FIDELITY BANK PLC

REPORT OF THE DIRECTORS AND ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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for the year ended 31 December 2019

Report of the directors
for the year ended 31 December 2019

The Directors are pleased to submit their report on the affairs of Fidelity Bank Plc (the Bank), together with the financial statements and auditor's report for the Year ended 31 December 2019.

1 Results

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

	2019	2018
	N'million	N'million
Profit before income tax expense	30,353	25,089
Income tax expense	(1,928)	(2,163)
Profit for the year	**28,425**	**22,926**
Earnings per share		
Basic and diluted (in kobo)	**98**	**79**

Proposed dividend

In respect of the 2019 financial year, the Board of Directors recommend a dividend of **20 kobo** per Ordinary Share amounting to N5.793billion 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 17 April 2020. 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 2019 is as follows:

Range			*Number of shareholders*	*Percentage of total shareholders*	*Cumulative number of holders*	*Total units held*	*Units %*
1	-	1,000	94,743	23.72%	94,743	79,801,001	0.28%
1,001	-	5,000	171,238	42.88%	265,981	471,381,373	1.63%
5,001	-	10,000	52,086	13.04%	318,067	427,676,739	1.48%
10,001	-	50,000	58,102	14.55%	376,169	1,384,075,184	4.78%
50,001	-	100,000	10,699	2.68%	386,868	831,436,818	2.87%
100,001	-	500,000	9,520	2.38%	396,388	2,074,957,238	7.16%
500,001	-	1,000,000	1,420	0.36%	397,808	1,057,420,855	3.65%
1,000,001	-	5,000,000	1,118	0.28%	398,926	2,357,951,300	8.14%
5,000,001	-	10,000,000	171	0.04%	399,097	1,254,990,344	4.33%
10,000,001	-	50,000,000	172	0.04%	399,269	3,324,327,866	11.48%
50,000,001	-	100,000,000	22	0.01%	399,291	1,515,030,265	5.23%
100,000,001	and above		58	0.01%	399,349	14,183,536,709	48.97%
			399,349	**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 31st Annual General Meeting which was held on 26 April 2019.

	Name of director	Designation	Board Changes
1	Mr. Mohammed Balarabe	Deputy Managing Director	Retired from the Board on 31 December 2019
2	Mr. Gbolahan Joshua	Executive Director	Appointed by the Board on 19 March 2019 and approved by the Central Bank of Nigeria on 22 August 2019.
3	Mr Obaro Odeghe	Executive Director	Appointed by the Board on 19 March 2019 and approved by the Central Bank of Nigeria on 22 August 2019.
4	Mr Hassan Imam	Executive Director	Appointed by the Board on March 19, 2019 and approved by the Central Bank of Nigeria on 22 August 2019, to take effect from 1 January 2020.
5	Alhaji Isa Mohammed Inuwa	Independent Non-Executive Director	Appointed by the Board on 24 October 2019 and approved by the Central Bank of Nigeria on 22 January 2020.

Note: The new Directors will be presented for election by Shareholders' at the 32nd 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 32nd Annual General Meeting are Mr. Ernest Ebi, MFR, FCIB and Mr. Michael Okeke. Being eligible, they have offered themselves for re-election and will be presented for re-election at the 32nd 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 31 December 2019 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:

S/N			31 December 2019		31 December 2018	
	Name	Status	Direct	Indirect	Direct	Indirect
1	Mr. Ernest Ebi, MFR, FCIB	Chairman	8,755,163	Nil	8,755,163	Nil
2	Mr. Alex C. Ojukwu	Non-Executive director	2,229,730	Nil	1,229,730	Nil
3	Mr. Michael E. Okeke	Non-Executive director	2,311,500	Nil	2,311,500	Nil
4	Otunba Seni Adetu	Independent Non-Executive Director	Nil	Nil	Nil	Nil
5	Chief Charles C. Umolu	Non-Executive director	Nil	Nil	Nil	Nil
6	Pst. Kings C. Akuma	Non-Executive director	1,149,675	Nil	650,455	Nil
7	Mr. Chidozie Agbapu	Non-Executive director	724,276	Nil	24,276	Nil
8	Mr. Nnamdi Okonkwo	Managing Director (CEO)	102,000,000	Nil	102,000,000	Nil
9	Mr. Mohammed Balarabe*	Deputy Managing Director	67,079,467	Nil	69,081,467	Nil
10	Mrs. Chijioke Ugochukwu	Executive Director	76,250,000	Nil	76,250,000	Nil
11	Mrs. Aku P. Odinkemelu	Executive Director	44,958,500	Nil	44,958,500	Nil
12	Mrs. Nneka C. Onyeali-Ikpe	Executive Director	52,456,000	Nil	52,456,000	Nil
13	Mr Gbolahan Joshua	Executive Director	41,176,471	Nil	Nil	Nil
14	Mr Obaro Odeghe	Executive Director	41,176,471	Nil	Nil	Nil

** Retired on 31 December 2019*

Directors interest in Contracts

The Directors' interests in related party transactions as disclosed in Note 37 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 transaction is in respect of an existing lease on a commercial real estate development at Ahmadu Bello Way, Victoria Island, Lagos.

6 Directors and their interest *continued*

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 and the 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, competence, 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 on a fixed pay basis. Fixed pay includes basic salary, transport, housing and other allowances.

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: Directors' remuneration arrangements:

Remuneration Element	Description	Objectives	Payment mode	Payment details
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.	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
Performance Incentive	This represents the pay-at-risk i.e. pay contingent on the achievement of agreed key performance indicators.	To motivate and reward the delivery of annual goals at the Bank and individual levels Rewards contribution to the long-term performance of the Bank	Annually	Performance incentives are awarded based on the performance of the Bank and individual directors Executive Directors' annual performance incentives are evaluated against the performance metrics defined in his/her approved individual balanced scorecard/KPIs
Benefits & Perquisites	These are the non-monetary compensation provided to the Executive Director, such as official car, club and professional membership subscription.	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 market 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 Board members, where not provided directly by the Bank. The annual fee is approved by Shareholders at the Annual General Meeting and is paid quarterly in arrears, with subsequent

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	Objectives	Payment mode	Payment details
Annual fees	Reflect market value of individuals and their role within the Bank	Quarterly	Reviewed every 2 years and changes made on need basis subject to shareholder approval at the Annual General Meeting.
Sitting Allowances	To recognize 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 31 December 2019 and on the profit or loss 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 24 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, 2019 amounted to N165,099,021 (2018 : N158,362,356.36). There were no donations to political organizations during the year. The beneficiaries are:

	BENEFICIARY ORGANISATION	NATURE OF PROJECTS/REQUEST	ESTIMATED AMOUNT (INCLUDING MATCHING FUND)
1	Vigilante Heart Charitable Society	Provision of essential materials	320,000
2	Holy Child Ministry	Provision of essential materials	2,408,000
3	Hearts of Gold Children's Hospital	Provision of essential materials	382,000
4	Umuhu Comprehensive Secondary School	Construction of borehole water system and water gallery	2,000,000
5	Home of Mercy	Construction of a new water borehole	1,929,000
6	Home of Destitute	Provision of educational and essential materials	439,000
7	Government Comprehensive Day Secondary School	Reconstruction and Furnishing of a Block of 3 Classrooms	9,231,950
8	IDP Camp Community	Medical outreach	6,800,000
9	Government Junior College	Renovation of Block of four classrooms, Vice principal and Teachers office	1,140,151
10	Mushin Local Government	Medical outreach	2,331,500
11	Aiyetoro Primary School	Renovated and furnished Medical Bay at Aiyetoro Primary	700,000
12	Ikoyi Obalende lga	Medical outreach	1,100,000
13	St. joseph's catholic hospital	Provision of Hospital Equipment: 1. Multipurpose Operating Table; 2. Theatre Model Suction Machine; 3. Hospital Mattresses; 4. Oxygen Bullnose Cylinders (5).	1,980,000
14	Island Maternity Lagos	Payment of Medical Bill for Indigent Patient	616,000
15	Vigilant Heart Charitable Society	Ground breaking Ceremony/ Water Borehole Project	8,000,000
16	Sami & The Coalition of Sickle Cell Lagos	Support for the Red Umbrella Sickle Cell Walk	6,000,000
17	Misau Community	Medical Outreach	12,000,000
18	Surah Comprehensive Health Center	Provision of Tent/Waiting Room	810,000
19	Peculiar Saints Orphanage Home	Provision of essential materials	378,000
20	Special Correction Center for Girls	Provision of essential materials	393,000
21	Special Correction Center for Girls	Renovation of Home Economics Centre and Provision of Essential Materials	1,852,000
22	Maternity /Dispensary Health Center Lubo	Provision of essential materials	4,200,600
23	Atunda-Olu School	provision of essential materials	570,800
24	Raco Orphanage Home	payment of school fees and provision of essential materials	400,000
25	Nigerian Correctional Service, Borstal Training	Renovation of prison hostel and provision of essential materials	1,236,000
26	St. Agatha's Special Needs Center	Build and equipped a sick bay	730,499
27	Adeife Sodipo-Akindeko Memorial Primary School	Renovated and equipped the orphanage home	725,000

9 Donations and charitable contributions *continued*

	BENEFICIARY ORGANISATION	NATURE OF PROJECTS/REQUEST	ESTIMATED AMOUNT (INCLUDING MATCHING FUND)
28	Total Parental Guidance (TPG) Orphanage Home	Construction and interlocking of premises and VIP sanitary facilities	1,112,000
29	Ministry of Health, Bauchi	Construction and interlocking of premises and sanitary facilities	7,079,520
30	Island maternity hospital	Payment of medical bill for indigent patient	500,000
31	Ibaoloja Community	Donated 25 life vests to indigenes of Ibaologa	250,000
32	General Hospital Owa Alero	Medical Outreach	31,158,300
33	Olomu Primary School	Renovation of sanitary facility and provision of pumping machine	500,000
34	Redball for Charity	Request for sponsorship of Red Ball in support of charity	500,000
35	Twin Dove Concept	Request for sponsorship of Twin Dove Concept-Kody and the kids and mothers' unwind 2019	1,500,000
36	Nigerian Immigration Service	Provision of bus for passport office, Ikoyi	9,700,000
37	Nigerian Stock Exchange	The Nigerian Stock Exchange (NSE) Corporate Challenge 2019	3,000,000
38	United Nations information center	International Youth Day	500,000
39	Pride Multimedia Ventures Limited	Sponsorship for Women Conference Event-Pride Nigeria	250,000
40	African Women in Leadership Organization	AEMPIN Global Prestigious Award	3,625,700
41	Pacelli School for the Blind & Partially Sighted	Donation of Laptops	700,000
42	The Coast of Help Foundation	Sponsorship of project 1000 people	300,000
43	Fidelity Youth Empowerment Academy	Sponsorship of youth empowerment program in Bayero university, Kano State	20,000,000
44	Fidelity Youth Empowerment Academy	Sponsorship of youth empowerment program in Nnamdi Azikiwe University, Anambra state	15,000,000
45	Centre for Social Awareness Advocacy and Ethics	Sponsorship of the pride women conference event	250,000
46	Chartered Institute of Personnel management	Sponsorship-CIPM ready to market participants	500,000
			165,099,021

Gender Analysis as at 31 December 2019

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 2019 is shown below:

Gender Analysis of total staff as at 31 December 2019

	31 December 2019		31 December 2018	
Gender	**Number**	**Percentage of total staff**	**Number**	**Percentage of total staff**
Female	1,268	45%	1,293	44%
Male	1,536	55%	1,615	56%
	2,804	100%	2,908	100%

Gender analysis of executive management as at 31 December 2019

	31 December 2019		31 December 2018	
Gender	**Number**	**Percentage of total staff**	**Number**	**Percentage of total staff**
Female	3	43%	3	60%
Male	4	57%	2	40%
	7	100%	5	100%

Gender analysis of top management (AGM - GM) as at 31 December 2019

	31 December 2019			31 December 2018		
Gender	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
General Manager	6	-	6	8	-	8
Deputy General Manager	9	2	11	9	2	11
Assistant General Manager	17	3	20	14	3	17
Total	32	5	37	31	5	36
Percentage	86%	14%	100%	86%	14%	100%

Gender analysis of Board of Directors as at 31 December 2019

	31 December 2019			31 December 2018		
Gender	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Executive Director	2	3	5	-	3	3
Deputy Managing Director	1	-	1	1	-	1
Managing Director	1	-	1	1	-	1
Non Executive Director	7	-	7	7	-	7
Total	11	3	14	9	3	12
Percentage	79%	21%	100%	75%	25%	100%

10 Employment and employees *continued*

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 Nine (9) 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 its medals table in 2019 is detailed below:

- Gold - 7
- Silver - 8
- Bronze – 6

While Fidelity won the Football trophy for keeps in 2017, having previously defended and won it three (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. In 2019, the Bank also produced the Best Coach, Most Valued Player, Best Goal Keeper and joint Highest Goal Scorer.

Human Rights

Fidelity Bank consistently values its workforce and recognizes that they are critical to the long term survival of the Bank and will continue to champion the protection and enforcement of the rights of its employees, in the workplace.

Consequently, Fidelity Bank in 2019 developed an internal Human Rights Policy. The Bank consciously ensures that it does not engage in any business activities or relationships, where there is evidence that the other party is a known violator of human rights and/or engages in work place abuse.

The Bank's Human Rights Policy aligns with extant laws, as may be amended from time to time, particularly the relevant provisions of the Constitution of the Federal Republic of Nigeria, 1999. The Bank will continue to meet the standards of international treaties on human rights, domesticated and ratified by the National Assembly, as well as other workplace related treaties.

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.

Report of the directors (continued)
for the year ended 31 December 2019

Employee involvement and training

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 3,858 (2,426 Core Staff and 1,432 Non-Core) staff members participated in various training programs in the 2019 financial year.

Credit Ratings

The Central Bank of Nigeria's Revised Prudential Guidelines requires all banks to be credit rated regularly, with the ratings updated every year and published in the Annual Report. Fidelity Bank Plc has been assigned the credit ratings by the following rating agencies:

Fitch Ratings	B -	Stable Outlook
Standards & Poor (S&P)	B -	Stable Outlook
Global Credit Rating Co (GCR)	A -	Stable Outlook

Additional information on the ratings can be obtained from the Bank's website at https://www.fidelitybank.ng/investor-relations-3/

External Auditor

The External Auditor, Ernst & Young (whose appointment was approved by Shareholders at the Annual General Meeting of 5 May 2011), will complete its tenure on 4 May 2021, at which time it would have attained the maximum ten (10) year tenure for External Auditor in line with the provisions of the Central Bank of Nigeria's Code of Corporate Governance for Banks and Discount Houses, 2014.

Consequently and upon obtaining the approval of the Central Bank of Nigeria, new External Auditors will be proposed for approval at the 33rd Annual General Meeting in 2021 in accordance with Section 357(1) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria (LFN) 2004.

The Board has commenced the process of appointment of a new External Auditor, to ensure a smooth transition with the current External Auditor, which has indicated its willingness to continue in office in accordance with the provisions of Section 357 (2) of the Companies and Allied Matters Act, Laws of the Federation of Nigeria, 2004, until the expiration of its tenure in 2021.

Ezinwa Unuigboje
Company Secretary
FRC/2015/NBA/00000006957
Fidelity Bank Plc
No. 2 Kofo Abayomi Street
Victoria Island
Lagos
2 March 2020

Statement of directors' responsibilities in relation to the preparation of the financial statements for the year ended 31 December 2019

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 period. 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 as issued by the International Accounting Standards Board (IASB) 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 as issued by the International Accounting Standards Board (IASB) , 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 period.

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:
Date: 2 March 2020

Director **Director**

Report of the Statutory Audit Committee

For The Year Ended 31 December 2019

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 2019 and are satisfied with the explanations obtained.
- Reviewed the External Auditors Management Report for the year ended 31 December 2019 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 2019 in accordance with the prescribed CBN format.
- Ascertained that the accounting and reporting policies of the company for the year ended 31 December 2019 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 2, 2020

Members of the Statutory Audit Committee are:

1) Chief. Frank Onwu	- Chairman (Shareholder)
2) Dr. Christian Nwinia	- Member (Shareholder)
3) Mr. Innocent Mmuoh	- Member (Shareholder)
4) Mr. Michael Okeke	- Member (Director)
5) Mr. Alex Ojukwu	- Member (Director)
6) Alhaji Isa Inuwa	- Member (Director)

In Attendance:

Mrs. Ezinwa Unuigboje	- Company Secretary

Corporate governance report
for the year ended 31 December 2019

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 period.

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. Mohammed Balarabe, Deputy Managing Director, retired from the Board of 31 December 2019, having completed his tenure, in accordance with the Bank's Human Capital Policy.

The Board uses this medium to place on record its sincere appreciation to Mr. Mohammed Balarabe for his exemplary and meritorious service.

(ii) Messrs.Gbolahan Joshua and Obaro Odeghe were appointed as Executive Directors on 19 March 2019 and approved by the Central Bank on 22 August 2019.

(iii) Mr. Hassan Imam was appointed as an Executive Director on 19 March 2019, to take effect 1 January 2020.

(iii) (iv) Alhaji Isa Mohammed Inuwa was appointed as an Independent Non-Executive Director by the Board on 24 October 2019. His appointment was approved by the Central Bank of Nigeria on 22 January 2020.

The four (4) Directors shall be presented to the Shareholders for election at the 32nd Annual General Meeting of the Bank.

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

The Financial Reporting Council of Nigeria (FRCN), launched the Nigerian Code of Corporate Governance (NCCG) 2018 on 15 January 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 full compliance with the provisions of the new Code.

Corporate governance report (continued)
for the year ended 31 December 2019

A. The Board of Directors

Board Size

The Board comprised of fourteen (14) Directors during the 2019 financial year. Currently, the Board comprises of fifteen (15) Directors, seven (7) Executive Directors including the Managing Director/CEO and eight (8) Non-Executive Directors including two (2) Independent 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.

Executive Management, led by the MD/CEO, constitute the key management organ of the Bank and is primarily responsible for achieving performance expectations and increasing shareholder value. Executive Management reports regularly to the Board on issues relating to the growth and development of the Bank. The Board plays a major supportive and complementary role in ensuring that the Bank is well managed and that appropriate controls are in place and fully operational.

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 nine (9) times during the year ended 31 December 2019.

Details of the Directors who served on the Board during the period ended 31 December 2019 are indicated below:

NO	NAME OF DIRECTOR	DESIGNATION
1	Mr. Ernest Ebi, MFR, FCIB	Non-Executive Director/Chairman, Board of Directors
2	Otunba Seni Adetu	Independent Non-Executive Director
3	Mr. Alex Ojukwu	Non-Executive Director
4	Mr. Ezechukwu Okeke	Non-Executive Director
5	Pst. Kings Akuma	Non-Executive Director
6	Chief Charles Umolu	Non-Executive Director
7	Mr. Chidi Agbapu	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 Gbolahan Joshua	Executive Director
14	Mr Obaro Odeghe	Executive Director

**Retired on 31 December 2019*

Corporate governance report (continued)
for the year ended 31 December 2019

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.

In keeping with its responsibility to ensure compliance with extant governance codes, the Board appointed a second Independent Non-Executive Director and reinvigorated the Executive team with the appointment of three (3) new Executive Directors. The appointments have been approved by the Central Bank of Nigeria and will be presented to the Shareholders for approval at the 32nd Annual General Meeting.

In accordance with the provisions of Article 95(1)(a) of the Articles of Association of the Company, the Directors to retire by rotation are Mr. Ernest Ebi MFR, FCIB and Mr. Michael Okeke. The retiring Directors, being eligible, have offered themselves for re-election at the 32nd Annual General Meeting. The Board is of the firm conviction that these Directors will continue to add value to the Board and ultimately the Bank.

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 period under review, the Directors attended the training courses indicated below:

	Course	Vendor	Start date	End date	Name
1	Corporate Governance Effectiveness and Accountability in the Boardroom	Kellogg School of Management, Evenston, Illinois, USA	10 March 2019	3/13/2019	Pst. Kings Akuma
2	Director's Induction Programme	In-House	13 March 2019		Mr. Chidi Agbapu
3	15th Annual Lecture	Women in management on Public Service	21 March 2019		Mrs. Aku Odinkemelu
4	2019 Women Directors Conference	Institute of Directors Nigeria	4 April 2019		Mrs. Aku Odinkemelu Mrs. Chijioke Ugochukwu
5	Cyber Security Programme	Bank Directors Association of Nigeria (BDAN)	4 April 2019		Mr. Ernest Ebi Otumba Seni Adetu Mr. Alex Ojukwu Mr. Chidi Agbapu Chief Charles Umolu Pst. Kings Akuma Mrs. Chijioke Ugochukwu Mrs. Aku Odinkemelu
6	Leading Strategic Growth and Change	Columbia Business School New York, USA	6 May 2019	10 May 2019	Chief Charles Umolu Otumba Seni Adetu
7	Audit Committee Round Table	Ernst & Young	15 May 2019		Mr. Frank Onwu Mr. Alex Ojukwu Pst. Kings Akuma Mr. Michael Okeke

Corporate governance report (continued)
for the year ended 31 December 2019

Board Induction and Continuous Education *continued*

	Course	Vendor	Start date	End date	Name
8	Presentation on Cybersecurity - The Roles of Board and Executive Management	KPMG (In-House)	23 May 2019		Mr. Ernest Ebi Otumba Seni Adetu Chief Charles Umolu Pst. Kings C Akuma Mr. Nnamdi Okonkwo Mrs. Chijioke Ugochukwu Mrs. Nneka C. Onyeali-Ikpe Mr. Alex Ojukwu Mr. Chidi Agbapu
9	Global Economic Review- creating value for shareholders	Agusto & Co (In-House)	23 May 2019		Mr. Ernest Ebi Otumba Seni Adetu Chief Charles Umolu Pst. Kings Akuma Mr. Nnamdi Okonkwo Mrs. Chijioke Ugochukwu Mrs. Nneka C. Onyeali-Ikpe Mr. Alex Ojukwu Mr. Chidi Agbapu Mr. Michael Okeke
10	High Impact Leadership	Columbia Business School NY, USA	9 June 2019	14 June 2019	Mr. Chidi Agbapu
11	Company Direction Course 1	Institute of Directors Nigeria	16 July 2019	17 July 2019	Mr. Chidi Agbapu
12	Anti- Money Laundering/Counterfeit Terrorism	In-house	8 August 2019		Mr. Ernest Ebi Chief Charles Umolu Mr. Alex Ojukwu Pst. Kings Akuma Otumba Seni Adetu Mr. Michael Okeke Mr. Chidi Agbapu Mr. Nnamdi Okonkwo Mr. Mohammed Balarabe
13	Strategic Governance, Risk and Compliance	Euromoney Training, United Kingdom	19 August 2019	23 August 2019	Mr. Michael Okeke
14	High Impact Leadership Programme	Columbia Business School New York, USA	22 September 2019	27 September 2019	Mr. Ernest Ebi
15	Delivering Business Growth	Kellog School of Management, Evanston Illinois, USA	22 September 2019	25 September 2019	Mr. Nnamdi Okonkwo
16	Business Analytics: Identifying and Capturing Value Through Data	Columbia Business School New York, USA	24 September 2019	26 September 2019	Mrs. Chijioke Ugochukwu
17	CBN/FITC Continuous Education Programme for Directors of Banks and Other Financial Institution	FITC Research Institute	24 September 2019	25 September 2019	Mrs. Nneka C. Onyeali-Ikpe Otumba Seni Adetu Chief Charles Umolu Pst. Kings Akuma Mr. Alex Ojukwu Mr. Chidi Agbapu Mr. Michael Okeke Mrs. Aku Odinkemelu
18	African Investment Summit	Africa Business Round Table	25 September 2019	26 September 2019	Mr. Mohammed Balarabe
19	Effective Leadership Programme: The effective use of power	Stanford Business School California, USA	29 September 2019	4 October 2019	Mr Odeghe Obaro
20	Corporate Reporting to Shareholders: Eschewing Cluster and Communicating Value Transparently	Audit Committee Institute	26 September 2019	27 September 2019	Pst. Kings Akuma Mr. Alex Ojukwu

Board Induction and Continuous Education ***continued***

	Course	Vendor	Start date	End date	Name
21	Executive Strategy for Results	London Business School, London UK	3 November 2019	8 November 2019	Mrs. Nneka C. Onyeali-Ikpe
22	Leading Digital Business Transformation	International Institute for Management Development (IMD). Southeast Asia Campus, Singapore	4 November 2019	8 November 2019	Mr. Alex Ojukwu
23	The Global CEO Programme-A transformational Journey	IESE Business School, University of Navarra, Barcelona, Philadelphia , USA,	10 November 2019	15 November 2019	Mr. Nnamdi Okonkwo
24	Miami School of Management and Leadership	Euromoney training Institute, Miami Florida, USA	18 November 2019	22 November 2019	Mr. Mohammed Balarabe
25	Artificial Intelligence Programme	IESE Business School, Barcelona, Spain	19 November 2019	21 November 2019	Mr. Joshua Gbolahan
26	Women on Boards: Succeeding as a Corporate Director	Harvard Business School, HBS Campus , Boston, MA, USA	2 December 2019	6 December 2019	Mrs. Aku Odinkemelu
27	Robotics, Cryptocurrency, Artificial Intelligence.	Microsoft Corporation (In-house)	12 December 2019		Mr. Ernest Ebi Mr. Alex Ojukwu Mr. Michael Okeke Chief Charles Umolu Pst. Kings Akuma Mr. Nnamdi Okonkwo Mr. Mohammed Balarabe Mrs. Chijioke Ugochukwu Mrs. Aku P. Odinkemelu Otumba Seni Adetu Mrs. Nneka C. Onyeali-Ikpe Mr. Joshua Gbolahan Mr. Obaro Odegbe
28	Financial Reporting Integrity: Regulatory Compliance Strategies for Audit Committees, Preparer Accountants, Auditors and Company Secretaries.	Audit Committee Institute	12 December 2019	13 December 2019	Chief Frank Onwu Dr. 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	IBFC Alliance 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.

Board Performance Appraisal *continued* :

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.

B. **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 period, each Committee develops its Annual Agenda Cycle, Annual Goals and meeting calendar, to focus its activities during the year.

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 in 2019 financial year is

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
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
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
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
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
		Mr. Nnamdi Okonkwo	Managing Director/CEO
		Mr. Balarabe Mohammed	Deputy Managing Director

Corporate governance report (continued)
for the year ended 31 December 2019

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.

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 insignificant 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
(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 Committees 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.

Corporate governance report (continued)
for the year ended 31 December 2019

5 Board Finance & General Purpose Committee *continued*:

(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 2019 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	BOARD RISK COMMITTEE (BRC)
TOTAL NUMBER OF MEETINGS	**9**	**7**	**8**	**15**	**12**	**9**
Mr. Ernest Ebi, MFR, FCIB	9	NA	NA	NA	NA	NA
Mr. Michael Okeke	9	7	NA	NA	12	9
Mr. Alex Ojukwu	9	7	8	15	NA	9
Otunba Seni Adetu	9	7	8	15	12	9
Pst. Kings Akuma	9	NA	8	15	12	9
Chief Charles Umolu	8	7	8	15	12	9
Mr. Chidi Agbapu	9	7	8	15	12	9
Mr. Nnamdi Okonkwo	8	NA	NA	12	NA	9
Mr. Mohammed Balarabe #	8	NA	NA	14	NA	NA
Mrs. Chijioke Ugochukwu	8	NA	NA	NA	NA	NA
Mrs. Aku P. Odinkemelu	7	NA	NA	NA	NA	NA
Mrs. Nneka Onyeali-Ikpe	7	NA	NA	NA	NA	NA
Mr. Gbolahan Joshua	4*	NA	NA	NA	NA	NA
Mr. Obaro Odeghe	4*	NA	NA	NA	NA	NA

 # Retired from the Board on 31 December 2019.

** Appointment approved by the Central Bank of Nigeria on 22 August 2019 and took effect from 1 September 2019.*

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 proposed audit scope and approach.
b. Monitor the activities and performance of External Auditor.
c. Review with the External Auditor 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 Auditor.
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 2019 is as indicated below:

S/N	NAME	DESIGNATION	7 MARCH 2019	18 APRIL 2019	8 AUGUST 2019	16 AUGUST 2019	17 OCTOBER 2019	NUMBER OF MEETING ATTENDED
1	Chief Frank Onwu	Chairman/Shareholders representative	✓	✓	✓	✓	✓	5
2	Dr. Christian Nwinia	Shareholders representative	✓	✓	✓	✓	✓	5
3	Mr. Innocent Mmuoh*	Shareholders representative	NA	NA	✓	✓	✓	3
4	Mr Michael Okeke	Non-Executive Director	✓	✓	✓	✓	✓	5
5	Mr Alex Ojukwu	Non-Executive Director	✓	✓	✓	✓	✓	5
6	Pst. Kings Akuma	Non-Executive Director	✓	✓	✓	✓	✓	5

**Joined the Committee pursuant to his election at the 31st Annual General Meeting of April 26, 2019.*

Corporate governance report (continued)
for the year ended 31 December 2019

C. Statutory Audit Committee *continued*

Members of the Committee attended the following programmes during the year ended 31 December 2019 .

Course	Vendor	Start Date	End date	Name
Audit Committee Round Table	Ernst & Young	15 May 2019	15 May 2019	Mr. Frank Onwu Mr. Alex Ojukwu Pst. King Akuma Mr. Michael Okeke
Financial Reporting Integrity: Regulatory Compliance Strategies for Audit Committees, Preparer Accountants, Auditors and Company Secretaries.	Audit Committee Institute	12 December 2019	12 December 2019	Mr. Frank Onwu Dr. Christian Nwinia

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**

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:

(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.

7 **Sustainable Banking Governance Committee:**

The Sustainable Banking Governance Committee meets every two months and oversees implementation of the Sustainable Banking Policies and Guidance Notes.

The Committee is responsible for the following:

(a) Oversee the implementation of the Environmental and Social Management Systems.
(b) Oversee the implementation and management of the Bank's environmental and social footprint as it concerns:
•Energy and water conservation
•Waste management
•Sustainable procurement
•Stakeholder engagement systems.
(c) Oversee the implementation of other sustainability cross cutting issues in the bank as it relates to:
•Promotion of equality of opportunity and diversity
•Occupational health and safety
•Grievance mechanism and related issues
•Financial inclusion and literacy
•Corporate Social responsibility
•Collaborative partnership
•Capacity building
(d) Review the Bank's environmental and social performance and progress.
(e) To review and advise the Board on the Bank's Sustainability progress.

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.

Fraud & Forgeries

In accordance with the CBN Code of Corporate Governance, fraud and forgeries recorded for the year was as follows:

Fraud and Forgeries Summary

Fraud and Forgeries	**2019**	**2018**
Number of Fraud Incidents	967	1,124
Amount Involved (N million)	**1,362,361,346**	**330,797,380**
Amount Involved (USD$ Million)	-	-
Actual/Expected Loss (N Million)	**337,355,205**	**104,321,657**
Actual/Expected Loss (USD$ Million)	-	-

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 outmost 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.

Staff Remuneration Policy

The Bank's remuneration policy is designed to establish a framework that is consistent with the Bank's scale and scope of operations and is aligned with leading corporate governance practices. The policy reflects the desire to sustain long-term value creation for shareholders and focuses on ensuring sound corporate governance.

The policy aims to motivate the workforce and enable the Bank to attract and retain employees with integrity, ability, experience and skill to deliver the Bank's strategy; Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability; Align individual rewards with the Bank's performance, the interests of its shareholders, and a prudent approach to risk management, whilst ensuring that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

The guiding principles that underpin the Bank's remuneration policy includes:

a)Remuneration and reward strategies are set at levels that enable the Bank attract, motivate and retain the right skills required to efficiently manage the operations and growth of the business;
b)Performance goals are aligned to shareholder 's interest and ensures that the Board makes prudent decisions in deploying the Bank's resources to generate sustainable growth;
c)The Bank's performance-based incentive programs are aligned to individual performance and the overall performance of the Bank. This approach drives a high performance culture that rewards individual contributions and the achievement of business results that enhance shareholder value.

Furthermore, the Bank is in compliance with the provisions of the existing pension law, the Pension Reform Act, 2014 (the Act) and meets its statutory obligations to all employees as provided in the Act.

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.

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 in line with the rules of the Securities and Exchange Commission. 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.

Shareholders' Complaints Management Policy *continued*

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 and the new Nigerian Code of Corporate Governance issued by the Financial Reporting Council 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.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIDELITY BANK PLC

Opinion

We have audited the financial statements of Fidelity Bank Plc ("the Bank") which comprise the statement of financial position as at **31 December 2019**, 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 2019**, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board 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 of Nigeria Act No. 6, 2011 and Central Bank of Nigeria 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 Auditor's 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 the audit of the financial statements of Fidelity Bank Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code v 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Expected Credit Loss on financial assets and off balance sheet exposures Financial assets (Due from banks, loans and advances to customers and investment securities) and off-balance sheet exposures (loan commitments and financial guarantee contracts issued) constitute a significant portion of the Bank's statement of financial position and transactions, as a major component of the Bank's financial intermediation function revolves around granting of credit and management of excess funds. The International Financial Reporting Standards (IFRS) 9 - Financial Instruments requires the use of an expected credit loss model (ECL) for recognizing impairment of financial instruments. 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 purposes. 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 process. factors incorporated in determining the Probability of (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. factors considered in determining Credit Conversion Factor (CCF) for off balance sheet exposures such as bonds and guarantees and loan commitments. This was considered a key audit matter given the level of complexity and judgement involved in the process. Refer to Notes 2.1.3 (Significant accounting judgements, estimates and assumptions), 2.4.3 (Impairment of financial assets), 3.2. I (Management of credit risk), 3.2.4 (Expected credit loss measurement), 21 (Due from banks), 22 (Loans and advances to customers) and 23 (Investment securities) to the financial statements for relevant disclosures relatin to the Ex ected Credit Loss.	Our audit approach was a combination 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 balances, access controls over inputs into the system, change management controls and staging configuration within the system. We gained an understanding of how the PD, LGD and EAD were derived by the system by performing a walkthrough using live data. We evaluated the PI), LGD, EAD, incorporating macro-economic variables and the ECL, by rebuilding the model using R statistical software. For loans and other financial assets classified under stages 1 & 2, we selected material loans and reviewed the repayment history for possible repayment default. We assessed the various factors considered in classifying the loans within stage I & 2 and in the measurement of ECL. For stage 3 loans and other financial assets, we assessed all the assumptions considered in the estimation of recovery cash flows, the discount factor, collateral valuation and timing of realization. For off balance sheet exposures such as bonds and guarantees and loan commitments, we assessed the assumptions and inputs in determining the credit conversion factor (CCF) by reviewing historical trends. Lastly, we reviewed the qualitative and quantitative disclosures for reasonableness to ensure conformity with IFRS 7- Financial Instruments: Disclosures.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIDELITY BANK PLC – Cont'd

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities in relation to the preparation of the financial statements, Report of the statutory audit committee, Corporate governance report, Statement of value added and Five-year financial summary, 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 auditor' s 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 auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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 of Nigeria Act No. 6, 201, relevant Central Bank of Nigeria (CBN) 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.

Auditor's 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:

- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIDELITY BANK PLC – Cont'd

Auditor's Responsibilities for the Audit of the Financial Statements — Continued

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

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

We also provide 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 the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and, Regulatory Requirements

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.

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

Report on Other Legal and Regulatory Requirements- Continued

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:

Related party transactions and balances are disclosed in Note 37 to the financial statements in compliance with Central Bank of Nigeria circular BSD/1/2004.

Returns on customers' complaints are disclosed in Note 40.2 to the financial statements in compliance with Central Bank of Nigeria circular PDR/DIR/CIR/01/20.

As stated in Note 40.1 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 2019.

Signed:
Jamiu Olakisan
FRC/2013/ICAN/00000003918
For: Ernst & Young
Chartered Accountants
Lagos, Nigeria
Date: ..6......March 2020

0756944

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Notes	2019 N'million	2018 N'million*
Gross earnings		**215,514**	**189,005**
Interest revenue calculated using the effective interest rate method	6	176,994	153,682
Other interest and similar income	12.1	5,350	3,769
Interest expense calculated using the effective interest rate method	7	(99,289)	(84,095)
Net interest income		**83,055**	**73,356**
Credit loss reversal/(expense)	8	5,292	(4,215)
Net interest income after credit loss expense		**88,347**	**69,141**
Fee and commission income	9	25,262	20,410
Fee and commission expense	9	(5,268)	(3,346)
Net losses on derecognition of financial assets measured at amortised cost	10	(4,705)	-
Other operating income	11	7,908	11,144
Net gains/(losses) from financial assets at fair value through profit or loss	12	801	(132)
Personnel expenses	13	(24,129)	(23,910)
Depreciation and amortisation	14	(5,421)	(6,247)
Other operating expenses	15	(52,442)	(41,971)
Profit before income tax expense		**30,353**	**25,089**
Income tax expense	16	(1,928)	(2,163)
Profit for the year		**28,425**	**22,926**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Fair value gains on equity instruments at fair value through other comprehensive income **#**	23.3.1	7,476	1,612
Total items that will not be reclassified to profit or loss in subsequent period		7,476	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 period		4,134	(2,424)
- Changes in allowance for expected credit losses		504	277
- Reclassification adjustments to profit or loss	17	2,261	(1,671)
Net gains/(losses) on debt instruments at fair value through other comprehensive		6,899	(3,818)
Total items that will be reclassified to profit or loss in subsequent period		6,899	(3,818)
Other comprehensive income/(loss) for the year, net of tax		**14,375**	**(2,207)**
Total comprehensive income for the year, net of tax		**42,800**	**20,719**
Earnings per share			
Basic and diluted (in kobo)	18	**98**	**79**

*Income from these instruments is exempted from tax*

** Certain amounts in the comparative have been restated and do not correspond to the amount in the audited financial statements of the prior period presented. See Notes 15 and 44.*

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

Statement of financial position
as at 31 December 2019

Assets	Notes	31 December 2019 N'million	31 December 2018 N'million
Cash and balances with central bank	19	453,392	384,931
Due from banks	21	149,869	111,633
Loans and advances to customers	22	1,126,974	849,880
Investments:			
Financial assets at fair value through profit or loss (FVTPL)	23.1	45,538	14,052
Debt instruments at fair value through other comprehensive income (FVOCI)	23.2	134,846	157,639
Equity instruments at fair value through other comprehensive income (FVOCI)	23.3	14,536	9,977
Debt instruments at amortised costs	23.4	118,569	118,662
Other assets	27	28,756	35,124
Right-of-use assets	28	1,529	-
Property, plant and equipment	24	38,392	36,909
Intangible assets	25	1,636	1,076
Total assets		**2,114,037**	**1,719,883**
Liabilities			
Deposit from customers	29	1,225,213	979,413
Current income tax payable	16	2,339	1,609
Other liabilities	30	397,074	300,335
Provisions	31	3,795	3,343
Debts issued and other borrowed funds	32	251,586	240,767
Total liabilities		**1,880,007**	**1,525,467**
Equity			
Share capital	33	14,481	14,481
Share premium	34	101,272	101,272
Retained earnings	34	43,642	37,133
Other equity reserves			
Statutory reserve	34	35,008	30,744
Small scale investment reserve	34	764	764
Non-distributable regulatory risk reserve	34	13,897	408
Fair value reserve	34	20,969	7,038
AGSMEIS reserve	34	3,997	2,576
Total equity		**234,030**	**194,416**
Total liabilities and equity		**2,114,037**	**1,719,883**

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 **2 March 2020** and signed on its behalf by:

Ernest Ebi
Chairman
FRC/2017/CIBN/00000016317

Nnamdi Okonkwo
Managing Director/Chief Executive Officer
FRC/2014/ICA/00000006963

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

Statement of changes in equity
for the year ended 31 December 2019

	Notes	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory risk reserve	Fair value reserve	AGSMEIS reserve	Total
		N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2019		14,481	101,272	37,133	30,744	764	408	7,038	2,576	194,416
Profit for the year		-	-	28,425	-	-	-	-	-	28,425
Other comprehensive income:										
Net change in fair value of debt instruments at FVOCI		-	-	-	-	-	-	4,134	-	4,134
Net change in fair value of equity instruments at FVOCI		-	-	-	-	-	-	7,476	-	7,476
Changes in allowance for expected credit losses		-	-	-	-	-	-	504	-	504
Reclassification adjustment for realised net gains		-	-	-	-	-	-	2,261	-	2,261
Total comprehensive income for the period		**-**	**-**	**28,425**	**-**	**-**	**-**	**14,375**	**-**	**42,800**
Dividends		-	-	(3,186)	-	-	-	-	-	(3,186)
Transfer between reserves		-	-	(18,730)	4,264	-	13,489	(444)	1,421	-
As at 31 December 2019		**14,481**	**101,272**	**43,642**	**35,008**	**764**	**13,897**	**20,969**	**3,997**	**234,030**

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
	Notes	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2018	**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 instruments at FVOCI	-	-	-	-	-	-	(2,424)	-	(2,424)
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	-	1,612	-	1,612
Changes in allowance for expected credit losses	-	-	-	-	-	-	277	-	277
Reclassification adjustment for realised net gains	-	-	-	-	-	-	(1,671)	-	(1,671)
Total comprehensive income for the period	**-**	**-**	**22,926**	**-**	**-**	**-**	**(2,207)**	**-**	**20,719**
Dividends			(3,186)						(3,186)
Transfer between reserves	-	-	(5,979)	3,439	-	(36)	-	2,576	-
As at 31 December 2018	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**

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

Statement of cash flows
for the year ended 31 December 2019

	Notes	2019 N'million	2018 N'million
Operating activities			
Cash flows used in operations	35	(99,598)	116,016
Interest received		164,200	142,155
Interest paid		(89,455)	(81,853)
Income tax paid	16c	(1,198)	(1,053)
Net cash flows (used in)/from operating activities		**(26,051)**	**175,265**
Investing activities			
Purchase of property, plant and equipment	24	(5,774)	(2,281)
Proceeds from sale of property and equipment		2,939	76
Purchase of intangible assets	25	(2,183)	(2,879)
Purchase of debt instruments at amortised cost	23.6.2	(51,409)	(51,373)
Purchase of debt instruments at FVOCI	23.6.1	(124,560)	(246,754)
Redemption of financial assets at amortised cost	23.6.2	54,556	51,842
Proceeds from sale of debt financial assets at FVOCI	23.6.1	152,922	156,482
Proceeds from sale of equity instruments at FVOCI	23.3	2,918	-
Dividends received		1,392	229
Net cash flows from investing activities		**30,801**	**(94,658)**
Financing activities			
Dividends paid		(3,186)	(3,186)
Lease payment	2.1.2	(494)	-
Proceeds of debts issued and other borrowed funds	32	64,336	57,498
Repayment of debts issued and other borrowed funds	32	(55,842)	(38,986)
Net cash flows from financing activities		**4,814**	**15,326**
Net increase in cash and cash equivalents		9,564	95,933
Net foreign exchange difference on cash and cash equivalents		3,401	10,122
Cash and cash equivalents at 1 January	20	**246,950**	**140,895**
Cash and cash equivalents at 31 December	20	**259,915**	**246,950**

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

1 Corporate 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

The Bank's financial statements for the year ended **31 December 2019** 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 cash flows and the notes.

The financial statements have been prepared in accordance with the assumption of going concern and items in the financial statements are measured at historical cost, except for financial assets 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 unless otherwise stated.

2.1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. 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 are applied for the first time in 2019, but do not have an impact on the financial statements of the Bank.

IFRS 16 Leases

IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Bank is the lessor.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The Bank elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	N'million
Assets	
Right-of-use assets	1,721
Property, plant and equipment	(750)
Prepayments	(971)
Total assets	-
Total adjustment on equity (retained earnings)	-

The adoption of IFRS 16 does not give rise to a lease liability as the Bank does not have an enforceable right to renew or extend its leases as at the end of the reporting period and the non-cancellable periods have been fully paid.

Notes to the financial statements
for the year ended 31 December 2019

2.1.2 Changes in accounting policies and disclosures continued

IFRS 16 Leases continued

(a) Nature of the effect of adoption of IFRS 16

The Bank has lease contracts for various buildings used as branches, offices and other outlets. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Bank; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

At the date of initial application of IFRS 16, the Bank does not have any lease classified as a finance lease (as lessee)

Upon adoption of IFRS 16, the Bank applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Bank.

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. In all leases, the right-of-use assets were recognised based on the amount equal to the related prepaid and accrued lease payments previously recognised.

The Bank also applied the available practical expedients wherein it:

* Used a single discount rate to a portfolio of leases with reasonably similar characteristics
* Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
* Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
* Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Bank upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities (if any). The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of- use assets are subject to impairment.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its **short-term leases** (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of **low-value assets recognition exemption to leases (**i.e., below N1,532,500). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

For policy applicable before 1 January 2019, see Note 2.9

Notes to the financial statements
for the year ended 31 December 2019

2.1.2 Changes in accounting policies and disclosures continued

IFRS 16 Leases continued

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Bank's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets	
	Building N'million	**Total N'million**
As at 1 January 2019	-	-
Transfer from prepayment	971	971
Transfer from property, plant and equipment (Note 24)	750	750
Additions during the year (Note 28)	494	494
Depreciation expense	(686)	(686)
As at 31 December 2019	1,529	1,529

(d)

Below is a list of other interpretations and amendment that were effective for the first time in 2019 but do not have a significant impact on the Bank:

i IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
ii Amendments to IFRS 9: Prepayment Features with Negative Compensation
iii Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
iv Amendments to IAS 28: Long-term interests in associates and joint ventures
v Annual Improvements 2015-2017 Cycle
(a) IFRS 3 Business Combinations
(b) IFRS 11 Joint Arrangements
(c) IAS 12 Income Taxes
(d) IAS 23 Borrowing Costs

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.

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.

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.

ESTIMATES AND ASSUMPTIONS continued

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;
* 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.

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 3.5 for further disclosures.

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:

Significant judgement in determining the lease term of contracts with renewal options
The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Bank has concluded that its leases are only enforceable for the periods that payments have been made and has therefore not recognised any lease liabilities. This applies only to property leases.

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 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.

2.2 Standards issued but not yet effective *continued*

Proposed amendments to IFRS 17

In June 2019, the IASB issued an exposure draft (ED) on proposed amendments to IFRS 17. The Board considered 25 concerns and implementation challenges raised by stakeholders and assessed whether to propose changes to the standard. The Board selected only those changes that, in its estimation, would not lead to a significant loss of useful information for investors, nor unduly disrupt implementation processes under way, nor risk undue delays in the effective date of IFRS 17.

The IASB proposes in the ED 12 targeted amendments to the standard in eight areas and asks stakeholders whether they agree with the proposed amendments. The eight areas of IFRS 17 subject to proposed changes are:

• Deferral of the effective date of IFRS 17 for one year,including an additional year of deferral for the application of IFRS 9 to qualifying insurance entities (i.e., qualifying insurers can apply IFRS 17 and IFRS 9 for the first time in reporting periods beginning on or after 1 January 2022)
• Additional scope exclusions
• Expected recovery of insurance acquisition cash flows from insurance contract renewals
• CSM relating to investment activities
• Applicability of the risk mitigation option for contracts with direct participation features
• Reinsurance contracts held - expected recovery of losses on underlying contracts
• Simplified presentation of insurance contracts in the statement of financial position
• Transition modifications and reliefs

IFRS 17 will have no impact on the Bank, as it does not issue insurance contract.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 Financial Instruments: Disclosures, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

These amendments is effective annual periods beginning on or after 1 January 2020

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

• The assessment of whether a forecast transaction (or component thereof) is highly probable
• Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
• The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship.

To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

These amendment will not have significant impact on the bank's financial statements when they become effective.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

• For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
• For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
• For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

These amendment will not have significant impact on the bank's financial statements when they become effective.

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.

2.2 Standards issued but not yet effective *continued*

Definition of a Business - Amendments to IFRS 3

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. These amendments will currently have no impact on the financial statements of the Bank.

The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8. The new framework will have no significant impact on the financial statements of the Bank.

Definition of Material - Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The Bank will apply this amendment when it becomes effective on 1 January 2020.

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

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.

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.

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 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.

2.4 Financial assets and liabilities *continued*

2.4.2 Financial assets - Subsequent measurement *continued*

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;
* 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 Financial assets and liabilities *continued*

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 period, 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 calculations of ECLs

The Bank calculates ECLs based on a single 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.

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.

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

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 below. 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.

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

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.

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.

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

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 as 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 determines 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.

Notes to the financial statements
for the year ended 31 December 2019

2.4.5 Financial liabilities *continued*

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 Revenue recognition

Interest Income and expense
Interest income and expense for all interest-bearing financial instruments are recognised within 'interest revenue calculated using the effective interest rate method, other interest and similar income and 'interest expense calculated using the effective interest rate method' in the Statement of profit or loss and other comprehensive income using the effective interest method except for those measured at fair value through profit or loss (FVTPL).

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.

2.6 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.

2.7 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.

2.8 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.

2.9 Leases

Leases are divided into finance leases and operating leases

(a) The company is the lessee (Policy applicable before 1 January 2019)

(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.

For policy applicable from 1 January 2019 see note 2.1.2.

(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 treated 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.

2.10 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

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 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: Depreciated over 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

2.1 Property, plant and equipment *continued*

The assets' residual values, depreciation method 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.

2.11 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:

- there is an ability to use or sell the software product;
- 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;
- 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 3 years and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2.12 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.

(i) *Current income tax*

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.

(ii) *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 taxable entities where there is an intention to settle the balance on a net basis.

2.13 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.

2.14 Retirement obligations and Employee benefits

The Bank operates the following contribution and benefit schemes for its employees:

2.14.1 Defined contribution pension scheme

The Bank operates a defined contributory pension scheme for eligible employees. Bank contributes 10% of the employees' Basic, Housing and Transport allowances in line with the provisions of the Pension Reform Act 2014. The Bank pays the contributions to a pension fund administrator. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

2.14.2 Short-term benefits

Wages, salaries, annual leave, bonuses and non-monetary benefits are recognised as employee benefit expenses in the statement of profit or loss and paid in arrears when the associated services are rendered by the employees of the Bank.

2.15 Share capital

(i) *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.

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.

2.16 Fair value measurement

The Bank measures some financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

* In the principal market for the asset or liability
* In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.17 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 period.

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 separate financial information is available 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 Committee) as its chief operating decision maker.

IFRS 8.20 states that an entity shall disclose 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 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 medium 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.

Notes to the financial statements
for the year ended 31 December 2019

3 Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

Set out below is the information about the nature and extent of risks arising from the financial instruments to which the bank 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

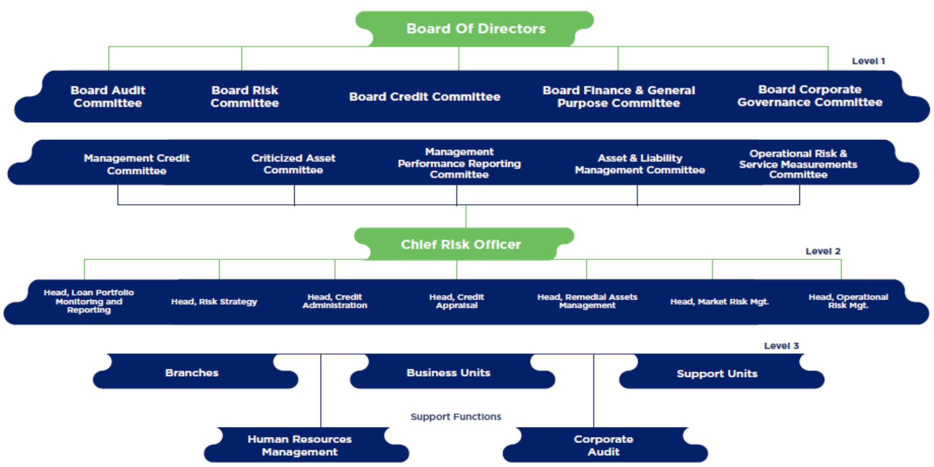
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

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.

3.1 Introduction and overview *continued*

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

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 Bank measures and manages 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 counterparty 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.

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
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 counterparties where problems might arise, the respective exposure is placed on a watch-list.

Notes to the financial statements
for the year ended 31 December 2019

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 qualitative, quantitative 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 more

(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.

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

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.

Notes to the financial statements
for the year ended 31 December 2019

3.2.4 Expected credit loss measurement *continued*

(d) Forward-looking information incorporated in 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 assumption

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 are set out below. The scenarios "base case", "best case" and "worst case" were used for all portfolios.

		2020	2021	2022
Inflation rate				
	Base Case	11.30%	10.80%	8.50%
	Best Case	9.30%	8.80%	4.10%
	Worst Case	13.30%	12.80%	10.50%
Crude Oil ($)				
	Base Case	55.00	50.00	50.00
	Best Case	70.00	65.00	60.00
	Worst Case	40.00	35.00	30.00
Foreign Reserves ($ Bn)				
	Base Case	35.14	31.94	30.44
	Best Case	43.33	40.24	39.44
	Worst Case	0.00	0.00	0.00
Unemployment rate				
	Base Case	23.93%	24.33%	24.73%
	Best Case	22.43%	22.83%	23.23%
	Worst 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%
	Worst 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%
	Worst 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.

Notes to the financial statements
for the year ended 31 December 2019

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 31st December 2019 and 31st December 2018 is represented by the net carrying amounts of the financial assets set out below:

	31 December 2019			
	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	421,734	-	-	421,734
Due from banks	150,178	22,715	-	127,463
Loans and advances to customers	1,178,389	27,070,569	25,892,180	-
Investments:				
Financial assets at fair value through profit or loss	45,538	-	-	45,538
Debt instruments at fair value through other comprehensive income	134,846	-	-	134,846
Debt instruments at amortised cost	118,723	-	-	118,723
Other assets	27,676	-	-	27,676
Financial guarantee contracts:				
Performance bonds and guarantees	204,135	-	-	204,135
Letters of credit	134,082	-	-	134,082
	2,415,301	27,093,284	25,892,180	1,214,197

	31 December 2018			
	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	340,307	-	-	340,307
Due from banks	112,439	22,980	-	89,459
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	-	-
	2,107,487	9,752,641	8,634,396	989,242

***Excluding equity instruments**

Notes to the financial statements
for the year ended 31 December 2019

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 2019, is set out below:

	31 December 2019				
Financial assets with credit risk:	**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	421,734	149,869	1,126,974	298,953	25,749
Concentration by sector					
Agriculture	-	-	32,931	-	-
Oil and gas	-	-	244,799	-	-
Consumer credit	-	-	53,786	-	-
Manufacturing	-	-	215,707	-	-
Mining and Quarrying	-	-	3,776	-	-
Mortgage	-	-	-	-	-
Real estate	-	-	26,495	-	-
Construction	-	-	35,594	-	-
Finance and insurance	-	150,178	4,508	19,249	-
Government	-	-	150,086	279,858	-
Power	-	-	118,413	-	-
Other public utilities	-	-	-	-	-
Transportation	-	-	135,991	-	-
Communication	-	-	32,416	-	-
Education	-	-	5,159	-	-
Other	421,734	-	118,729	-	27,676
Total gross amount	**421,734**	**150,178**	**1,178,389**	**299,107**	**27,676**
Concentration by location					
Abroad	-	150,178	-	-	-
Nigeria:	-	-	-	-	-
North East	-	-	10,758	-	-
North Central	421,734	-	83,834	-	-
North West	-	-	60,013	-	-
South East	-	-	31,418	-	-
South South	-	-	138,234	-	-
South West	-	-	854,131	299,107	27,676
Total gross amount	421,734	150,178	1,178,389	299,107	27,676

	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	28,251
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	-	90,090	-	30,470
Total gross amount	**340,307**	**112,439**	**906,624**	**290,563**	**30,470**

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3.2.6 Credit concentrations - continued

	31 December 2018				
	Cash and balance with Central bank	Due from banks	Loans and advances to customers	Investment securities	Other assets
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	-	-	683,100	290,563	30,470
Total gross amount	**340,307**	**112,439**	**906,624**	**290,563**	**30,470**

3.2.7 Credit quality

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 five of which are a mix of Corporate and Commercial Accounts segregated on the basis of related economic sectors. The other portfolio is 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 loans and advances for which an ECL allowance is recognised.
The gross carrying amount of loans and advances below also represents the Bank's maximum exposure to credit risk on these assets.

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

	31 December 2019			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	26,740	-	-	26,740
Standard monitoring	289,441	166,406	-	455,847
Default	-	-	7,256	7,256
Gross carrying amount	316,181	166,406	7,256	489,843
Loss allowance	(4,738)	(12,015)	(2,575)	(19,328)
Carrying Amount	311,443	154,391	4,681	470,515

	30 December 2018			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	10,121	-	-	10,121
Standard monitoring	267,059	136,853	-	403,912
Default	-	-	10,957	10,957
Gross carrying amount	277,180	136,853	10,957	424,990
Loss allowance	(6,107)	(13,776)	(2,220)	(22,103)
Carrying Amount	271,073	123,077	8,737	402,887

b) Government, Public Sector & NBFIs portfolio

	31 December 2019			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	11,825	-	-	11,825
Standard monitoring	123,982	-	-	123,982
Default	-	-	-	-
Gross carrying amount	135,807	-	-	135,807
Loss allowance	(62)	-	-	(62)
Carrying Amount	**135,745**	**-**	**-**	**135,745**

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3.2.7 Credit quality ***continued***

	30 December 2018			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	3,412	-	-	3,412
Standard monitoring	96,713	-	-	96,713
Default	-	-	86	86
Gross carrying amount	100,125	-	86	100,211
Loss allowance	(369)	-	-	(369)
Carrying Amount	99,756	-	86	99,842

c) Transport, Communication, Commerce & General portfolio

	31 December 2019			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	12,298	-	-	12,298
Standard monitoring	190,884	65,543	-	256,427
Default	-	-	19,100	19,100
Gross carrying amount	203,182	65,543	19,100	287,825
Loss allowance	(820)	(3,213)	(14,062)	(18,095)
Carrying Amount	202,362	62,330	5,038	269,730

	30 December 2018			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	1,598	-	-	1,598
Standard monitoring	161,060	32,555	-	193,615
Default	-	-	22,894	22,894
Gross carrying amount	162,658	32,555	22,894	218,107
Loss allowance	(4,677)	(2,679)	(12,208)	(19,564)
Carrying Amount	157,981	29,876	10,686	198,543

d) Automobile, Equipment & Mortgage Loans portfolio

	31 December 2019			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	22,892	-	-	22,892
Standard monitoring	18,461	8,849		27,310
Default	-	-	3,254	3,254
Gross carrying amount	41,353	8,849	3,254	53,456
Loss allowance	(5)	(2,908)	(1,333)	(4,246)
Carrying Amount	41,348	5,941	1,921	49,210

	30 December 2018			
	Stage 1 N'million	**Stage 2 N'million**	**Stage 3 N'million**	**Total N'million**
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	19,721	72	-	19,793
Default	-	-	7,049	7,049
Gross carrying amount	19,721	72	7,049	26,842
Loss allowance	(67)	-	(4,483)	(4,550)
Carrying Amount	**19,654**	**72**	**2,566**	**22,292**

Notes to the financial statements
for the year ended 31 December 2019

3.2.7 Credit quality ***continued***

e) Medium and Small Scale Enterprises portfolio

	31 December 2019			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	135,908	15,777	-	151,685
Default	-	-	6,384	6,384
Gross carrying amount	135,908	15,777	6,384	158,069
Loss allowance	(29)	(1,052)	(4,981)	(6,062)
Carrying Amount	135,879	14,725	1,403	152,007

	30 December 2018			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	62,431	3,325	-	65,756
Default	-	-	6,803	6,803
Gross carrying amount	62,431	3,325	6,803	72,559
Loss allowance	(274)	(48)	(3,466)	(3,788)
Carrying Amount	62,157	3,277	3,337	68,771

f) Personal & Employee Loans portfolio

	31 December 2019			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	50,726	24	-	50,750
Default	-	-	2,639	2,639
Gross carrying amount	50,726	24	2,639	53,389
Loss allowance	(3,062)	-	(560)	(3,622)
Carrying Amount	**47,664**	**24**	**2,079**	**49,767**

	30 December 2018			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	60,023	79	-	60,102
Default	-	-	3,812	3,812
Gross carrying amount	60,023	79	3,812	63,914
Loss allowance	(2,958)	-	(3,411)	(6,369)
Carrying Amount	57,065	79	401	57,545

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

	31 December 2019				
	Cash and balance with Central bank N'million	Due from banks N'million	Loans and advances to customers N'million	Debt securities N'million	Other assets N'million
Not Due & Not impaired	421,734	-	-	45,538	-
Past due and not impaired (0-30 days)	-	150,178	862,293	253,569	27,676
Past due and not impaired (31-90 days)	-	-	269,298	-	-
Past due and impaired (aged above 90 days)	-	-	46,798	-	-
Gross	421,734	150,178	1,178,389	299,107	27,676
Impairment allowance	-	(309)	(51,415)	(154)	(1,927)
Net	**421,734**	**149,869**	**1,126,974**	**298,953**	**25,749**

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3.2.7 Credit quality ***continued***

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

	31 December 2018				
	Cash and balance with Central bank N'million	**Due from banks N'million**	**Loans and advances to customers N'million**	**Debt securities N'million**	**Other assets N'million**
Not Due & Not impaired	340,307	-	-	14,052	30,470
Past due and not impaired (0-30 days)	-	112,439	682,138	276,511	-
Past due and not impaired (31-90 days)	-	-	172,884	-	-
Past due and impaired (aged above 90 days)	-	-	51,602	-	-
Gross	340,307	112,439	906,624	290,563	30,470
Impairment allowance		(806)	(56,744)	(210)	
Net	340,307	111,633	849,880	290,353	30,470

(a) Financial assets collectively impaired (Stage 1 and Stage 2)

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.

	Dues from Banks	**Overdrafts**	**Term Loans**	**Finance lease**	**Total Loan**	**Other assets**
31 December 2019	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:						
1. AAA to AA	3,863	703	57,742	-	58,445	-
2. A+ to A-	118,040	1,589	21,886	-	23,475	-
3. BBB+ to BB-	15,566	58,766	451,662	39,305	549,733	-
4. Below BB-	12,709	55,598	445,696	2,179	503,473	-
5. Unrated	-	325	4,305	-	4,630	27,676
	150,178	116,981	981,291	41,484	1,139,756	27,676
Collective impairment	(309)	(3,382)	(24,490)	(32)	(27,904)	(1,927)
Net amount	149,869	113,599	956,801	41,452	1,111,852	25,749
31 December 2018	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**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	-	-	-	-	-	35,124
	112,439	27,217	805,559	22,245	855,022	35,124
Collective impairment	(806)	(543)	(30,066)	(346)	(30,955)	
Net amount	111,633	26,674	775,493	21,899	824,067	35,124

B Maximum exposure to credit risk – Financial instruments not subject to impairment

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	
	2019	**2018**
	N'million	**N'million**
Financial assets measured at fair value through profit or loss		
Debt securities		
Federal Government bonds	1,875	86
Treasury bills	36,176	13,966
Placement	7,487	-

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 2019 and 31 December 2018:

		Investments in Government Securities				
	Cash & cash equivalents	**Treasury bills**	**Federal Govt bonds**	**State bonds**	**Corporate bonds**	**Total**
31 December 2019	**N'million ı**	**N'million**		**N'million**	**N'million**	**N'million**
AAA to AA	204,077	183,363	89,400	-	-	476,840
A+ to A-	-	-	-	5,450	13,407	18,857
BBB+ to BB	55,838	-	-	-	-	55,838
Below BB-	-	-	-	-	-	-
Unrated	-		-		-	-
	259,915	**183,363**	**89,400**	**5,450**	**13,407**	**551,535**

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3.2.7 Credit quality *continued*

B Maximum exposure to credit risk – Financial instruments not subject to impairment *continued*

		Investments in Government Securities				
31 December 2018	**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**
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**

Loss allowance

The loss allowance recognised in the period 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.

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 period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

3.2.8 Description of collateral held *continued*

(a) Key Collateral Management Policies *continued*

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

	31 December 2019		31 December 2018	
	Exposure N'million	Collateral Value N'million	Exposure N'million	Collateral Value N'million
Secured against real estate	215,737	2,010,909	63,635	189,758
Secured by shares of quoted companies	20	40	-	-
Secured by others	953,832	25,059,620	834,417	9,351,270
Unsecured	8,800	-	8,572	-
Gross loans and advances to customers	**1,178,389**	**27,070,569**	**906,624**	**9,541,028**

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 period 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 Asset Liability Management (ALM) group. 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.

The Bank's reporting system tracks cash flows on a daily basis. The 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 the Bank can use to raise liquidity in times of need. The liquidity of these assets is an important element in protecting the Bank against short-term liquidity squeezes. The Bank keeps a portfolio of highly liquid securities in major currencies around the world to supply collateral for cash needs associated with clearing activities.

Short-Term Liquidity

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 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.

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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 maturity analysis have been presented based on the behaviour of these financial assets and liabilities. The table includes both principal and interest cash flows.

31 December 2019	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	110,046	-	-	343,346	0	**453,392**
Due from banks	101,853	3,647	51,294	-	-	**156,794**
Loans and advances to customers	135,282	149,074	338,959	419,077	339,078	**1,381,469**
Investment securities:						**-**
Financial instrument at FVTPL	1,341	10,193	31,550	1,180	1,874	**46,138**
Debt instruments at FVOCI	10,815	4,281	95,605	7,225	20,784	**138,710**
Debt instruments at amortised	22,571	23,450	21,262	17,978	40,394	**125,655**
Other Assets	1,696	2,096	6,045	7,936	9,770	**27,543**
Total financial assets	**383,604**	**192,742**	**544,714**	**796,742**	**411,900**	**2,329,702**
Financial liabilities						
Customer deposits	249,853	483,146	514,447	-	-	1,247,446
Other liabilities	50,978	95,957	5,003	12,507	250,139	414,584
Debt issued and other borrowed funds	26,015	11,338	22,675	226,754	-	286,782
Total financial liabilities	**326,846**	**590,441**	**542,125**	**239,260**	**250,139**	**1,948,811**
Gap (assets-liabilities)	56,758	(397,699)	2,589	557,482	161,761	
Cumulative liquidity gap	56,758	(340,941)	(338,352)	219,130	380,891	
Financial guarantee contracts:						
Performance bonds and guarantees	10,217	20,767	72,375	57,053	43,723	204,135
Letters of credit	10,389	66,134	57,559	-	-	134,082
	20,606	86,901	129,934	57,053	43,723	338,217

31 December 2018	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total 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	**158,096**
Other Assets	25,525		3,515		1,430	**30,470**
Total financial assets	**298,684**	**137,247**	**258,930**	**694,929**	**343,917**	**1,733,707**
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	(68,859)	25,973	(32,155)	207,101	212,402
Cumulative liquidity gap	80,342	11,483	37,456	5,301	212,402	
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

While there is a negative cumulative liquidity gap for within one year, it does not reflect the actual liquidity position of the Bank as most of the term deposits from customers maturing within one year are historically being rolled over.

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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

3.4.1.2 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 2019.

	31 December 2019				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank	7,845	436	663	444,448	453,392
Due from banks	138,580	1,644	5,797	3,848	149,869
Loans and advances to customers	462,832	1,082	846	662,214	1,126,974
Investment securities:	-	-	-	-	-
Financial assets at FVTPL	7,487	-	-	38,051	45,538
Debt instruments at FVOCI	13,202	-	-	121,644	134,846
Equity instruments at FVOCI	-	-	-	14,536	14,536
Debt instruments at amortised cost	-	-	-	118,569	118,569
Other financial assets	19,312	-	-	6,437	25,749
	649,257	3,162	7,307	1,409,747	2,069,473
Financial liabilities					
Customer deposits	281,011	4,666	2,906	936,630	1,225,213
Other liabilities	33,528	478	1,259	361,809	397,074
Debt issued and other borrowed funds	219,723	870	846	30,147	251,586
	534,262	6,014	5,011	1,328,586	1,873,873
Net exposure	114,995	(2,852)	2,296	81,161	195,600

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	114,995		(2,852)	2,296
Closing Exchange Rate (Naira/ Currency)	364.7		457	409
1% Currency Depreciation (+)	368	0	462	413
Net effect of depreciation on Profit or loss	1,150		(29)	23
1% Currency Appreciation (-)	361	0	452	405
Net effect of depreciation on Profit or loss	(1,150)		29	(23)

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3.4.1.2 Foreign exchange risk *continued*

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	362,412	384,931
Due from banks	104,170	2,235	5,011	217	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	28,240	28,251
	477,704	3,241	5,965	1,188,115	1,675,025
Financial liabilities					
Customer deposits	205,750	3,198	4,956	765,509	979,413
Other liabilities	81,062	2,365	737	216,171	300,335
Debt issued and other borrowed funds	191,136	-	-	30,004	221,140
	477,948	5,563	5,693	1,011,684	1,500,888
Net exposure	(244)	(2,322)	272	176,431	174,137

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	(244)	(2,322)	272
Closing Exchange Rate (Naira/ Currency)	359	465	416
1% Currency Depreciation (+)	362	470	420
Net effect of depreciation on Profit or loss	(2)	(23)	3
1% Currency Appreciation (-)	355	461	412
Net effect of depreciation on Profit or loss	2	23	(3)

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.

3.4.1.3 Interest rate risk

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

	Carrying Amount	**Variable Interest**	**Fixed Interest**	**Non Interest bearing**
31 December 2019	N'million	N'million	N'million	N'million
Financial assets				
Cash and balances with Central Bank of Nigeria	453,392	-	-	453,392
Due from banks	149,869	-	47,412	102,457
Loans and advances to customers	1,126,974	270,554	856,420	-
Investment securities				-
Financial assets at FVTPL	45,538	-	45,538	-
Debt instruments at FVOCI	134,846	-	134,846	-
Debt instruments at amortised cost	118,569	-	118,569	-
Other financial assets	25,749	-	-	25,749
	2,054,937	270,554	1,202,785	581,598
Financial liabilities				
Customer deposits	1,225,213	-	533,605	691,608
Other liabilities	397,074	-	250,139	146,935
Debts issued and other borrowed funds	251,586	53,820	197,766	-
	1,873,873	53,820	981,510	838,543

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3.4.1.3 Interest rate risk *continued*

31 December 2018	Carrying Amount N'million	Variable Interest N'million	Fixed Interest N'million	Non Interest bearing 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	-
Debt instruments at FVOCI	157,639	-	157,639	-
Debt instruments at amortised cost	118,662	-	118,662	-
Other financial assets	28,251	-	-	28,251
	1,665,049	231,563	966,795	466,691
Financial liabilities				
Customer deposits	979,413	-	473,950	505,463
Other liabilities	300,335	-	133,841	166,494
Debts issued and other borrowed funds	240,767	44,577	196,190	-
	1,520,515	44,577	803,981	671,957

(a) Interest rate sensitivity

Total interest repricing gap

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

31 December 2019	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1-5 years N'million	More than 5years N'million	Total rate sensitive N'million
Financial assets						
Cash and balances with central bank	-	-	-	-	-	-
Due from banks	2,912	44,500	-	-	-	47,412
Loans and advances to customers	231,825	49,536	62,714	466,084	316,815	1,126,974
Investment securities						-
Financial assets at FVTPL	11,535	2,044	29,505	580	1,874	45,538
Debt instruments at FVOCI	15,096	26,598	69,007	6,825	17,320	134,846
Debt instruments at amortised cost	45,996	2,274	18,768	17,913	33,618	118,569
Total assets	307,364	124,952	179,994	491,402	369,627	1,473,339
Financial liabilities						
Customer deposits	228,679	62,261	19,469	111,018	112,178	533,605
Other liabilities	-	531	20,498	83,526	145,583	250,139
Debts issued and other borrowed funds	41,492	9,414	72	200,608	-	251,586
Total liabilities	270,171	72,206	40,039	395,152	257,761	1,035,330
Net financial assets and liabilities	37,193	52,746	139,955	96,250	111,865	438,009

31 December 2018	Less than 3 months N'million	3-6 months N'million	6-12 months N'million	1-5 years N'million	More than 5years N'million	Total rate sensitive N'million
Financial assets						
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				133,841		133,841
Debts issued and other borrowed funds	23,088	11,108	33,469	173,102	-	240,767
Total liabilities	111,894	85,942	184,170	466,552	-	848,558
Net financial assets and liabilities	(47,888)	48,982	63,425	(44,814)	330,094	349,799

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

31 December 2019

Asset with variable interest rate	Increase/decrease in bp	Amount N'million	Effect of increase by 200bp on profit N'million	Effect of decrease by 200bp on profit 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	+200/-200bp	270,554	5,411	(5,411)	5,411	(5,411)
Investments:						
Debts issued and other borrowed funds	+200/-200bp	53,820	(1,076)	1,076	(1,076)	1,076

30 December 2018

Asset with variable interest rate	Increase/decrease in bp	Amount N'million	Effect of increase by 200bp on profit N'million	Effect of decrease by 200bp on profit 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	+200/-200bp	231,563	4,631	(4,631)	4,631	(4,631)
Investments:						
Debts issued and other borrowed funds	+200/-200bp	44,577	(892)	892	(892)	892

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

31 December 2019

Asset with fixed interest rate	Increase/decrease in bp	Amount N'million	Effect of increase by 200bp on profit N'million	Effect of decrease by 200bp on profit N'million	Effect of increase by 200bp on Equity N'million	Effect of decrease by 200bp on Equity N'million
Investments:						
Financial assets measured at FVTPL	+200/-200bp	45,538	911	(911)	911	(911)
Debt instruments at FVOCI*	+200/-200bp	134,846	-	-	2,697	(2,697)

31 December 2018

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

*Changes in the value of debt instruments at FVOCI will impact other comprehensive income (OCI) rather than profit.

Notes to the financial statements
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3.4.4 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. A 10 percent increase in the value of the Bank's equity investment at FVOCI at 31 December 2019 would have increased equity by N1.4 billion (2018 : N997 million). An equivalent decrease would have resulted in an equivalent but oppsite impact.

3.5 Fair value of financial assets and liabilities

	31 December 2019		31 December 2018	
	Carrying Value N'million	**Fair Value N'million**	**Carrying Value N'million**	**Fair Value N'million**
Financial assets				
Cash and balances with Central banks	**453,392**	**453,392**	**384,931**	**384,931**
Cash	31,658	31,658	44,624	44,624
Balances with central bank other than mandatory reserve deposit	78,388	78,388	90,693	90,693
Mandatory reserve deposits with central	343,346	343,346	249,614	249,614
Due from banks	**149,869**	**150,178**	**111,633**	**112,439**
- Current balances with foreign banks	101,853	101,853	53,684	53,684
- Placements with other banks and discount houses	48,016	48,325	57,949	58,755
Loans and advances to customers	**1,126,974**	**1,178,389**	**849,880**	**906,623**
- Term loans	962,949	997,634	744,967	784,903
- Advances under finance lease	42,484	45,586	21,193	26,835
- Other loans	121,541	135,168	83,719	94,885
Fair Value Through Profit and Loss	**45,538**	**45,538**	**14,052**	**14,052**
- Treasury bills	36,176	36,176	13,966	13,966
- Federal Government bonds	1,875	1,875	86	86
- Placement	7,487	7,487	-	-
Debt instruments at FVOCI	**134,846**	**134,846**	**157,639**	**157,902**
- Treasury bills	98,939	98,939	137,545	137,660
- Federal Government bonds	18,147	18,147	14,131	14,150
- State Government bonds	4,353	4,353	4,437	4,529
- Corporate Bonds	13,407	13,407	1,526	1,562
Equity instruments measured at FVOCI	**14,536**	**14,536**	**9,977**	**9,977**
Debt instruments at amortised	**118,569**	**119,124**	**118,662**	**118,872**
- Treasury bills	48,248	47,755	37,725	38,120
- Federal Government bonds	69,224	70,220	75,146	75,932
- State Government bonds	1,097	1,149	2,129	2,129
- Corporate Bonds	-	-	3,662	3,872
Financial liabilities				
Deposits from customers	**509,067**	**509,067**	**351,931**	**348,089**
Term	247,564	247,564	172,178	234,642
Domiciliary	261,503	261,503	179,753	113,447
Debts issued and other borrowed funds	**251,586**	**255,003**	**240,767**	**241,333**

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.

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3.5 Fair value of financial assets and liabilities *continued*

a) Financial instruments measured at fair value *continued*

31 December 2019	**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	-	1,875	-	1,875
- Treasury bills	-	36,176	-	36,176
- Placement	-	7,487	-	7,487
Debt instruments measured at FVOCI				
- Treasury bills	-	98,939	-	98,939
- Federal Government bonds	-	18,147	-	18,147
- State Government bonds	-	4,353	-	4,353
- Corporate Bonds	-	13,407	-	13,407
Equity instruments measured at FVOCI	1,840	12,696	-	14,536
Assets for which fair values are disclosed				
Loans and advances to customers	-	-		-
- Term loans	-	-	997,634	997,634
- Advances under finance lease	-	-	45,586	45,586
- Other loans	-	-	135,168	135,168
Debt instruments at amortised cost		-		
- Treasury bills	-	47,755		47,755
- Federal Government bonds	-	70,220		70,220
- State Government bonds	-	1,149		1,149
- Corporate Bonds	-			-

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	-	-	255,003	255,003

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
- Equity investments	-	12,282	-	12,282
Equity instruments measured at FVOCI	4,156	5,821	-	9,977
Assets for which fair values are disclosed				
Financial assets carried at amortised cost				-
Loans and Advances	-	-		-
- 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

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities for which fair value are disclosed	**N'million**	**N'million**	**N'million**	**N'million**
Borrowings				
Financial liabilities carried at amortised cost				
Debt issued and other borrowed funds	-	-	258,007	258,007

3.5 Fair value of financial assets and liabilities *continued*

(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 31 December 2019 and 31 December 2018 based on yields for identical assets. Fair value is determined using discounted cash flow model.

(iv) Equity securities
The fair value of unquoted equity securities are determined based on the level of information available. The investment in unquoted entities is carried at fair value. They are measured at fair value using price multiples.

(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.

(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.

(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 period.

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 and 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:

3.6 Operational Risk Management *continued*

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 implements 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.

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 groups 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 assist in building resilience for effective response to catastrophic 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 international 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 year ended 31 December 2019 and the comparative period 31 December 2018 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II Accord (Internal 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 environment.

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 noncumulative 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.

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4 Capital management ***continued***

The table below summarizes the composition of regulatory capital and the ratios of the Bank as at 31 December 2019 and as at 31 December 2018. 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 2019 N'million	31 December 2018 N'million
Tier 1 capital		
Share capital	14,481	14,481
Share premium	101,272	101,272
Retained earnings (2019: less proposed dividend)	37,849	33,948
Statutory reserve	35,008	30,744
Small scale investment reserve	4,761	764
Tier 1 Deductions - Intangible Assets	(1,636)	(1,076)
Total qualifying Tier 1 capital	191,735	180,133
Regulatory adjustment	10,640	16,314
Adjusted qualifying Tier 1 capital	**181,095**	**163,819**
Tier 2 capital		
Local Bond Issue (Discounted at 60%)	12,000	18,002
Revaluation reserve	-	-
Fair value reserve	20,969	7,038
Total Tier 2 capital	**32,969**	**25,040**
Less other deductions		
	-	-
	32,969	25,040
Qualifying Tier 2 Capital restricted to lower of Tier 2 and 33.33% of Tier 1 Capital		
Total Tier 1 & Tier 2 Capital	**214,064**	**188,859**
Risk-weighted assets:		
Credit Risk Weighted Assets	920,616	887,081
Market Risk Weighted Assets	64,232	67,642
Operational Risk Weighted Assets	185,821	179,367
Total risk-weighted assets	**1,170,669**	**1,134,090**
Capital Adequacy Ratio (CAR)	18.29%	16.65%
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 chief operating decision maker reviews in assessing performance, allocating resources and making investment decisions.

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

Segment result of operations

The segment information provided to the chief operating decision maker for the reportable segments for the year ended 31 December 2019 is as follows:

	Retail Banking N'million	**Corporate Banking N'million**	**Investment Banking N'million**	**Combined N'million**
Revenue derived from external customers	97,398	72,432	45,685	215,514
Revenues from other segments	-	-	-	-
Total	97,398	72,432	45,685	215,514
Interest income	80,246	67,236	34,862	182,344
Interest expense	(43,679)	(36,776)	(18,834)	(99,289)
Profit before tax	**20,189**	**5,442**	**4,722**	**30,353**
Income tax expense	(1,282)	(346)	(300)	(1,928)
Profit for the year ended 31 December 2019	18,907	5,096	4,422	28,425
Total segment assets	1,160,578	516,434	437,024	2,114,037
Total segment liabilities	1,211,834	457,152	209,093	1,880,007
Other segment information				
Depreciation/Amortization	(3,689)	(1,060)	(672)	(5,421)

The segment information provided to the chief operating decision maker for the reportable segments for the year ended 31 December 2018 is as follows:

	Retail Banking N'million	**Corporate Banking N'million**	**Investment Banking N'million**	**Combined N'million**
Revenue derived from external customers	86,593	64,383	38,029	189,005
Revenues from other segments	-	-	-	-
Total	**86,593**	**64,383**	**38,029**	**189,005**
Interest income	66,587	56,263	34,601	157,451
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 ended 31 December 2018	17,303	2,181	3,441	22,926
Total segment assets	792,925	510,211	416,747	1,719,883
Total segment liabilities	930,850	376,676	217,941	1,525,467
Other segment information				
Depreciation/Amortization	(4,619)	(1,142)	(486)	(6,247)

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 31 December 2019 and 31 December 2018.

Notes to the financial statements
for the year ended 31 December 2019

6 Interest revenue calculated using the effective interest rate method

	2019	2018
	N'million	N'million
Loans and advances to customers	132,554	109,322
Advances under finance lease.	4,153	5,389
Treasury bills and other investment securities:		
Fair value through other comprehensive income	22,059	19,547
Amortised cost.	12,011	16,133
Placements and short term funds	6,217	3,291
	176,994	153,682

7 Interest expense calculated using the effective interest rate method

	2019	2018
	N'million	N'million
Term deposits	60,899	51,517
Debts issued and other borrowed funds	25,647	22,741
Savings deposits	8,185	6,170
Current accounts	4,550	3,666
Inter-bank takings	8	1
	99,289	84,095

8 Credit loss reversal/(expense)

The table below shows the ECL charges on financial instruments recorded in profit or loss for the year ended 31 December 2019:

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks	-	(497)	-			-	(497)
Loans and advances to customers	-	(5,739)	-	2,686	(2,276)	-	(5,329)
Debt instruments measured at FVOCI	-	504	-	-	-	-	504
Debt instruments measured at							-
amortised costs	-	(56)	-	-	-	-	(56)
Financial guarantees	-	-	-	-	-	-	-
Letters of credit	-	(206)	-	-	-	-	(206)
Total impairment reversal	-	(5,994)	-	2,686	(2,276)	-	(5,584)
Other assets (Note 27)		292	-	-	-	-	292
	-	**(5,702)**	**-**	**2,686**	**(2,276)**	**-**	**(5,292)**

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

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks	-	806	-	-	-	-	806
Loans and advances to customers	-	3,114	-	(1,340)	646	-	2,420
Debt instruments measured at FVOCI	-	270		-	-	-	270
Debt instruments measured at		199					199
amortised costs							-
Financial guarantees	-	(448)	-	-	-	-	(448)
Letters of credit	-	618	-	-	-	-	618
Total impairment loss	-	4,559	-	(1,340)	646	-	3,865
Other assets (note 27)		350					350
	-	**4,909**	**-**	**(1,340)**	**646**	**-**	**4,215**

Notes to the financial statements
for the year ended 31 December 2019

9 Net fee and commission income

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

	2019			
	Retail Banking N'million	**Corporate Banking N'million**	**Investment Banking N'million**	**Total N'million**
Fee and commission type:				
ATM charges	2,996	1,444	-	4,440
Accounts maintenance charge	1,943	1,146	206	3,295
Commission on travellers cheque and foreign bills	1,521	1,559	61	3,141
Commision on E-banking activities	1,762	525	660	2,947
Commission on fidelity connect	1,145	325	59	1,529
Other fees and commissions	439	167	264	870
Commision and fees on banking services	486	23	7	517
Commision and fees on NXP	764	337	-	1,101
Collection fees	255	73	7	334
Telex fees	861	159	7	1,027
Cheque issue fees	160	5	1	166
Letters of credit commissions and fees	875	448	10	1,334
Commissions on off balance sheet transactions	872	479	-	1,351
Remittance fees	180	25	-	205
Total revenue from contracts with customers	**14,259**	**6,714**	**1,283**	**22,255**
Other non-contract fee income:				
Credit related fees	1,945	1,062	-	3,007
Total fees and commission income	16,204	7,776	1,283	25,262
Fee and commission expense	(3,298)	(1,453)		(5,268)
Net fee and commission income	**12,906**	**6,323**	**1,283**	**19,994**

	2018			
	Retail Banking N'million	**Corporate Banking N'million**	**Investment Banking N'million**	**Total N'million**
Fee and commission type:				
ATM charges	2,310	1,279	-	3,588
Accounts maintenance charge	1,544	1,094	261	2,899
Commision on E-banking activities	1,324	390	1,138	2,852
Commission on travellers cheque and foreign bills	1193	1404	15	2,613
Commission on fidelity connect	1,152	256	24	1,432
Letters of credit commissions and fees	689	561	2	1,251
Commissions on off balance sheet transactions	724	376	-	1,101
Other fees and commissions	588	97	88	772
Commision and fees on banking services	484	2	1	487
Commision and fees on NXP	466	234	0	700
Collection fees	204	60	3	267
Telex fees	664	52	5	721
Cheque issue fees	166	6	2	174
Remittance fees	120	15	82	218
Total revenue from contracts with customers	**11,628**	**5,826**	**1,621**	**19,075**
Other non-contract fee income:				
Credit related fees	788	547	-	1,335
Total fees and commission income	**12,416**	**6,373**	**1,621**	**20,410**
Fee and commission expense	(2,235)	(790)	(321)	(3,346)
Net fee and commission income	**10,181**	**5,583**	**1,300**	**17,064**

10 Net losses on derecognition of financial assets measured at amortised cost

A significant modification was carried out on a loan to a customer and the cash flows of the modified assets are substantially different from the contractual cash flows of the original financial assets. Based on this, the cash flows of the original financial assets were deemed to have expired and therefore derecognised and a new financial assets was recognised at fair value. The gross carrying amount of the loan before modification was N29 billion. The financial assets is not deemed to be credit impaired.

11 Other operating income

	2019 N'million	**2018 N'million**
Net foreign exchange gains	3,401	10,122
Dividend income (Note 23.3.1)	1,444	229
Profit on disposal of property, plant and equipment	2,510	15
Other income	553	778
	7,908	**11,144**

Notes to the financial statements
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12 Net gains/(losses) from financial assets at fair value through profit or loss

	2019	2018
	N'million	N'million
Net gains/(losses) arising from:		
- Bonds	177	(133)
- Treasury bills	650	1
- Placements	(26)	-
	801	**(132)**

12.1 Interest income on financial assets measured at FVTPL	**5,350**	**3,769**

Interest income on financial assets measured at FVTPL are not calculated using the effective interest rate method and have been presented separately in the statement of profit or loss and other comprehensive income.

13 Personnel expenses

	2019	2018
	N'million	N'million
Wages and salaries	21,129	21,434
End of the year bonus (see note 31.1)	2,537	2,000
Pension contribution	463	476
	24,129	**23,910**

14 Depreciation and amortisation

	2019	2018
	N'million	N'million
Property, plant and equipment (Note 24)	3,112	3,815
Intangible asset-computer software (Note 25)	1,623	2,432
Depreciation of right-of-use assets (Note 28)	686	-
	5,421	**6,247**

15 Other operating expenses

	2019	2018
	N'million	N'million
Banking sector resolution cost	10,478	8,764
Marketing, communication & entertainment	10,430	8,194
Other expenses	4,858	2,752
Deposit insurance premium	4,732	3,310
Outsourced cost	4,333	4,022
Repairs and maintenance	3,383	3,114
Computer expenses	3,301	2,366
Consultancy expenses	1,960	687
Cash movement expenses	1,170	901
Security expenses	1,149	1,280
Travelling and accommodation	1,130	840
Legal expenses	726	606
Office expenses	617	475
Corporate finance expenses	601	898
Training expenses	538	636
Bank charges	490	268
Electricity	472	452
Directors' emoluments	443	262
Insurance expenses	387	379
Rent and rates	370	915
Stationery expenses	306	285
Auditors' remuneration	200	200
Donations	165	158
Postage and courier expenses	108	108
Telephone expenses	95	99
	52,442	**41,971**

Notes to the financial statements
for the year ended 31 December 2019

16 Taxation

		2019	2018
		N'million	**N'million**
a	Current tax on the income for the reporting period	1,074	1,912
	Tertiary education tax	358	-
	Police trust fund levy	2	-
	Capital gain tax	190	-
	Information technology levy	304	251
	Current income tax expense	1,928	2,163
	Deferred tax expense	-	-
	Income tax expense	1,928	2,163

		2019	2018
		N'million	**N'million**
b	Profit before income tax expense	30,353	25,089
	Income tax using the domestic corporation tax rate of 30%	9,106	7,527
	Non-deductible expenses	10,240	5,892
	Tax exempt income	(10,797)	(13,419)
	Utilization of previously unrecognised tax losses	(5,394)	-
	Unrecognised deferred tax assets	(2,605)	-
	Income tax expense based on minimum tax (note 16d)	525	1,912
	Tertiary education tax	358	-
	Capital gain tax	190	-
	Police trust fund (note 16e)	2	-
	Information technology levy (note 16f)	304	251
		1,928	2,163

The effective income tax rate is 9% for 31 December 2019 (2018: 9%)

		2019	2018
		N'million	**N'million**
c	The movement in the current income tax payable is as follows:		
	At 1 January	1,609	1,445
	Income tax paid	(1,198)	(1,053)
	WHT recovered	-	(946)
	Current income tax expense	1,928	2,163
	At 31 December	2,339	1,609

Reconciliation of effective tax rate

d The income tax is based on minimun tax assessment in line with the Finance Bill Act 2019 as there is no taxable profit to charge tax. (2018: The basis of income tax is minimum tax assessment).

e The Nigerian Police Trust Fund Act (PTFA) 2019, stipulates that operating business in Nigeria to contribute 0.005% of their net profit to Police Trust Fund. In line with the Act, the Bank has provided for Police Trust Fund at the specified rate and recognised it as part of income tax for the year.

f 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 period.

17 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 which were sold during the period.

18 Earnings per share (EPS)

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 period. The diluted earnings per share is the same as basic EPS because there are no potential ordinary shares outstanding during the reporting period.

	2019	2018
	N'million	**N'million**
Profit attributable to equity holders of the Bank	28,425	22,926
Weighted average number of ordinary shares in issue (million unit)	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**98**	**79**

Notes to the financial statements
for the year ended 31 December 2019

19 Cash and balances with central bank

	31 December 2019	31 December 2018
	N'million	N'million
Cash	31,658	44,624
Balances with central bank other than mandatory reserve deposits	78,388	90,693
Included in cash and cash equivalents (note 20)	110,046	135,317
Mandatory reserve deposits with central bank (see note 19.1 below)	304,618	219,386
Special cash reserve (see note 19.2 below)	38,728	30,228
	453,392	**384,931**

19.1 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.

19.2 Special cash reserve represents special intervention reserve held with Central Bank of Nigeria".

20 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 2019	31 December 2018
	N'million	N'million
Cash and balances with central bank (Note 19)	110,046	135,317
Due from banks	149,869	111,633
Total cash and cash equivalents	259,915	246,950

21 Due from banks	31 December 2019	31 December 2018
	N'million	N'million
Current accounts with foreign banks	101,853	53,684
Placements with other banks and discount houses	48,325	58,755
Sub-total	####### ########	112,439
Less: Allowance for impairment losses	(309)	(806)
	149,869	111,633

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 3.2.4.

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	96,923	-	-	96,923
Standard grade	53,255	-	-	53,255
Total	**150,178**	**-**	**-**	**150,178**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	71,818	-	-	71,818
Standard grade	40,621	-	-	40,621
Total	112,439	-	-	112,439

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	112,439	-	-	112,439
New assets originated or purchased	58,755	-	-	58,755
Assets derecognised or repaid (excluding write offs)	(23,828)	-	-	(23,828)
Accrued interest	989	-	-	989
Foreign exchange adjustments	1,823	-	-	1,823
At 31 December 2019	150,178	-	-	150,178

21 Due from banks ***continued***

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2019	806	-	-	806
New assets originated or purchased	37	-	-	37
Unwind of discount	15	-	-	15
Assets derecognised or repaid (excluding write offs)	(560)	-	-	(560)
Foreign exchange adjustments	11	-	-	11
At 31 December 2019	309	-	-	309

	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	52,287	-	-	52,287
New assets originated or purchased	109,935	-	-	109,935
Assets derecognised or repaid (excluding write offs)	(52,287)	-	-	(52,287)
Accrued interest	875	-	-	875
Foreign exchange adjustments	1,629	-	-	1,629
At 31 December 2018	112,439	-	-	112,439

	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2018	-	-	-	-
New assets originated or purchased	817	-	-	817
Assets derecognised or repaid (excluding write offs)	(26)	-	-	(26)
Foreign exchange adjustments	15	-	-	15
At 31 December 2018	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 2019 and at 31 December 2018.

22 Loans and advances to customers

	31 December 2019	**31 December 2018**
	N'million	**N'million**
Loans to corporate and other organisations	1,125,000	743,307
Loans to individuals	53,389	163,317
	1,178,389	906,624
Less: Allowance for ECL/impairment losses	(51,415)	(56,744)
	1,126,974	**849,880**

	31 December 2019	**31 December 2018**
	N'million	**N'million**
Loans to corporate entities and other organisations		
Overdrafts	126,472	57,572
Term loans	953,489	659,101
Advances under finance lease	45,039	26,634
	1,125,000	743,307
Less: Allowance for ECL/impairment losses	(47,793)	(42,036)
	1,077,207	**701,271**
Loans to individuals		
Overdrafts	8,696	7,314
Term loans	44,145	155,802
Advances under finance lease	548	201
	53,389	163,317
Less: Allowance for ECL/impairment losses	(3,622)	(14,708)
	49,767	148,609
Net loans and advances	**1,126,974**	**849,880**

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22.1 Impairment allowance for loans and advances to customers

22.1.1 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 period 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 3.2.4.

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade (AAA-A)	73,755	-	-	73,755
Standard grade (BBB-B)	758,676	107,710	-	866,386
Sub-standard grade (CCC-C)	-	148,865	-	148,865
Non-performing				
Individually impaired	-	-	35,994	35,994
Total	**832,431**	**256,575**	**35,994**	**1,125,000**

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade (AAA-A)	15,131	-	-	15,131
Standard grade (BBB-B)	524,831	169,408	-	694,239
Non-performing				
Individually impaired	-	-	33,937	33,937
Total	**539,962**	**169,408**	**33,937**	**743,307**

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

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2019	539,962	169,408	33,937	743,307
New assets originated or purchased	562,980	-	-	562,980
Assets derecognised or repaid (excluding write offs)	(164,848)	(39,386)	(17,510)	(221,744)
Transfers to Stage 1	67,838	(67,838)	-	-
Transfers to Stage 2	(198,054)	204,740	(6,686)	-
Transfers to Stage 3	-	(19,449)	19,449	-
Accrued interest	22,653	8,550	6,761	37,964
Foreign exchange adjustments	1,900	550	43	2,493
At 31 December 2019	**832,431**	**256,575**	**35,994**	**1,125,000**

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2019	11,155	16,454	14,427	42,036
New assets originated or purchased	7,386	-	-	7,386
Assets derecognised or repaid (excluding write offs)	(2,344)	(2,484)	(16,271)	(21,099)
Transfers to Stage 1	4,077	(4,077)	-	-
Transfers to Stage 2	(11,333)	11,370	(37)	-
Transfers to Stage 3	-	(8,256)	8,256	-
Impact on year end ECL of exposures transferred between stages during the year	(3,547)	5,861	16,016	18,330
Foreign exchange adjustments	260	320	560	1,140
At 31 December 2019	**5,654**	**19,188**	**22,951**	**47,793**

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22.1.1 Corporate and other organisations *continued*

	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	580,934	91,212	79,333	751,479
New assets originated or purchased	282,912	-	-	282,912
Assets derecognised or repaid (excluding write offs)	(208,289)	(1,178)	(87,316)	(296,783)
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	-
Accrued interest	3,458	703	317	4,478
Foreign exchange adjustments	970	86	165	1,221
At 31 December 2018	**539,962**	**169,408**	**33,937**	**743,307**

	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	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 period end ECL of exposures transferred between stages	-	-	-	-
during the period	56	524	1,633	2,213
Amounts written off	32	278	301	611
At 31 December 2018	**11,155**	**16,454**	**14,427**	**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 2019 (2018: nil).

22.1.2 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 yearend 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 3.2.4.

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	46,745	24	-	46,769
Sub-standard grade (CCC-C)	3,981	-	-	3,981
Past due but not impaired(C)	-		-	-
Non-performing				
Individually impaired	-	-	2,639	2,639
Total	**50,726**	**24**	**2,639**	**53,389**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	107,641	-	-	107,641
Sub-standard grade (CCC-C)	34,534	3,476	-	38,010
Past due but not impaired(C)	-	-	-	-
Non-performing				
Individually impaired	-	-	17,666	17,666
Total	**142,175**	**3,476**	**17,666**	**163,317**

22.1.2 Loans to individuals *continued*

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	142,175	3,476	17,666	163,317
New assets originated or purchased	33,960	-	-	33,960
Assets derecognised or repaid (excluding write offs)	(148,800)	(44)	(2,218)	(151,062)
Transfers to Stage 1	19,595	(19,595)	-	-
Transfers to Stage 2	(388)	15,699	(15,311)	-
Transfers to Stage 3	-	(389)	389	-
Accrued interest	3,584	617	1,770	5,971
Foreign exchange adjustments	600	260	343	1,203
At 31 December 2019	50,726	24	2,639	53,389

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	3,300	48	11,360	14,708
New assets originated or purchased	3,015	-	-	3,015
Assets derecognised or repaid (excluding write offs)	(11,533)	-	(2,136)	(13,669)
Transfers to Stage 1	8,766	(8,766)	-	-
Transfers to Stage 2	(61)	10,094	(10,033)	-
Transfers to Stage 3	-	(1,333)	1,333	-
Impact on period end ECL of exposures transferred between stages during the period	(448)	(43)	17	- (474)
Foreign exchange adjustments	23	-	19	42
At 31 December 2019	3,062	-	560	3,622

	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	38,424	149	5,264	43,837
New assets originated or purchased	149,368	-	-	149,368
Assets derecognised or repaid (excluding write offs)	(22,581)	(124)	(1,143)	(23,848)
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	-
Accrued interest	349	27	128	504
Amounts written off	-	-	(6,544)	(6,544)
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	142,175	3,476	17,666	163,317

	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	388	1,467	10,754	12,609
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 period end ECL of exposures transferred between stages during the period	181	6	5,837	- 6,024
Amounts written off	-	-	(6,544)	(6,544)
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**3,300**	**48**	**11,360**	**14,708**

22.2 Advances under finance lease may be analysed as follows:

	31 December 2019 N'million	31 December 2018 N'million
Gross investment		
- No later than 1 year	1,809	4,003
- Later than 1 year and no later than 5 years	43,549	20,474
- Later than 5 years	227	2,358
	45,585	26,835
Unearned future finance income on finance leases	(546)	(201)
Net investment	45,039	26,634
The net investment may be analysed as follows:		
No later than 1 year	1,775	3,987
Later than 1 year and no later than 5 years	43,062	19,888
Later than 5 years	201	2,759
	45,039	26,634

22.3 Nature of security in respect of loans and advances:

	31 December 2019 N'million	31 December 2018 N'million
Secured against real estate	210,888	63,635
Secured by shares of quoted companies	20	-
Secured others	913,115	807,582
Advances under finance lease	45,567	26,835
Unsecured	8,800	8,572
Gross loans and advances to customers	1,178,389	906,624

23 Investments

	31 December 2019 N'million	31 December 2018 N'million
23.1 Financial assets at fair value through profit and loss (FVTPL)		
Held for trading:		
Federal Government bonds	1,875	86
Treasury bills	36,176	13,966
Placements	7,487	-
Total financial assets measured at FVTPL	45,538	14,052

23.2 Debt instruments at fair value through other comprehensive income (FVOCI)	31 December 2019 N'million	31 December 2018 N'million
Treasury bills	98,939	137,545
Federal government bonds	18,147	14,131
State government bonds	4,353	4,437
Corporate bonds	13,407	1,526
Total debt instruments measured at FVOCI	134,846	157,639

An expected credit loss of N504M (31 Dec 2018: N277M) has been recognised on debt instrument measured at FVTOCI, the allowance has been credited to other comprehensive income for the year

23.3 Equity instruments at fair value through other comprehensive income (FVOCI)	31 December 2019 N'million	31 December 2018 N'million
Unquoted equity investments:		
- Unified Payment Services Limited (UPSL)	8,776	1,969
- African Finance Corporation (AFC)	2,223	2,377
- The Central Securities Clearing System (CSCS)	1,840	1,682
- Nigerian Inter Bank Settlement System (NIBBS)	1,697	1,475
- Mobile Telecommunications Network (MTN)	-	2,474
Total equity instruments at FVOCI	14,536	9,977

23.3.1 The Bank has designated its equity investments as equity investments at fair value through other comprehensive income (FVOCI) on the basis that these are not held for trading. During the year ended 31 December 2019, the Bank recognised dividends of N1.44 billion 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 period. 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 N2.918 billion while the cumulative gain on disposal of the shares is N444 million.

23.4 Debt instruments at amortised cost	31 December 2019 N'million	31 December 2018 N'million
Treasury bills	48,248	37,725
Federal government bonds	69,378	75,146
State government bonds	1,097	2129
Corporate bonds	-	3,872
Sub-total	118,723	118,872
Allowance for impairment	(154)	(210)
Total debt instruments measured at amortised cost	**118,569**	**118,662**

23.5 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 2019	31 December 2018
	N'million	N'million
Treasury bills - Amortised cost	26,051	17,727
Corporate Bonds - Amortised cost	-	3,835
Federal Government bonds - Amortised cost	51,499	53,666
Federal Government bonds - FVOCI	-	-

23.6 Impairment losses on financial investments subject to impairment assessment

23.6.1 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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	117,086	-	-	117,086
Standard grade	17,760	-	-	17,760
Total	**134,846**	**-**	**-**	**134,846**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	151,676	-	-	151,676
Standard grade	5,963	-	-	5,963
Total	**157,639**	**-**	**-**	**157,639**

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	157,639	-	-	157,639
New assets purchased	124,560	-	-	124,560
Assets derecognised or repaid (excluding write offs)	(152,922)	-	-	(152,922)
Accrued interest	1,435			1,435
Change in fair value	4,134	-	-	4,134
At 31 December 2019	**134,846**	**-**	**-**	**134,846**

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	279	-	-	279
New assets originated or purchased	541	-	-	541
Assets derecognised or repaid (excluding write offs)	(136)	-	-	(136)
Unwind of discount	99	-	-	99
At 31 December 2019	**783**	**-**	**-**	**783**

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23.6.1 Debt instruments measured at FVOCI *continued*

	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	63,108	-	-	63,108
New assets originated or purchased	246,754	-	-	246,754
Assets derecognised or repaid (excluding write offs)	(156,482)	-	-	(156,482)
Accrued interest	1,835	-	-	1,835
Change in fair value	2,424	-	-	2,424
At 31 December 2018	**157,639**	**-**	**-**	**157,639**

	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	9	-	-	9
New assets originated or purchased	375	-	-	375
Assets derecognised or repaid (excluding write offs)	(105)	-	-	(105)
At 31 December 2018	**279**	**-**	**-**	**279**

23.6.2 Debt instruments measured at amortised cost

The table below shows the credit quality and the maximum exposure to credit risk per 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 3.2.4:

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing		-		
High grade	117,627	-	-	117,627
Standard grade	1,096	-	-	1,096
Total	**118,723**	**-**	**-**	**118,723**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing		-		
High grade	112,871	-	-	112,871
Standard grade	6,001	-	-	6,001
Total	**118,872**	**-**	**-**	**118,872**

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	118,872	-	-	118,872
New assets originated or purchased	51,409	-	-	51,409
Assets derecognised or repaid (excluding write offs)	(54,556)	-	-	(54,556)
Accrued interest	2,465	-	-	2,465
Foreign exchange adjustments	533			533
At 31 December 2019	**118,723**	**-**	**-**	**118,723**

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	210	-	-	210
New assets originated or purchased	48	-	-	48
Assets derecognised or repaid (excluding write offs)	(112)	-	-	(112)
Unwind of discount	8	-	-	8
At 31 December 2019	**154**	**-**	**-**	**154**

23.6.2 Debt instruments measured at amortised cost *continued*

	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	116,026	-	-	116,026
New assets originated or purchased	51,373	-	-	51,373
Assets derecognised or repaid (excluding write offs)	(51,842)	-	-	(51,842)
Accrued interest	2,871	-	-	2,871
Foreign exchange adjustments	444	-	-	444
At 31 December 2018	**118,872**	**-**	**-**	**118,872**

	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	11	-	-	11
New assets originated or purchased	264	-	-	264
Assets derecognised or repaid (excluding write offs)	(65)	-	-	(65)
At 31 December 2018	**210**	**-**	**-**	**210**

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24 Property, plant and equipment	Land	Buildings	Leasehold Improvements	Office Equipment	Furniture & fittings	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 2019	15,303	16,648	8,013	8,908	2,254	13,673	6,015	1,477	72,291
Additions	169	-	169	258	41	4,267	266	604	5,774
Reclassifications	59	308	8	499	-	-	-	(874)	-
Transfer to ROU asset (Note 2.1.2)	-	-	(4,448)	-	-	-	-	-	(4,448)
Disposals	(324)	(43)	(20)	(134)	(7)	(19)	(501)	-	(1,048)
At 31 December 2019	**15,207**	**16,913**	**3,722**	**9,531**	**2,288**	**17,921**	**5,780**	**1,207**	**72,569**
Accumulated depreciation									
At 1 January 2019	-	(2,798)	(5,914)	(7,522)	(1,971)	(11,979)	(5,198)	-	(35,382)
Charge for the period	-	(333)	(225)	(582)	(112)	(1,456)	(404)	-	(3,112)
Reclassifications	-	1	(1)	-	-	-	-	-	-
Transfer to ROU asset (Note 2.1.2)	-	-	3,698	-	-	-	-	-	3,698
Disposals	-	2	1	134	4	19	459	-	619
At 31 December 2019	**-**	**(3,128)**	**(2,441)**	**(7,970)**	**(2,079)**	**(13,416)**	**(5,143)**	**-**	**(34,177)**
Carrying amount at 31 December 2019	**15,207**	**13,785**	**1,281**	**1,561**	**209**	**4,505**	**637**	**1,207**	**38,392**
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 period	-	(362)	(1,023)	(559)	(118)	(1,201)	(552)	-	(3,815)
Disposals	-	-	-	13	2	10	312	-	337
At 30 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

25 Intangible assets - Computer software

	31 December 2019 N'million	31 December 2018 N'million
Cost		
Balance at beginning of year	4,188	3,361
Additions	2,183	2,879
Disposal during the year	(525)	(2,052)
Balance	5,846	4,188
Accumulated amortization		
Balance at beginning of year	3,112	2,732
Amortisation for the year	1,623	2,432
Disposal during the year	(525)	(2,052)
Balance	4,210	3,112
Carrying amount	**1,636**	**1,076**

These relate to purchased software.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was N1,623 million for the year ended 31 December 2019 (2018: N2,432 million).

26 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 (2018: 30% or 32%).
Deferred tax assets and liabilities are attributable to the following items:

26.1 Deferred tax assets

	31 December 2019 N'million	31 December 2018 N'million
Property, plant and equipment	5,753	4,818
Allowances for loan losses	1,250	4,240
Tax loss carried forward	16,779	22,173
	23,781	31,231
Unrecognised deferred tax assets	**(23,781)**	**(31,231)**
Net	-	-

26.2 The Bank has unutilised capital allowance of N32.9 billion (31 Dec 2018: N27.3 billion), unused tax losses carried forward of N55.9 billion (31 Dec 2018: N73.9 billion) and deductible temporary difference of N9.8 billion (31 Dec 2018: taxable temporary difference N2. billion) 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.

27 Other assets

	31 December 2019 N'million	31 December 2018 N'million
Financial assets		
Sundry receivables	24,163	25,525
Others	888	3,515
Investments in SMESIS	2,575	1,430
Shared Agent Network Expansion Facility (SANEF)	50	-
	27,676	30,470
Less:		
Specific allowances for impairment	(1,927)	(2,219)
	25,749	28,251
Non financial assets		
Prepayments	2,422	6,564
Other non financial assets	585	309
	3,007	6,873
Total	**28,756**	**35,124**

Reconciliation of allowance for impairment

	31 December 2019 N'million	31 December 2018 N'million
At beginning of the year	2,219	1,869
(Reversal)/charge for the year	(292)	350
At end of the year	1,927	2,219

28 Right-of-use assets

Building

	31 December 2019 N'million	31 December 2018 N'million
Cost		
Effect of adoption of IFRS 16	1,721	-
Additions	494	-
	2,215	-
Accumulated depreciation		
Balance at beginning of year	-	-
Depreciation for the year	(686)	-
Balance	(686)	-
Carrying amount	1,529	-

The expense for low value item and short term lease is N370 million

29 Deposits from customers

	31 December 2019 N'million	31 December 2018 N'million
Demand	430,107	391,576
Savings	275,219	227,970
Term	247,564	172,178
Domicilliary	261,503	179,753
Others	10,820	7,936
	1,225,213	979,413
Current	1,225,213	979,413
Non-current	-	-
	1,225,213	**979,413**

30 Other liabilities

	31 December 2019 N'million	31 December 2018 N'million
Customer deposits for letters of credit	50,978	69,966
Accounts payable	82,170	81,235
Manager's cheque	3,484	3,961
FGN Intervention fund (see note 30.1)	250,139	133,840
Payable on E-banking transactions	8,642	8,282
Other liabilities/credit balances	1,661	3,051
	397,074	**300,335**

30.1 Included in the FGN Intervention fund is CBN Bailout Fund of N92.07 billion (31 Dec 2018: N93.39 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.

31 Provisions

	31 December 2019 N'million	31 December 2018 N'million
Provisions for year end bonus (see note 31.1)	2,580	2,000
Provisions for litigations and claims (see note 31.1)	623	545
Provision for guarantees and letters of credit (see note 31.3)	592	798
	3,795	3,343

31.1 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.

	31 December 2019 N'million	31 December 2018 N'million
Movement in provision for year end bonus		
At 1 January	2,000	2,200
Arising during the year	2,537	2,000
Utilised	(1,957)	(2,200)
At the end of the year	2,580	2,000
Movement in provision for litigations and claims		
At 1 January	545	545
Arising during the year	111	-
Utilised	(33)	-
At the end of the year	623	545

31.2

	31 December 2019 N'million	31 December 2018 N'million
Current provisions	3,172	2,798
Non-current provisions	623	545
	3,795	3,343

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31.3 Impairment losses on guarantees and letters of credit

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

31.3.1 *Performance bonds and 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 period 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 3.2.4.

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade	183,722	-	-	183,722
Standard grade	20,414	-	-	20,414
Non-performing				
Individually impaired	-	-	-	-
Total	**204,135**	**-**	**-**	**204,135**

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Internal grading				
Performing				
High grade	-	-	-	-
Standard grade	224,981	-	-	224,981
Sub-standard grade	13,462	-	-	13,462
Non-performing				
Individually impaired	-	-	-	-
Total	238,443	-	-	238,443

An analysis of changes in the outstanding exposures and the corresponding ECLs is, as follows:

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2019	238,443	-	-	238,443
New exposures	95,578	-	-	95,578
Exposures matured/lapsed	(129,885)	-	-	(129,885)
At 31 December 2019	204,135	-	-	204,135

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2019	1	-	-	1
New exposures	1	-	-	1
Changes in ECL	(1)	-	-	(1)
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	1	-	-	1

	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
Exposures matured/lapsed	(131,707)	-	-	(131,707)
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
Exposures matured/lapsed	(584)	-	-	(584)
At 31 December 2018	1	-	-	1

31.3.2 *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 3.2.4.

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	113,969	-	-	113,969
Standard grade	20,112	-	-	20,112
Non-performing				
Individually impaired	-	-	-	-
Total	**134,082**	**-**	**-**	**134,082**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade	-	-	-	
Standard grade	188,641	-	-	188,641
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 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	188,641	-	-	188,641
New exposures	97,572	-	-	97,572
Exposures matured/lapsed	(152,130)	-	-	(152,130)
Amounts written off	-	-	-	-
At 31 December 2019	134,082	-	-	134,082

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	797	-	-	797
New exposures	577	-	-	577
Exposures matured/lapsed	(439)	-	-	(439)
Changes in ECL during the year	(344)			(344)
At 31 December 2019	591	-	-	591

	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
Exposures matured/lapsed	(96,870)	-	-	(96,870)
At 31 December 2018	**188,641**	**-**	**-**	**188,641**

	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	179	-	-	179
New exposures	679	-	-	679
Exposures matured/lapsed	(61)	-	-	(61)
At 1 December 2018	797	-	-	797

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32 Debts issued and other borrowed funds

	31 December 2019	31 December 2018
	N'million	N'million
Long term loan from Proparco Paris (see note 32.1)	3,979	6,628
Long term loan from African Development Bank (ADB) (see note 32.2)	22,630	13,842
European Investment Bank Luxembourg (see note 32.3)	3,465	4,480
$400 Million Euro Bond issued (see note 32.5)	145,141	143,098
Local Bond issued (see note 32.6)	30,137	30,004
Repurchase transaction with Renaissance Capital (see note 32.7)	23,650	23,088
Afrexim (see note 32.4)	22,584	-
Loan from Mashreq Bank (see note 32.8)	-	19,627
	251,586	**240,767**

	31 December 2019	31 December 2018
Reconciliation of debt issued and other borrowed funds:	N'million	N'million
At 1 January	240,767	213,233
Additions during the year	64,336	57,498
Accrued interest (Note 7)	5,067	11,277
Payment during the year	(55,842)	(38,986)
Foreign exchange difference	(2,742)	(2,255)
At the end of the year	**251,586**	**240,767**

32.1 The amount of N3.979 billion (31 Dec 2018: N6.628 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 semiannually. The borrowing is an unsecured borrowing.

32.2 The amount of N22.630 billion (31 Dec 2018: N13.842 billion) represents the amortised cost balance in two different on-lending facility granted to be bank by ADB. The first is a $75million facility granted 6 October 2014 while the second is a $40million facility granted on 7 May 2019. The $75million facility was disbursed in two tranches. 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. The $40million facility was disbursed on 27 April 2019 and matures on 27 July 2021. Both facilities are at the interest rate of Libor plus 4.75% (for the $75million facility) and 4.5% (for the $40million facility) per annum. Interest is repaid semi-annually, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.3 The amount of N3.465 billion (31 Dec 2018: N4.480 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.

32.4 The amount of N22.584 billion, (31 Dec 2018: Nil) represents amortised cost balance of $75 million borrowing from AFREXIM due to mature in March 2022. Repayment is semi-annual and the interest rate is six months LIBOR plus 5.75%.

32.5 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) is 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 N145.141 billion (31 Dec 2018 : N143.098 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.

32.6 The amount of N30.137 billion (31 Dec 2018: N30.004 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.

32.7 The amount of N23.650 billion, (31 Dec 2018: N23.088 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, at an interest rate of Libor plus 3% per annum.

32.8 The amount of Nil billion (31 Dec 2018: N19.627 billion) 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 quarterly with principal repayment on maturity or as agreed by the parties to the contract.

33 Share capital

	31 December 2019	31 December 2018
Authorised	N'million	N'million
32 billion ordinary shares of 50k each (2018: 32 billion ordinary shares)	16,000	16,000
Issued and fully paid		
28,963 million ordinary shares of 50k each (2018: 28,963 million ordinary shares)	14,481	14,481

There is no movement in the issued and fully paid shares during the year.

34 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.

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 reserve.

Fair value 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 until the investment is derecognised or impaired.

AGSMEIS reserve

Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS); AGSMEIS reserve 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.

35 Cash flows from operations

	31 December 2019 N'million	31 December 2018 N'million
Profit before income tax		
Adjustments for:	30,353	25,089
– Depreciation and amortisation	5,421	6,247
– Profit from disposal of property and equipment (Note 11)	(2,510)	(15)
– Net foreign exchange gains	(3,401)	(10,122)
– Net (gains)/losses from financial assets at fair value through profit or loss	(801)	132
– Impairment (reversal)/charge on financial assets	(5,584)	3,865
– Impairment charge on other assets	292	350
– Increase in provisions	452	598
– Net losses on derecognition of financial assets measured at amortised cost	4,705	-
– Dividend income	(1,445)	(229)
– Gain on debt instruments measured at FVOCI reclassified from equity	2,261	(1,671)
– Net interest income	(83,055)	(73,356)
	(53,312)	**(49,112)**
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(93,732)	(68,597)
– Loans and advances to customers	(270,484)	(116,631)
– Financial assets held for trading	(30,685)	6,455
– Other assets	6,076	6,774
Changes in operating liabilities		
– Deposits from customers	245,800	221,946
– Other liabilities	96,739	115,181
Cash flows (used in)/from operations	**(99,598)**	**116,016**

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36 Contingent liabilities and commitments

36.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N2.5 billion (31 Dec 2018: N1.7 billion).

36.2 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 2019	31 December 2018
	N'million	N'million
Performance bonds and guarantees (Note 31.3.1)	204,135	238,443
Letters of credit (Note 31.3.2)	134,082	188,641
AGSMEIS Disbursement	48	9
	338,265	427,093

Included in Performance bonds and guarantees is N79.05 billion Bank of industry backed guarantee.

36.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N7.74 billion as at 31 December 2019 (31 Dec 2018: N4.244 billion). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of N623 million (31 Dec 2018: N545 million) upon conclusion of the cases. A provision for the potential loss is shown in Note 31.

37 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.

37.1 Deposits/ Interest expense from related parties

Transactions with related entities

Entity Controlled by Key Management Personnel	Related party	Nature Relationship	Deposits at 31-Dec-19	Interest expense 31-Dec-19	Deposits at 31-Dec-18	Interest expense 31-Dec-18
			N	N	N	N
Geoelis and Co Nig Ltd (HM) (DP)	Insider related	Former Director	-	-	-	-
Cy Incorporated Nig Ltd (DSRA)	Insider related	Former Director	25,449	-	21,305	-
Equipment Solutions and Logistics Services Limited	Insider related	Former Director	60,539	-	60,241	119
The Genesis Restaurant Limited	Insider related	Former Director	65,784,926	119	-	-
Next International	Insider related	Former Director	-	-	-	-
Namjid. Com Limited	Insider related	Former Director	-	-	46,535	-
John Holt Plc	Insider related	Former Director	128,989,759	1,698,497	62,956,650	-
Transcorp Power Limited	Insider related	Former Director	46,473,115	-	216,416,161	-
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	19,139,131	36,734	23,559,683	-
Genesis Deluxe Cinemas	Insider related	Former Director	10,062,680	-	8,869,363	44,536
SUB-TOTAL			270,535,599	1,735,350	311,929,938	44,655
A-Z Petroleum Products Limited	Insider related	Current Director	517,867	-	14,652,776	-
Neconde Energy Limited	Insider related	Current Director	4,606,753,227	-	7,233,658	-
Dangote Industries Limited	Insider related	Current Director	665,554	-	482,257	-
Damos Practice Limited	Insider related	Current Director	43,032	-	-	-
Alcon Nigeria Limited	Insider related	Current Director	5,267,332	-	-	-
Emeka Unachukwu	Insider related	Current Director	19,406	6,916	17,559	21,121
Agric Int'l Tech and Trade	Insider related	Current Director	151,498,579	-	2,030,383,439	-
Congregation of Holy Spirit (Spiritan University Nneochi)	Insider related	Current Director	2,852,328	-	4,132,423	-
Otunba Seni Adetu	Insider related	Current Director	75,377	-	-	-
Mr. Ernest Ebi	Insider related	Current Director	236,563,500	2,664,855	-	-
Pastor Kings C. Akuma	Insider related	Current Director	4,294,959	69,485	-	-
Chief Charles Chidebe Umolu	Insider related	Current Director	2,602,325	46,118	-	-
Mr. Okeke Ezechukwu Michael	Insider related	Current Director	1,840,026	669	-	-
Mr. Alex Chinelo Ojukwu	Insider related	Current Director	2,339,522	33	-	-
Mr. Chidi Agbapu	Insider related	Current Director	11,399,851	96,954	-	-
SUB-TOTAL			5,026,732,885	2,885,030	2,056,902,112	21,121
Transactions with Key Management Personnel	Insider related		1,136,334,461	1,212,943	43,341,180	390,910
TOTAL			6,433,602,945	5,833,323	2,412,173,230	456,686

37.2 Loans and Advances/ Interest Income from Related parties

	Related party	Loan amount Outstanding Dec-19	Interest Income Dec-19	Loan amount Outstanding Dec-18	Interest Income Dec-18	Facility Type	Status	Collateral Status
		N	N	N	N			
Cy Incorporated Nig Ltd	Mrs. Onome Olaolu (Former Director)	286,276,066	-	286,276,066	-	Finance Lease/Over	Lost	Perfected
Equipment Solutions And Logistics Services Ltd	Mr. Ik Mbagwu (Former Director)	767,029,435	49,843,606	717,185,830	145,098,974	Term Loan/Overdra	Lost	Perfected
The Genesis Restaurant Ltd	Ichie Nnaeto Orazulike (Former Director)	168,280,861	27,238,330	215,142,432	31,904,814	Term Loan/Overdra	Performing	Perfected
Genesis Deluxe Cinemas	Ichie Nnaeto Orazulike (Former Director)	440,634,503	67,182,395	600,951,508	91,025,194	Term Loan	Performing	Perfected
Genesis Hub Ltd	Ichie Nnaeto Orazulike (Former Director)	169,384,022	45,328,005	283,005,159	76,875,224	Term Loan/Overdra	Performing	Perfected
Genesis Food Nigeria Ltd	Ichie Nnaeto Orazulike (Former Director)	1,021,777,231	72,187,909			Term Loan/Overdra	Performing	Perfected
Genesis Sojourner Ltd	Ichie Nnaeto Orazulike (Former Director)	1,507,447,456	204,572,275			Term Loan/Overdra	Performing	Perfected
Genesis Technical Company Ltd	Ichie Nnaeto Orazulike (Former Director)	434,118,377	18,751,474			Term Loan/Overdra	Performing	Perfected
Stanchions Nigeria Ltd	Ichie Nnaeto Orazulike (Former Director)	524,416,007	23,177,025			Term Loan/Overdra	Performing	Perfected
John Holt Plc	Chief Christopher Ezeh (Former Director)	540,894,704	12,119,295	92,656,533	10,902,937	Term Loan	Performing	Perfected
A-Z Petroleum Products Ltd	Mr. Alex Ojukwu (Current Director)	37,760,188	3,252,596	13,395,836	3,884,254	Term Loan/Overdra	Performing	Perfected
Agric Int'l Tech and Trade	Mr. Ernest Ebi (Current Director)	2,000,000,000	180,000,000	2,000,000,000	13,808,219	Term Loan	Performing	Perfected
Dangote Industries Ltd	Mr. Ernest Ebi (Current Director)	59,007,201,657	3,731,549,229	30,577,435,779	2,482,174,764	Term Loan	Performing	Perfected
Dangote Fertilizer Ltd	Mr. Ernest Ebi (Current Director)	311,154,171	5,326,007			Term Loan	Performing	Perfected
Dangote Oil Refining Company Ltd	Mr. Ernest Ebi (Current Director)	5,033,936,064	371,111,698			Term Loan	Performing	Perfected
Dangote Cement Plc -Obajana Plant	Mr. Ernest Ebi (Current Director)	122,797,568	1,165,117			Term Loan	Performing	Perfected
Dangote Sugar Refinery Plc	Mr. Ernest Ebi (Current Director)	-	-	17,192,768	4,694,863	Term Loan	Performing	Perfected
Tenderville Ltd	Chief Christopher Ezeh (Former Director)	17,903,846	2,498,284	3,288,908,342	463,030,769	Term Loan/Overdra	Performing	Perfected
Transcorp Ughelli Power Limited	Mr. Stanley Lawson (Former Director)	-	-	9,136,175,125	1,401,199,899	Term Loan	Performing	Perfected
Neconde Energy Limited	Pastor Kings C. Akuma (Current Director)	8,601,030,007	1,140,837,596			Term Loan	Performing	Perfected
SUB -TOTAL		80,992,042,164	5,956,140,840	47,228,325,378	4,724,599,911			
Related party	**Key management personnel**							
Okonkwo Nnamdi John	Managing Director	167,099,238	14,392,847	200,286,879	6,057,579	Term Loan/Credit C	Performing	Perfected
Chijioke Ugochukwu	Executive Director	147,713,884	3,749,511	114,018,796	3,619,621	Term Loan/Credit C	Performing	Perfected
Mohammed Balarabe	Executive Director	124,532,605	2,984,175	90,272,588	3,166,846	Term Loan/Credit C	Performing	Perfected
Odinkemelu Aku	Executive Director	106,113,910	3,897,219	115,760,629	4,276,404	Term Loan/Credit C	Performing	Perfected
Onyeali - Ikpe Nnekachinwe	Executive Director	141,403,616	4,732,508	113,095,534	2,331,849	Term Loan/Credit C	Performing	Perfected
Adegbolahan Simisola Joshua	Executive Director	41,860,073	229,477	-	-	Term Loan/Credit C	Performing	Perfected
Obaro Alfred Odeghe	Executive Director	68,239,535	1,360,964	-	-	Term Loan/Credit C	Performing	Perfected
Ichie Nnaeto Orazulike	Former Director	17,293,460	2,105,323	2,836,813	40,485	Credit Card	Performing	Perfected
Kayode Gabriel Olowoniyi	Former Director	41,835	18,498	111,444	19,190	Credit Card	Performing	Perfected
Nnamdi I. Oji	Former Director	**2,731,588**	**1,129,119**	3,394,975	595,746	Credit Card	Performing	Perfected
Bashari M. Gumel	Former Director	-	-	3,171	1,704	Credit Card	Performing	Perfected
Alex Chinelo Ojukwu	Non Executive Director	**2,322,268**	**115**	25,195,595	47,067	Credit Card	Performing	Perfected
Emeka C. Unachukwu	Related to Executive Director	**502,285**	**316,315**	1,771,881	779,943	Credit Card	Performing	Perfected
Chief Charles Chidebe Umolu	Non Executive Director	**1,932,595**	**405,829**	2,685,441	37,742	Credit Card	Performing	Perfected
Kings Chukwu Akuma	Non Executive Director	168,497	-	291,144	175,463	Credit Card	Performing	Perfected
SUB-TOTAL		**821,955,391**	**35,321,901**	**669,724,890**	**21,149,639**			
TOTAL		**81,813,997,555**	**5,991,462,741**	**47,898,050,268**	**4,745,749,550**			

37.3 Bank Gurantees in favour of Key Management Personnel

Dec-19

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED PARTY / DIRECTOR	POSITION IN BANK	AMOUNT
NATIONAL UNIVERSITIES COMMISSION (NUC)	CONGREGATION OF THE HOLY SPIRIT (SPIRITAN UNIVERSITY NNEOCHI)	ICHIE NNAETO ORAZULIKE / MRS. PAULINE ODINKEMELU	FORMER DIRECTOR / EXECUTIVE DIRECTOR	200,000,000
BOI	GENESIS DELUXE CINEMAS A/C 2 (IMPREST)	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	344,000,000
BOI	GENESIS DELUXE CINEMAS-GATEWAY ABUJA	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	73,327,121
BOI	GENESIS FOODS NIGERIA LIMITED	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	1,014,225,503
BOI	GENESIS SOJOURNER LIMITED	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	1,500,000,000
FLOUR MILLS OF NIG	THE GENESIS RESTAURANT LIMITED	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	25,000,000
HONEYWELL FLOUR MILLS	THE GENESIS RESTAURANT LIMITED	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR / EXECUTIVE DIRECTOR	25,000,000

Dec-18

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED BANK DIRECTOR	POSITION IN BANK	AMOUNT
CONGREGATION OF THE HOLY SPIRIT	NATIONAL UNIVERSITIES COMMISSION	ICHIE NNAETO ORAZULIKE /PAULINE ODINKEMELU	FORMER DIRECTOR	200,000,000
GENESIS DELUXE CINEMAS	BOI	ICHIE NNAETO ORAZULIKE	FORMER DIRECTOR	250,000,000

37.4 Key management compensation

	31 December 2019	31 December 2018
	N'million	N'million
Salaries and other short-term employee benefits (Executive directors only)	498	353
Pension cost	14	11
Other employment benefits paid	202	272
	714	636

38 Employees

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

	Number 31 December 2019	Number 31 December 2018
Executive directors	5	5
Management	395	399
Non-management	2,533	2,504
	2,933	**2,908**

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

		Number 31 December 2019	Number 31 December 2018
N300,000 - N2,000,000		12	12
N2,000,001 - N2,800,000		6	6
N2,800,001 - N3,500,000		647	532
N3,500,001 - N6,500,000	-	1,380	1,453
N6,500,001 - N7,800,000		262	275
N7,800,001 - N10,000,000		315	334
N10,000,001 and above		311	296
		2,933	**2,908**

39 Directors' emoluments

Remuneration paid to the Bank's executive and non-executive directors (excluding certain allowances) was:

	2019 N'million	2018 N'million
Fees and sitting allowances	76	70
Executive compensation	498	353
Other director expenses	268	192
	842	615
Fees and other emoluments disclosed above include amounts paid to:		
Chairman	10	14
Highest paid director	110	102

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

	Number 2019	Number 2018
Below N1,000,000	-	-
N1,000,000 - N2,000,000	-	-
N2,000,001 - N3,000,000	-	-
N5,500,001 - and above	14	12
	14	12

40 Compliance with banking regulations

40.1 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 2019.

SCHEDULE OF REGULATORY CONTRAVENTIONS AS AT 31 DECEMBER 2019

S/N	Nature of Contravention	Amount (N)
1	Non refund of excess lending fees to customers as directed by CBN	2,000,000
2	Non-adherence to Complaints Resolution Service Agreement by the bank	2,000,000
3	Breach of competency framework in respect of Chief Audit Executive	2,000,000
4	Non-adherence to CBN Guidelines on ATM Operations in Nigeria	2,000,000
		8,000,000

SCHEDULE OF REGULATORY CONTRAVENTIONS AS AT 31 DECEMBER 2018

S/N	Nature of Contravention	Amount (N)
1	Failure to attest/certify the financials by Audit Committee	5,000,000
2	Failure to separate "provisions" in the Statement of Financial Position	5,000,000
3	Non-repatriation of export proceeds. Forex Examination Report	2,000,000
4	CAC Penalty - Failure to display financial statements in branch	1,098,500
		13,098,500

40.2 In line with circular FDR/DIR/CIR/GEN/01/020, the returns on customers' complaints for the year ended 31 December 2019 is set as below:

		NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
S/N	**DESCRIPTION**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**	**Dec-19**	**Dec-18**
				(N'M)	**(N'M)**	**(N'M)**	**(N'M)**
1	Pending complaints b/f	87	75	4,911	4,590	N/A	N/A
2	Received complaints	1,304	1,199	25,475	8,034	N/A	N/A
3	Resolved complaints	1,312	1,181	10,422	3,060	399	61
4	Unresolved complaints escalated to CBN	-	-	-	-	N/A	N/A
5	Unresolved complaints pending with the Bank c/	79	93	19,964	9,564	N/A	N/A

40.3 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 2019.

41 Gender diversity

31 December 2019

	WOMEN Number	%	MEN Number	%	TOTAL
Board Members	3	21%	11	79%	14
Management staff (AGM & Above)	6	17%	30	83%	36
Total	9		41		50

31 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

42 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 2019 N'million	31 December 2018 N'million
Transfer to regulatory reserve		
Prudential provision:		
Specific provision	47,224	13,260
General provision	18,590	43,891
Provision for other assets	2,366	2,219
Provision for litigations and claims	643	545
Provision for due from bank and investments	743	1,298
Provision for off-balance sheet exposure	133	798
Total prudential provision (A)	**69,700**	**62,011**
IFRS provision:		
Specific impairment (see note 22)	29,103	25,788
Collective impairment (see note 22)	22,312	30,955
Provision for other assets (see note 27)	1,927	2,219
Provision for litigations and claims (see note 31)	623	545
Provision for due from bank and investments (see note 21 and 23)	1,246	1,298
Provision for off-balance sheet exposure (see note 31)	592	798
Total IFRS provision (B)	**55,803**	**61,603**

Movement in Non-Distributable Regulatory Risk Reserve (RRR)		
Opening balance in RRR	408	444
Net changes in the year	13,489	(36)
Balance in RRR at the end of the year	**13,897**	**408**

Notes to the financial statements
for the year ended 31 December 2019

43 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 2019			**Total**
	Maturing within 12 months	**Maturing after 12 months**	
ASSETS	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	156,794	-	453,392
Due from banks	149,869	-	149,869
Loans and advances to customers	352,936	774,038	1,126,974
Investments:			
Financial assets at fair value through profit or loss	43,084	2,454	45,538
Debt instruments at fair value through other comprehensive income	110,701	24,145	134,846
Equity instruments at fair value through other comprehensive income	-	14,536	14,536
Debt instruments at amortised cost	67,283	51,286	118,569
Other assets	9,837	18,919	28,756
Property, plant and equipment	-	38,392	38,392
Right-of-use assets	-	1,529	1,529
Intangible assets	-	1,636	1,636
TOTAL ASSETS	**890,504**	**926,935**	**2,114,037**
LIABILITIES			
Deposits from customers	1,225,213	-	1,225,213
Current income tax payable	2,339	-	2,339
Other liabilities	165,695	231,379	397,074
Provisions	3,172	623	3,795
Debts issued and other borrowed funds	80,826	170,760	251,586
TOTAL LIABILITIES	**1,477,245**	**402,762**	**1,880,007**

As at 31 December 2018			**Total**
	Maturing within 12 months	**Maturing after 12 months**	
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	979,413	-	979,413
Current income tax payable	1,609	-	1,609
Other liabilities	75,344	224,991	300,335
Provisions	2,798	545	3,343
Debts issued and other borrowed funds	14,954	225,813	240,767
TOTAL LIABILITIES	**1,074,118**	**451,349**	**1,525,467**

44 Reclassifications

During the year, the Bank reclassified a credit related component of commission and fee income to interest and similar income in the statement of profit or loss and other comprehensive income . As such, the comparative amount was also reclassified for consistency. The amount reclassified in the prior year is N3.793 billion. Also, interest on financial assets classified as at fair value through profit or loss were presented separately in the statement of profit or loss and other comprehensive income which were included in gains and losses on financial assets at FVTPL in the previous period. This was done to comply with IAS 1.82(a) which requires separate presentation of interest income calculated using effective interest method on the face of statement of profit or loss and other comprehensive income.

45 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 2019 and on the profit or loss and other comprehensive income for the period then ended, which have not been adequately provided for or disclosed.

Statement of value added
For the year ended 31 December 2019

	2019		2018	
	N'million	**%**	**N'million**	**%**
Interest and similar income	176,994	306	153,682	246
Interest and similar expense	(99,289)	(159)	(84,095)	(135)
	77,705	134	69,587	112
Administrative overheads				
Local	(19,908)	(34)	(7,191)	(12)
Value added	**57,797**	100	**62,396**	100
Distribution				
Employees:				
Salaries and benefits	24,129	42	23,910	38
Shareholders:				
Dividends paid during the year	3,186	6	3,186	5
Government				
Income tax	1,074	2	1,912	3
Tertiary education tax	358	1	-	-
Police trust fund levy	2	-		
Capital gain tax	190	-		
Information technology levy	304	1		
The future:				
Asset replacement (depreciation and amortisation)	5,421	9	6,247	10
Asset replacement (provision for credit losses)	(5,292)	(9)	4,215	7
Profit retained for the year (transfers to reserves)	28,425	49	22,926	37
	57,797	**100**	**62,396**	**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.

Five-year financial summary

Financial Position As at	31-Dec 2019	31-Dec 2018	31-Dec 2017	31-Dec 2016	31-Dec 2015
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Assets:					
Cash and balances with central bank	453,392	384,931	269,625	207,061	185,332
Due from banks	149,869	111,633	52,287	49,200	79,942
Loans and advances to customers	1,126,974	849,880	768,737	718,401	578,203
Investments:					
Financial assets at fair value through profit or loss	45,538	14,052	20,639	18,098	4,070
Debt instruments at fair value through other comprehensive income	134,846	157,639	-	-	-
Equity instruments at fair value through other comprehensive income	14,536	9,977	-	-	-
Debt instruments at amortised cost	118,569	118,662	-	-	-
Available for sale			76,815	88,586	116,607
Held to maturity			108,784	138,134	180,736
Other assets	28,756	35,124	43,194	37,510	45,902
Right-of-use assets	1,529	-	-	-	-
Property, plant and equipment	38,392	36,909	38,504	40,356	39,985
Intangible assets	1,636	1,076	629	795	945
Total Assets	**2,114,037**	**1,719,883**	**1,379,214**	**1,298,141**	**1,231,722**
Liabilities					
Deposits from customers	1,225,213	979,413	775,276	792,971	769,636
Current income tax payable	2,339	1,609	1,445	1,327	2,332
Other liabilities	397,074	300,335	185,154	157,860	122,887
Provision	3,795	3,343	2,745	1,546	1,945
Debts issued and other borrowed funds	251,586	240,767	213,233	159,035	141,975
Retirement benefit obligations	-	-	-	-	9,431
Total Liabilities	**1,880,007**	**1,525,467**	**1,177,853**	**1,112,739**	**1,048,206**
Equity	234,030				
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	45,069	37,133	23,372	25,918	8,797
Statutory reserve	35,008	30,744	27,305	24,476	23,016
Small scale investment reserve (SSI)	764	764	764	764	764
Non-distributable regulatory risk reserve	12,470	408	28,837	16,271	33,480
Fair value reserve/ Remeasurement reserve	20,969	7,038	5,330	2,220	1,706
AGSMEIS reserve	3,997	2,576	-	-	-
Total Equity	**234,030**	**194,416**	**201,361**	**185,402**	**183,516**
Total Liabilities & Equity	**2,114,037**	**1,719,883**	**1,379,214**	**1,298,141**	**1,231,722**

Five-year financial summary *continued*

Statement of Profit or Loss and Other Comprehensive Income
For the year ended

	31-Dec 2019 N'million	31-Dec 2018 N'million	31-Dec 2017 N'million	31-Dec 2016 N'million	31-Dec 2015 N'million
Operating income					
Net interest income	83,055	73,356	68,141	31,231	60,864
Impairment charge for credit losses	5,292	(4,215)	(11,315)	(4,797)	(5,764)
Net interest income after impairment charge for credit losses	**88,347**	**69,141**	**56,826**	**26,434**	**55,100**
Commission and other operating income	33,971	31,422	29,151	11,155	25,442
Other operating expenses	(91,965)	(75,474)	(66,764)	(31,458)	(66,518)
Profit before income tax	**30,353**	**25,089**	**19,213**	**6,131**	**14,024**
Income tax expense	(1,928)	(2,163)	(1,445)	(674)	(120)
Profit after tax	**28,425**	**22,926**	**17,768**	**5,457**	**13,904**
Other comprehensive income	14,375	(2,207)	3,110	(1,702)	1,713
Total comprehensive income for the year	**42,800**	**20,719**	**20,878**	**3,755**	**15,617**
Per share data in kobo:					
Earnings per share (basic & diluted)	**98k**	**79k**	**31k**	**19k**	**48k**
Net assets per share	**808k**	**671k**	**695k**	**640k**	**633k**

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.