compliance is entrenched throughout the Bank.

Notes

Except for the Board Credit Committee, which meets monthly or as the need arises, all other Board and Board Committee meetings are held quarterly or as the need arises. The Board Chairman is not a member of any Board Committee. Each Board Committee Chairman presents a formal report on the Committee's deliberations at subsequent Board meetings.

Management Committee Meetings are held weekly, fortnightly, monthly or quarterly per the terms of reference of each Committee or as the need arises. The Bank diligently submits its financial reports quarterly, half yearly and annually to the Securities & Exchange Commission and the Nigerian Stock Exchange for publication following approval by the Central Bank of Nigeria.

Governance and Management

Fidelity has adopted various policies which define acceptable standards of behavior in the organization. These include the following:

(a) Code of Business Conduct and Ethics Policy.
(b) Directors Code of Conduct Policy.
(c) Insider Trading Policy.
(d) Whistle-blowing Policy; and,
(e) Shareholders Complaints Management Policy.

Code of Business Conduct and Ethics Policy

The Code of Business Conduct and Ethics ("the Code") is an expression of the Bank's core values and represents a framework for guidance in decision-making. The main objectives of the Policy are to:

(a) Demonstrate the Bank's commitment to the highest standards of ethics and business conduct; and
(b) Govern the Bank's relationship with employees, customers, suppliers, shareholders, competitors, the communities in which it operates and the relationship with each other as employees.

The Code requires all Directors, significant shareholders, officers and employees of the Bank to avoid taking actions or placing themselves in positions that create or could create the appearance of conflict of interest, corruption or impropriety. The Bank must also protect the privacy of its customers' financial and other personal information. The Code provides basic guidelines of business practice, professional and personal conduct that the Bank expects all employees to adopt and uphold as members of Team Fidelity. Employees are also expected to comply with other policies referred to in the Code, additional policies that apply to their specific job functions, and the spirit and letter of all laws and regulations.

At the beginning of each year and upon resumption, all employees are required to formally disclose that they have no material or any other conflicting interests as well as declare their interest in any account, customer, transaction or person who is a party to a material contract or proposed contract with the Bank.

The Chief Audit Executive has the primary responsibility of enforcing the Code subject to the supervision of the Ethics Committee and the Board Audit Committee. The execution of disciplinary actions and sanctions for infringement of the Code are guided by the Bank's disciplinary procedure as documented in the Staff Handbook.

Directors' Code of Conduct Policy

At the Board level, the Board of Directors adopted the Directors' Code of Conduct Policy, which sets out the ethical standards that each Director is expected to adhere to. Directors have a duty to oversee the management of the business and affairs of the Bank. In carrying out this duty, Directors are expected to act honestly, in good faith and in the best interest of the Bank at all times. All Directors are expected to execute and annual attestation to adhere strictly to the Code and also formally declare their interest, if any, in any contract or transaction to which the Bank is a party.

Insider Trading Policy (Dealing in the Company's Securities)

The Bank has a formal Insider Trading Policy that prohibits all "Insiders" and their "Connected Persons" (as defined in the Policy) from dealing in the Company's securities at certain times. The provisions of the Policy are based on terms no less exacting than the standards defined in the Listing Rules of the Nigerian Stock Exchange. The objectives of the Policy include the following:

(a) Promote compliance with the provisions of the Investments and Securities Act (ISA) 2007, the Securities and Exchange Commission Code of Corporate Governance and the Listing Rules of the Nigerian Stock Exchange;
(b) Ensure that all persons to whom the policy applies (affected persons), who possess material non-public information do not engage in insider trading or tipping.
(c) Ensure that all the Bank's employees and Directors comply with utmost secrecy and confidentiality on all information which they receive as a result of their position within the Bank; and
(d) Protect the Bank and its staff from reputational damage and penalties that may be imposed by regulators as a result of improper identification, disclosure and management of insider trading activities.

The Policy has been communicated to all persons to whom it is applicable including Employees, Directors and members of the Statutory Audit Committee. The Company Secretary periodically notifies affected persons of when trading in the Bank's securities is either permitted (Open Periods) or prohibited (Blackout Periods).

The Bank has established a mechanism for monitoring compliance with the Policy and affected persons are required to notify the Company Secretary of transactions undertaken on their accounts in the Bank's securities. Enquiries are also made to confirm the Directors compliance with the Policy and in event of non-compliance, the reasons for same and the remedial steps taken. In addition to being hosted on the Bank's website and Share Points Portal (an internal web-based application), the Policy is circulated to all affected persons on a regular basis.

Whistle-blowing Policy

Fidelity Bank Plc requires all Employees, Directors, Vendors and other Stakeholders to conduct themselves with the utmost fidelity and good faith in their dealings with the Bank and its stakeholders at all times. The Bank's Whistle-Blowing Policy and Procedures therefore aim to strengthen its corporate governance and risk management architecture whilst enhancing value for all stakeholders.

To this end, internal and external stakeholders are encouraged to report their concerns about any ostensibly unethical behaviour to enable the Bank investigate and address same appropriately.

The Bank recognizes the need for protection of whistle-blowers and takes all reasonable steps to protect their identity. The Bank also appreciates the importance of utmost confidentiality in these situations and has developed various anonymous channels for reporting unethical behaviour.

The Bank has provided the following reporting channels to ensure that all ethical issues can be reported to the Ethics Committee directly or anonymously, through the following media:

i. Email to **ethicscommittee@fidelitybank.ng**
ii. Click on **www.fidelitybank.ng/index.php/contact/whistle-blowing-form/**
iii. Call **01-448-5252 (Fidelity True Serve)**

A policy statement on whistle-blowing is available on the Bank's website along with a whistle-blowing form, to ease the reporting process. This can be accessed at:

https://www.fidelitybank.ng/index.php/contact/whistle-blowing-form

The Board is responsible for implementation of the Policy and communication of same to stakeholders. To facilitate implementation of the Policy, the Bank has established an Ethics Committee comprised of staff drawn from key areas of the Bank including Operations, Legal, and Human Resources.

The Ethics Committee is responsible for receiving and evaluating whistle-blowing reports, deciding the nature of the action to be taken, reviewing the report of any enquiry arising from a whistle-blowing report, providing feedback on the outcome of investigations to the whistle-blower (where the whistle-blower has provided a means of communicating with him/her).

The Ethics Committee also provides updates on whistle-blowing incidents to the Board Audit Committee on a quarterly basis, through the Chief Internal Auditor. In addition, the Chief Compliance Officer renders periodic returns on whistle-blowing incidents to the Central Bank of Nigeria and Nigeria Deposit Insurance Corporation as appropriate.

Gender Diversity

Fidelity Bank is an equal opportunity employer and is committed to promoting gender diversity in the work place. The Bank recognizes that women have different skill sets, viewpoints, ideas and insights which will enable it serve a diverse customer base more effectively. The report on Gender Analysis and steps being taken to enhance gender diversity is detailed in the Directors Report and Sustainability Report at pages 2 and 66 of this annual report.

Shareholders' Complaints Management Policy

Fidelity Bank is committed to ensuring that Shareholders complaints are dealt with in a responsive, efficient and effective manner. To this end, the Bank adopted a Shareholders' Complaints Management Policy in July 2015. The Company Secretary is vested with the responsibility for implementation of the Policy, resolution of complaints and achievement of outcomes.

The Complaints Management framework includes the process for receiving, addressing, managing and resolving complaints from Shareholders on issues covered by the Investments and Securities Act (ISA), 2007; Rules and Regulations made pursuant to the ISA, Rules and Regulations of the Securities and Exchange Commission (SEC), and the Nigerian Stock Exchange (NSE) on the trading of the Bank's securities and guidelines of recognized Trade Associations.

The objectives of the Policy include:

(a) Ensure compliance with the provisions of the SEC Rules relating to Complaints Management Framework, the Rules and Regulations made pursuant to the ISA, the rules and regulations of Securities Exchanges and guidelines of public companies/recognized trade associations as well as other applicable regulatory requirements.
(b) Handle complaints by Shareholders, Stakeholders, and Customers in relation to Fidelity Bank's shares.
(c) Provide an avenue for Shareholder communication and feedback.
(d) Recognize, promote and protect Shareholders rights, including the right to comment and provide feedback on service.
(e) Provide an efficient, fair and accessible framework for resolving Shareholder complaints and feedback to improve service delivery.
(f) Inform Shareholders on the Shareholder feedback handling processes.
(g) Establish a framework to guide against trade manipulation, accounting frauds, Ponzi schemes and such other complaints as may be determined by the SEC from time to time.
(h) Establish and maintain an electronic complaints register and provide information on a quarterly basis to the NSE in line with regulations.
(i) Protect the Bank from sanctions from regulatory bodies and ensure strict compliance by the responsible parties.

The Company Secretary

The Company Secretary plays a key role in ensuring that Board procedures are complied with and that Board members are aware of and provided with guidance as to their duties and responsibilities. The Company Secretary is responsible for the following:

(a) Ensuring that the applicable rules and regulations for the conduct of the affairs of the Board are complied with.
(b) Provision of facilities associated with maintenance of the Board or otherwise required for its efficient operation.
(c) Provide a central source of guidance and advice to the Board on matters of ethics and implementation of the Codes of Corporate Governance, as well as providing administrative support to the Board and Board Committees.

(d) Coordinating the orientation, induction and training of new Directors, and the continuous training of existing Directors.
(e) Assist the Chairman and Managing Director/CEO to formulate the annual Board Plan and administration of other strategic issues at the Board level.
(f) Organize Board/General meetings and properly record and communicate the decisions for implementation.
(g) Update the Board and or Management on contemporary developments in corporate governance.

The Company Secretary also acts as a liaison between the Shareholders, the Bank's Registrars and the Investor Relations Desk and ensures timely communication with Shareholders in relation to issuance of shares, calls on shares, replacement of share certificates, managing of shareholding accounts, dividend payment, production and distribution of annual reports amongst others. The Board is responsible for the appointment and disengagement of the Company Secretary.

Governance and Compliance

The Chief Compliance Officer of the Bank is charged with the responsibility of monitoring the Bank's compliance with all applicable legislation including the Code of Corporate Governance issued by the Central Bank of Nigeria. The Chief Compliance Officer and the Company Secretary forward periodic returns on the various governance Codes to the Central Bank, Nigerian Stock Exchange, Securities & Exchange Commission and Nigerian Deposit Insurance Corporation as appropriate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIDELITY BANK PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fidelity Bank PLC ("the Bank") which comprise the statement of financial position as at **31 December 2018**, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria (CBN) Circulars.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants (IESBA), the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 (CAMA) and other independence requirements applicable to performing audits of financial statements of Fidelity Bank PLC. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and CAMA applicable to performing the audit of Fidelity Bank PLC. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIDELITY BANK PLC - Continued

Key Audit Matter	How the matter was addressed in the audit
Financial Asset credit loss (impairment)	
Financial assets constitute a significant portion of the Bank's statement of financial position, as a major component of the Bank's financial intermediation function revolves around granting of credit and other counter party dealings. The adoption of the International Financial Reporting Standards (IFRS 9) - Financial Instrument recognition and measurement effective 01 January 2018 introduced an expected credit loss model (ECL) for recognizing impairments for financial instruments different from the incurred loss model under IAS 39. The ECL model involves the application of considerable level of judgement and estimation in determining inputs for ECL calculation such as: • determining criteria for significant increase in credit risk (SICR) for staging purpose. (At origination, financial asset is classified under stage 1, when there is significant increase in credit risk, the financial asset is migrated to stage 2 and subsequently to stage 3 when there is default). • assessing the relationship between the quantitative factors such as default and qualitative factors such as macro-economic variables. • incorporating forward looking information in the model building process • factors incorporated in determining the Probability of Default (PD), the Loss Given Default (LGD), the Recovery Rate and the Exposure at Default (EAD) • factors considered in cash flow estimation including timing and amount • factors considered in collateral valuation including hair cut and time to realisation. • incorporating multitple scenarios • determining credit conversion factor for undrawn commitments and off -balance sheet exposures sure as bonds and guarantees and letters of credits. Adopting IFRS 9 for the first time also requires some judgements in taking certain key decisions which will impact the transitional disclosures as at 01 January 2018. Refer to notes: 2.1.2a, 2.1.3, 8 and 21. This is considered a key audit matter given the level of complexity and judgement involved which required considerable audit time and expertise.	Our audit approach was a mix of both control and substantive procedures. We reviewed the Application and IT General Controls governing the IFRS reporting application deployed by the Bank; such as data migration from the core banking application to the IFRS reporting application for processing the IFRS numbers, access controls over inputs into the system, change management controls and staging configuration within the system. We gained an understanding of how the PD's and LGD's were derived by the system by performing a walkthrough using live data. For financial assets classified under stages 1 & 2, we selected material assets and reviewed the repayment history for possible repayment default. We challenged the various factors considered in classifying the financial assets within stage 1 & 2 and in the measurement of ECL. For stage 3 financial assets, we challenged all the assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and timing of realization. In instances where we were not satisfied with the assumptions used by the management in its cash flow estimation and discounting, we challenged management assumptions by re-computing the cash flows to determine the recoverable amounts. We also challenged the assumptions in determining the Credit Conversion Factor (CCF) for undrawn commitments and off- balance sheet exposures. Lastly, we reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with the IFRS 7- Financial Instruments: Disclosures.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIDELITY BANK PLC - Continued

Other Information

The Directors are responsible for the other information. The other information comprises the Statement of Value Added, the Five year Financial Summary, the Directors' Report as required by Section 342 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Report of Statutory Audit Committee, the Coporate Governance Report and Statments of Directors' responsibility in relation to the preparation of the finanacial statements, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditors' 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.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and relevant Central Bank of Nigeria circulars and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIDELITY BANK PLC - Continued

Auditors' Responsibilities for the Audit of the Financial Statements - Continued

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

• Conclude on the appropriateness of 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 auditors report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities from the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF FIDELITY BANK PLC - Continued

We also provide the Directors 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 the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore key audit matters. We describe these matters in our auditors' 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

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, 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 purpose of our audit;

ii) In our opinion proper books of account have been kept by the Bank, in so far as it appears from our examination of those books;

iii) the Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

iv) in our opinion, the financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and Section 28(2) of the Insurance Act 2003 so as to give a true and fair view

In compliance with the Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004 and circulars issued by Central Bank of Nigeria, we confirm that:

i) Related party transactions and balances are disclosed in Note 35 of the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2004.

ii) Returns on customers' complaints are disclosed in Note 38.2 to the financial statements in compliance with Central Bank of Nigeria circular PDR/DIR/CIR/01/20.

iii) As stated in Note 38.1 to the financial statements, the Bank paid penalties for contraventions of certain sections of the Banks and Other Financial Institutions Act CAP B3, Laws of the Federation of Nigeria 2004 and relevant Central Bank of Nigeria Circulars during the year ended 31 December 2018.

Signed:

Jamiu Olakisan, FCA
FRC/2013/ICAN/00000003918
For: Ernst & Young
(Chartered Accountants)
Lagos, Nigeria
Date: 19 March 2019

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
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FIDELITY BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		N'million	N'million
			Restated*
Gross Earnings		**188,873**	**180,244**
Interest and similar income	6	153,682	147,419
Interest and similar expense	7	(84,095)	(79,278)
Net interest income		**69,587**	**68,141**
Credit loss expense	8	(4,215)	(11,315)
Net interest income after credit loss expense		**65,372**	**56,826**
Fee and commission income	9	20,410	18,229
Fee and commission expense	9	(3,346)	(3,674)
Other operating income	10	11,144	10,925
Net gains from financial assets at fair value through profit or loss	11	3,637	3,671
Personnel expenses	12	(23,910)	(24,535)
Depreciation and amortisation	13	(6,247)	(4,373)
Other operating expenses	14	(41,971)	(37,856)
Profit before income tax		**25,089**	**19,213**
Income tax expense	15	(2,163)	(1,445)
PROFIT FOR THE YEAR		**22,926**	**17,768**
Other comprehensive income:	32		
Items that will not be reclassified subsequently to profit or loss			
Revaluation gains on equity instruments at fair value through other comprehensive income**		1,612	-
Total items that will not be reclassified subsequently to profit or loss		**1,612**	-
Items that will be reclassified subsequently to profit or loss			
Debt instruments at fair value through other comprehensive income**:			
- Net change in fair value during the year		(2,424)	
- Changes in allowance for expected credit losses		277	-
- Reclassification adjustments to profit or loss	16	(1,671)	-
Net losses on debt instruments at fair value through other comprehensive income		(3,818)	-
Available-for-sale financial assets**:			
- Unrealised net gains arising during the year		-	3,732
- Net reclassification adjustments for realised net gains	16	-	(622)
Net gains on available-for-sale financial assets		-	**3,110**
Total items that will be reclassified subsequently to profit or loss		**(3,818)**	**3,110**
Other comprehensive (loss)/income for the year, net of tax		**(2,206)**	**3,110**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**20,720**	**20,878**

*** Income from these instruments is exempted from tax*

	Notes	2018	2017
Earnings per share			
Basic and diluted (in kobo)	17	**79.16**	**61.35**

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 44.

The accompanying notes to the financial statements are an integral part of these financial statements.

FIDELITY BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 N'million	31 December 2017 N'million Restated*	01 January 2017 N'million Restated*
ASSETS				
Cash and balances with central bank	18	384,931	269,625	207,061
Due from banks	20	111,633	52,287	49,200
Loans and advances to customers	21	849,880	768,737	718,401
Investment securities:				
Financial assets at fair value through profit or loss	22.1	14,052	20,639	18,098
Debt instruments at fair value through other comprehensive income	22.2	157,639	-	-
Equity instruments at fair value through other comprehensive incon	22.3	9,977	-	-
Debt instrument at amortised cost	22.4	118,662	-	-
Available-for-sale	22.5	-	76,815	88,586
Held to maturity	22.6	-	108,784	138,134
Other assets	26	35,124	43,194	37,510
Property, plant and equipment	23	36,909	38,504	40,356
Intangible assets	24	1,076	629	795
TOTAL ASSETS		**1,719,883**	**1,379,214**	**1,298,141**
LIABILITIES				
Deposits from customers	27	979,413	775,276	792,971
Current income tax payable	15	1,609	1,445	1,327
Deferred tax liabilities	25	-	-	-
Other liabilities	28	300,335	185,154	158,725
Provision	29	3,343	2,745	1,546
Debts issued and other borrowed funds	30	240,767	213,233	159,035
TOTAL LIABILITIES		**1,525,467**	**1,177,853**	**1,113,604**
EQUITY				
Share capital	31	14,481	14,481	14,481
Share premium	32	101,272	101,272	101,272
Retained earnings	32	37,133	23,372	25,053
Other equity reserves:				
Statutory reserve	32	30,744	27,305	24,476
Small scale investment reserve (SSI)	32	764	764	764
Non-distributable regulatory reserve (NDR)	32	408	28,837	16,271
Fair value reserve	32	7,038	5,330	2,220
AGSMEIS reserve	32	2,576	-	-
TOTAL EQUITY		**194,416**	**201,361**	**184,537**
TOTAL LIABILITIES AND EQUITY		**1,719,883**	**1,379,214**	**1,298,141**

*Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to Note 44.

The accompanying notes to the financial statements are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 08 March 2019 and signed on its behalf by:

Ernest Ebi
Chairman
FRC/2017/CIBN/00000016317

Nnamdi Okonkwo
Managing Director/ Chief Executive Offic
FRC/2013/ICANI/00000006963

Victor Abejegah
Chief Financial Officer
FRC/2013/ICAN/00000001733

FIDELITY BANK PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At 31 December 2017	**14,481**	**101,272**	**23,372**	**27,305**	**764**	**28,837**	**5,330**	**-**	**201,361**
Impact of adopting IFRS 9 (Note 2.18)	-	-	(28,393)	-	-	-	**3,915**	-	(24,478)
Transfers between reserves (Note 32)	-	-	28,393	-	-	(28,393)	-	-	-
Restated opening balance under IFRS 9	**14,481**	**101,272**	**23,372**	**27,305**	**764**	**444**	**9,245**	**-**	**176,883**
Profit for the year	-	-	22,926	-	-	-	-	-	22,926
Other comprehensive income						-	-	-	-
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	(2,424)	-	(2,424)
Net change in fair value of equity instrument at FVOCI	-	-	-	-	-	-	1,612	-	1,612
Changes in allowance for expected credit losses	-	-	-	-	-	-	277	-	277
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(1,671)	-	(1,671)
Total comprehensive income	**-**	**-**	**22,926**	**-**	**-**	**-**	**(2,206)**	**-**	**20,720**
Dividends paid	-	-	(3,186)	-	-	-	-		(3,186)
Transfers between reserves (Note 32)	-	-	(5,979)	3,439		(36)	-	2,576	-
At 31 December 2018	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Available for sale reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2017	**14,481**	**101,272**	**25,918**	**24,476**	**764**	**16,271**	**2,220**	**-**	**185,402**
Correction of error (See note **44)**	-	-	(865)	-	-	-	-	-	(865)
01 January 2017, as restated	**14,481**	**101,272**	**25,053**	**24,476**	**764**	**16,271**	**2,220**	**-**	**184,537**
Profit for the year, as restated (See note 44)	-	-	17,768	-	-	-	-	-	17,768
Other comprehensive income								-	
Unrealised net gains arising during the year	-	-	-	-	-	-	3,732	-	3,732
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(622)	-	(622)
Total comprehensive income	**-**	**-**	**17,768**	**-**	**-**	**-**	**3,110**	**-**	**20,878**
Dividends paid	-	-	(4,055)	-	-	-	-	-	(4,055)
Transfers between reserves (Note 32)	-	-	(15,395)	2,829	-	12,566	-	-	-
At 31 December 2017, (restated)	**14,481**	**101,272**	**23,372**	**27,305**	**764**	**28,837**	**5,330**	**-**	**201,361**

The accompanying notes to the financial statements are an integral part of these financial statements.

FIDELITY BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 N'million	2017 N'million Restated*
Operating Activities			
Cash flows used in operations	**33**	113,294	(95,553)
Interest received		146,676	139,724
Interest paid		(81,853)	(77,083)
Paid to staff in respect of Staff gratuity		-	(4,118)
Income tax paid	**15c**	(1,053)	(996)
Net cash flows from /(used in) operating activities		**177,064**	**(38,026)**
Investing activities			
Purchase of property, plant and equipment	**23**	(2,281)	(2,057)
Proceeds from sale of property and equipment		76	154
Purchase of intangible assets	**24**	(2,879)	(369)
Purchase of AFS and HTM financial assets-2017		-	(187,625)
Purchase of FVTOCI financial assets		(246,754)	-
Purchase of amortised cost financial assets		(54,244)	-
Redemption of HTM financial assets at maturity		-	87,975
Proceed from sale of AFS financial assets		-	144,504
Redemption of amortised cost financial assets		51,842	-
Proceed from sale of FVTOCI financial assets		154,647	
Proceed from sale of equity instruments at FVOCI		1,299	-
Dividend received		229	891
Net cash flows provided by investing activities		**(98,065)**	**43,473**
Financing activities			
Dividends paid		(3,186)	(4,055)
Proceeds of debts issued and other borrowed funds	**30**	57,498	135,128
Repayment of long term borrowings	**30**	(32,317)	(87,318)
Net cash flows (used in)/ from financing activities		**21,995**	**43,755**
Net increase in cash and cash equivalents		**100,994**	**49,202**
Net foreign exchange difference on cash and cash equivalents		5,061	5,678
Cash and cash equivalents at 1 January	**19**	**140,895**	**86,015**
Cash and cash equivalents at 31 Decemeber	**19**	**246,950**	**140,895**

The accompanying notes to the financial statements are an integral part of these financial statements.

1. General information

These financial statements are for Fidelity Bank Plc (the "Bank"), a company incorporated in Nigeria on 19 November 1987.

The registered office address of the Bank is at Fidelity Place, 1 Fidelity Bank Close Off Kofo Abayomi Street, Victoria-Island, Lagos, Nigeria.

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Fidelity Bank Plc provides a full range of financial services including investment, commercial and retail banking.

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

Statement of compliance

The Bank's financial statements for year ended 31 Dcemeber 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Additional information required by national regulations is included where appropriate.

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, statement of cashflows, significant accounting policies and the notes to the financial statements.

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except for financial assets and financial liabilities measured at fair value.

The financial statements are presented in Naira, which is the Bank's presentation currency. The figures shown in the financial statements are stated in Naira millions.

2.1.2 Changes on accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Bank has applied IFRS 9, IFRS 7R (Revised) and IFRS 15, effective for annual periods beginning on or after 1 January 2018, for the first time. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Bank.

a IFRS 9 - Financial instruments: Impact on adoption

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any earlier versions of IFRS 9 in previous periods. IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018.

a IFRS 9 - Financial instruments: Impact on adoption - continued

As permitted by the transitional provisions of IFRS 9, the Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as at 1 January 2018 and are disclosed in Note 2.18 (i.e. Transitional disclosures). Consequently, for notes disclosures, the amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans have been replaced by:
• Debt instruments at amortised cost
• Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
• Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
• Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39.

The Bank's classification of its financial assets and liabilities is explained in Notes 2.18. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 2.18.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.
Details of the Bank's impairment method are disclosed in Note 2.4.3. The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in Note 2.18 (i.e. Transitional disclosures).

b IFRS 7 Revised (IFRS 7R)

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in Note 2.18, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.

Reconciliations from opening to closing ECL allowances are presented in Notes 2.18 (Transitional disclosures).

c IFRS 15 Revenue from contracts with customers

The Bank adopted IFRS 15 Revenue from contracts with customers on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The standard establishes a more systematic approach for revenue measurement and recognition by introducing a five-step model governing revenue recognition. The five-step model requires the Bank to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied.

There are no significant impacts from the adoption of IFRS 15 in relation to the timing of when the Bank recognises revenues or when revenue should be recognised gross as a principal or net as an agent. Therefore, Fidelity Bank will continue to recognise fee and commission income charged for services provided by the Bank as the services are provided (for example on completion of the underlying transaction). Revenue recognition for trading income and net investment income are recognised based on requirements of IFRS 9. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

d Impact of adoption of new standard on the third statement of financial position

The Bank adopted new IFRS standards during the period which led to changes in its accounting policies. The Bank applied these changes in accounting policies retrospectively and as such it is expected to present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements as required by IAS 1.40A. However, the third statement of financial position is not presented because the retrospective adjustments have no impact on the third statement of financial position. This is because the Bank opted not to restate the comparative figures as permitted by IFRS 9.

2.1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the accompanying disclosure, as well as the disclosure of contingent liability about these assumption and estimates that could result in outcome that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

Management discusses with the Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

ESTIMATES AND ASSUMPTIONS

The key assumption concerning the future and other key sources of estimation uncertainly at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Bank based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 3 for further disclosures.

Allowances for credit losses

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL,

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Determination of collateral Value

Management monitors market value of collateral in a regular basis. Management uses its experienced judgement on independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depend on the assessment of credit risk of the counterpart.

The Directors believes that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

JUDGEMENTS

In the process of applying the Bank's accounting policies, management has made the following judgements, which have significant effect on the amount recognised in the financial statements:

Depreciation and carrying value of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

2.2 Standards Issued But Not Yet Effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.
In applying IFRS 16 for the first time, the Bank will use the following practical expedients permitted by the standard:
• the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2018 as short-term leases

The Bank plans to adopt IFRS 16 using modified retrospective approach. The Bank has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease. Thus, the adoption of IFRS 16 in 2019 will not have material impact on the Bank.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

• A specific adaptation for contracts with direct participation features (the variable fee approach)
• A simplified approach (the premium allocation approach) mainly for short-duration contracts
IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.
IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

Amendment to IAS 1 and 8: Definition of material

The IASB issued *Definition of Material (Amendments to IAS 1 and IAS 8)* in October 2018 to clarify and align the definition of material. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

The amendments are a response to findings that some companies experienced difficulties using the old definition when judging whether information was material for inclusion in the financial statements.
The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.
The changes are effective from 1 January 2020, but companies can decide to apply them earlier. These amendments will not have any impact on the Bank..

Amendment to IFRS 3: Definition of business

he amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
Distinguishing between a business and a group of assets is important because an acquirer recognises goodwill only when acquiring a business

The amendments:
confirmed that a business must include inputs and a process, and clarified that:
the process must be substantive; and the inputs and process must together significantly contribute to creating outputs.
narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

Companies are required to apply the amended definition of a business to acquisitions that occur on or after 1 January 2020. Earlier application is permitted. Since the Bank is not a consolidated entity, the Bank does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The Interpretation specifically addresses the following:
• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances
An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply the interpretation from its effective date. Applying the Interpretation may affect its financial statements. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Bank is still assessing the impact of these ammendaments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. The Bank is still assessing the impact of these amendments.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments will currently have no impact on the financial statements of the Bank.
The Bank will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

• Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

• Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.
An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement.
Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. The Bank does not expect any effect on its financial statements.
These amendments will not have any impact on the Bank.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Bank does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

• **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments do not have any impact on the Bank.

• IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.
The amendments clarify that the previously held interests in that joint operation are not remeasured.
An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Bank but may apply to future transactions.

• IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Bank is still assessing the impact of these amendments.

• IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Bank's current practice is in line with these amendments, the Bank does not expect any effect on its financial statements.

2.3 Foreign currency translation and transaction

(a) Functional and presentation currency

Items included in the financial statements of the Bank 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 (i.e. transactions denominated, or that require settlement, in a currency other than the functional currency) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

In the case of changes in the fair value of monetary assets denominated in foreign currency classified as fair value through other comprehensive income (FVOCI), a distinction is made between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as FVOCI financial assets, are included in other comprehensive income.

2.4 Financial assets and liabilities (Policy applicable for financial instruments from 1 January 2018)

2.4.1 Initial recognition

The Bank initially recognises loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, (for an item not at fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in Net gains/(losses) from financial instruments. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Amortised cost and gross carrying amount

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

The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Effective interest method

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired (`POCI') financial assets — assets that are credit-impaired at initial recognition — the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

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

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

Interest income- continued

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

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

2.4.2 Financial assets - Subsequent measurement

a) Debt instruments

The classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the financial assets and the contractual terms of the cash flows. Based on these factors, the Bank classifies its debt instruments into one of the following measurement categories:

Amortised cost: Financial assets that are held within a business model whose objective is collection of contractual cash flows and where such cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss due to impairment or upon derecognition of a debt investment that is subsequently measured at amortised cost is recognised in profit or loss. Interest income from these financial assets is included in "Interest and similar income" using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held within a business model whose objective is achieved both by collection of contractual cash flows and by selling the assets, where those cash flows represent solely payments of principal and interest, and are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for recognition of impairment gains and losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost 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 and similar income" using the effective interest rate method.

Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented in the profit or loss statement within "Net gains/(losses) from financial instruments classified as held for trading" in the period in which it arises. Interest income from these financial assets is included in "Interest and similar income".

Business Model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Bank's management;

Business Model assessment - continued

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

• how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

Solely payments of principal and interest (SPPI) assessment

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
• features that modify consideration of the time value of money - e.g. periodical rate of interest

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Reclassifications

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

Modifications

If the terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

b) Equity instruments

The Bank subsequently measures all unquoted equity investments at fair value through other comprehensive income. Where the Bank has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the right to receive payments is established.

2.4.3 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 loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, 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. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of 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.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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 if it is 30 days past due. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

• Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12 months expected credit losses (12mECLs). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

• Stage 3: These are loans considered as credit-impaired.The bank records an allowance for the LTECLs.

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

The calculation of ECLs

The Bank calculates ECLs based on a multiple scenario to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.2.4 (c).

The calculation of ECLs - continued

EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 3.2.4 (c).

LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 3.2.4 (c).

When estimating the ECLs, the Bank considers only a single scenario which is considered to be the most likely scenario. When relevant, the assessment also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier, with the exception of revolving facilities which could extend beyond the contractual life.

Provisions for ECLs for undrawn loan commitments are assessed as set out in Note 2.20. The calculation of ECLs (including the ECLs related to the undrawn element) for revolving facilities is explained in Note 3.2.4 (c).

The mechanics of the ECL method are summarised below:

Stage 1

• The 12mECL is calculated as the portion of 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 default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

• When a financial instruments has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above 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 financial instruments considered credit-impaired (as defined in Note 3), 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%.

POCI

• 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, 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. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Loan commitments and letters of credit - continued

• For 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 profit or loss, 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 ECLs related to financial guarantee contracts are recognised within Provisions.

Bank overdraft and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL is measured as follows:

• if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.

• if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt instruments carried at FVOCI are credit-impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following:
• there is significant financial difficulty of a customer/issuer/obligor (potential bad debt indicator);
• there is a breach of contract, such as a default or delinquency in interest or principal payments;
• the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider.
• it becomes probable that a counterparty/borrower may enter bankruptcy or other financial reorganisation;
• there is the disappearance of an active market for a financial asset because of financial difficulties; or
• observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets.
• the financial asset is 90 days past due

A loan that has been renegotiated due to a deterioration in the borrower's financial condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

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 quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 3.

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 mortgage brokers, or based on housing price indices.

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.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position.

2.4.4 Presentation of allowance for ECL

Loan allowances for ECL are presented in the statement of financial position as follows:

• financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• loan commitments and financial guarantee contracts: the loss allowance is recognised as a provision;

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

• debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

The Bank writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity.

2.4.5 Financial liabilities

Initial and subsequent measurement

Financial liabilities are initially measured at their fair value, except in the case of financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. 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. The Bank classifies financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading liabilities are recorded and measured in the statement of financial position at fair value.

In both the current and prior period, all financial liabilities are classified and subsequently measured at amortised cost.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantees contracts are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of the amount of loss allowance and the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.5 Accounting policy applicable for financial instruments before 1 January 2018

2.5.1 Financial assets and liabilities

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

a) Initial recognition and measurement

Financial instruments at fair value through profit or loss are initially recognised at fair value while transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, are recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost depending on their classification.

c) Classification and related measurement

Management determines the classification of its financial instruments at initial recognition. Reclassification of financial assets are permitted in certain instances as discussed below;

i) Financial assets

The Bank classifies its financial assets in terms of the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity financial assets; and available-for-sale financial assets.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Bank as fair value through profit or loss upon initial recognition (the so-called "fair value option"). At the reporting dates covered by these financial statements, financial assets at fair value through profit or loss comprise financial assets classified as held for trading only. Management did not apply the fair value option to any financial assets existing at these dates.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial instruments included in this category are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in 'Net gains/(losses) from financial instruments at fair value' in profit or loss. Interest and similar income and dividend income on financial assets held for trading are included in 'Interest and similar income' and 'Other operating income' respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in the profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

- those that the Bank upon initial recognition designates as fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those that meet the definition of loans and receivables.

These financial assets are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in 'Interest and similar income', with dividend income included in 'Other operating income'. When available-for-sale financial assets are sold or impaired, the cumulative gain or loss recognised in a separate reserve in equity are reclassified to profit or loss.

ii) Financial liabilities

Financial liabilities are classified as at fair value through profit or loss (including financial liabilities held for trading and those designated at fair value through profit or loss) and financial liabilities at amortised cost. The Bank only has financial liabilities at amortised cost.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost using the effective interest method. Interest expense is included in 'Interest & similar expense' in the profit or loss.

d) Reclassification of financial assets

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

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

On reclassification of a financial asset out of the fair value through profit or loss category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

e) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the Statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

g) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan’s original EIR.

h) Impairment of financial assets
Assets carried at amortised cost

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

· Delinquency in contractual payments of principal or interest;
· Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
· Breach of loan covenants or conditiodns;
· Initiation of bankruptcy proceedings;
· Deterioration of the borrower's competitive position;
· Deterioration in the value of collateral;
· Downgrading below investment grade level;
· Significant financial difficulty of the issuer or obligor;
· A breach of contract, such as a default or delinquency in interest or principal payments;
· The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
· It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

· The disappearance of an active market for that financial asset because of financial difficulties; and
· Observable data indicating that there is an measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Assets carried at amortised cost - continued

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for group of assets are reflected and directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Impairment charges on financial assets are included in profit or loss within 'Impairment charges '.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been re-measured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the profit or loss, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

2.6 Revenue recognition

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'Interest income' and 'Interest expense' in the Statement of profit or loss and othe comprehensive income using the effective interest method.

Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided in line with the requirement of IFRS 15 - Revenue from Contracts with Customers. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognised on completion of the underlying transaction.

Income from bonds or guarantees and letters of credit

Income from bonds or guarantees and letters of credit are recognised on a straight line basis over the life of the bond or guarantee in accordance with the requirement of IFRS 15.

Dividend income

Dividends are recognised in profit or loss when the entity's right to receive payment is established.

2.7 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Additionally, intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test may also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

2.8 Statement of cash flows

The Statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Cash and cash equivalents include highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. Net income is therefore adjusted by non-cash items, such as measurement gains or losses, changes in provisions, as well as changes from receivables and liabilities. In addition, all income and expenses from cash transactions that are attributable to investing or financing activities are eliminated.

The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach). Interest received and interest paid are classified as operating cash flows, while dividends received and dividends paid are included in investing and financing activities respectively.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and non-restricted balances with central bank.

2.10 Leases

Leases are divided into finance leases and operating leases.

(a) The company is the lessee
(i) 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 profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

Leases of assets where the Bank 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 'Deposits from customers' depending on the counter party. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

(b) The company is the lessor

(i) Operating lease

When assets are subject to an operating lease, the assets continue to be recognised as property and equipment based on the nature of the asset. Lease income is recognised on a straight line basis over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

(ii) Finance lease

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

2.11 Property, plant and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Bank is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment - continued

Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to 'Other operating expenses' during the financial period in which they are incurred.

Land included in leasehold land and buildings is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:
- Building: 50 years
- Leasehold improvements: The lower of useful life and lease period
- Motor vehicles: 4 years
- Furniture and fittings: 5 years
- Computer equipment: 5 years
-Office equipment: 5 years

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other operating expenses' in profit or loss.

Construction cost and improvements in respect of offices is carried at cost as capital work in progress. On completion of construction or improvements, the related amounts are transferred to the appropriate category of property and equipment. Payments in advance for items of property and equipment are included as Prepayments in “Other Assets” and upon delivery are reclassified as additions in the appropriate category of property and equipment.

2.12 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank, are recognised as intangible assets when the following criteria are met:

· it is technically feasible to complete the software product so that it will be available for use;
· management intends to complete the software product and use or sell it;
· there is an ability to use or sell the software product;
· it can be demonstrated how the software product will generate probable future economic benefits;
· adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
· the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software costs recognised as intangible assets are amortised on the straight-line basis over the life of the intangible asset and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2.13 Income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in arriving at profit or loss, 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 income tax
The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the respective jurisdiction.

(b) Deferred income 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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 from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxables entities where there is an intention to settle the balance on a net basis.

2.14 Provisions
Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The Bank recognises no provisions for future operating losses.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Share capital
(a) Share issue costs
Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

Dividends for the period that are declared after the reporting date are dealt with in the subsequent events note.

Dividends proposed by the Directors but not yet approved by members are disclosed in the financial statements in accordance with the requirements of the Company and Allied Matters Act.

2.16 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where IAS 8 applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.17 Segment Reporting

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which seperate financial information is availble that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The bank has determined the (Executive Committe) as its chief operating decision maker.

IFRS 8.20 states that an entity shall dsiclose information to enable users of its financial statements to evaluate the nature and financial effects of the types of business activities in which it engages and the economic environments in which it operates. Following the management approach to IFRS 8, operating segments are reported in accordance with the internal reports provided to the Bank's Managing Director (the chief operating decision maker). The following summary describes each of the bank's reportable segments.

Retail banking
The retail banking segment offers a comprehensive range of retail, personal and commercial services to individuals, small and medium business customers including a variety of E-Business products to serve the retail banking segment.

Corporate banking
The corporate banking segment offers a comprehensive range of commercial and corporate banking services to the corporate business customers including other meduim and large business customers. The segment covers Power and infrastructure, Oil and Gas Upstream and Downstream, Real Estate, Agro-Allied and other industries.

Investment banking
The bank's investment banking segment is involved in the funding and management of the bank's securities, trading and investment decisions on asset management with a view of maximising the bank's shareholders returns.

2.18 TRANSITION DISCLOSURES

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs. A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of **1 January 2018** is as follows:

		Notes	IAS 39 measurement			Re-measurement		IFRS 9	
			Category	Amount	Reclassification	ECL	Other	Amount	Category
	Financial assets			N'million	N'million	N'million	N'million	N'million	
1	**Total Financial assets measured at amortised cost**								
	Cash and balances with central bank	c	Loans and receivables	269,625	-	-	-	**269,625**	Amortised cost
	Due from banks	c	Loans and receivables	52,287	-	-	-	**52,287**	Amortised cost
	Loans and advances to customers	c	Loans and receivables	768,737	-	(27,924)	-	**740,813**	Amortised cost
	Debt instruments at amortised cost:				116,117	(11)	(80)	**116,026**	Amortised cost
	From: Investments - held to maturity (HTM)				108,784				
	From: Investments -Available-for-sale(AFS)	a			7,333		(80)		
	Other assets	c	Loans and receivables	33,955				**33,955**	Amortised cost
	Total Financial assets measured at amortised cost			**1,124,604**	**116,117**	**(27,935)**	**(80)**	**1,212,706**	Amortised cost
2	Equity instruments at fair value through other comprehensive income (FVOCI)			N/A	5,888	-	3986	**9,874**	Fair value through OCI (FVOCI)
	From: Investment securities - Available for sale (AFS)	b			5,888		-		
	Total equity instruments at fair value through other comprehensive income (FVOCI)				5,888		3,986	**9,874**	Fair value through OCI (FVOCI)

		Notes	IAS 39 measurement Category	IAS 39 measurement Amount	Reclassification	Re-measurement ECL	Re-measurement Other	IFRS 9 Amount	IFRS 9 Category
	Financial assets - continued			N'million	N'million	N'million	N'million	N'million	
3	Debt instruments at fair value through other comprehensive income (FVOCI)			N/A	63,108	-	-	**63,108**	Fair value through OCI (FVOCI)
	From: Investment securities - Available for sale (AFS)	c			63,108				
	Total debt instruments at fair value through other comprehensive income (FVOCI)				63,108			**63,108**	Fair value through OCI (FVOCI)
4	Financial assets at fair value through profit or loss: Investments (Held for trading)		Fair value through profit or loss (FVPL)	20,639		-	-	**20,639**	Fair value through profit or loss (FVPL)
	Total financial assets at fair value through profit or loss (FVPL)			20,639				**20,639**	Fair value through profit or loss (FVPL)
5	Investment: Available for sale (AFS)		AFS	76,815	(76,815)			N/A	
	To: Debt instruments at amortised cost	a			(7,333)				
	To: Debt instruments at FVOCI	c			(63,108)				
	To: Other assets	f			(486)				
	To: Equity instruments at FVOCI	b			(5,888)				
			AFS	76,815	(76,815)				
6	Investments: Held to maturity (HTM)	c	HTM	108,784	(108,784)			N/A	
	To: Debt instruments at amortised cost				(108,784)				
			HTM	108,784	(108,784)				
	Non-financial assets								
7	Deferred tax assets	d	N/A	-				**-**	

Total assets	**1,330,842**		**(27,935)**	**3,906**	**1,306,327**

		IAS 39 measurement			Re-measurement		IFRS 9	
		Category	Amount	Reclassification	ECL	Other	Amount	Category
Financial liabilities								
Deposits from customers		Other financial liabilities	775,276	-	-	-	**775,276**	Amortised cost
Other liabilities		Other financial liabilities	185,154	-	-	-	**185,154**	Amortised cost
Debts issued and other borrowed funds		Other financial liabilities	213,233	-	-	-	**213,233**	Amortised cost
			1,173,663				**1,173,663**	
Non-financial liabilities								
Provisions	e	N/A	2,745	-	449	-	**3,194**	N/A
Total liabilities			**1,176,408**	**-**	**449**	**-**	**1,176,857**	

2.18 Transition disclosures continued

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings N'million
Fair value reserve - Debt	
Closing balance under IAS 39 (31 December 2017)	**5,330**
Reclassification of debt securities from available-for-sale to amortised cost	(80)
Recognition of fair value gains on equity investments previously carried at cost	**3,986**
Recognition of expected credit losses under IFRS 9 for debt financial assets at FVOCI	**9**
Opening balance under IFRS 9 (1 January 2018)	9,245
Non-distributable regulatory reserve	
Closing balance under IAS 39 (31 December 2017)	**28,837**
Excess charges from IFRS 9 ECL computation (see below)	**(28,393)**
Opening balance under IFRS 9 (1 January 2018)	444
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**23,997**
Recognition of IFRS 9 ECLs including those measured at FVOCI, loan commitments and financial guarantee contracts (see below)	**(28,393)**
Transfer from non-distributable regulatory reserve	**28,393**
Deferred tax in relation to the above	
Opening balance under IFRS 9 (1 January 2018)	23,997
Total change in equity due to adopting IFRS 9	**3,915**

The following table reconciles the aggregate opening allowance for impairment under IAS 39-Financial instruments and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37-Provisions Contingent Liabilities and Contingent Assets to the ECL allowances under IFRS 9.

		Allowance for impairment under IAS 39/IAS 37 at 31 December 2017	Re-measurement	ECLs under IFRS 9 at 1 January 2018
		N'million	N'million	N'million
Impairment allowance for:				
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Due from banks		-	-	-
Loans and advances to customers		26,578	27,746	54,324
Other assets		1,869	-	1,869
Held to maturity (IAS 39) / Financial assets at amortised cost (IFRS 9)				
Investment securities at amortised cost		-	11	11
Available for sale financial instruments (IAS 39) / Financial assets at FVOCI (IFRS 9)				
Investment securities at FVOCI		-	9	9
		28,447	**27,766**	**56,213**
Loan commitments and financial guarantee contracts				
Loan commitments - Loans and advances to customers	e	-	178	178
Financial guarantees - Provisions	e	-	449	449
		-	627	627
Total		**28,447**	**28,393**	**56,840**

2.18. Transition disclosures - continued

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as detailed below:

a. Classification of debt instrument at amortised cost

After assessing the Bank's business model for securities within it's available for sale portfolio, which are mostly held to collect the contractual cash flows and sell, the Bank has identified certain securities which are managed separately and for which the past practice has been (and the Bank's intention remains) to hold to collect the contractual cash flows. Consequently, the Bank assessed that the appropriate business model for this group of securities is hold to collect. These securities, which amounted to N7.3 billion and which were previously classified as available-for-sale, are classified as being measured at amortised cost from the date of initial application. The remainder of the available for sale portfolio is held to collect contractual cash flows and sell.

The cumulative fair value gains of N79.7 milllion has been reclassified against the carrying value at 1 January 2018.

b. Designation of equity instruments at FVOCI

The Bank has elected to irrevocably designate investments in equity of N5.9 billion in a portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were previously classified as available-for-sale with some measured at cost less impairment and others carried at fair value. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

The cumulative fair value gains of N3.9 billlion has been recognised at 1 January 2018 for those previously measured at cost less impairment.

c. Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified as measured at FVOCI;
(ii) Those previously classified as held to maturity and now classified as measured at amortised cost; and
(iii) Those previously classified as loans and receivables and now classified as measured at amortised cost.

d. Deferred tax implication of IFRS 9

Deferred tax assets have not been recognised in respect of the impact of IFRS 9 at the date of initial application; as there is no evidence that there will be sufficient taxable profits available to the Bank in future periods to utilize the asset and the Bank has a recent history of making tax losses, and there are no other tax planning opportunities or other evidence of recoverability in the near future. If the Bank were able to recognise all deferred tax assets related to the impact of transition, the Bank’s equity would increase by N9.1 billion.

e. ECL computaion on loan commitment and financial guarantee contracts under IFRS 9

Provision for financial guarantee contracts and other contingent liabilities were previosuly determined in accordance with IAS 37- Provisions Contingent Liabilities and Contingent Assets. The impairment computation for loan commitments and financial guarantee contracts is now in accordance with IFRS 9. As at 1 January 2018, the Bank recognise additional impairment of N627million on these instruments in accordance with IFRS 9.

f. Reclassification of deposit for investment in Agri-business/Small and Medium Enterprise Investment Scheme (AGSMEIS) from AFS investments to Other assets

This relates to reclassification of deposit for investment in AGSMEIS from available-for-sale investments to Other assets pending actual treatment by the regulator.

2.19. Transition disclosures - continued

For financial assets and liabilities that have been reclassified to the amortised cost category, the following table shows their fair value as at 31 December 2018 and the fair value gain or loss that would have been recognised if these financial assets and liabilities had not been reclassified as part of the transition to IFRS 9:

Reclassifications to amortised cost	N'million
From available-for-sale (IAS 39 classification)	
Fair value-closing balance	9236
Fair value loss that would have been recognised during the year if the financial asset had not been reclassified	-8

3. Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

IFRS 7 par 31: An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.

Enterprise Risk Management
Fidelity Bank runs an Enterprise-wide Risk Management system which is governed by the following key principles:

i) Comprehensive and well defined policies and procedures designed to identify, assess, measure, monitor and report significant risk exposures of the entity. These policies are clearly communicated throughout the Bank and are reviewed annually.

ii) Clearly defined governance structure.

iii) Clear segregation of duties within the Risk Management Division and also between them and the business groups.

iv) Management of all classes of banking risk broadly categorized into credit, market, liquidity, operational risk independently but in a co-coordinated manner at all relevant levels within the Bank.

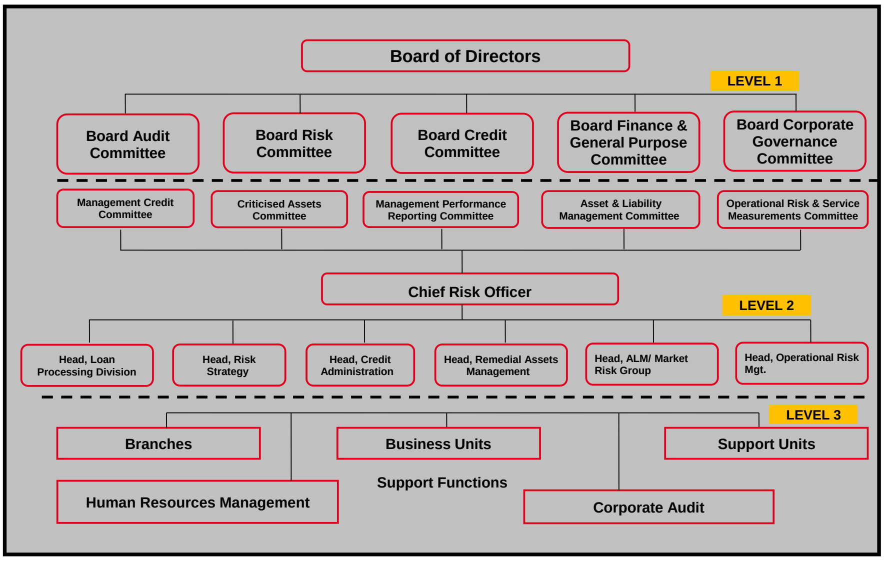
Risk Management Governance Structure
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

Level 1 - Board/Executive Management oversight is performed by the Board of Directors, Board Audit Committee, Board Risk Committee, Board Credit Committee (BCC), Board Finance & General Purpose Committee and Executive Management Committee (EXCO).

Level 2 - Senior Management function is performed by the Management Credit Committee (MCC), Criticised Assets Committee (CAC), Asset and Liability Management Committee (ALCO), Operational Risk & Service Measurements Committee (ORSMC), Management Performance Reporting Committee (MPR), The Chief Risk Officer (CRO) and Heads of Enterprise Risk Strategy, Loan Processing, Credit Administration, Remedial Assets Management, Market Risk Management & ALM and IT & Operational Risk Management.

Level 3 - This is performed by all enterprise-wide Business and Support Units. Business and Support Units are required to comply with all risk policies and procedures and to manage risk exposures that arise from daily operations.

The Bank's Corporate Audit Division assists the Board Risk Committee by providing independent appraisal of the Bank’s risk framework for internal risk assurance. The Division assesses compliance with established controls and enterprise-wide risk management methodologies. Significant risk related infractions and recommendations for improvement in processes are escalated to relevant Management and Board committees.



Enterprise Risk Philosophy
Fidelity Enterprise Risk Mission

Risk Culture
The Bank's risk culture proactively anticipates and curtails losses that may arise from its banking risk underwriting. This culture evolved out of the understanding that the Bank is in a growth phase which requires strong risk management. By design therefore, the Bank operates a managed risk culture, which places emphasis on a mixture of growth and risk control to achieve corporate goals without compromising asset or service quality.

Risk Appetite
The risk appetite describes the quantum of risk that we would assume in pursuit of the Bank's business objectives at any point in time. For the Bank, it is the core instrument used in aligning the Bank's overall corporate strategy, the Bank's capital allocation and risks.

The Bank define the Bank's Risk Appetite quantitatively at two levels: Enterprise level and Business/Support Unit level.

To give effect to the above, the Board of Directors of the Bank sets target Key Performance Indicators (KPIs) at both enterprise and business/support unit levels based on recommendations from the Executive Management Committee (EXCO).

At the Business and Support unit level, the enterprise KPIs are cascaded to the extent that the contribution of each Business/Support Unit to risk losses serves as input for assessing the performance of the Business/Support Unit.

3.2 Credit risk

3.2.1 Management of credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.
The Bank measures and manage credit risk following the principles below:

• Consistent standards as documented in the Bank's credit policies and procedures manual are applied to all credit applications and credit approval decisions.
• Credit facilities are approved for counter-parties only if underlying requests meet the Bank's standard risk acceptance criteria.
• Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counter-party requires approval at the appropriate authority level. The approval limits are as follows:

Approval Authority	**Approval limits**
Executive Directors	**N50 million and below**
Managing Director/CEO	**Above N50 million but below N100 million**
Management Credit and Investment Committee	**Above N100 million but below N500 million**
Board Credit Committee	**Above N500 million but below N1 billion**
Full Board	**N1 billion and above**

• The Bank assigns credit approval authorities to individuals according to their qualifications, experience, training and quality of previous credit decisions. These are also reviewed by the Bank periodically.
• The Bank measures and consolidates all the Bank's credit exposures to each obligor on a global basis. The Bank's definition of an "obligor" include a group of individual borrowers that are linked to one another by any of a number of criteria the Bank have established, including capital ownership, voting rights, demonstrable control, other indication of group affiliation; or are jointly and severally liable for all or significant portions of the credit the Bank have extended.
• The Bank's respective business units are required to implement credit policies and procedures while processing credit approvals including those granted by Management and Board Committees.
• Each business unit is responsible for the quality, performance and collection of its credit portfolio including those approved by the Management and Board Committees.
• The Bank's Credit Control and Loan Portfolio Monitoring & Reporting departments regularly undertake independent audit and credit quality reviews of credit portfolios held by business units.

3.2.2 Credit risk ratings

A primary element of the Bank's credit approval process is a detailed risk assessment of every credit associated with a counter-party. The Bank's risk assessment procedures consider both the credit worthiness of the counter-party and the risks related to the specific type of credit facility or exposure. This risk assessment not only affects the structuring of the transaction and the outcome of the credit decision, but also influences the level of decision-making authority required to extend or materially change the credit and the monitoring procedures we apply to the on-going exposure.

The Bank has its own in-house assessment methodologies and rating scale for evaluating the creditworthiness of it's counter-parties. The Bank's programmed 9-grade rating model was developed in collaboration with Agusto & Company, a foremost rating agency in Nigeria, to enable comparism between the Bank's internal ratings and the common market practice, which ensures comparability between different portfolios of the Bank.

3.2.2 Credit risk ratings - continued

Bank rating	Applicable score band	Agusto & Co	Description of the grade
			Investment grade
AAA	90% - 100%	AAA	Exceptionally strong business fundamentals and overwhelming capacity to meet obligations in a timely manner.
			Standard Monitoring
AA	80% - 89%	AA	Very good business fundamentals and very strong capacity to meet obligations
A	70% - 79%	A	Good business fundamentals and strong capacity to meet obligations
BBB	60%- 69%	BBB	Satisfactory business fundamentals and adequate capacity to meet obligations
BB	50% - 59%	BB	Satisfactory business fundamentals but ability to repay may be contingent upon refinancing.
B	40% - 49%	B	Weak business fundamentals and capacity to repay is contingent upon refinancing.
CCC	30% - 39%	CCC	Very weak business fundamentals and capacity to repay is contingent upon refinancing.
CC	20% - 29%	CC	Very weak business fundamentals and capacity to repay in a timely manner may be in doubt.
			Default
C	0% - 19%	C	Imminent Solvency

We generally rate all the Bank's credit exposures individually. The rating scale and its mapping to the Standard and Poors agency rating scale is as follows:

Internal Rating Categories	Interpretation	Mapping to External Rating (S&P)
AAA	Impeccable financial condition and overwhelming capacity to meet obligations in a timely manner	AAA
AA	Very good financial condition and very low likelihood of default	AA
A	Good financial condition and low likelihood of default	A
BBB to BB	Satisfactory financial condition and adequate capacity to meet obligations	BBB to BB
B to CCC	Weak financial condition and capacity to repay is in doubt and may be contingent upon refinancing	B to D

3.2.3 Credit Limits

Portfolio concentration limits are set by the Bank to specify maximum credit exposures we are willing to assume over given periods. The limits reflect the Bank’s credit risk appetite. The parameters on which portfolio limits are based include limits per obligor, products, sector, industry, rating grade, geographical location, type of collateral, facility structure and conditions of the exposure.

Monitoring Default Risk

The Bank's credit exposures are monitored on a continuing basis using the risk management tools described above. The Bank has also put procedures in place to identify at an early stage credit exposures for which there may be an increased risk of loss. Counter-parties that on the basis of the application of the Bank's risk management tools, demonstrate the likelihood of problems, are identified well in advance so that the Bank can effectively manage the credit exposure and maximize the recovery. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available. This early risk detection is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to such exposures. In instances where the Bank has identified counter-parties where problems might arise, the respective exposure is placed on a watch-list.

3.2.4 Expected credit loss measurement

The table below summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
Initial recognition	Significant increase in credit risk since initial recognition	Credit-impaired assets
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(a) Significant increase in credit risk

At initial recognition, the Bank allocates each exposure to a credit risk grade based on available information about the borrower that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates.

The Bank monitors its loans and debt portfolios to determine when there is a significant increase in credit risk in order to transition from stage 1 to stage 2. In assessing significant increase in credit risk, management considers, credit rating, prudential classification and backstop (30 days past due presumption) indicators. Financial assets that have been granted forbearance could be considered to have significantly increased in credit risk.

Backstop indicators

A backstop 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.

For assessing increase in credit risk, the Bank sets the origination date of revolving and non-revolving facilities as the last reprice date i.e. the last time the lending was re-priced at a market rate.

(b) Definition of default

The Bank considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meet the following criteria:

Quantitative criteria

• Internal credit rating - Downgrade from Performing to Non-performing
• Days past due (Dpd) observation – DPDs of 90 days and above

(c) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is derived by using historical data to develop specific lifetime PD models for all asset classes. The long term span of historical data is then used to directly model the PD across the life of a exposure. For debt instruments that are not internally rated , the Bank obtains the issuer ratings of such instruments and matches them to its internal rating framework to determine the equivalent rating. The lifetime PD curves developed for that rating band will then be used.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a regular basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(d) Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Bank's strategy team on a quarterly basis. The specific macro-economic model applied is a Markov multi-state model of transitions in continuous time with macroeconomic co-variates. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Bank's strategy team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, the Bank concluded that three scenarios appropriately captured non-linearities for all its portfolios.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

		2019	2020	2021
Foreign exchange rate (₦)				
	Base Case	375	380	385
	Best Case	355	360	365
	Worse Case	395	400	405
Inflation rate				
	Base Case	11.30%	10.80%	8.50%
	Best Case	9.30%	8.80%	7.50%
	Worse Case	13.30%	12.80%	10.50%
Crude Oil ($)				
	Base Case	55.00	50.00	50.00
	Best Case	70.00	65.00	60.00
	Worse Case	40.00	35.00	30.00
Foreign Reserves ($ Bn)				
	Base Case	35.14	31.94	30.44
	Best Case	43.33	40.24	39.44
	Worse Case	26.82	23.47	21.97
Unemployment rate				
	Base Case	23.93%	24.33%	24.73%
	Best Case	22.43%	22.83%	23.23%
	Worse Case	25.43%	25.83%	26.23%
Real Gross Domestic Product				
	Base Case	2.90%	3.40%	3.60%
	Best Case	3.40%	3.90%	4.10%
	Worse Case	1.40%	1.90%	2.10%
Monetary Policy Rate (MPR)				
	Base Case	13.00%	13.50%	13.50%
	Best Case	11.00%	11.50%	11.50%
	Worse Case	15.00%	15.50%	15.50%

(e) Grouping financial instruments for collective assessment

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics used to determine groupings include instrument type, credit risk ratings and industry.

The aggregation of financial instruments may change over time as new information becomes available.

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancements

The Bank's maximum exposure to credit risk as at 31 December 2018 and 31st December 2017 is represented by the net carrying amounts of the financial assets set out below:

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets		**31 December 2018**		
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	340,307	-	-	340,307
Due from banks	111,633	22,980	-	88,653
Loans and advances to customers	906,624	9,541,020	8,634,396	
Investments:				
Financial assets at fair value through profit or loss	14,052	-	-	14,052
Debt instruments at fair value through other comprehensive income	157,639	-	-	157,639
Debt instruments at amortised cost	118,872	-	-	118,872
Other assets	30,470	-	-	30,470
Financial guarantee contracts:				
Performance bonds and guarantees	238,443	-	-	238,443
Letters of credit	188,641	188,641	-	0
Other commitments				
	2,106,681	**9,752,640**	**8,634,396**	**988,437**

3.2.5 Maximum exposure to credit risk before collateral held or other credit enhancements - continued

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets		**31 December 2017**		
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	242,091	-	-	242,091
Due from banks	52,287	-	-	52,287
Loans and advances to customers	795,315	3,477,099	2,708,362	-
Investments:				
Held for trading(Fair value through profit or loss)	20,639	-	-	20,639
Available for sale*	70,441	-	-	70,441
Held to maturity	108,784	-	-	108,784
Other assets	33,955	-	-	33,955
Financial guarantee contracts:				
Performance bonds and guarantees	231,014	-	-	231,014
Letters of credit	138,975	-	-	138,975
	1,693,501	**3,477,099**	**2,708,362**	**898,186**

*Excluding equity instruments

3.2.6 Credit concentrations

The Bank monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2018, is set out below:

	31 December 2018				
Financial assets with credit risk:	**Cash and balance with Central bank**	**Due from banks**	**Loans and advances to customers**	**Investment securities**	**Other assets**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Carrying amount	340,307	111,633	849,880	290,353	30,470
Concentration by sector					
Agriculture	-	-	17,033	-	-
Oil and gas	-	-	207,918	-	-
Consumer credit	-	-	37,641	-	-
Manufacturing	-	-	131,894	-	-
Mining and Quarrying	-	-	1,406	-	-
Mortgage	-	-	-	-	-
Real estate	-	-	30,355	-	-
Construction	-	-	31,154	-	-
Finance and insurance		112,439	4,944	3,561	-
Government	-	-	112,595	287,002	-
Power	-	-	112,709	-	-
Other public utilities	-	-	5,714	-	-
Transportation	-	-	96,757	-	-
Communication	-	-	22,463	-	-
Education	-	-	3,951	-	-
Other	340,307	-	90,089	-	30,470
Total gross amount	340,307	112,439	906,623	290,563	30,470

Concentration by location	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Abroad	-	112,439	-	-	-
Nigeria:					
North East	-	-	8,935	-	-
North Central	340,307	-	59,394	-	-
North West	-	-	19,194	-	-
South East	-	-	36,544	-	-
South South	-	-	99,456	-	-
South West	-	-	683,099	290,563	30,470
Total gross amount	**340,307**	**112,439**	**906,623**	**290,563**	**30,470**

3.2.6 Credit concentrations - continued

	31 Dec 2017				
Financial assets with credit risk:	**Cash and balance with Central bank**	**Due from banks**	**Loans and advances to customers**	**Investment securities**	**Other assets**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Carrying amount	214,557	52,287	795,315	199,864	33,955
Concentration by sector					
Agriculture	-	-	12,657	-	-
Oil and gas	-	-	204,695	-	-
Consumer credit	-	-	44,751	-	-
Manufacturing	-	-	77,368	-	-
Mining and Quarrying	-	-	1,152	-	-
Mortgage	-	-	-	-	-
Real estate	-	-	24,506	-	-
Construction	-	-	27,979	-	-
Finance and insurance	214,557	52,287	3,915	199,864	33,955
Government	-	-	107,489		-
Power	-	-	102,727	-	-
Other public utilities	-	-	5,256	-	-
Transportation	-	-	72,302	-	-
Communication	-	-	37,874	-	-
Education	-	-	3,549	-	-
Other	-	-	69,095	-	-
Total gross amount	**214,557**	**52,287**	**795,315**	**199,864**	**33,955**
Concentration by location	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Abroad	-	52,287	-	-	-
Nigeria:					
North East	-	-	9,409	-	-
North Central	214,557	-	73,942	-	-
North West	-	-	23,288	-	-
South East	-	-	39,658	-	-
South South	-	-	76,340	-	-
South West	-	-	572,679	199,864	33,955
Total gross amount	**214,557**	**52,287**	**795,315**	**199,864**	**33,955**

3.2.7 Credit quality

A Maximum exposure to credit risk – Financial instruments subject to impairment

The credit risk model is applied as per homogeneous group of risk assets which can be a portfolio or a rating model (e. g. Master Rating). The bank set up 6 portfolios three of which are a mix of Corporate and Commercial Accounts segregated on the basis of related economic sectors. The other three portfolios are made up of retails accounts segregated on the basis of similarity of risk characteristics. Details of the portfolios are shown below:

Code	Description
Portfolio 1	Agriculture, Energy, Manufacturing, Construction & Real Estate
Portfolio 2	Government, Public Sector & NBFIs
Portfolio 3	Transport, Communication, Commerce & General
Portfolio 4	Automobile, Equipment & Mortgage Loans
Portfolio 5	Medium and Small Scale Enterprises
Portfolio 6	Personal & Employee Loans

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

a) Agriculture, Energy, Manufacturing, Construction & Real Estate Portfolio

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	10,121	-	-	10,121	-
Standard monitoring	267,059	136,853	-	403,912	418,182
Default	-	-	10,957	10,957	16,518
Gross carrying amount	**267,059**	**136,853**	**10,957**	**424,990**	**434,700**
Loss allowance	(6,107)	(13,776)	(2,220)	(22,103)	(10,260)
Carrying amount	**260,952**	**123,077**	**8,737**	**402,887**	**424,441**

b) Government, Public Sector & NBFIs portfolio

	2018				2017
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	3,412	-	-	3,412	-
Standard monitoring	96,713	-	-	96,713	102,369
Default	-	-	86	86	49
Gross carrying amount	**100,125**	**-**	**86**	**100,211**	**102,418**
Loss allowance	(369)	-	-	(369)	(365)
Carrying amount	**99,756**	**-**	**86**	**99,842**	**102,053**

c) Transport, Communication, Commerce & General portfolio

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	1,598.00	-	-	1,598	-
Standard monitoring	161,060	32,555	-	193,615	113,104
Default	-		22,894	22,894	5,854
Gross carrying amount	**162,658**	**32,555**	**22,894**	**218,107**	**118,958**
Loss allowance	(4,677)	(2,679)	(12,208)	(19,564)	(6,073)
Carrying amount	**157,981**	**29,876**	**10,686**	**198,543**	**112,885**

d) Automobile, Equipment & Mortgage Loans portfolio

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	19,721	72	-	19,793	18,187
Default	-	-	7,049	7,049	10,099
Gross carrying amount	**19,721**	**72**	**7,049**	**26,842**	**28,286**
Loss allowance	(67)	-	(4,483)	(4,550)	(4,872)
Carrying amount	**19,654**	**72**	**2,566**	**22,292**	**23,415**

e) Medium and Small Scale Enterprises portfolio

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	62,431	3,325	-	65,756	38,153
Default	-	-	6,803	6,803	3,512
Gross carrying amount	**62,431**	**3,325**	**6,803**	**72,559**	**41,664**
Loss allowance	(274)	(48)	(3,466)	(3,788)	(1,333)
Carrying amount	**62,157**	**3,277**	**3,337**	**68,771**	**40,332**

f) Personal & Employee Loans portfolio

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	60,023	79	-	60,102	66,471
Default	-	-	3,812	3,812	2,816
Gross carrying amount	**60,023**	**79**	**3,812**	**63,914**	**69,287**
Loss allowance	(2,958)	-	(3,411)	(6,369)	(3,726)
Carrying amount	**57,065**	**79**	**401**	**57,545**	**65,561**

A Maximum exposure to credit risk – Financial instruments subject to impairment - continued

	31 December 2018				
	Cash and balance with Central bank	Due from banks	Loans and advances to customers	Debt securities	Other assets
	N'million	N'million	N'million	N'million	N'million
Collective impairment	340,307	-	-	14,052	30,470
Past due but not impaired	-	111,633	682,138	276,511	-
Past due and collectively impaired	-	-	172,884	-	-
Individually impairment	-	-	51,601	-	-
Gross	340,307	111,633	906,623	290,563	30,470
Impairment allowance					
Collective impairment	-	(744)	(30,955)	(210)	-
Individual impairment	-	-	(25,788)	-	-
Net	**340,307**	**110,889**	**849,880**	**290,353**	**30,470**

	31 December 2017				
	Cash and balance with Central bank	Due from banks	Loans and advances to customers	Debt securities	Other assets
	N'million	N'million	N'million	N'million	N'million
Collective impairment	214,557	52,287	751,983	199,864	33,955
Collective Impairment	-	-	-	-	-
Individual impairment	-	-	-	-	-
Individual impairment	-	-	43,332	-	-
Gross	214,557	52,287	795,315	199,864	33,955
Impairment allowance					
Collective impairment	-	-	(10,501)	-	-
Individual impairment	-	-	(16,077)	-	-
Net	**214,557**	**52,287**	**768,737**	**199,864**	**33,955**

(a) Financial assets not impaired - By Rating class

The credit quality of the portfolio of financial assets that were collectively impaired can be assessed by reference to the internal rating system adopted by the Bank.

31 December 2018		**Due from Banks N'million**	**Overdrafts N'million**	**Term loans N'million**	**Finance lease N'million**	**Total Loan N'million**	**Other assets N'million**
Grades:							
1. AAA to AA		71,818	279	-	208	487	-
2. A+ to A-		40,621	1,405	12,776	462	14,644	-
3. BBB+ to BB-		-	25,533	771,568	4,781	801,881	-
4. Below BB-		-	-	21,215	16,795	38,010	-
5. Unrated		-	-	-	-	-	30,470
		112,439	27,217	805,559	22,245	855,022	30,470
Impairment Allowance		(806)	(543)	(30,066)	(346)	(30,955)	-
Net amount		**111,633**	**26,674**	**775,493**	**21,899**	**824,067**	**30,470**
31 December 2017	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:							
1. AAA to AA	52,287	164	-	251	-	415	-
2. A+ to A-	-	2,221	52,370	-	-	54,590	-
3. BBB+ to BB-	-	11,250	100,200	1,524	-	112,973	-
4. Below BB-	-	14,990	77,226	12,523	-	104,739	-
5. Unrated	-	18,052	459,678	1,536	-	479,266	33,955
	52,287	46,676	689,474	15,834	-	751,983	33,955
Collective impairment	-	(4,360)	(5,941)	(200)	-	(10,501)	-
Net amount	**52,287**	**42,316**	**683,533**	**15,634**	**-**	**741,482**	**33,955**

(b) Financial assets impaired - By Rating class

31 December 2018	Overdrafts N'million	Term loans N'million	Finance lease N'million	Total N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	-	-	-	-
3. BBB+ to BB-	105	-	-	105
4. Below BB-	7,899	39,008	4,590	51,497
5. Unrated	-	-	-	-
	8,003	39,008	4,590	51,601
Impairment	(4,794)	(16,439)	(4,555)	(25,788)
Net amount	**3,210**	**22,570**	**34**	**25,814**

31 December 2017	Overdrafts N'million	Term loans N'million	Finance lease N'million	Total N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	-	-	-	-
3. BBB+ to BB-	-	-	-	-
4. Below BB-	9,651	26,050	7,021	42,721
5. Unrated	610	-	-	610
	10,261	26,050	7,021	43,332
Individual impairment	(3,553)	(8,784)	(3,740)	(16,077)
Net amount	**6,708**	**17,266**	**3,281**	**27,255**

B Maximum exposure to credit risk – other financial assets

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment i.e. fair value through profit or loss (FVTPL):

	Maximum exposure to credit risk N'million
Financial assets designated at fair value through profit or loss	
• Debt securities	
Federal Government bonds	86
Treasury bills	13,966

The credit quality of cash and cash equivalents, short-term investments and investments in government and corporate securities that were neither past due nor impaired can be assessed by reference to the bank's internal ratings as at 31 December 2018 and 31 December 2017:

		Investments in Government Securities				
	Cash & cash equivalents	Treasury bills	Federal Govt bonds	State bonds	Corporate bonds	Total
31 December 2018	N'million	N'million	N'million	N'million	N'million	N'million
AAA to AA	206,329	189,236	89,363	-	-	484,928
A+ to A-	-	-	-	6,566	-	6,566
BBB+ to BB-	40,621	-	-	-	5,398	46,019
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	246,950	**189,236**	**89,363**	**6,566**	**5,398**	**537,513**

	Investments in Government Securities					
	Cash & cash equivalents N'million	Treasury bills N'million	Federal Govt bonds N'million	State bonds N'million	Corporate bonds N'million	Total N'million
31 December 2017						-
AAA to AA	242,091	90,223	89,270	10,359	10,012	441,955
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	-	-	-
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	242,091	**90,223**	**89,270**	**10,359**	**10,012**	**441,955**

Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements.

3.2.8 Description of collateral held

Potential credit losses from any given exposure are mitigated using a range of tools including collateral securities, insurance bonds and policies as well as different forms of guarantees. The Bank assesses the degree of reliance that can be placed on these credit risk mitigants carefully in the light of issues such as legal enforceability, market valuation, correlation with exposure and the counterparty risk of the guarantor.

(a) Key Collateral Management Policies

The Bank's risk mitigation policies determine the eligibility of collateral types. Eligible collateral types for credit risk mitigation include: cash; residential, commercial and industrial property in acceptable locations; fixed assets such as motor vehicles, plant and machinery; marketable securities; bank guarantees; confirmed domiciliation of payments; credit and insurance bonds, warehouse warrants, lien on shipping documents; back-to-back letters of credit; etc. The Bank also enters into collateralised reverse repurchase agreements where appropriate. For certain types of lending, typically mortgages and asset financing, the right to take charge over physical assets is a significant consideration in determining appropriate pricing and recoverability in the event of default.

The Bank reports collateral values in accordance with the Bank’s risk mitigation policy, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral and the nature of the underlying product or risk exposure. Depending on the nature of the collateral, frequent or periodic evaluations are carried out to determine the adequacy of collateral margins. Services of independent professional appraisers are used where the Bank lacks adequate internal valuation capability or where dictated by industry practice or legal requirements. Where appropriate, collateral values are adjusted to reflect current market conditions, the probability of recovery and the period of time to realise the collateral in the event of repossession.

The Bank will only grant unsecured loans where clean lending is a market feature and insistence on security would compromise Bank’s market share. In such an instance, the Bank ensures that the borrower has proven record of sound financial condition and ability to repay the loan from internal sources in the ordinary course of business. In addition, we ensure that total outstanding borrowings of the obligor do not exceed 70% of estimated asset value.

The Bank believes that the requirement for collateral is not a substitute for the ability to pay, which is a primary consideration in the Bank's lending decisions. Although the Bank will usually collaterise its credit exposure to a customer, such an obligor is expected to repay the loan in the ordinary course of business without forcing the Bank to look to the collateral for ultimate repayment. Therefore, if while reviewing a loan request, there is the possibility that the collateral will need to be relied upon to repay the loan, the Bank will not grant the facility.

(a) Key Collateral Management Policies - continued

Where guarantees are used for credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty.

Management of secured credits requires periodic inspections of the collateral to ensure its existence and adequacy for the bank's exposure. These inspections include examination of security agreements to determine enforceability of liens, verification of adequate insurance protection, proper legal registration and adequacy of overall safeguards.

When obligations are secured by marketable securities, predetermined maintenance margins are established and the securities are liquidated if the value falls to this limit except if additional and satisfactory security is provided. In all cases, only valuations done at the instance of the Bank can be considered acceptable for the purposes of credit risk mitigation. The Bank ensures that all properties and chattels pledged as collateral are properly and adequately insured with the Bank's interest duly noted as first loss beneficiary. Only insurance policies obtained from an insurance firm in the Bank's pre-approved list of Insurance Companies are acceptable as eligible collateral.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting year and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The following table indicates the Bank's credit exposures by class and value of collaterals:

	31 December 2018		31 December 2017	
	Exposure	**Collateral Value**	**Exposure**	**Collateral Value**
	N'million	**N'million**	**N'million**	**N'million**
Secured against real estate	63,635	189,758	503,293	2,905,383
Secured by shares of quoted companies	-	-	158,718	299,269
Secured by others	834,417	9,351,270	133,304	272,447
Unsecured	8,571	-	-	-
Gross loans and advances to customers	**906,623**	**9,541,028**	**795,315**	**3,477,099**

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lenders.

3.3.1 Management of liquidity risk

The Bank's principal liquidity objective is to ensure that the Bank holds sufficient liquid reserve to enable it meet all probable cashflow obligations, without incurring undue transaction costs under normal conditions. Liquidity management safeguards the ability of the bank to meet all payment obligations as they fall due. The Bank's liquidity risk management framework has been an important factor in maintaining adequate liquidity and a healthy funding profile during the year and is structured to identify, measure and manage the Bank's liquidity risk at all times. The Board approved liquidity policy guides the management of liquidity risk strategically through the Board Risk Committee (BRC) as well as Asset and Liability Committee (ALCO) and daily by the ALM group. The liquidity management framework is designed to identify measure and manage The Bank's liquidity risk position at all times. Underlying Assets and Liabilities Management policies and procedures are reviewed and approved regularly by the Assets and Liability Management Committee (ALCO).

The Bank has established liquidity and concentration limits and ratios, tolerance levels as well as triggers, through which it identifies liquidity risk. It also uses gap analysis to identify short, medium and long term mismatches, deploying gapping strategies to appropriately manage them. Periodic monitoring is carried out to trigger immediate reaction to deviations from set limits.

Short-Term Liquidity

The Bank's reporting system tracks cash flows on a daily basis. This system allows management to assess the Bank's short-term liquidity position in each location by currency and products. The system captures all of the Bank's cash flows from transactions on the Bank's Statement of financial position, as well as liquidity risks resulting from off-balance sheet transactions. We take account of products that have no specific contractual maturities by extrapolating from their historical behaviour of cash flows.

Asset Liquidity

The asset liquidity component tracks the volume and booking location of the Bank's inventory of unencumbered liquid assets, which we can use to raise liquidity in times of need. The liquidity of these assets is an important element in protecting us against short-term liquidity squeezes. We keep a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities.

Management of liquidity risk - continued

Funding Diversification

Diversification of the Bank's funding profile in terms of investor types, regions, products and instruments is also an important element of the Bank's liquidity risk management practices. In addition, the bank invests in liquid assets to facilitate quick conversion to cash, should the need arise.

Stress Testing

As a result of volatilities which take place in the Bank's operating environment, the Bank conducts stress tests to evaluate the size of potential losses related to rate movements under extreme market conditions. These are conducted on elements of its trading portfolio and the balance sheet in response to the economic and market outlook. Consideration is given to historical events, prospective events and regulatory guidelines. The Bank, after ALCO's authorization, responds to the result of this activity, by modifying the portfolio and taking other specific steps to reduce the expected impact in the event that these risks materialize.

3.3.2 Maturity analysis

The table below analyses financial assets and liabilities of the Bank into relevant maturity bands based on the remaining period at reporting date to the contractual maturity date. The table includes both principal and interest cash flows.

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2018	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank of Nigeria	135,317	-	-	249,868		385,185
Due from banks	71,625		43,353	-	-	114,978
Loans and advances to customers	50,982	82,054	77,812	409,207	290,020	910,075
Investment securities	-	-	-	-	-	-
- Financial instrument at FVTPL	242	808	12,901	730	-	14,681
- Debt instruments at amortised	2,134	18,241	32,608	28,919	38,320	120,222
- Debt instruments at FVOCI	12,859	36,144	88,741	6,205	14,147	158,097
Other Assets	25,525		3,515		1,430	30,470
Total financial assets	**298,684**	**137,248**	**258,930**	**694,929**	**343,917**	**1,733,708**
Financial liabilities						
Customer deposits	133,040	163,327	129,069	553,982	1	979,419
Other liabilities	62,215	31,671	69,966		136,815	300,667
Debt issued and other borrowed funds	23,087	11,108	33,922	173,102	-	241,219
Total financial liabilities	218,342	206,106	232,957	727,084	136,816	1,521,305
Gap (assets-liabilities)	80,342	(68,858)	25,973	(32,155)	207,101	
Cumulative liquidity gap	**80,342**	**11,484**	**37,458**	**5,302**	**212,403**	
Financial guarantee contracts:						
Performance bonds and guarantees	9,695	67,453	27,364	79,231	54,700	238,443
Letters of credit	77,752	97,280	9,691	3,918	-	188,641
	87,447	**164,733**	**37,055**	**83,149**	**54,700**	**427,084**

3.3.2 Maturity analysis - continued

31 December 2017	Up to 1 month N'million	1-3 months N'million	3-12 months N'million	1-5 years N'million	Over 5 years N'million	Total N'million
Cash and balances with Central Bank of	89,094	-	-	181,017	-	270,111
Due fron banks	52,287	-	-	-	-	52,287
Loans and advances to customers	54,140	34,862	101,589	456,370	224,415	871,377
Investment securities						
- Held for trading	456	1,434	11,013	1,995	6,743	21,640
- Available for sale	2,901	11,542	30,706	11,847	16,236	73,232
- Held to maturity	4,088	14,000	30,397	39,617	26,001	114,104
Other Assets	4,021	6,089	23,845	-	-	33,955
Total financial assets	**206,987**	**67,927**	**197,551**	**690,847**	**273,394**	**1,436,707**
Financial liabilities						
Customer deposits	186,804	175,392	71,541	375,693	-	809,430
Other liabilities	59,312	9,968	6,064	-	112,295	187,639
Debt issued and other borrowed funds	-	-	14,954	56,479	220,736	292,169
Total financial liabilities	246,116	185,360	92,559	432,172	333,031	1,289,238
Gap (assets-liabilities)	(39,129)	(117,433)	104,992	258,675	(59,637)	
Cumulative liquidity gap	**(39,129)**	**(156,562)**	**(51,570)**	**207,105**	**147,469**	
Financial guarantee contracts:						
Performance bonds and guarantees	21,423	36,331	28,050	90,868	54,342	231,014
Letters of credit	20,128	112,304	6,543	-	-	138,975
Total	**41,551**	**148,635**	**34,593**	**90,868**	**54,342**	**369,989**

3.4 Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will be adversely affected by changes in market prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

3.4.1 Management of market risk

Essentially, the banking business in which the Bank is engaged is subject to the risk that financial market prices and rates will move and result in profits or losses for us. Market risk arises from the probability of adverse movements in financial market prices and rates. The Bank's definition of financial market prices in this regard refer to interest rates, equity prices, foreign exchange rates, commodity prices, the correlations among them and their levels of volatility. Interest rate and equity price risks consist of two components each: general risk, which describes value changes due to general market movements, and specific risk which has issuer-related causes.

The Bank assumes market risk in both the Bank's trading and non-trading activities. The Bank underwrite market risks by making markets and taking proprietary positions in the inter-bank, bonds, foreign exchange and other security markets. The Bank separates its market risk exposures between the trading and the banking books. Overall authority and management of market risk in the Bank is invested on the Assets and Liability Management Committee (ALCO).

The Board approves the Bank’s Market Risk Management policy and performs its oversight management role through the Board Risk Committee (BRC).The Bank’s trading strategy evolves from its business strategy, and is in line with its risk appetite. The Bank's Market Risk and ALM group manages the Bank’s market risk in line with established risk limits, which are measured, monitored and reported on, periodically. Established risk limits, which are monitored on a daily basis by the Bank's Market Risk group, include intraday, daily devaluation for currency positions, net open position, dealers’, deposit placement, stop loss, duration and management action trigger limits. Daily positions of the Bank's trading books are marked-to-market to enable the Bank obtain an accurate view of its trading portfolio exposures. Financial market prices used in the mark-to-market exercise are independently verified by the Market Risk Group with regular reports prepared at different levels to reflect volatility of the Bank’s earnings

3.4.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and its aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2018.

	31 December 2018				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	21,246	719	554	362,411	384,931
Due from banks	104,170	2,235	5,011	218	111,633
Loans and advances to customers	348,453	287	389	500,751	849,880
Investment securities:					
- Financial assets at FVTPL	-	-	-	14,052	14,052
- Debt instruments at FVOCI	3,835	-	-	153,804	157,639
- Equity instruments at FVOCI	-	-	-	9,977	9,977
- Debt instruments at amortised cost	-	-	-	118,662	118,662
Other financial assets	-	-	11	30,456	30,467
	477,704	**3,241**	**5,964**	**1,190,332**	**1,677,241**
Financial liabilities					
Customer deposits	205,750	3,198	4,956	765,508	979,413
Other liabilities	81,062	2,365	737	216,171	300,334
Debt issued and other borrowed funds	143,516	-	-	97,250	240,766
	430,327	**5,563**	**5,693**	**1,078,929**	**1,520,513**
Net exposure	47,377	(2,322)	270	111,403	156,728

Sensitivity Analysis of Foreign Currency Statement of Financial Position

Currency	**USD**	**GBP**	**Euro**
	N'million	**N'million**	**N'million**
Net effect on Statement of Financial Position	47,377	(2,322)	270
Closing Exchange Rate (Naira/ Currency)	359	465	416
1% Currency Depreciation (+)	362	470	420
Net effect of depreciation on Profit or loss (pre-tax)	474	(23)	3
1% Currency Appreciation (-)	355	461	412
Net effect of appreciation on Profit or loss (pre-tax)	(474)	23	(3)

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2017.

	31 December 2017				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	-	-	-	269,625	269,625
Due from banks	40,954	2,041	818	8,475	52,287
Loans and advances to customers	352,928	463	398	414,948	768,737
Investment securities:					
- Financial assets held for trading	-	-	-	20,639	20,639
- Available for sale	-	-	-	77,211	77,211
- Held to maturity	13,857	-	-	94,927	108,784
Other financial assets	1,784	0	-	32,171	33,955
	409,523	**2,504**	**1,215**	**917,996**	**1,331,238**
Financial liabilities					
Customer deposits	90,756	2,312	2,501	679,707	775,276
Other liabilities	66,837	543	3,608	119,424	183,200
Debt issued and other borrowed funds	179,515	-	-	33,718	213,233
	337,108	**2,855**	**6,109**	**832,849**	**1,171,709**

Net exposure	72,415	(352)	(4,893)	85,147	159,529

Sensitivity Analysis of Foreign Currency Statement of Financial Position

Currency	**USD**	**GBP**	**Euro**
	N'million	**N'million**	**N'million**
Net effect on Statement of Financial Position	72,415	(352)	(4,893)
Closing Exchange Rate (Naira/ Currency)	333	451	400
1% Currency Depreciation (+)	337	455	404
Net effect of depreciation on Profit or loss	724	(4)	(49)
1% Currency Appreciation (-)	330	446	396
Net effect of appreciation on Profit or loss	(724)	4	49

The Bank's exposure to foreign exchange risk is largely concentrated in USD. Movement in the exchange rate between the foreign currencies and the Nigerian naira affects reported earnings through revaluation gain or loss and the statement of financial position through an increase or decrease in the revalued amounts of financial assets and liabilities denominated in foreign currencies.

3.4.3 Interest rate risk

The table below summarises the Bank's interest rate gap position on non-trading portfolios:

31 December 2018	**Carrying amount**	**Variable interest**	**Fixed interest**	**Non interest-bearing**
	N'million	**N'million**	**N'million**	**N'million**
Financial assets				
Cash and balances with Central Bank of Nigeria	384,931	-	-	384,931
Due from banks	111,633	-	58,124	53,510
Loans and advances to customers	849,880	231,563	618,317	-
Investment securities				-
- Financial assets at FVTPL	14,052	-	14,052	(0)
- Debt instruments at FVOCI	157,639	-	157,639	-
- Debt instruments at amortised cost	118,662	-	118,662	-
Other financial assets	30,470	-	-	30,470
	1,667,267	**231,563**	**966,795**	**468,910**
Financial liabilities				
Customer deposits	979,413	-	473,950	505,463
Other liabilities	300,334	-	133,840	166,494
Debts issued and other borrowed funds	240,767	44,577	196,190	-
	1,520,514	**44,577**	**803,980**	**671,957**

	Carrying amount	**Variable interest**	**Fixed interest**	**Non interest-bearing**
31 December 2017	**N'million**	**N'million**	**N'million**	**N'million**
Financial assets				
Cash and balances with Central Bank of Nigeria	270,111	-	-	270,111
Due from banks	52,287	-	8,483	43,804
Loans and advances to customers	768,737	284,810	483,927	-
Investment securities				
- Financial assets held for trading	20,639	-	20,639	-
- Available for sale	70,441	-	64,425	6,016
- Held to maturity	108,784	-	108,784	-
Other financial assets	33,955	-	-	33,955
	1,324,954	**284,810**	**686,258**	**353,886**
Financial liabilities				
Customer deposits	775,276	-	356,804	418,472
Other liabilities	185,154	-	109,810	75,344
Debts issued and other borrowed funds	213,233	35,529	177,704	-
	1,173,663	**35,529**	**644,318**	**493,816**

(a) Interest rate sensitivity

Total interest repricing gap

The repricing gap details each time the interest rates are expected to change.

31 December 2018 **Financial assets**	**Less than 3 months** **N'million**	**3-6 months** **N'million**	**6-12 months** **N'million**	**1-5 years** **N'million**	**More than 5 years** **N'million**	**Total rate sensitive** **N'million**
Cash and balances with central bank	-	-	-	-	-	-
Due from banks	17,940		40,184			58,124
Loans and advances to customers	30,831	79,730	73,160	388,096	278,062	849,880
Investment securities						-
- Financial assets at FVTPL	242	808	12,901	101	-	14,052
- Debt instruments at FVOCI	12,859	36,144	88,741	6,182	13,712	157,639
- Debt instruments at amortised cost	2,134	18,241	32,608	27,359	38,320	118,662
Total assets	**64,006**	**134,924**	**247,595**	**421,738**	**330,094**	**1,198,357**
Financial liabilities						
Customer deposits	88,806	74,834	150,701	159,609		473,950
Other liabilities				133,840		133,840
Debts issued and other borrowed funds	23,088	11,108	33,469	173,102	-	240,767
Total liabilities	**111,894**	**85,942**	**184,170**	**466,551**	**-**	**848,557**
Net financial assets/(liabilities)	(47,888)	48,982	63,425	(44,813)	330,094	349,800

31 December 2017 **Financial assets**	**Less than 3 months** **N'million**	**3-6 months** **N'million**	**6-12 months** **N'million**	**1-5 years** **N'million**	**More than 5 years** **N'million**	**Total rate sensitive** **N'million**
Cash and balances with Central Bank of	-	-	-	-	-	-
Due from banks	8,483	-	-	-	-	8,483
Loans and advances to customers	30,679	34,862	101,589	380,309	221,298	768,737
Investment securities						-
- Available for sale			20,639			20,639
- Held to maturity			20,639			20,639
Total assets	**39,162**	**34,862**	**142,867**	**380,309**	**221,298**	**818,498**
Financial liabilities						
Customer deposits	553,320	105,054	25,593	91,309	-	775,276
Debt issued and other borrowed funds	-	-	14,954	56,479	137,960	213,233
Total liabilities	553,320	105,054	40,547	147,788	137,960	988,509
Net financial assets and liabilities	(514,158)	(70,192)	102,320	232,521	83,338	(170,011)
Net financial assets and liabilities excluding Available for sale	(514,158)	(70,192)	81,681	232,521	83,338	(190,650)

(b) INTEREST RATE SENSITIVITY ANALYSIS ON VARIABLE RATES INSTRUMENTS ON PROFIT AND EQUITY
31 December 2018

Asset with variable interest rate	**Increase/Decrease in bp**	**Amount** **N'million**	**Effect of increase by 200bp on Equity** **N'million**	**Effect of decrease by 200bp on Equity** **N'million**
Loans and advances to customers	+200bp/-200bp	231,563	4,631	(4,631)
Debts issued and other borrowed funds	+200bp/-200bp	44,577	(892)	892

(b) INTEREST RATE SENSITIVITY ANALYSIS ON VARIABLE RATES INSTRUMENTS ON PROFIT AND EQUITY - continued

31 December 2017

Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Profit	Effect of decrease by 200bp on Profit
		N'million	N'million	N'million
Loans and advances to customers	+/-200bp	284,810	5,696	(5,696)
Debts issued and other borrowed funds	+/-200bp	35,529	(711)	711

(c) INTEREST RATE SENSITIVITY ANALYSIS ON FIXED RATE INSTRUMENTS ON PROFIT AND EQUITY

31 December 2018

Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Equity	Effect of decrease by 200bp on Equity
		N'million	N'million	N'million
Investments:				
-Financial assets held for trading	+/-200bp	14,052	(281)	281
-Debt instruments at FVOCI*	+/-200bp	157,639	(3,153)	3,153

31 December 2018

Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Equity	Effect of decrease by 200bp on Equity
		N'million	N'million	N'million
Investments:				
-Financial assets held for trading	+/-200bp	20,639	(413)	413
-Debt instruments at FVOCI*	+/-200bp	64,425	(1,289)	1,289

***** Debt instruments at FVOCI and available for sale financial assets will affect other comprehensive income instead of profit or loss.

3.4.4 Equity price risk

The Bank holds a number of investments in unquoted securities which are carried at fair value with a market value of N9.977billion (31 December 2017: N5.125 billion).

3.5 Fair value of financial assets and liabilities

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central banks	**384,931**	**384,931**	**269,625**	**269,625**
Cash	44,624	44,624	27,534	20,335
Balances with central bank other than	90,693	90,693	61,074	13,858
Mandatory reserve deposits with central	249,614	249,614	181,017	151,139
Due from banks	**111,633**	**112,439**	**52,287**	**52,287**
- Current balances with foreign banks	53,684	53,684	43,812	43,812
- Placements with other banks and discount houses	57,949	58,755	8,475	8,475
Loans and advances to customers	**849,880**	**906,623**	**712,284**	**703,763**
- Term loans	744,967	784,903	689,817	682,100
- Advances under finance lease	21,193	26,835	22,467	21,663
- Other loans	83,719	94,885	-	-
Fair Value Through Profit and Loss	**14,052**	**14,052**	**20,639**	**20,639**
- Treasury bills	13,966	13,966	18,337	18,337
- Federal Government bonds	86	86	2,302	2,302
- State bonds	-	-	-	-
Debt instruments at FVOCI	**157,639**	**157,902**	**-**	**-**
- Treasury bills	137,545	137,660	-	-
- Federal Government bonds	14,131	14,150	-	-
- State Government bonds	4,437	4,529	-	-
- Coporate bonds	1,526	1,562		
Equity instruments measured at FVOCI	9,977	9,977	-	-
Debt instruments at amortised	**118,662**	**118,872**	-	-
- Treasury bills	37,702	37,725	-	-
- Federal Government bonds	75,051	75,146	-	-
- State Government bonds	2,090	2,129	-	-
- Corporate Bonds	3,820	3,872	-	-
Available for sale	-	-	**75,566**	**75,566**
- Treasury bills	-	-	39,570	39,570
- Federal Government bonds	-	-	23,538	23,538
- State Government bonds	-	-	7,333	7,333
- Equity investments	-	-	5,125	5,125
Held to maturity investment	-	-	**108,784**	**112,461**
- Treasury bills	-	-	32,316	32,708
- Federal Government bonds	-	-	63,430	66,828
- State Government bonds	-	-	3,026	3,017
- Corporate Bonds	-	-	10,012	9,908

	31 December 2018		31 December 2017	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Deposits from customers	**349,336**	**348,089**	**267,313**	**235,673**
Term	235,889	234,642	171,744	153,871
Domiciliary	113,447	113,447	95,569	81,802
Debts issued and other borrowed funds	**240,767**	**240,766**	**213,233**	**212,132**

(a) Financial instruments measured at fair value

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable input reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Assets measured at fair value				
Financial assets at FVTPL				
- Federal Government bonds	-	86	-	86
- State Government bonds	-		-	-
- Treasury bills	-	13,966	-	13,966
Debt instruments measured at FVOCI				-
- Treasury bills	-	137,545	-	137,545
- Federal Government bonds	-	14,131	-	14,131
- State Government bonds	-	4,437	-	4,437
- Corporate bonds	-	1,526	-	1,526
Equity instruments measured at FVOCI	2,474	7,503	-	9,977
Assets for which fair values are disclosed				-
Loans and advances to customers				-
- Term loans	-	-	784,912	784,912
- Advances under finance lease	-	-	26,835	26,835
- Other loans and overdrafts	-	-	94,885	94,885
Debt instruments at amortised cost				-
- Treasury bills	-	37,725	-	37,725
- Federal Government bonds	-	75,146	-	75,146
- State Government bonds	-	2,129	-	2,129
- Corporate Bonds	-	3,872	-	3,872

Liabilities for which fair values are disclosed

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Borrowings	**N'million**	**N'million**	**N'million**	**N'million**
Financial liabilities carried at amortised cost				
- Debt issued and other borrowed funds	-	-	240,767	240,767

(a) Financial instruments measured at fair value - continued

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Assets measured at fair value				
Held for trading				
- Treasury bills	-	13,966	-	13,966
- Federal Government bonds	-	2,382	-	2,382
- State Government bonds	-	-	-	-
				-
Available for sale				-
- Treasury bills	-	39,570	-	39,570
- Federal Government bonds	-	23,538	-	23,538
- State Government bonds	-	7,333	-	7,333
- Equity investments	-	-	5,125	5,125
				-
Assets for which fair values are disclosed				-
				-
Financial assets carried at amortised cost				-
Loans and Advances				-
- Term loans	-	-	689,817	689,817
- Advances under finance lease	-	-	22,467	22,467
				-
Held to maturity investment				-
- Treasury bills	-	32,316	-	32,316
- Federal Government bonds	-	63,430	-	63,430
- State Government bonds	-	-	3,026	3,026
- Corporate bonds	-	-	10,012	10,012

	Level 1	Level 2	Level 3	Total
Financial liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Liabilities for which fair value are disclosed				
Borrowings				
Financial liabilities carried at amortised cost				
- Debt issued and other borrowed funds	-	213,233	-	213,233

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with central bank represent cash held with central banks of the various jurisdictions in which the Bank operates. The fair value of these balances approximates their carrying amounts.

(ii) Due from other banks

Due from other banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The fair value of the current account balances, floating placements and overnight deposits approximates their carrying amounts.

(iii) Treasury bills and bonds

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Bank operates. The fair value of treasury bills are derived from the quoted yields,while the fair value of bonds are determined with reference to quoted prices in active markets for identical assets. For certain securities market prices cannot be readily obtained especially for illiquid Federal Government Bonds, State Government and Corporate Bonds. The positions was marked-to-model at December 31 2018 and 31 December 2017 based on yields for identical assets. Fair value is determined using discounted cashflow model.

(iv) Equity securities

The Bank uses the market approach to value its investments in unquoted equity instruments. In deriving the fair values, the Bank adopts price/earnings and price/book multiples method for comparable companies. Adjustments are made to exclude outliers that are not representative of the general market conditions. The average/median multiple is applied to the entity's book value or profit after tax and adjustment is made for marketability discount as the instruments are not actively traded on any stock market. In addition, where applicable, a small stock discount is applied to arrive at the recognised fair value.

(v) Loans and advances to customers

Loans and advances are carried at amortised cost net of allowance 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.

(c) Fair valuation methods and assumptions - continued

(vi) Overdraft

The management assessed that the fair value of Overdrafts approximate their carrying amounts largely due to the short-term maturities of these instruments.

(vii) Other assets

Other assets represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount.

(viii) Deposits from banks and due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity reflecting the entity's own non-performance risk.

(ix) Other liabilities

Other liabilities represent monetary assets which usually has a short recycle period and as such the fair values of these balances approximate their carrying amount.

(x) Debt issued and other borrowed funds

The fair of the Bank's Eurobond issued is derived from quoted market prices in active markets. The fair values of the Bank’s interest-bearing borrowings and loans are determined by using the DCF method using discount rate that reflects the issuer’s borrowing rate as at the end of the reporting year. The fair value is determined by using discounted cashflow method reflecting the entity's own non-performance risk.

3.6 OPERATIONAL RISK MANAGEMENT

Operational risk is the potential for loss arising from inadequate or failed internal processes, people and systems or from external events. This definition includes legal and regulatory risk, but excludes strategic and reputational risk.

The scope of operational risk management in the Bank covers risk exposures that may lead to unavailability of service, information deficiency, financial loss, increased costs, loss of professional reputation, failure to keep or increase market share, risks which result in the imposition of sanctions on the Bank by regulators or legal proceedings against the Bank by third parties.

Organizational Set-up

Operational Risk Management is an independent risk management function within Fidelity Bank. The Operational Risk & Service Measurements Committee is the main decision-making committee for all operational risk management matters and approves the Bank's standards for identification, measurement, assessment, reporting and monitoring of operational risk. Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework day-to-day operational risk management lies with the Bank's business and support units. Based on this business partnership model the Bank ensures close monitoring and high awareness of operational risk.

Operational Risk Framework

As is common with all businesses, operational risk is inherent in all operations and activities of the Bank. We therefore carefully manage operational risk based on a consistent framework that enables us to determine the Bank's operational risk profile in comparison to the Bank's risk appetite and to define risk mitigating measures and priorities. We apply a number of techniques to efficiently manage operational risk in the Bank's business, for example: as part of the Bank's strategy for making enterprise risk management the Bank's discriminating competence, the Bank has redefined business requirements across all networks and branches using the following tools:

Loss Data Collection

The Bank implements an event driven Loss Data Collection (LDC) system designed to facilitate collection of internal loss data triggered at the occurrence of a loss event anywhere within the divisions of the Bank. The LDC system captures data elements, which discriminate between boundary events related to credit, market and operational risk. The system facilitates collection of loss data arising from actual losses, potential losses and near misses. Work-flow capabilities built within the Bank's predefined Event Escalation Matrix enable risk incidents to be reported to designated Event Identifiers, Event Managers, Event Approvers and Action Owners that manage each risk incident from point of occurrence to closure.

Risk and Control Self Assessments (RCSA)

The Bank implement a quantitative methodology for the Bank's Risk and Control Self Assessments, which supports collection of quantitative frequency and severity estimates. Facilitated top-down RCSA workshops are used by the bank to identify key risks and related controls at business unit levels. During these workshops business experts and senior management identify and discuss key risks, controls and required remedial actions for each respective business unit and the results captured within the operational risk database for action tracking.

3.6 OPERATIONAL RISK MANAGEMENT - contnued

Key Risk Indicators (KRIs)

The Bank measures quantifiable risk statistics or metrics that provide warning signals of risk hotspots in the Bank's entity. The Bank has established key risk indicators with tolerance limits for core operational goups of the Bank. The Bank's KPI database integrates with the Loss Data Collection and Risk & Control Self Assessment models and systems to provide red flags that typically inform initiatives for risk response actions in the Bank.

Business Continuity Management (BCM)

The Bank recognises that adverse incidences such as technology failure, natural and man-made disasters could occur and may affect the Bank's critical resources leading to significant business disruption. To manage this risk, our BCM plans assists in building resilience for effective response to catastrophoc events. In broad categories, the plans which are tested periodically, cover disaster recovery, business resumption, contingency planning and crisis management.

4. Capital management

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

a. To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;

b. 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

c. To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank’s management, employing techniques based on the guidelines developed by the Central Bank of Nigeria (CBN), for supervisory purposes. The required information is filed with the CBN on a monthly basis.

The CBN requires each bank to: (a) hold the minimum level of the regulatory capital of N25 billion and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 15% for an internatiional licensed Bank.

In 2016, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The capital adequacy ratio for the period ended 31 December 2018 and the comparative period 31 December 2017 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II ACord (Interenal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian enviroment.

The Bank’s regulatory capital as managed by its Financial Control and Treasury Units is made up of Tier 1 and Tier 2 capital as follows:

Tier 1 capital: This includes only permanent shareholders' equity (issued and fully paid ordinary shares/common stock and perpetual non-cumulative preference shares) and disclosed reserves (created or increased by appropriations of retained earnings or other surpluses). There is no limit on the inclusion of Tier 1 capital for the purpose of calculating regulatory capital.

Tier 2 capital: This includes revaluation reserves, general provisions/general loan loss reserves, Hybrid (debt/equity), capital instruments and subordinated debt. Tier 2 capital is limited to a maximum of 33.3% of the total of Tier 1 capital.

The CBN excluded the following reserves in the computation of total qualifying capital:

1 The Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines which was effective on 1 July 2010 is excluded from regulatory capital for the purposes of capital adequacy assessment;

2 Collective impairment on loans and receivables and other financial assets no longer forms part of Tier 2 capital; and

3 Other Comprehensive Income (OCI) Reserves is recognized as part of Tier 2 capital subject to the limits on the Calculation of Regulatory Capital.

4. Capital management - continued

The table below summarises the composition of regulatory capital and the ratios of the Bank as at 31 December 2018 and as at 31 December 2017. During those two periods, the Bank as an entity complied with all of the externally imposed capital requirements to which it is subject to.

	31 December 2018 N'million	31 December 2017 N'million
Tier 1 capital		
Share capital	14,481	14,481
Share premium	101,272	101,272
Retained earnings (less proposed dividend)	33,948	22,140
Statutory reserve	30,744	27,305
Small scale investment reserve	764	764
Tier 1 Deductions - Intangible Assets	(1,076)	(629)
Total qualifying Tier 1 capital	180,133	165,333
Regulatory adjustment	16,314	15,224
Adjusted qualifying Tier 1 capital	163,819	150,109
Tier 2 capital		
Eurobond Issue	-	-
Local Bond Issue (Discounted at 60%)	18,002	23,902
Revaluation reserve	-	-
Fair value reserve (2017: Available-for-sale (AFS) reserve)	7,038	5,330
Total Tier 2 capital	25,040	29,232
Less other deductions		
Excess exposure over single obligor without CBN approval	-	-
	25,040	29,232
Qualifying Tier 2 Capital restricted to lower of Tier 2 and 33.33% of Tier 1 Capital	25,040	29,232
Total Tier 1 & Tier 2 Capital	188,859	179,341
Risk-weighted assets:		
Credit Risk Weighted Assets	887,081	869,324
Market Risk Weighted Assets	67,642	77,786
Operational Risk Weighted Assets	179,367	171,676
Total risk-weighted assets	1,134,090	1,118,786
Capital Adequacy Ratio (CAR)	**17%**	**16.0%**
Minimum Capital Adequacy Ratio	15%	15%

5 SEGMENT ANALYSIS

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Bank's Executive Committee (the chief operating decision maker). In 2018, Management prepared its financial records in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board . This segment is what the Bank's Executive Committee reviews in assessing performance, allocating resources and making investment decisions.

The public sector segment of the Bank was shut down in the year 2017 due to the Treasury Single Account (TSA) directive from the Federal Govenment of Nigeria in 2016, that all Ministries, Departments and Agencies (MDAs) start paying all government revenues, incomes and other receipts into a unified pool of single account with the Central Bank of Nigeria (CBN). Bank were directed to return all MDAs funds to the CBN, hence the Asset and liabilities from the public sector segment shrunk significantly, staff and other resources in the segment where re-assigned to the retail banking segment. Management ceases to have a public sector segment for decision making purposes.

Transactions between the business segments are on normal commercial terms and conditions.

Segment result of operations

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2018 is as follows:

	Retail banking N 'millions	Corporate banking N 'millions	Investment banking N 'millions	Combined N 'millions
At 31 December 2018				
Revenue derived from external customers	86,593	64,384	37,896	188,873
Revenues from other segments	-	-	-	-
Total	86,593	64,384	37,896	188,873
Interest income	66,587	56,263	30,832	153,682
Interest expense	-27,407	-41,045	-15,644	(84,095)
Profit before tax	18,936	2,387	3,766	25,089
Income tax expense	(1,633)	(206)	(325)	(2,163)
Profit for the year	17,303	2,181	3,441	22,926
31 December 2018				
Total segment assets	792,925	510,211	416,040	1,719,883
Total segment liabilities	930,850	376,676	217,941	1,525,467
Other segment information				
Depreciation and amortization	4,619	1,142	486	(6,247)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2017 is as follows:

	Retail banking N 'millions	Corporate banking N 'millions	Investment banking N 'millions	Combined N 'millions
31 December 2017				
Revenue derived from external customers	75,320	66,093	38,831	180,244
Revenues from other segments	-	-	-	-
Total	75,320	66,093	38,831	180,244
Interest income	53,499	60,623	33,297	147,419
Interest expense	(18,483)	(42,802)	(17,993)	(79,278)
Profit before tax	14,192	2,569	2,452	19,213
Income tax expense	(1,067)	(193)	(184)	(1,445)
Profit for the year	13,125	2,376	2,268	17,768
31 December 2017				
Total segment assets	673,514	447,675	258,025	1,379,214
Total segment liabilities	**869,209**	**97,297**	**211,347**	**1,177,853**
Other segment information				
Depreciation and amortization	**(3,877)**	**(91)**	**(405)**	**(4,373)**

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2018 and 2017 .

6 Interest and similar income

	2018 N'million	2017 N'million
Loans and advances to customers	109,322	109,388
Treasury bills and other investment securities:		
-Fair value through other comprehensive income	19,547	-
-Amortised cost	16,133	-
-Available for sale	-	17,066
-Held to maturity	-	16,107
Advances under finance lease	5,389	4,703
Placements and short term funds	3,291	155
	153,682	**147,419**

7 Interest and similar expense

	2018 N'million	2017 N'million
Term deposits	51,517	52,230
Debts issued and other borrowed funds	22,741	16,819
Savings deposits	6,170	5,688
Current accounts	3,666	3,368
Inter-bank takings	1	1,173
	84,095	**79,278**

8 Credit loss expense

The table below shows the ECL charges on financial instruments for the year 31 December 2018 recorded in profit or loss :

Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks (Note 20)	-	806	-	-	-	-	806
Loans and advances to customers (Note 21)	-	3,114	-	(1,340)	646	-	2,420
Debt instruments measured at FVOCI (22.8.1)	-	270	-	-	-	-	270
Debt instruments measured at amortised costs (22.8.2)	-	199	-	-	-	-	199
Financial guarantees (Note 29.3.1)	-	(448)	-	-	-		(448)
Letters of credit (Note 29.3.2)	-	618	-	-	-	-	618
	-	**4,559**	**-**	**(1,340)**	**646**	**-**	3,865
Other assets (Note 26)	-	350	-	-	-	-	**350**
	-	350	-	-	-	-	**350**
	-	**4,909**	**-**	**(1,340)**	**646**	**-**	**4,215**

The table below shows the impairment charges recorded in profit or loss under IAS 39 for the year ended 31 December 2017:

Impairment charge/(reversal) on loans and advances (Note 21) :	
- Overdrafts	9,689
- Term loans	700
- Finance leases	924
- Others	(16)
Impairment charge on other assets (Note 26)	18
	11,315

9 Net fee and commission income

Fee and commission income is disaggregated below and includes a total fees in scope of IFRS 15, Revenues from Contracts with Customers:

	2018				2017
Segments	Retail banking	Corporate banking	Investment banking	Total	Total
	N'million	N'million	N'million	N'million	N'million
Fee and commision type:					
ATM charges	2,310	1,279	-	3,588	3,474
Accounts maintenance charge	1,544	1,094	261	2,899	2,602
Commision on E-banking activities	1,324	390	1,138	2,852	1,764
Commission on travellers cheque and foreign bills	1,193	1,404	15	2,613	1,919
Commission on fidelity connect	1,152	256	24	1,432	1,524
Letters of credit commissions and fees	689	561	2	1,251	1,451
Commissions on off balance sheet transactions	724	376	-	1,101	839
Other fees and commissions	588	97	88	772	987
Commision and fees on banking services	484	2	1	487	706
Commision and fees on NXP	466	234	-	700	633
Collection fees	204	60	3	267	748
Telex fees	664	52	5	721	546
Cheque issue fees	166	6	2	174	194
Remittance fees	120	15	82	218	89
Total revenue from contracts with customers	**11,628**	**5,826**	**1,621**	**19,075**	**17,476**
Other non-contract fee income:					
Credit related fees	788	547	-	1,335	753
Total fees and commission income	12,416	6,373	1,621	**20,410**	**18,229**
Fee and commission expense	(2,235)	(790)	(321)	(3,346)	(3,674)
Net fee and commission income	**10,181**	**5,583**	**1,300**	**17,064**	**14,555**

10 Other operating income

	2018	2017
	N'million	N'million
Net foreign exchange gains	10,122	9,490
Dividend income (Note 22.7)	229	891
Profit on disposal of property, plant and equipment	15	83
Other income	778	461
	11,144	**10,925**

11 Net gains from financial instruments classified as fair value through profit or loss

	2018	2017
	N'million	N'million
Net (losses)/gains arising from:		
- Bonds	(133)	425
- Treasury bills	1	(77)
Interest income on financial assets measured at FVTPL	3,769	3,323
	3,637	**3,671**

12 Personnel expenses

	2018 N'million	2017 N'million
Wages and salaries	21,434	21,817
End of the year bonus (see note 29)	2,000	2,200
Pension contribution	476	518
	23,910	**24,535**

13 Depreciation and Amortisation

	2018 N'million	2017 N'million
Property, plant and equipment (Note 23)	3,815	3,838
Computer software (Note 24)	2,432	535
	6,247	**4,373**

14 Other operating expenses

	2018 N'million	2017 N'million Restated*
Marketing, communication & entertainment	8,352	8,173
Banking sector resolution cost	8,764	7,591
Outsourced cost	4,022	3,522
Deposit insurance premium	3,310	3,627
Repairs and maintenance	3,114	2,583
Other expenses	2,752	2,399
Computer expenses	2,366	2,407
Security expenses	1,280	1,256
Rent and rates	915	861
Cash movement expenses	901	711
Training expenses	636	221
Travelling and accommodation	840	695
Consultancy expenses	687	695
Corporate finance expenses	898	474
Legal expenses	606	202
Electricity	452	440
Office expenses	475	390
Directors' emoluments	262	370
Insurance expenses	379	396
Stationery expenses	285	269
Bank charges	268	188
Auditors' remuneration	200	200
Telephone expenses	99	108
Postage and courier expenses	108	78
	41,971	**37,856**

14.1 Consultancy fees of $110,000 was paid to the External auditors in 2017 in respect of issuance of comfort letter in connection with Eurobond. This has been converted to naira for reporting purposes.

15 Taxation

		2018 N'million	2017 N'million
a	Current taxes on income for the year	1,912	1,242
	Technology levy	251	203
	Current income tax expense	2,163	1,445
	Deferred tax expense	-	-
	Income tax expense	**2,163**	**1,445**

		2018 N'million	2017 N'million
b	**Total income tax expense in profit or loss**		
	Profit before income tax	25,089	19,213
	Income tax using the domestic corporation tax rate of 30%	7,527	5,764
	Non-deductible expenses	5,892	1,577
	Tax exempt income	(13,419)	(7,341)
	Income Tax expense based on dividend tax (note 15d)	1,912	1,242
	Technology levy (note 15e)	251	203
		2,163	**1,445**

The effective income tax rate is 9% for 31 December2018 (2017:12%).

		2018 N'million	2017 N'million
c	**The movement in the current income tax payable is as follows:**		
	At 1 January	1,445	1,327
	Income tax paid	(1,053)	(996)
	WHT recovered	(946)	(331)
	Current income tax expense	2,163	1,445
	At 31 December	**1,609**	**1,445**

Reconciliation of effective tax rate

d The income tax is based on dividend tax assessment as there is no taxable profit to charge tax. (2017: The basis of income tax is minimum tax assessment).

e The National Information Technology Agency Act (NITDA) 2007, stipulates that specified companies contribute 1% of their profit before tax to National Information Development Agency. In line with the Act, the Bank has provided for Information technology levy at the specified rate and recognised it as part of income tax for the year.

16 Net reclassification adjustments for realised net gains

The net reclassification adjustments for realised net (gains)/ losses from other comprehensive income to profit or loss are in respect of debt instruments measured at fair value through other comprehensive income (2017: available-for-sale financial assets) which were sold during the year.

17 Earnings per share (EPS)

Basic and Dilluted

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year. The diluted earnings per share is the same as basic EPS because there are no potential ordinary shares outstanding during the reporting Year.

	2018 N'million	2017 N'million
Profit attributable to equity holders of the Bank	22,926	17,768
	million	**million**
Weighted average number of ordinary shares in issue	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**79.16**	**61.35**

18 Cash and balances with central bank

	31 December 2018	31 December 2017
	N'million	**N'million**
Cash	44,624	27,534
Balances with central bank other than mandatory reserve deposits	90,693	61,074
Included in cash and cash equivalents (note 19)	135,317	88,608
Mandatory reserve deposits with central bank (see note 18.1 below)	219,386	150,789
Special cash reserve (see note 18.2 below)	30,228	30,228
Carrying amount	**384,931**	**269,625**

18.1 Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. It represents a percentage of the Customers' deposits and are non interest-bearing. The amount, which is based on qualified assets, is determined by the Central Bank of Nigeria from time to time. For the purpose of statement of cash flows, these balances are excluded from the cash and cash equivalents.

18.2 Special cash reserve represents a 5% of weekly average of deposits held with Central Bank of Nigeria as a regulatory requirement.

19 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash on hand, deposits held at call with other banks and other short-term highly liquid investments with original maturities of less than three months.

	31 December 2018	31 December 2017
	N'million	**N'million**
Cash and balances with central bank (Note 18)	135,317	88,608
Due from banks	111,633	52,287
Total cash and cash equivalents	**246,950**	**140,895**

20 Due from banks

	31 December 2018	31 December 2017
	N'million	**N'million**
Current accounts with foreign banks	53,684	43,812
Placements with other banks and discount houses	58,755	8,475
Sub-total	112,439	52,287
Less: Allowance for impairment losses	(806)	-
	111,633	**52,287**

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the external rating system are explained in Note 3.2.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	2018				31 December 2017
	Stage 1 individual	Stage 2 Individual	Stage 3	Total	Total
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
External rating grade					
Performing					
High grade	71,818	-	-	71,818	-
Standard grade	40,621	-	-	40,621	**52,287**
Sub-standard grade		-	-	-	-
Past due but not impaired	-	-	-	-	-
Non- performing				-	-
Individually impaired	-	-	-	-	-
Total	**112,439**	**-**	**-**	**112,439**	**52,287**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	Stage 1 individual N'million	Stage 2 Individual N'million	Stage 3 N'million	Total N'million
Gross carrying amount as at 1 January 2018	52,287	-	-	**52,287**
New assets originated or purchased	112,439	-	-	**112,439**
Assets derecognised or repaid (excluding write offs)	(52,287)	-	-	**(52,287)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December	**112,439**	**-**	**-**	**112,439**

	Stage 1 individual N'million	Stage 2 Individual N'million	Stage 3 N'million	Total N'million
ECL allowance as at 1 January 2018	-	-	-	-
New assets originated or purchased	817	-	-	**817**
Assets derecognised or repaid (excluding write offs)	(11)	-	-	**(11)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on Year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December	**806**	**-**	**-**	**806**

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at 31 December 2018 and at 31 December 2017.

21 Loans and advances to customers

	31 December 2018 N'million	31 December 2017 N'million
Loans to corporate and other organisations	743,308	751,480
Loans to individuals	163,315	43,835
	906,623	795,315
Less: Allowance for ECL/impairment losses	(56,743)	(26,578)
	849,880	**768,737**

21 Loans and advances to customers - continued

	31 December 2018 N'million	31 December 2017 N'million
Loans to corporate entities and other organisations		
Overdrafts	57,572	56,000
Term loans	659,101	669,445
Advance under finance lease	26,634	26,035
	743,307	751,480
Less: Allowance for ECL/impairment losses	(42,036)	(23,337)
	701,271	**728,143**
Loans to individuals		
Overdrafts	7,314	4,045
Term loans	155,802	39,498
Advance under finance lease	201	292
	163,317	43,836
Less: Allowance for ECL/impairment losses	(14,708)	(3,241)
	148,609	40,595
Net loans and advances include	**849,880**	**768,738**

21.1 Impairment allowance for loans and advances to customers

21.1.1 Corporate and other organisations

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2018					31 December 2017
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million	Total N'million
Internal rating grade						
Performing						
High grade (AAA - A)	15,131		-	-	15,131	31,458
Standard grade (BBB - B)	524,832	169,408	-	-	694,240	653,832
Sub-standard grade (CCC - CC	-	-	-	-	-	16,897
Past due but not impaired (C)	-	-	-	-	-	5,965
Non- performing:				-	-	
Individually impaired	-	-	33,937	-	33,937	43,328
Total	**539,963**	**169,408**	**33,937**	**-**	**743,308**	**751,480**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

	31 December 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at1 January 2018	580,934	91,212	79,333	-	751,479
New assets originated or purchased	282,913	-	-	-	282,913
Assets derecognised or repaid (excluding write offs)	(203,861)	(389)	(78,052)	-	(282,303)
Transfers to Stage 1	44,392	(44,392)	-	-	-
Transfers to Stage 2	(164,415)	164,580	(165)	-	-
Transfers to Stage 3	-	(41,603)	41,603	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-		-	-
Amounts written off	-	-	(8,782)		(8,782)
Foreign exchange adjustments	-	-	-	-	-
At 31 December	**539,963**	**169,408**	**33,937**	**-**	**743,308**

21 Loans and advances to customers - continued

	31 December 2018				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January2018 under IFRS 9	10,952	16,376	14,388	-	41,716
New assets originated or purchased	4,577			-	4,577
Assets derecognised or repaid (excluding write offs)	(2,545)	(1)	(4,535)	-	(7,081)
Transfers to Stage 1	166	(166)	-	-	-
Transfers to Stage 2	(2,083)	2,083	-	-	-
Transfers to Stage 3	-	(2,640)	2,640	-	-
Impact on year end ECL of exposures transferred between stages during the year	88	802	10,716	-	11,606
Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Amounts written off	-	-	(8,782)	-	(8,782)
Foreign exchange adjustments	-	-	-	-	-
At 30 December	**11,154**	**16,455**	**14,428 0**	**-**	**42,036**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December (2017: nil).

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions. Further analysis of economic factors is outlined in Note 3.

21.1.2 Loans to individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2018					31 December 2017
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million	Total N'million
Internal rating grade						
Performing						
High grade (AAA - A)	-	-	-	-	-	-
Standard grade (BBB - B)	107,641	-	-	-	107,641	14,508
Sub-standard grade (CCC - CC	34,534	3,476	-	-	38,010	26,940
Past due but not impaired (C)	-	-	-	-	-	2,383
Non- performing	-	-	-	-	-	-
Individually impaired	-	-	17,664	-	17,664	4
Total	**142,175**	**3,476**	**17,664**	**- 0**	**163,315**	**43,835**

21 Loans and advances to customers - continued

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to individual lending is, as follows:

	31 December 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at1 January 2018	38,424	149	5,262	-	43,835
New assets originated or purchased	149,716			-	149,716
Assets derecognised or repaid (excluding write offs	(22,581)	(97)	(1,015)	-	(23,693)
Transfers to Stage 1	1,027	(1,027)	-	-	-
Transfers to Stage 2	(24,412)	25,166	(754)	-	-
Transfers to Stage 3	-	(20,715)	20,715	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition				-	-
Amounts written off	-	-	(6,544)	-	(6,544)
Foreign exchange adjustments	-	-	-	-	-
At 31 December	**142,175**	**3,476**	**17,664 0**	**-**	**163,315**

	31 December 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January 2018 under IFRS 9	388	1,467	10,754	-	12,608
New assets originated or purchased	4,039			-	4,039
Assets derecognised or repaid (excluding write offs	(509)	(1)	(910)	-	(1,420)
Transfers to Stage 1	36	(36)	-	-	-
Transfers to Stage 2	(835)	1,060	(225)	-	-
Transfers to Stage 3	-	(2,448)	2,448	-	-
Impact on year end ECL of exposures transferred between stages during the year	181	6	5,837	-	6,024
Unwind of discount	-	-	-	-	-
Amounts written off	-	-	(6,544)	-	(6,544)
Foreign exchange adjustments				-	-
At 31 December	**3,299**	**48**	**11,360 0**	**-**	**14,708**

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk and a deterioration in economic conditions. Further analysis of economic factors is outlined in Note 3.

Analysis of loans and advances at 31 December 2017.

	Gross amount	Individual impairment	Collective impairment	Total impairment	Carrying amount
	N'million	N'million	N'million	N'million	N'million
Overdrafts	64,964	(3,550)	(4,961)	(8,511)	56,453
Term loans	704,024	(8,776)	(5,431)	(14,207)	689,817
Advances under finance lease	26,327	(3,751)	(109)	(3,860)	22,467
Other loans	-	-	-	-	-
	795,315	**(16,077)**	**(10,501)**	**(26,578)**	**768,737**

21 Loans and advances to customers- continued

Reconciliation of impairment allowance on loans and advances to customers:

	Overdrafts	Term loans	Finance lease	Other	Total
	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2017					
Individual impairment	4,822	7,497	2,708	-	15,027
Collective impairment	3,438	6,010	228	16	9,692
	8,260	13,507	2,936	16	24,719
Impairment charge/(reversal) for the year					
Individual impairment	3,071	1,279	1,043	-	5,393
Collective impairment	6,559	(638)	(119)	(16)	5,786
Total charge to profit or loss	9,630	641	924	(16)	11,179
Write off during the year					
Individual impairment	(9,438)	-	-	-	(9,438)
Collective impairment	(5,036)	-	-	-	(5,036)
	(14,474)	-	-	-	(14,474)
Individual impairment	3,550	8,776	3,751	-	16,077
Collective impairment	4,961	5,431	109	-	10,501
Balance at 31 December 2017	**8,511**	**14,207**	**3,860**	**-**	**26,578**

21.2 Advances under finance lease may be analysed as follows:

	31 December 2018	31 December 2017
Gross investment	N'million	N'million
- No later than 1 year	4,003	3,219
- Later than 1 year and no later than 5 years	20,474	21,713
- Later than 5 years	2,358	1,770
	26,835	26,702
Unearned future finance income on finance leases	(201)	(375)
Net investment	26,634	26,327
The net investment may be analysed as follows:		
- No later than 1 year	3,987	3,115
- Later than 1 year and no later than 5 years	19,888	21,529
- Later than 5 years	2,759	1,684
	26,634	26,327

21.3 Nature of security in respect of loans and advances:

	31 December 2018	31 December 2017
	N'million	N'million
Secured against real estate	63,635	503,293
Secured by shares of quoted companies	-	158,718
Secured others	807,582	111,791
Advances under finance lease	26,835	21,513
Unsecured	8,571	-
Gross loans and advances to customers	**906,623**	**795,315**

22 Investment securities

		31 December 2018 N'million	31 December 2017 N'million
22.1	Financial assets at fair value through profit and loss (FVTPL)		
	Held for trading:		
	Federal Government bonds	86	2,302
	Treasury bills	13,966	18,337
	Total financial assets measured at FVTPL	**14,052**	**20,639**

		31 December 2018 N'million
22.2	Debt instruments at fair value through other comprehensive income (FVOCI)	
	Treasury bills	137,545
	Federal Government bonds	14,131
	State bonds	4,437
	Corporate bonds	1,526
	Total debt instruments measured at FVOCI	**157,639**

An expected credit loss of N277M has been recognised on Debt instrument measured at FVTOCI, the loss has been credited to other comprehensive income for the year

		31 December 2018 N'million
22.3	Equity instruments at fair value through other comprehensive income (FVOCI)	
	Unquoted equity investments:	
	- Mobile Telecommunications Network (MTN)	2,474
	- African Finance Corporation (AFC)	2,377
	- Unified Payment Solution	1,969
	- Nigerian Inter Bank Settlement System (NIBBS)	1,475
	- The Central Securities Clearing System (CSCS)	1,682
	Total equity instruments at FVOCI	**9,977**

		31 December 2018 N'million
22.4	Debt instruments at amortised cost	
	Treasury bills	37,725
	Federal Government bonds	75,146
	State Government bonds	2,129
	Corporate bonds	3,872
	Sub-total	118,872
	Allowance for impairment	-210
	Total debt instruments measured at amortised cost	**118,662**

			31 December 2017 N'million
22.5	Available for sale		
	Treasury bills		39,570
	Federal Government bonds		23,538
	State bonds		7,333
	Unquoted equity investments at cost (see note 22.5a)		1,646
	Unquoted equity investments at fair value		5,124
			77,211
	Impairment on unquoted equity investment at cost		(396)
			76,815
	Reconciliation of allowance for impairment		
	At beginning of year		408
	Provision no longer required	-	(12)
	At end of year	-	**396**

22.5a Unquoted equity investments at cost

These are investments in AFC (African Finance Corporation) and other small scale enterprises which are carried at cost because their fair value cannot be reliably measured. The carrying cost of investments in AFC as at 31 December 2017 is N763 million. The fair value of these investments cannot be reliably benchmarked because there is no active market. The Bank does not intend to dispose the investment.

22 Investment securities - continued

		31 December 2017
		N'million
22.6 Held to maturity		
Treasury bills		32,316
Federal Government bonds		63,430
State Government bonds		3,026
Corporate bonds		10,012
Total held to maturity instruments		108,784
Total investments	**300,330**	**206,238**

22.7 Pledged assets

Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company Plc (NIBSS) in respect of the Bank's ongoing participation in the Nigerian settlement system. The Bank pledged Treasury bills, Bonds and cash balance in its capacity as collection bank for government taxes and Interswitch electronic card transactions. The Bank also pledged Federal Government bonds and Corporate bonds denominated in foreign currency to Renaissance Capital in respect of its short term borrowings.

The nature and carrying amounts of the assets pledged as collaterals are as follows:

	31 December 2018	31 December 2017
	N'million	N'million
Treasury bills - Amortised cost	17,727	13,374
Corporate Bonds - Amortised cost	3,835	10,012
Federal Government bonds - Amortised cost	53,666	22,477
Federal Government bonds - FVOCI	-	-

The Bank has designated its equity investments previously classified as available-for-sale as equity investments at FVOCI on the basis that these are not held for trading. During the year ended December 2018, the Bank received dividends of N141 million from its FVOCI equities which was recorded in the profit or loss as other operating income. The Bank also sold FVOCI equity instruments relating to MTN during the reporting Year. The reasons for disposing of the investments was based on CBN's circular issued in 2016, requesting commercial banks to divest their interest in non-permissible investments of which some equity instruments were part. The fair value of the investments at the date of de-recognition amounted to N1.904 billion while the cummulative loss on disposal of the shares is N264.72million.

More information regarding the valuation methodologies can be found in Note 3.

22.8 Impairment losses on financial investments subject to impairment assessment

22.8.1 Debt instruments measured at FVOCI

The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank’s internal credit rating system and year-end stage classification. Details of the Bank’s internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	151,676	-	-	**151,676**
Standard grade	5,963	-	-	**5,963**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	157,639	-	-	**157,639**

Investments - continued

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Fair value as at 1 January 2018	63,108	-	-	**63,108**
New assets originated or purchased	246,754	-	-	**246,754**
Assets derecognised or matured (excluding write-offs)	(154,647)	-	-	**(154,647)**
Change in fair value	2,424	-	-	**2,424**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	157,639	-	-	157,639

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	9	-	-	**9**
New assets purchased	375	-	-	**375**
Assets derecognised or matured (excluding write offs)	(105)	-	-	**(105)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	279	-	-	279

22.8.2 Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.1:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	112,871	-	-	**112,871**
Standard grade	6,001	-	-	**6,001**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**118,872**	-	-	**118,872**

Investments - continued

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2018	116,026	-	-	**116,026**
New assets originated or purchased	54,244	-	-	**54,244**
Assets derecognised or matured (excluding write-offs)	(51,842)	-	-	**(51,842)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	444	-	-	**444**
At 31 December 2018	118,872	-	-	118,872

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	11	-	-	**11**
New assets purchased	264	-	-	**264**
Assets derecognised or matured (excluding write offs)	(65)	-	-	**(65)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2018	**210**	-	-	**210**

23 Property, plant and equipment	**Land**	**Buildings**	**Leasehold improvements**	**Office equipment**	**Furniture, fittings & equipment**	**Computer equipment**	**Motor vehicles**	**Work in progress**	**Total**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cost									
At 1 January 2018	15,066	16,128	7,669	8,296	2,128	12,971	5,914	2,236	70,408
Additions	242	-	353	125	129	552	449	431	2,281
Reclassifications	-	523	-	501	-	166	-	(1,190)	-
Disposals	(5)	(3)	(9)	(14)	(3)	(16)	(348)	-	(398)
At 31 December 2018	**15,303**	**16,648**	**8,013**	**8,908**	**2,254**	**13,673**	**6,015**	**1,477**	**72,291**
Accumulated depreciation									
At 1 January 2018	-	(2,436)	(4,891)	(6,976)	(1,855)	(10,788)	(4,958)	-	(31,904)
Charge for the year	-	(362)	(1,023)	(559)	(118)	(1,201)	(552)	-	(3,815)
Disposals	-	-	-	13	2	10	312	-	337
At 31 December 2018	**-**	**(2,798)**	**(5,914)**	**(7,522)**	**(1,971)**	**(11,979)**	**(5,198)**	**-**	**(35,382)**
Carrying amount at 31 December 2018	**15,303**	**13,850**	**2,099**	**1,386**	**283**	**1,694**	**817**	**1,477**	**36,909**
			2,888						
Cost									
At 1 January 2017	14,253	15,720	7,459	7,934	2,076	12,500	6,072	3,041	69,055
Additions	177	-	214	478	58	475	414	241	2,057
Reclassifications	636	410	-	-	-	-	-	(1,046)	-
Disposals	-	(2)	(4)	(116)	(6)	(4)	(572)	-	(704)
At 31 December 2017	**15,066**	**16,128**	**7,669**	**8,296**	**2,128**	**12,971**	**5,914**	**2,236**	**70,408**
Accumulated depreciation									
At 1 January 2017	-	(2,119)	(4,671)	(6,525)	(1,739)	(8,799)	(4,846)	-	(28,699)
Charge for the year	-	(317)	(220)	(564)	(122)	(1,993)	(622)	-	(3,838)
Disposals	-	-	-	113	6	4	510	-	633
At 31 December 2017	**-**	**(2,436)**	**(4,891)**	**(6,976)**	**(1,855)**	**(10,788)**	**(4,958)**	**-**	**(31,904)**
Carrying amount at 31 December 2017	**15,066**	**13,692**	**2,778**	**1,320**	**273**	**2,183**	**956**	**2,236**	**38,504**

Work in progress relates to capital cost incured in settling up new branches. When completed and available for use, they are transfered to the respective property, plant and equipment classes and depreciation commences.

Capital Commitment
At 31 December 2018, the company had no capital commitments for the acquisition of property, plant and equipment (31/12/2017: Nil).

24 Intangible assets - Computer software

	31 December 2018 N'million	31 December 2017 N'million
Cost		
Balance at beginning of year	3,361	2,992
Additions	2,879	369
Disposal during the year	(2,052)	-
Balance	**4,188**	**3,361**
Accumulated amortization		
Balance at beginning of year	2,732	2,197
Amortisation for the year	2,432	535
Disposal during the year	(2,052)	-
Balance	3,112	2,732
Carrying amount	**1,076**	**629**

These relate to purchased softwares.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was N2,432 million for the year ended 31 December 2018 (31 December 2017: N535).

25 Deferred taxation

Deferred 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 relate to the same fiscal authority.

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of 30% or 32% as applicable (2017: 30% or 32%).

Deferred tax assets and liabilities are attributable to the following items:

25.1 Deferred tax

	31 December 2018 N'million	31 December 2017 N'million
Accelerated tax depreciation	(3,884)	(3,243)
	(3,884)	(3,243)
Deferred tax assets		
Property,plant and equipment	4,818	6,887
Allowances for loan losses	3,363	3,150
Tax loss carried forward	24,275	21,583
	32,456	31,620
Unrecognised deferred tax assets	**28,572**	**(28,377)**
Net	-	-

25.2 The Bank has unutilised capital allowance of N27.3 billion (31 Dec 2017:N23.0 billion) unused tax losses carried forward of N80.92 billion (31 Dec 2017: N71.9 billion) and deductible temporary difference of N600 million (31 Dec 2017: N309 million) to be offset against future taxable profits. There is no expiry date for the utilisation of these items.

The Bank has been incurring taxable losses primarily because of the tax exemption on income on government securities. The provisions of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011 grants exemption to income from bonds and treasury bills from tax for a period of 10 years. The expiry date of the circular will be in the year 2021 and this trend would continue until the expiration of the tax holiday. Thus, the Bank has applied caution by not recognising additional deferred tax which is not considered capable of recovery.

26 Other assets

	31 December 2018 N'million	31 December 2017 N'million
Financial assets		
Sundry receivables	25,525	30,535
Others	3,515	3,420
Investments in SMESIS	1,430	-
	30,470	33,955
Less:		
Specific allowances for impairment	(2,219)	(1,869)
	28,251	32,086
Non financial assets		
Prepayments	6,564	10,100
Other non financial assets	309	1,008
	6,873	11,108
Total	**35,124**	**43,194**

Reconciliation of allowance for impairment

	31 December 2018 N'million	31 December 2017 N'million
At beginning of the year	1,869	1,851
Charge for the year	350	18
At end of the year	**2,219**	**1,869**

27 Deposits from customers

	31 December 2018 N'million	31 December 2017 N'million
Demand	391,576	322,903
Savings	227,970	178,570
Term	172,178	171,744
Domicilliary	179,753	95,569
Others	7,936	6,490
	979,413	775,276
Current	979,413	775,276
Non-current	-	-
	979,413	**775,276**

28 Other liabilities

	31 December 2018 N'million	31 December 2017 N'million Restated*
Customer deposits for letters of credit	69,966	7,768
Accounts payable	81,235	46,455
Manager's cheque	3,961	5,516
FGN Intervention fund (see note 28.1)	133,840	112,294
Payable on E-banking transactions	8,282	10,749
Other liabilites/credit balances	3,051	2,372
	300,335	**185,154**

28.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N93.39 billion** (31 Dec 2017: N97.628 billion). This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

29	Provision		31 December 2018 N'million	31 December 2017 N'million
	Provisions for year end bonus (see note 29.2)		2,000	2,200
	Provisions for litigations and claims		545	545
	Provision for guarantees and letters of credit	(Note 29.3.1 - 29.3.2)	798	-
			3,343	2,745
	At 1 January		2,200	1,001
	Arising during the year		2,000	2,200
	Utilised		(2,200)	(1,001)
	At the end of the year		2,000	2,200
29.1	Current Provision		2,798	2,200
	Non-current provisions		545	545
			3,343	2,745

29.2 A provision has been recognised in respect of staff year end bonus, the provision has been recognised based on the fact that there is a constructive and legal obligation on the part of the Bank to pay bonus to staff where profit has been declared. The provision has been calculated as a percentage of the profit after tax.

29.3 Impairment losses on guarantees and letters of credit

An analysis of changes in the gross carrying amount and the corresponding allwances for impairment losses in relation to guarantees and letters of credit is as follows:

29.3.1 ***Financial guarantees***

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	**-**
Standard grade	224,981	-	-	**224,981**
Sub-standard grade	13,462	-	-	**13,462**
Past due but not impaired	-	-	-	**-**
Non- performing	-	-	-	**-**
Individually impaired	-	-	-	**-**
Total	**238,443**	**-**	**-**	**238,443**

29.3.1 *Financial guarantees - continued*

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2018	231,014	-	-	**231,014**
New exposures	139,136	-	-	**139,136**
Exposure derecognised or matured/lapsed (excluding write-offs)	(131,707)	-	-	**(131,707)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**238,443**	**-**	**-**	**238,443**

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2018	449	-	-	**449**
New exposures	136	-	-	**136**
Exposure derecognised or matured/lapsed (excluding write-offs)	(584)	-	-	**(584)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 December 2018	**1**	**-**	**-**	**1**

29.3.2 *Letters of credit*

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. Details of Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECLs are calculated on an individual or collective basis are set out in Note 3.2.1.

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	-	-	-	-
Standard grade	188,641	-	-	**188,641**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**188,641**	**-**	**-**	**188,641**

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2018	138,975	-	-	**138,975**
New exposures	146,536	-	-	**146,536**
Exposure derecognised or matured/lapsed (excluding write-offs)	(96,870)	-	-	**(96,870)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**188,641**	**-**	**-**	**188,641**

29.3.2 *Letters of credit - contnued*

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	178	-	-	**178**
New exposures	679	-	-	**679**
Exposure derecognised or matured/lapsed (excluding write-offs)	(61)	-	-	**(61)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 December 2018	**796**	**-**	**-**	**796**

30 Debts issued and other borrowed funds

	31 December 2018	31 December 2017
	N'million	N'million
Long term loan from Proparco Paris (see note 30.1)	6,628	8,601
Long term loan from African Development Bank (ADB) (see note 30.2)	13,842	18,000
European Investment Bank Luxembourg (see note 30.3)	4,480	5,088
$400 Million Euro Bond issued (see note 30.5)	143,098	132,872
Local Bond issued (see note 30.6)	30,004	29,878
Repurchase transaction with Renaisance Capital (see note 30.7)	23,088	3,840
Loan from Mashreq Bank (see note 30.8))	19,627	-
$300 Million Euro Bond issued (see note 30.4)	-	14,954
	240,767	**213,233**

Reconcilation of Borrowings during the year:	31 December 2018	31 December 2017
	N'million	N'million
At 1 January	213,233	159,035
Additions during the year	57,498	135,128
Paid during the year	(32,317)	(87,318)
Interest payable	4,608	4,408
Foreign exchange difference	(2,255)	1,980
At the end of the year	**240,767**	**213,233**

30 Debts issued and other borrowed funds - continued

30.1 The amount of **N6.628 billion** (31 Dec 2017: N8.601 billion) represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semi-annually. The borrowing is an unsecured borrowing.

30.2 The amount of **N13.842 billion** (31 Dec 2017: N18.000 billion) represents the amortised cost balance in the on-lending facility of $75million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repaid semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing.

30.3 The amount of **N4.480 billion** (31 Dec 2017: N5.088 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

30.4 During the reporting year, the 5-year, 6.875% Eurobond issued at 99.48% in May 2013 by the Bank matured in May 2018. The purpose of the debt issuance is to finance foreign currency lending to the Power and Oil sectors of the economy of Nigeria.

30.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) will be used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of N143.098 billion (31 Dec 2017 : N132.872 billion) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

30.6 The amount of **N30.004 billion,** (31 Dec 2017: N29.878 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

30.7 The amount of **N23.088 billion,** (31 Dec 2017: N3.840 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

30.8 The amount of **N19.627 billion** (31 Dec 2017: Nil) represents the amortised cost balance on the Syndicated Trade Finance Facility of $55 million granted to the Bank by Mashreq Bank on the 3rd of August 2018 for a tenor of 12 months, at an interest rate of Libor plus 3.90% per annum. Interest is paid quaterly with principal repayment on maturity or as agreed by the parties to the contract.

31 Share capital

	31 December 2018 N'million	31 December 2017 N'million
Authorised		
32 billion ordinary shares of 50k each (2017: 32 billion ordinary shares)	16,000	16,000
Issued and fully paid		
28,963 million ordinary shares of 50k each (2017: 28,963 million ordinary shares)	14,481	14,481

There is no movement in the issued and fully paid shares during the year.

32 Other equity accounts

The nature and purpose of the other equity accounts are as follows:

Share premium

Premiums from the issue of shares are reported in share premium.

Retained earnings

Retained earnings comprise the undistributed profits from previous years and current year, which have not been reclassified to the other reserves noted below.

32 Other equity accounts - continued

Statutory reserve

This represents regulatory appropriation to statutory reserve of 30% of profit after tax 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.

Small scale investment reserve

The Small scale investment reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small scale industries.

Non-distributable regulatory risk reserve

The amount at which the loan loss provision under IFRS is less than the loan loss provision under prudential guideline is booked to a non-distributable regulatory riskreserve.

Fair value reserves (2017: Available-for-sale reserve)

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income (2018: available-for-sale investments) until the investment is derecognised or impaired.

AGSMEIS reserve

5% of 2016, 2017 and 2018 PAT (N2.6Bn) relates to AGSMEIS; Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS), the AGSMEIS is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

33 Cash flows from operations

	31 December 2018 N'million	31 December 2017 N'million
Profit before income tax	25,089	19,213
Adjustments for:		
– Depreciation and amortisation	6,247	4,373
– Profit from disposal of property and equipment	(15)	(83)
– Foreign exchange gains on operating activities	(5,505)	(5,678)
– Foreign exchange losses/(gains) on debts issued and other borrowed funds	(2,255)	1,980
– Foreign exchange losses/(gains) on loans and advances to customers	6,000	(29,454)
– Foreign exchange (gains)/losses on deposits from customers	(17,809)	(10,994)
– Net gains from financial assets classified as FVTPL	132	(348)
– Impairment charge on loans and advances	2,420	11,297
– Impairment on other debt instrument	470	-
– Impairment charge on other assets	350	18
– Write off of loans and advances/Recoveries	15,326	(9,438)
– Dividend income	(229)	(891)
– Gain on debt instruments measured at FVOCI reclassified from equity	(1,671)	(622)
– Net interest income	(69,587)	(68,141)
	(41,038)	(88,769)
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(68,597)	(10,771)
– Loans and advances to customers	(132,634)	(16,875)
– Financial assets held for trading	6,455	(2,889)
– Other assets	6,774	(5,702)
Changes in operating liabilities		
– Deposits from customers	221,946	(6,701)
– Other liabilities	115,181	26,429
– Provisions	598	5,317
– Interest payable on debts issued and other borrowed funds	4,608	4,408
Cash flows from/(used in) operations	**113,294**	**(95,553)**

34 Contingent liabilities and commitments

34.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to **N1.7 billion** (31 Dec 2017: N270.151 million).

34.2 Confirmed credits and other obligations on behalf of customers

In the normal course of business the Bank is a party to financial instruments with off-statement of financial position risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	31 December 2018 N'million	31 December 2017 N'million
Performance bonds and guarantees (Note 29.3.1)	238,443	231,014
Letters of credit (Note 29.3.2)	188,641	138,975
Unsettled transactions	-	3,691
AGSMEIS Disbursement	9	-
	427,093	**373,680**

Included in Performance bonds and guarantees is N51.39bn Bank of industry backed guarantee. Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.

34.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N4.244 billion at at 31 December 2018 (31 Dec 2017: N4.22 billion). Based on the estimates of the Bank's legal team and the case facts, the Bank estimates a potential loss of N544.72 million (31 Dec 2017: N544.72 million) upon conclusion of the cases. A provision for the potential loss of N544.72 million is shown in Note 29.

35 Related party transactions with Key Management Personnel

The related party transactions in respect of Entity controlled by Key Management Personnel has been disclosed in compliance with Central Bank of Nigeria circular BSD/1/2004.

35.1 Deposits/ Interest expense from related parties

Transactions with related entities

Entity Controlled by Key Management Personnel	Related party	Nature Relationship	Deposits at 31 December 2018	Interest expense 31 December 2018	Deposits at 31 Dec 2017	Interest expense 31 Dec 2017
			N	N	N	N
Geoelis and Co Nig Ltd (HM) (DP)	Insider related	Former Director	-	-	63,779	-
Cy Incorporated Nig Ltd (DSRA)	Insider related	Former Director	21,305	-	23,501	-
Equipment Solutions and Logistics Services Limited	Insider related	Former Director	60,241	119	48,548	-
The Genesis Restaurant Limited	Insider related	Former Director	-	-	1,802,850	-
Next International	Insider related	Former Director	-	-	2,402,084	98,094
Namjid. Com Limited	Insider related	Former Director	46,535	-	54,632	-
John Holt Plc	Insider related	Former Director	62,956,650	-	12,060,739	-
Transcorp Power Limited	Insider related	Former Director	216,416,161	-	470,949,975	9,418,999
Tower Aluminium	Insider related	Former Director	-	-	1,549,013	-
Tenderville Ltd	Insider related	Former Director	-	-	-	-
Rosies Textile	Insider related	Former Director	-	-	-	-
Ass. Haulages (Nig) Ltd 2	Insider related	Former Director	-	-	-	-
Genesis Hub Limited	Insider related	Former Director	23,559,683	-		-
Genesis Deluxe Cinemas	Insider related	Former Director	8,869,363	44,536		-
Sub total			**279,500,892**	**44,655**	**488,955,122**	**9,517,093**
A-Z Petroleum Products Limited	Insider related	Current Director	14,652,776	-	2,643,014	-
Neconde Energy Limited	Insider related	Current Director	7,233,658	-	-	-
Dangote Industries Limited	Insider related	Current Director	482,257	-	-	-
Damos Practice Limited	Insider related	Current Director	-	-	-	-
Alcon Nigeria Limited	Insider related	Current Director	-	-	-	-
Emeka Unachukwu	Insider related	Current Director	17,559	21,121	-	-
Agric Int'l Tech and Trade	Insider related	Current Director	2,030,383,439	-		-
Congregation of Holy Spirit (Spiritan University Nneochi	Insider related	Current Director	4,132,423	-	-	-
Sub total			**2,056,902,112**	**21,121**	**2,643,014**	**-**
Transactions with Key Management Personnel	Insider related		43,341,180	390,910	792,418,921	7,746,615
TOTAL			**2,379,744,183**	**456,686**	**1,284,017,057**	**17,263,709**

35.2 Loans and Advances/ Interest Income from Related parties

Entity Controlled by Key Management Personnel	Related party	Loan amount Outstanding Dec 2018 N	Interest Income Dec 2018 N	Loan amount Outstanding Dec 2017 N	Interest Income Dec 2017 N	Facility Type	Status	Collateral Status
Cy Incorporated Nig Ltd	Mrs. Onome Olaolu (Former Director)	286,276,066	-	277,045,706		Finance Lease/Overdraft	Lost	Perfected
Equipment Solutions And Logistics Services Ltd	Mr. Ik Mbagwu	717,185,830	-	572,086,856		Term Loan/Overdraft	Performing	Perfected
The Genesis Restaurant Ltd	Ichie Nnaeto Orazulike	-	-	286,014,732	175,887,157	Term Loan/Overdraft	Performing	Perfected
Genesis Deluxe Cinemas	Ichie Nnaeto Orazulike	161,111,111	43,637,443	227,777,778	72,000,000	Term Loan	Performing	Perfected
Genesis Hub Ltd	Ichie Nnaeto Orazulike	66,985,126	23,706,590	416,109,649	173,760,000	Term Loan/Overdraft	Performing	Perfected
John Holt Plc	Chief Christopher Ezeh	39,509,622	10,902,937	161,045,681	26,545,562	Term Loan	Performing	Perfected
A-Z Petroleum Products Ltd	Mr. Alex Ojukwu	13,395,836	-	22,444,888	5,170,736	Term Loan/Overdraft	Performing	Perfected
Agric Int'l Tech and Trade	Mr. Ernest Ebi	2,000,000,000	13,808,219	-	-	Term Loan	Performing	Perfected
Dangote Industries Ltd	Mr. Ernest Ebi	30,577,435,779	13,836,365	35,482,975,137	2,976,450,798	Term Loan	Performing	Perfected
Tenderville Ltd	Chief Christopher Ezeh	17,192,768	1,972,603	10,000,000	3,600,000	Term Loan/Overdraft	Performing	Perfected
Tower Aluminium Nigeria Plc	Otunba Seni Adetu			1,189,751,700	220,444,080	Term Loan/Overdraft	Performing	Perfected
CHIS Stores Limited	Chijioke Ugochukwu			3,055,308	5,712,000			
Transcorp Ughelli Power Limited	Mr. Stanley Lawson	3,288,908,342	1,290,534	4,442,200,022	666,329,997	Term Loan	Performing	Perfected
Neconde Energy Limited	Pastor Kings C. Akuma	9,136,175,125	15,621,393	9,318,926,121	1,169,409,150			
SUB-TOTAL		**46,304,175,605**	**124,776,084**	**52,409,433,578**	**5,495,309,480**			
Related party	**Key management personnel**							
Okonkwo Nnamdi John	Managing Director	150,286,879	5,338,497	160,531,171	4,793,127	Term Loan	Performing	Perfected
Chijioke Ugochukwu	Executive Director	78,543,796	2,815,123	90,700,351	2,577,353	Term Loan	Performing	Perfected
Mohammed Balarabe	Executive Director	90,272,588	3,137,676	97,411,715	2,922,351	Term Loan	Performing	Perfected
Odinkemelu Aku	Executive Director	63,107,908		125,407,348	3,762,220			
Onyeali - Ikpe Nnekachinwe	Executive Director	113,095,534	1,803,269	1,311,255		Term Loan	Performing	Perfected
Adepegba Adeyeye Olawale	Executive Director	-	-	32,551,540	950,943			
Ichie Nnaeto Orazulike	Non Executive Director	-	-	21,313,181		Term Loan	Performing	Perfected
Kayode Gabriel Olowoniyi	Non Executive Director	111,444	-	355,888		Overdraft	Performing	Perfected
Nnamdi I. Oji	Non Executive Director	3,394,975	-	65,853		Overdraft	Performing	Perfected
Bashari M. Gumel	Non Executive Director	3,171	-	7,265		Overdraft	Performing	Perfected
Alex Chinelo Ojukwu	Non Executive Director	25,195,595	-			Term Loan	Performing	Perfected
Emeka C. Unachukwu	Non Executive Director	1,771,881	-			Overdraft	Performing	Perfected
Chief Charles Chidebe Umolu	Non Executive Director	103,337	-			Overdraft	Performing	Perfected
Kings Chukwu Akuma	Non Executive Director	291,144	-			Overdraft	Performing	Perfected
SUB-TOTAL		526,178,253	13,094,566	529,655,567	15,005,995		Performing	Perfected
TOTAL		**46,830,353,857**	**137,870,650**	**- 52,939,089,145**	**5,510,315,475**			

35.3 Bank Gurantees in favour of Key Management Personnel

December 2018

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED BANK DIRECTOR	POSITION IN BANK	AMOUNT (N)
CONGREGATION OF THE HOLY SPIRIT (SPIRITAN UNI	NATIONAL UNIVERSITIES COMMISSION (NU	ICHIE NNAETO ORAZULIKE / MRS. PAULINE ODINKEMELU	FORMER DIRECTO	200,000,000
GENESIS DELUXE CINEMAS	BOI	ICHIE NNAETO ORAZULIKE	FORMER DIRECTO	250,000,000
				450,000,000

December 2017

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED BANK DIRECTOR	POSITION IN BANK	AMOUNT (N)
BANK OF INDUSTRY	TOWER ALUMINIUM NIGERIA PLC	OTUNBA SENI ADETU	DIRECTOR	2,981,487,000.00
				2,981,487,000

NATIONAL UNIVERSITIES COMMISSION	CHRISTOPHER EZEH	CHIEF CHRISTOPHER EZEH	FORMER CHAIRM	200,000,000
NATIONAL UNIVERSITIES COMMISSION (NUC)	CONGREGATION OF THE HOLY SPIRIT (SPIRITAN UNIVERSITY NNEOCHI)	ICHIE NNAETO ORAZULIKE / MRS. PAULINE ODINKEMELU	FORMER DIRECTOR / EXECUTIVE	200,000,000
BOI	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	FORMER DIRECTO	250,000,000
				650,000,000

35.4 Key management compensation

	December 2018 N'million	December 2017 N'million
Salaries and other short-term employee benefits (Executive directors only)	353	468
Pension cost	11	19
Post-employment benefits paid- Gratuity	-	-
Post-employment benefits paid- Retirement	-	-
Other employment benefits paid	272	392
	636	**879**

36 Employees

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

	Number December 2018	Number December 2017
Executive directors	5	6
Management	399	183
Non-management	2,504	3,018
	2,908	**3,207**

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

	Number 2018	Number 2017
N300,000 - N2,000,000	12	104
N2,000,001 - N2,800,000	6	427
N2,800,001 - N3,500,000	532	781
N3,500,001 - N6,500,000	1,453	854
N6,500,001 - N7,800,000	275	510
N7,800,001 - N10,000,000	334	218
N10,000,001 and above	296	313
	2,908	**3,207**

37 Directors' emoluments

Remuneration paid to the Bank's executive and non-executive directors (excluding certain allowances) was:	Number 2018 N'million	Number 2017 N'million
Fees and sitting allowances	70	66
Executive compensation	353	273
Other director expenses	192	129
	615	**468**

Fees and other emoluments disclosed above include amounts paid to:

Chairman	14	15
Highest paid director	**102**	**102**

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

	Number 2018	Number 2017
Below N1,000,000	-	-
N1,000,000 - N2,000,000	-	-
N2,000,001 - N3,000,000	-	-
N5,500,001 - and above	12	14
	12	**14**

37.1 Gender Diversity

31 December 2018

	WOMEN		MEN		TOTAL
	Number	%	Number	%	
Board Members	3	25%	9	75%	12
Management staff (AGM &	8	73%	3	27%	11
	11		**12**		**23**
Total					

December 2017	WOMEN		MEN	TOTAL
	Number	%	Number	
Board Members	3	19%	13	16
Management staff (AGM &	9	21%	34	43
Total	**12**		**47**	**59**

38 Compliance with banking regulations

38.1 The Directors are of the opinion that the financial statements of the Bank is in compliance with the Bank and Other Financial Institutions act, 2012 CAP B3 LFN 2004 and all relevant CBN circulars, except for the contraventions below which attracted penalties during the year ended 31 December 2018.

	Fine/Penalties	
	2018	2017
Nature of Contravention	(N'000)	(N'000)
Penalty for contravening the RS guide-CBNIFO GNEC television network	-	8,047
CBN-Penalty imposed on Bank-Multiple Account to a BVN	-	40,000
Fidelity Penalty for untimely & Non rendition of STRS	-	10,000
CBN Penalties imposed on the Bank	2,000	4,000
CBN fine imposed on Bank in respect of KYC Non-Compliance	-	2,000
SEC Penalty-Late Submission of Annual Financial Report	-	1,225
Penalty Late Payment and Account default Of Bank A/Acct 2016 FYE	-	700
Penalty on diaspora mortgage product MC-IFO CBN	-	2,000
Penalty on FID-RBS/exposure above sold	-	2,000
Penalty on fid-RBS/wrong and misleading info	-	2,000
Penalty on fid-RBS/exposure to related party	-	2,000
Penalty on fid-delayed payment	-	2,000
FRCN Penalties imposed on the Bank	10,000	-
CAC Penalties imposed on the Bank	1,099	-
	13,099	**75,972**

38.2 In line with circular FDR/DIR/CIR/GEN/01/020, the returns on customers' complaints for the year ended 31 December 2018 is set as below:

S/N	DESCRIPTION	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
		2018	2017	2018[Million]	2017[Million]	2018[Million]	2017[Million]
1	Pending complaints b/f	75	48	4,590	1,320	N/A	N/A
2	Received complaints	1,199	1,079	8,034	11,249	N/A	N/A
3	Resolved complaints	1,181	1,052	3,060	7,979	61	408
4	Unresolved complaints escalated to CBN for intervention	-	-	-	-	N/A	N/A
5	Unresolved complaints pending with the Bank c/f	93	75	9,564	4,590	N/A	N/A

38.3 Whistle Blowing policy

The Bank complied with the CBN circular FPR/DIR/GEN/01/004 code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing Policy in Nigeria for the year ended 31 December 2018.

39 Gender Diversity

December 2018

	WOMEN Number	%	MEN Number	%	TOTAL
Board Members	3	25%	9	75%	12
Management staff (AGM & Above)	6	16%	32	84%	38
Total	**9**		**41**		**50**

December 2017	WOMEN Number	%	MEN Number	%	TOTAL
Board Members	3	21%	11	79%	14
Management staff (AGM & Above)	9	21%	34	79%	43
Total	**12**		**45**		**57**

40 Statement of prudential adjustments

Transfer to regulatory risk reserve

The regulatory body Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Commission (NDIC) stipulates that provisions recognized in the profit or loss account shall be determined based on the requirements of IFRS (International Financial Reporting Standards). The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in retained earnings should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a non-distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the retained earnings to the extent of the non-distributable regulatory reserve previously recognized.

	31 December 2018 N'million	31 December 2017 N'million
Transfer to regulatory reserve		
Prudential provision:		
Specific provision	13,260	22,851
General provision	43,891	32,564
Provision for other assets	2,219	1,869
Provision for litigations and claims	545	545
Provision for investments	1,298	396
Provision for off-balance sheet exposure	798	-
Total prudential provision (A)	62,010	58,225
IFRS provision:		
Specific impairment (see note 21)	25,788	16,077
Collective impairment (see note 21)	30,955	10,501
Provision for other assets (see note 26)	2,219	1,869
Provision for litigations and claims (see note 29)	545	545
Provision for investments (see note 22)	1,298	396
Provision for off-balance sheet exposure	798	-
Total IFRS provision (B)	61,602	29,388
Difference between prudential and IFRS impairment (A-B)	**408**	**28,837**
Movement in Non-Distributable Reserve (NDR)		
Opening balance in NDR	444	16,271
Impact of adopting IFRS 9 at 1 January, 2018	-	(28,393)
Net changes in the year	(36)	12,566
Balance in NDR at 31 December	**408**	**444**

41 Maturity analysis of assets and liabilities

Maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2018

	Maturing within 12 months	Maturing after 12 months	Total
ASSETS	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	89,094	295,837	384,931
Due from banks	52,287	59,346	111,633
Loans and advances to customers	190,591	659,289	849,880
Investments:			
- Financial assets at fair value through profit or loss	14,052	-	14,052
- Debt instruments at fair value through other comprehensive income	-	157,639	157,639
- Equity instruments at fair value through other comprehensive income	-	9,977	9,977
- Debt instruments at amortised cost	-	118,662	118,662
Other assets	33,955	1,169	35,124
Property, plant and equipment	-	36,909	36,909
Intangible assets	-	1,076	1,076
TOTAL ASSETS	**379,980**	**1,339,904**	**1,719,883**
LIABILITIES			
Deposits from customers	433,737	545,676	979,413
Current income tax payable	1,609	-	1,609
Other liabilities	75,344	224,991	300,335
Provision	3,343	-	3,343
Debts issued and other borrowed funds	14,954	63,731	240,767
TOTAL LIABILITIES	**528,987**	**834,398**	**1,525,467**

As at 31 December 2017

	Maturing within 12 months	Maturing after 12 months	Total
ASSETS	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	89,094	180,531	269,625
Due from banks	52,287	-	52,287
Loans and advances to customers	190,591	578,146	768,737
Investments:			
- Held for trading (fair value through profit or loss)	20,639	-	20,639
Available for sale	45,150	31,665	76,815
Held to maturity	48,486	60,298	108,784
Other assets	33,955	9,239	43,194
Property, plant and equipment	-	38,504	38,504
Intangible assets	-	629	629
TOTAL ASSETS	**480,202**	**899,011**	**1,379,214**

41 Maturity analysis of assets and liabilities - continued

LIABILITIES	Maturing within 12 months N'million	Maturing after 12 months N'million	Total N'million
Deposits from customers	433,737	341,539	775,276
Current income tax liability	1,445	-	1,445
Other liabilities	75,344	109,810	185,154
Provision	2,745	-	2,745
Debts issued and other borrowed funds	14,954	198,279	213,233
TOTAL LIABILITIES	**528,225**	**649,628**	**1,177,853**

42 RECLASIFICATIONS

During the year, the Bank changed the presentation of interest income on financial assets as fair value through profit or loss from 'Interest and similar income' to 'Net gains from financial assets at fair value through profit or loss' in the statement of profit or loss and other comprehensive income. As such, the comparative amount was also reclassifed for consistency. The amount reclassifed in the prior year is N3.32 billion. The reclassification is done to comply with IAS 1.82(a) which requires separate presentation of interest income calculated using effeective interest method on the face of statement of profit or loss and other comprehensive income.

43 EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period which could have had a material effect on the financial position of the Bank as at 31 December 2018 and on the profit or loss and other comprehensive income for the period then ended, which have not been adequately provided for or disclosed.

44 PRIOR YEAR RESTATEMENT

The Central Bank of Nigeria (CBN), pursuant to Section 9(c) of the AMCON(Amended) Act 2015, informed the Bank of its shortfall in contributions to the Banking Sector Resolution Cost Sinking Fund for the years 2016 and 2017. The shortfalls arose as a result of the erroneous application of the resolution Trust Deed’s definition of ”Total Assets”. The definition of "Total Assets" was amended in 2015 to include off balance sheet items. However, the contribution made by the Bank did not include all the off balance sheet items.

The actual payments for the shortfalls will be spread over a five year period commencing in 2019 as specified by the CBN. The full shortfall of N1.95billion (N864million- 2016 and N1,089million- 2017), has been adjusted for in these financial statements.

31 December 2017	As previously reported	Adjustments	As restated
	N'million	N'million	N'million
Other Operating expenses	(36,767)	(1,089)	(37,856)
Net income	55,624	-	55,624
Profit after tax	18,857	(1,089)	17,768
Total comprehensive income for the year	21,967	(1,089)	20,878

STATEMENTS OF FINANCIAL POSITION

1 January 2017	As previously reported	Adjustments	As restated
	N'million	N'million	N'million
TOTAL ASSETS	1,298,141	-	1,298,141
Other loabilities	157,860	865	158,725
Others	954,879	-	954,879
TOTAL LIABILITIES	1,112,739	865	1,113,604
Retained earnings	25,918	(865)	25,053
Others	159,484	-	159,484
Total equity	185,402	(865)	184,537
TOTAL LIABILITIES AND EQUITY	**1,298,141**		**1,298,141**

31 December 2017	As previously reported	Adjustments	As restated
	N'million	N'million	N'million
TOTAL ASSETS	1,379,214	-	1,379,214
Other loabilities	183,200	1,954	185,154
Others	992,699	-	992,699
TOTAL LIABILITIES	1,175,899	1,954	1,177,853
Retained earnings	25,326	(1,954)	23,372
Others	177,989	-	177,989
Total equity	203,315	(1,954)	201,361
TOTAL LIABILITIES AND EQUITY	1,379,214		1,379,214

Impact on equity (increase/(decrease) in equity)	31 December 2017	01 January 2017
	N'million	N'million
Other liabilities	1,954	865
Total liabilities	1,954	865
Net impact on equity	(1,954)	(865)

Impact on statement of profit or loss (increase/(decrease) in profit)	31 December 2017
	N'million
Other operating expenses	(1,089)
Impact on profit for the year	(1,089)

Impact on basic and dilluted earnings per share(EPS) (increase/(decrease) in EPS)	31 December 2017
	N'million
Other operating expenses	(3.80)
Net impact on EPS	(3.80)

The change did not have impact on the OCI for the year.

FIDELITY BANK PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2018

	For the year ended 31 December			
	2018		2017	
	N'million	%	N'million	%
Interest and similar income	153,682	245	147,419	232
Interest and similar expense	(84,095)	(134)	(79,278)	(124)
	69,587	111	68,141	107
Administrative overheads				
-Local	(6,940)	(11)	(4,650)	(7)
Value added	**62,647**	**100**	**63,491**	**100**
Distribution				
Employees:				
Salaries and benefits	23,910	38	24,535	39
Government:				
-Income tax	1,912	3	1,242	2
-IT levy	251	1	203	-
The future:				
-Dividends paid during the year	3,186	5	4,055	6
-Asset replacement (depreciation and amortisation)	6,247	10	4,373	7
-Asset replacement (provision for losses)	4,215	6	11,315	17
-Expansion (transfers to reserves)	22,926	37	17,768	29
	62,647	**100**	**63,491**	**100**

Value added represents the additional wealth the Bank has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth among the employees, shareholders, government and the portion re-invested for creation of more wealth.

FIDELITY BANK PLC

FIVE - YEAR FINANCIAL SUMMARY

Financial Position **As at**	**31 December 2018** **N'million**	**31 December 2017** **N'million**	**31 December 2016** **N'million**	**31 December 2015** **N'million**	**31 December 2014** **N'million**
Assets:					
Cash and balances with central bank	384,931	269,625	207,061	185,332	258,131
Due from banks	111,633	52,287	49,200	79,942	68,735
Loans and advances to customers	849,880	768,737	718,401	578,203	541,686
Investments:					
Financial assest at fair value through profit or loss	14,052	20,639	18,098	4,070	83,363
Debt instruments at fair value through other comprehensive income	157,639	-	-	-	-
Equity instruments at fair value through other comprehensive income	9,977	-	-	-	-
Debt instruments at amortised cost	118,662				
Available for sale		76,815	88,586	116,607	90,864
Held to maturity	-	108,784	138,134	180,736	69,526
Other assets	35,124	43,194	37,510	45,902	36,256
Property, plant and equipment	36,909	38,504	40,356	39,985	37,958
Intangible assets	1,076	629	795	945	506
Total Assets	**1,719,883**	**1,379,214**	**1,298,141**	**1,231,722**	**1,187,025**
Financed by:					
Liabilities					
Deposits from customers	979,413	775,276	792,971	769,636	820,034
Current income tax payable	1,609	1,445	1,327	2,332	1,719
Deferred income tax liabilities	-	-	-	-	1,410
Other liabilities	300,335	185,154	157,860	122,887	64,693
Provision	3,343	2,745	1,546	1,945	1,537
Debts issued and other borrowed funds	240,767	213,233	159,035	141,975	117,541
Retirement benefit obligations	-	-	-	9,431	6,980
Total Liabilities	**1,525,467**	**1,177,853**	**1,112,739**	**1,048,206**	**1,013,914**
Equity					
Share capital	14,481	14,481	14,481	14,481	14,481
Share premium	101,272	101,272	101,272	101,272	101,272
Retained earnings	37,133	23,372	25,918	8,797	11,721
Statutory reserve	30,744	27,305	24,476	23,016	20,930
Small scale investment reserve (SSI)	764	764	764	764	764
Non-distributable regulatory reserve (NDR)	408	28,837	16,271	33,480	23,950
Fair value reserve/ Remeasurement reserve	7,038	5,330	2,220	1,706	(7)
AGSMEIS reserve	2,576				
Total Equity	**194,416**	**201,361**	**185,402**	**183,516**	**173,111**
Total Liabilities and Equity	**1,719,883**	**1,379,214**	**1,298,141**	**1,231,722**	**1,187,025**

FIDELITY BANK PLC

FIVE - YEAR FINANCIAL SUMMARY - Continued

Statement of Profit or loss and Other Comprehensive Income For the year ended	**31 December 2018**	**31 December 2017**	**31 December 2016**	**31 December 2015**	**31 December 2014**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Operating income					
Net interest income	69,587	68,141	31,231	60,864	48,826
Impairment charge for credit losses	(4,215)	(11,315)	(4,797)	(5,764)	(4,306)
Net interest income after impairment charge for credit losses	65,372	56,826	26,434	55,100	44,520
Commission and other operating income	31,845	29,151	11,155	25,442	28,094
Other operating expenses	(72,128)	(66,764)	(31,458)	(66,518)	(57,099)
Profit before income tax	25,089	19,213	6,131	14,024	15,515
Income tax expense	(2,163)	(1,445)	(674)	(120)	(1,719)
Profit after tax	**22,926**	**17,768**	**5,457**	**13,904**	**13,796**
Other comprehensive income	(2,206)	3,110	(1,702)	1,713	(82)
Total comprehensive income for the year	**20,720**	**20,878**	**3,755**	**15,617**	**13,714**
Per share data in kobo:					
Earnings per share (basic & diluted)	**79k**	**31k**	**19k**	**48k**	**48k**
Net assets per share	**702k**	**664k**	**640k**	**636k**	**598k**

Note:

The earnings per share have been computed on the basis of the profit after tax and the number of issued shares as at year end.

Net assets per share have been computed based on the net assets and the number of issued shares at year end.