FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 MARCH 2019

FIDELITY BANK PLC

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FIDELITY BANK PLC

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

FOR THE PERIOD ENDED 31 MARCH 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 year. The responsibilities include ensuring that:

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

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

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

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards, the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Banks and Other Financial Institutions Act, CAP B3 Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011, Revised Prudential Guidelines, and relevant circulars issued by the Central Bank of Nigeria.

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

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

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

Signed on behalf of the Directors by:

Director **Director**

24 April 2019

FIDELITY BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Gross Earnings		**48,443**	**43,328**	**188,873**
Interest and similar income	6	38,674	37,680	153,682
Interest and similar expense	7	(22,900)	(21,499)	(84,095)
Net interest income		15,774	16,181	69,587
Credit loss expense	8	(1,035)	(702)	(4,215)
Net interest income after credit loss expense		14,739	15,479	65,372
Fee and commission income	9	6,499	4,658	20,410
Fee and commission expense	9	(1,143)	(1,026)	(3,346)
Other operating income	10	2,494	556	11,144
Net gains from financial assets at fair va	11	777	435	3,637
Personnel expenses	12	(5,347)	(5,072)	(23,910)
Depreciation and amortisation	13	(993)	(769)	(6,247)
Other operating expenses	14	(10,352)	(9,279)	(41,971)
Profit before income tax		**6,674**	**4,982**	**25,089**
Income tax expense	15	(734)	(355)	(2,163)
PROFIT FOR THE YEAR		**5,939**	**4,627**	**22,926**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Revaluation gains on equity instruments at fair value through other comprehensive income**			-	1,612
Total items that will not be reclassified subsequently to pro		-	-	**1,612**
Items that will be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income**:				
- Net change in fair value during the year			-	(2,424)
- Changes in allowance for expected credit losses			-	277
- Reclassification adjustments to profit	16		-	(1,671)
Net losses on debt instruments at fair value through other comprehensive income			-	(3,818)
Available-for-sale financial assets**:				
- Unrealised net gains arising during the year		940	352	-
- Net reclassification adjustments for r	16		-	-
Net gains on available-for-sale financial assets		940	352	-
Total items that will be reclassified subsequently to profit o		**940**	**352**	**(3,818)**
Other comprehensive (loss)/income for the year, net of tax		**940**	**352**	**(2,206)**
TOTAL COMPREHENSIVE INCOME FOR THE YE		**6,879**	**4,979**	**20,720**

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

Earnings per share

	Notes	31 March 2019	31 March 2018	31 Dec 2018
Basic and diluted (in kobo)	17	**21**	**16**	**79**

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

FIDELITY BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
ASSETS	**Note**			
Cash and balances with central bank	18	383,039	303,444	384,931
Due from banks	20	142,682	103,995	111,633
Loans and advances to customers	21	966,254	738,727	849,880
Investment securities:				
Financial assets at fair value through profit or loss	22.1	21,637	16,730	14,052
Debt instruments at fair value through other comprehensive income	22.2	155,589	123,762	157,639
Equity instruments at fair value through other comprehensive incom	22.3	9,977	6,542	9,977
Debt instrument at amortised cost	22.4	105,061	104,510	118,662
Other assets	26	48,652	44,469	35,124
Property, plant and equipment		35,980	36,584	36,909
Intangible assets	24	1,254	902	1,076
TOTAL ASSETS		**1,870,124**	**1,479,665**	**1,719,883**
LIABILITIES				
Deposits from customers	27	1,016,999	859,358	979,413
Current income tax payable	15	(554)	1,514	1,609
Deferred tax liabilities	25	0	0	0
Other liabilities	28	378,593	230,788	300,335
Provision	29	2,500	5,776	3,343
Debts issued and other borrowed funds	30	270,556	202,568	240,767
TOTAL LIABILITIES		**1,668,094**	**1,300,004**	**1,525,467**
EQUITY				
Share capital	31	14,481	14,481	14,481
Share premium	32	101,272	101,272	101,272
Retained earnings	32	43,807	30,308	37,133
Other equity reserves:	32			
Statutory reserve	32	30,744	27,305	30,744
Small scale investment reserve (SSI)	32	764	763	764
Non-distributable regulatory reserve (NDR)	32	408	632	408
Fair value reserve	32	7,978	4,901	7,038
AGSMEIS reserve	32	2,576	0	2,576
TOTAL EQUITY		**202,030**	**179,662**	**194,416**
TOTAL LIABILITIES AND EQUITY		**1,870,124**	**1,479,666**	**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 **24 April 2019** and signed on its behalf by:

Ernest Ebi
Chairman
FRC/2017/CIBN/00000016317

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

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

FIDELITY BANK PLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital	Share Premium	Retained Earnings	Statutory Reserve	Small scale investment Reserve	Non-distributable regulatory Reserve	Fair value Reserve	AGSMEIS Reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At 31 December 2018	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**
Profit for the year	-	-	6,674	-	-	-	-	-	**6,674**
Other comprehensive income						-	-	-	-
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	-	-	-
Net change in fair value of equity instrument at FVOC	-	-	-	-	-	-	-	-	-
Changes in allowance for expected credit losses	-	-	-	-	-	-	-	-	-
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	940	-	940
Total comprehensive income	**-**	**-**	**6,674**	**-**	**-**	**-**	**940**	**-**	**7,614**
Dividends paid	-	-	-	-	-	-	-		-
Transfers between reserves (Note 32)	-	-	-	-		-	-	-	-
At 31 March 2019	**14,481**	**101,272**	**43,807**	**30,744**	**764**	**408**	**7,978**	**2,576**	**202,030**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018	Share	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Available for sale reserve	AGSMEIS reserve	Total equity
:HANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
At 31 December 2017	**14,481**	**101,272**	**25,326**	**27,305**	**763**	**28,837**	**5,330**	**-**	**203,314**
Impact of adopting IFRS 9 (Note 2.18)	-	-	-	-	- -	**28,205**	-	-	(28,205)
Transfers between reserves (Note 32)	-	-	-	-	-	-	-	-	
Restated opening balance under IFRS 9	**14,481**	**101,272**	**25,326**	**27,305**	**763**	**632**	**5,330**	**-**	**175,109**
Profit for the year	-	-	4,982	-	-	-	-	-	4,982
Other comprehensive income					-			-	
Unrealised net gains (losses) arising during the year	-	-	-	-	-	-	(429)	-	(429)
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**4,982**	**-**	**-**	**-**	**(429)**	**-**	**4,553**
Dividends paid	-	-	-	-	-	-	-	-	-
Transfers between reserves (Note 32)	-	-	-	-	-	-	-	-	-
At 31 March 2018	**14,481**	**101,272**	**30,308**	**27,305**	**763**	**632**	**4,901**	**-**	**179,662**

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

FIDELITY BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note	31 Mar 2019 N'million	31 Mar 2018 N'million
Operating Activities			
Cash flows used in operations	**33**	63,929	94,490
Interest received		47,676	44,579
Interest paid		(17,853)	(16,715)
Paid to staff in respect of Staff gratuity		-	-
Income tax paid		-	-
Net cash flows from /(used in) operating activities		**93,752**	**122,354**
Investing activities			
Purchase of property, plant and equipment	**23**	(597)	(488)
Proceeds from sale of property and equipment		115	14
Purchase of intangible assets	**24**	(299)	(109)
Purchase of FVTOCI financial assets		(110,236)	(45,305)
Purchase of amortised cost financial assets		(60,811)	-
Redemption of amortised cost financial assets		10,222	-
Proceed from sale of FVTOCI financial assets		68,201	54,826
Proceed from sale of equity instruments at FVOCI		-	-
Dividend received		-	38
Net cash flows provided by investing activities		**(93,405)**	**8,976**
Financing activities			
Dividends paid		-	-
Proceeds of debts issued and other borrowed funds	**30**	32,035	(3,631)
Repayment of long term borrowings	**30**	(9,373)	(7,033)
Net cash flows (used in)/ from financing activities		**22,662**	**(10,664)**
Net increase in cash and cash equivalents		**23,010**	**120,666**
Net foreign exchange difference on cash and cash equivalents		(2,250)	(146)
Cash and cash equivalents at 1 January	**19**	**246,950**	**86,015**
Cash and cash equivalents at 31 March	**19**	**267,710**	**206,535**

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

1. General information

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

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

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

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

Statement of compliance

The Bank's financial statements for period ended **31 March 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 cashflows, significant accounting policies and the notes to the financial statements.

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

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

2.1.2 Changes on accounting policies and disclosures

New and amended standards and interpretations

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

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

a IFRS 9 - Financial instruments: Impact on adoption

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

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

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

Changes to classification and measurement

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

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

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

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

Changes to the impairment calculation

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

b IFRS 7 Revised (IFRS 7R)

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

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

c IFRS 15 Revenue from contracts with customers

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

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

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

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

2.1.3 Significant accounting judgements, estimates and assumptions

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

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

ESTIMATES AND ASSUMPTIONS

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

Going Concern

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

2.1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Fair value measurement of financial instruments

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

Allowances for credit losses

Measurement of the expected credit loss allowance

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

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

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

Determination of collateral Value

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

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

JUDGEMENTS

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

Depreciation and carrying value of property, plant and equipment

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

2.2 Standards Issued But Not Yet Effective

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

IFRS 16 Leases

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

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

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

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

IFRS 17 Insurance Contracts

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

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

Amendment to IAS 1 and 8: Definition of material

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

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

Amendment to IFRS 3: Definition of business

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

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Bank will apply the interpretation from its effective date. Applying the Interpretation may affect its financial statements. In addition, the Bank may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis. The Bank is still assessing the impact of these ammendaments.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

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

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

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

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

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

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

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

These improvements include:

• IFRS 3 Business Combinations

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

• IFRS 11 Joint Arrangements

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

• IAS 12 Income Taxes

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

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

• IAS 23 Borrowing Costs

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

2.3 Foreign currency translation and transaction

(a) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

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

(b) Transactions and balances

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

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

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

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

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

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

Effective interest method

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

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

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

Interest income

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

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

Interest income- continued

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

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

2.4.2 Financial assets - Subsequent measurement

a) Debt instruments

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

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

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

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other operating income". Interest income from these financial assets is included in "Interest and similar income" using the effective interest rate method.

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

Business Model assessment

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

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

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

Business Model assessment - continued

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

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

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

Solely payments of principal and interest (SPPI) assessment

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

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

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

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

Reclassifications

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

Modifications

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

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

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

b) Equity instruments

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

2.4.3 Impairment of financial assets

Overview of the ECL principles

The Bank assesses on a forward looking basis the expected credit losses (ECL) associated with its loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. The impairment methodology applied depends on whether there has been a significant increase in credit risk since initial recognition.

The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

The Bank has established a policy to perform an assessment, at the end of each reporting year, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering if it is 30 days past due. Based on the above process, the Bank groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

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

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

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

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses

The calculation of ECLs

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

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

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

The calculation of ECLs - continued

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1
• The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
• These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2
• When a financial instruments has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3
• For financial instruments considered credit-impaired (as defined in Note 3), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

POCI
• POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, discounted by the credit-adjusted EIR.

Loan commitments and letters of credit
• When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

Loan commitments and letters of credit - continued

• For revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Financial guarantee contracts

• The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the profit or loss, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs related to financial guarantee contracts are recognised within Provisions.

Bank overdraft and other revolving facilities

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

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

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

Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 3.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

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

2.4.4 Presentation of allowance for ECL

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

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

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

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

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

Write-off

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

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

2.4.5 Financial liabilities

Initial and subsequent measurement

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

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

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

Derecognition

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

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

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

Financial guarantee contracts and loan commitments

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

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

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

2.5 Accounting policy applicable for financial instruments before 1 January 2018

2.5.1 Financial assets and liabilities

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

a) Initial recognition and measurement

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

b) Subsequent measurement

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

c) Classification and related measurement

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

i) Financial assets

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

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as fair value through profit or loss;

- those that the Bank upon initial recognition designates as available-for-sale; or

- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

Held-to-maturity financial assets

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

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

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

Available-for-sale financial assets

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

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

ii) Financial liabilities

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

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

d) Reclassification of financial assets

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

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

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

e) Derecognition

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

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

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

f) Offsetting financial instruments

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

g) Renegotiated loans

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

h) Impairment of financial assets
Assets carried at amortised cost

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

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

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

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

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

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

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

Assets carried at amortised cost - continued

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

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

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

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

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

Available-for-sale financial assets

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

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

2.6 Revenue recognition

Interest income and expense

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

Fees and commission income

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

Income from bonds or guarantees and letters of credit

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

Dividend income

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

2.7 Impairment of non-financial assets

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

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

2.8 Statement of cash flows

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

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

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

2.9 Cash and cash equivalents

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

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

2.10 Leases

Leases are divided into finance leases and operating leases.

(a) The company is the lessee
(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

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

(b) The company is the lessor

(i) Operating lease

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

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

(ii) Finance lease

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

2.11 Property, plant and equipment

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

Property, plant and equipment - continued

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

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

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

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

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

2.12 Intangible assets

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

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

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

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

2.13 Income taxation

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

(a) Current income tax
The current income tax charge is calculated on the basis of the applicable tax laws enacted or substantively enacted at the reporting date in the respective jurisdiction.

(b) Deferred income tax
Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the difference will not reverse in the foreseeable future.

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

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

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

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

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

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

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

2.16 Comparatives

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

2.17 Segment Reporting

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

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

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

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

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

3. Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

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

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

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

ii) Clearly defined governance structure.

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

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

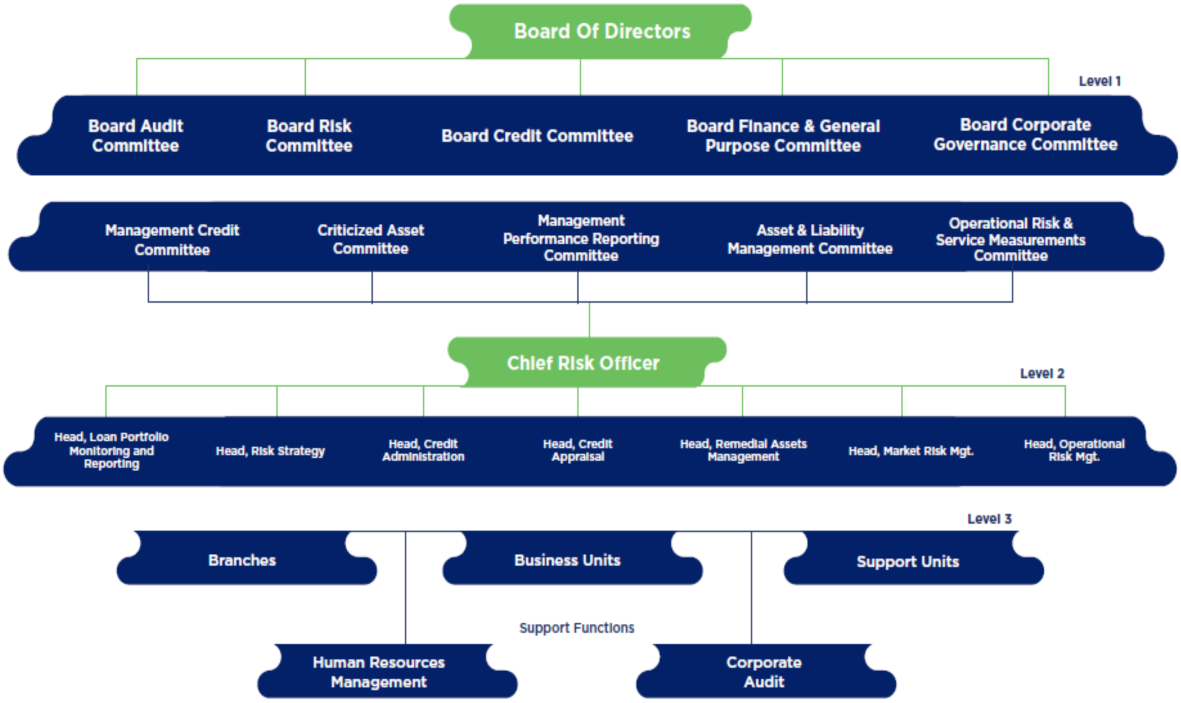
Risk Management Governance Structure
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

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

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

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

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



Enterprise Risk Philosophy
Fidelity Enterprise Risk Mission

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

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

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

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

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

3.2 Credit risk

3.2.1 Management of credit risk

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

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

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

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

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

3.2.2 Credit risk ratings

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

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

3.2.2 Credit risk ratings - continued

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

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

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

3.2.3 Credit Limits

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

Monitoring Default Risk

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

3.2.4 Expected credit loss measurement

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

Change in credit quality since initial recognition

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

(a) Significant increase in credit risk

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

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

Backstop indicators

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

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

(b) Definition of default

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

Quantitative criteria

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic variable assumptions

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

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

(e) Grouping financial instruments for collective assessment

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

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

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

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

The Bank's maximum exposure to credit risk as at **31 March 2019 and 31 March 2018** is represented by the net carrying amounts of the financial assets set out below:

Financial Assets	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
	31 March 2019			
	N'million	N'million	N'million	N'million
Cash and balances with central bank	383,039	-	-	383,039
Due from banks	142,682	23,403	-	119,278
Loans and advances to customers	1,024,233	8,309,719	7,285,486	
Investments:	-		-	
Financial assets at fair value through profit or loss	21,637	-	-	21,637
Debt instruments at fair value through other comprehensive income	155,589	-	-	155,589
Debt instruments at amortised cost	105,061	-	-	105,061
Other assets	48,652	-	-	48,652
Financial guarantee contracts:			-	
Performance bonds and guarantees	229,511	-	-	229,511
Letters of credit	132,578	-	-	132,578
Other commitments				
	2,242,980	**8,333,122**	**7,285,486**	**1,195,344**

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

Financial Assets	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
	31 March 2018			
	N'million	N'million	N'million	N'million
Cash and balances with central bank	303,444	-	-	303,444
Due from banks	103,995	-	-	103,995
Loans and advances to customers	790,372	3,477,099	2,686,726	-
Investments:	-			
Held for trading(Fair value through profit or loss)	16,730	-	-	16,730
Available for sale*	123,762	-	-	123,762
Held to maturity	6,542	-	-	6,542
Other assets	44,469	-	-	44,469
Financial guarantee contracts:	-			
Performance bonds and guarantees	188,647	-	-	188,647
Letters of credit	162,210	-	-	162,210
	1,740,172	**3,477,099**	**2,686,726**	**949,799**

*Excluding equity instruments

3.2.7 Credit quality

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

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

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

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

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

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	10,121
Standard monitoring	428,865	5,246	-	434,111	403,912
Default	-	-	7,201	7,201	10,957
Gross carrying amount	**428,865**	**5,246**	**7,201**	**441,312**	**424,990**
Loss allowance	(16,270)	(246)	(1,982)	(18,498)	(22,103)
Carrying amount	**412,595**	**5,000**	**5,219**	**422,814**	**402,887**

b) Government, Public Sector & NBFIs portfolio

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	3,412
Standard monitoring	95,027	1	-	95,028	96,713
Default	-	-	1	1	86
Gross carrying amount	**95,027**	**1**	**1**	**95,029**	**100,211**
Loss allowance	(1,937)	(0)	(0)	(1,937)	(369)
Carrying amount	**93,090**	**1**	**0**	**93,092**	**99,842**

c) Transport, Communication, Commerce & General portfolio

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	1,598
Standard monitoring	230,101.31	14,242.66	-	244,344	193,615
Default	-	-	######	22,870	22,894
Gross carrying amount	**230,101**	**14,243**	**22,870**	**267,214**	**218,107**
Loss allowance	(10,166)	(544)	(7,466)	(18,175)	(19,564)
Carrying amount	**219,935**	**13,699**	**15,404**	**249,038**	**198,543**

d) Automobile, Equipment & Mortgage Loans portfolio

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	18,544	1,200	-	19,744	19,793
Default	-	-	7,865	7,865	7,049
Gross carrying amount	**18,544**	**1,200**	**7,865**	**27,609**	**26,842**
Loss allowance	(188)	(11)	(5,377)	(5,576)	(4,550)
Carrying amount	**18,356**	**1,190**	**2,488**	**22,034**	**22,292**

e) Medium and Small Scale Enterprises portfolio

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	103,314	2,616	-	105,930	65,756
Default	-	-	9,000	9,000	6,803
Gross carrying amount	**103,314**	**2,616**	**9,000**	**114,931**	**72,559**
Loss allowance	(2,668)	(45)	(4,057)	(6,770)	(3,788)
Carrying amount	**100,646**	**2,572**	**4,943**	**108,160**	**68,771**

f) Personal & Employee Loans portfolio

	31 March 2019				Dec 2018
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	Lifetime ECL	Lifetime ECL		
	N'million	N'million	N'million	N'million	N'million
Credit grade					
Investment grade	-	-	-	-	-
Standard monitoring	74,188	351	-	74,540	60,102
Default	-	-	3,598	3,598	3,812
Gross carrying amount	**74,188**	**351**	**3,598**	**78,138**	**63,914**
Loss allowance	(3,863)	(7)	(3,153)	(7,023)	(6,369)
Carrying amount	**70,326**	**345**	**445**	**71,115**	**57,545**

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

	31 March 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	383,039	-	-	21,637	48,652
Past due (0-30 days)	-	143,488	950,040	260,918	-
Past due (31-90 days)	-	-	23,658	-	-
Past due (aged above 90 days)	-	-	50,535	-	-
Gross	383,039	143,488	1,024,233	282,554	48,652
Impairment allowance	-	(806)	(57,979)	(571)	(2,219)
Net	**383,039**	**142,682**	**966,254**	**281,983**	**46,433**

	31 March 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	303,444	-	-	16,729	44,469
Past due (0-30 days)	-	104,019	606,901	228,272	-
Past due (31-90 days)	-	-	120,940	-	-
Past due (aged above 90 days)	-	-	66,373	-	-
Gross	303,444	104,019	794,214	245,001	44,469
Impairment allowance			(55,487)	-	(1,869)
Net	**303,444**	**104,019**	**738,727**	**245,001**	**42,600**

(a) Financial assets not impaired - By Rating class

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

31 March 2019	**Due from Banks N'million**	**Overdrafts N'million**	**Term loans N'million**	**Finance lease N'million**	**Total Loan N'million**	**Other assets N'million**
Grades:						
1. AAA to AA	-	-	-	-	-	-
2. A+ to A-	101,542	1,192	13,509	196	14,897	-
3. BBB+ to BB-	41,946	22,222	195,536	7,718	225,476	-
4. Below BB-	-	61,871	665,188	6,266	733,325	-
5. Unrated	-	-	-	-	-	46,433
	143,488	85,284	874,233	14,181	973,698	46,433
Impairment Allowance	(806)	(3,520)	(31,700)	(458)	(35,678)	-
Net amount	**142,682**	**81,764**	**842,533**	**13,723**	**938,020**	**46,433**

31 March 2018	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:							
1. AAA to AA	-	59,885	200	5	242	447	-
2. A+ to A-	-	-	999	42,328	-	43,327	-
3. BBB+ to BB-	-	44,135	11,292	84,006	2,411	97,709	-
4. Below BB-	-	-	33,358	531,990	21,010	586,358	-
5. Unrated	-	-				-	42,600
	-	104,019	45,849	658,329	23,663	727,841	42,600
Impairment Allowance	-	-	(105)	(20,638)	(123)	(20,866)	-
Net amount	**-**	**104,019**	**45,744**	**637,692**	**23,540**	**706,975**	**42,600**

(b) Financial assets impaired - By Rating class

31 March 2019	Overdrafts N'million	Term loans N'million	Finance lease N'million	Total N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	-	-	-	-
3. BBB+ to BB-	-	-	-	-
4. Below BB-	22,958	23,474	4,104	50,535
5. Unrated	-	-	-	-
	22,958	23,474	4,104	50,535
Impairment	(12,675)	(8,329)	(1,296)	(22,301)
Net amount	**10,283**	**15,144**	**2,807**	**28,234**

31 March 2018	Overdrafts N'million	Term loans N'million	Finance lease N'million	Total N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	-	-	-	-
3. BBB+ to BB-	-	-	-	-
4. Below BB-	27,608	33,741	5,024	66,373
5. Unrated	-	-	-	-
	27,608	33,741	5,024	66,373
Impairment	(10,390)	(19,667)	(4,565)	(34,621)
Net amount	**17,218**	**14,074**	**460**	**31,752**

B Maximum exposure to credit risk – other financial assets

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

	Maximum exposure to credit risk N'million
Financial assets designated at fair value through profit or loss	
• Debt securities	
Federal Government bonds	609
Treasury bills	21,028

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 March 2019 and 31 March 2018:

		Investments in Government Securities				
	Cash & cash equivalents	Treasury bills	Federal Govt bonds	State bonds	Corporate bonds	Total
31 March 2019	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
AAA to AA	383,039	181,940	88,387	-	-	653,365
A+ to A-	-	-	-	-	-	-
BBB+ to BB-		-	-	6,201	-	6,201
Below BB-	-	-	-	-	5,455	5,455
Unrated	-	-	-	-	-	-
	383,039	**181,940**	**88,387**	**6,201**	**5,455**	**665,021**

	Investments in Government Securities					
	Cash & cash equivalents N'million	Treasury bills N'million	Federal Govt bonds N'million	State bonds N'million	Corporate bonds N'million	Total N'million
31 March 2018						-
AAA to AA	303,444	141,907	83,234	-	-	528,584
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	9,548	-	9,548
Below BB-	-	-	-	-	9,892	9,892
Unrated	-	-	-	-	-	-
	303,444	**141,907**	**83,234**	**9,548**	**9,892**	**548,024**

Loss allowance

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

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

3.2.8 Description of collateral held

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

(a) Key Collateral Management Policies

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

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

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

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

(a) Key Collateral Management Policies - continued

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

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

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

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

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

	31 March 2019		31 Dec 2018	
	Exposure	**Collateral Value**	**Exposure**	**Collateral Value**
	N'million	**N'million**	**N'million**	**N'million**
Secured against real estate	117,432	207,935	63,635	189,758
Secured by shares of quoted companies	-	-	-	-
Secured by others	874,848	8,101,784	834,417	9,351,270
Unsecured	31,953	-	8,571	-
Gross loans and advances to customers	**1,024,233**	**8,309,719**	**906,623**	**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 year and is structured to identify, measure and manage the Bank's liquidity risk at all times. The Board approved liquidity policy guides the management of liquidity risk strategically through the Board Risk Committee (BRC) as well as Asset and Liability Committee (ALCO) and daily by the ALM group. The liquidity management framework is designed to identify measure and manage The Bank's liquidity risk position at all times. Underlying Assets and Liabilities Management policies and procedures are reviewed and approved regularly by the Assets and Liability Management Committee (ALCO).

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

Short-Term Liquidity

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

Asset Liquidity

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

Management of liquidity risk - continued

Funding Diversification

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

Stress Testing

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

3.3.2 Maturity analysis

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

31 March 2019	**Up to 1 month N'million**	**1-3 months N'million**	**3-12 months N'million**	**1-5 years N'million**	**Over 5 years N'million**	**Total N'million**
Cash and balances with Central Bank of Nigeria	125,029	-	-	-	258,010	383,039
Due from banks	101,542	-	41,140	-	-	142,682
Loans and advances to customers	40,000	72,212	88,725	431,607	391,689	1,024,233
Investment securities	-	-	-	-	-	-
- Financial instrument at FVTPL	246	2,055	18,727	96	513	21,637
- Debt instruments at amortised	-	4,408	54,633	17,148	28,873	105,061
- Debt instruments at FVOCI	-	247	134,999	6,409	13,934	155,589
- Equity instruments at FVOCI					9,977	9,977
Other Assets	44,676	-	2,547	-	1,430	48,652
Total financial assets	**311,492**	**78,921**	**340,770**	**455,259**	**704,426**	**1,890,869**
Financial liabilities						
Customer deposits	224,309	217,033	250,012	217,369	108,275	1,016,999
Other liabilities	20,945	87,896	1,562	2,500	268,190	381,093
Debt issued and other borrowed funds	11,004	-	53,860	205,692	-	270,556
Total financial liabilities	256,258	304,929	305,434	425,561	376,465	1,668,648
Gap (assets-liabilities)	55,234	(226,008)	35,336	29,698	327,961	
Cumulative liquidity gap	**55,234**	**(170,774)**	**(135,438)**	**(105,740)**	**222,221**	
Financial guarantee contracts:						
Performance bonds and guarantees	3,438	8,701	82,442	76,636	58,294	229,511
Letters of credit	17	1,992	130,569	-	-	132,578
	3,455	**10,693**	**213,011**	**76,636**	**58,294**	**362,088**

3.3.2 Maturity analysis - continued

31 March 2018	Up to 1 month N'million	1-3 months N'million	3-12 months N'million	1-5 years N'million	Over 5 years N'million	Total N'million
Cash and balances with Central Bank of	97,241	-	-	-	206,203	303,444
Due from banks	59,885	-	44,135	-	-	104,019
Loans and advances to customers	63,422	129,479	189,214	235,164	173,093	790,372
Investment securities	-	-	-	-	-	-
- Financial instrument at FVTPL	429	8,425	3,524	1,049	3,302	16,729
- Debt instruments at FVOCI	3,345	8,169	65,620	27,449	19,178	123,762
- Debt instruments at amortised	2,683	52,630	22,016	6,552	20,629	104,510
- Equity instruments at FVOCI					6,542	6,542
Other Assets	5,240	14,280	6,545	11,289	7,115	44,469
Total financial assets	**232,245**	**212,983**	**331,053**	**281,504**	**436,063**	**1,493,848**
Financial liabilities						
Customer deposits	190,098	187,487	144,090	170,675	167,008	859,358
Other liabilities	10,132	31,416	79,597	70,639	46,294	238,078
Debt issued and other borrowed funds	-	-	955	17,973	183,641	202,569
Total financial liabilities	200,230	218,903	224,642	259,287	396,942	1,300,005
Gap (assets-liabilities)	32,016	(5,920)	106,411	22,216	39,121	
Cumulative liquidity gap	**32,016**	**26,095**	**132,506**	**154,723**	**193,843**	
Financial guarantee contracts:						
Performance bonds and guarantees	4,523	11,407	97,517	38,886	36,314	188,647
Letters of credit	5,539	89,809	66,862	-	-	162,210
Total	**10,062**	**101,215**	**164,379**	**38,886**	**36,314**	**350,857**

3.4 Market Risk

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

3.4.1 Management of market risk

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

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

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

3.4.2 Foreign exchange risk

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

The table below summarises the Bank's exposure to foreign currency exchange risk at **31 March 2019**

	31 March 2019				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	13,104	516	754	368,665	383,039
Due from banks	137,875	1,607	3,324	682	143,488
Loans and advances to customers	402,494	387	2,024	561,349	966,254
Investment securities:	-	-	-	-	-
- Financial assets at FVTPL	-	-	-	21,624	21,624
- Debt instruments at FVOCI	-	-	-	155,589	155,589
- Equity instruments at FVOCI	4,851	-	-	5,126	9,977
- Debt instruments at amortised cost	6,092	-	-	99,237	105,329
Other financial assets	-	-	-	48,652	48,652
	564,415	**2,510**	**6,101**	**1,260,924**	**1,833,951**
Financial liabilities					
Customer deposits	221,666	4,742	2,996	787,595	1,016,999
Other liabilities	89,249	532	3,182	287,556	380,519
Debt issued and other borrowed funds	239,263	-	-	31,293	270,556
	550,178	**5,274**	**6,178**	**1,106,444**	**1,668,074**
Net exposure	14,237	(2,764)	(76)	154,480	165,877

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	14,237	(2,764)	(76)
Closing Exchange Rate (Naira/ Currency)	360	469	405
1% Currency Depreciation (+)	364	474	409
Net effect of depreciation on Profit or loss (pre-tax)	142	(28)	(1)
1% Currency Appreciation (-)	357	464	401
Net effect of appreciation on Profit or loss (pre-tax)	(142)	28	1

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

	31 March 2018				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	7,482	137	175	295,650	303,444
Due from banks	52,743	3,288	1,908	46,056	103,995
Loans and advances to customers	327,727	401	468	410,131	738,727
Investment securities:	-	-	-	-	-
'- Financial assets at FVTPL	-	-	-	16,729	16,729
- Debt instruments at FVOCI	-	-	-	123,762	123,762
- Equity instruments at FVOCI				6,542	6,542
- Debt instruments at amortised cost	-	-	-	104,510	104,510
Other financial assets	43,988	67		414	44,469
	431,939	**3,894**	**2,552**	**1,003,793**	**1,442,178**
Financial liabilities					
Customer deposits	169,400	3,381	4,761	681,815	859,358
Other liabilities	31,212	2,269	282	204,314	238,078
Debt issued and other borrowed funds	176,491	-	-	26,078	202,569
	377,104	**5,650**	**5,043**	**912,207**	**1,300,005**

Net exposure	54,835	(1,756)	(2,491)	91,586	142,173

Sensitivity Analysis of Foreign Currency Statement of Financial Position

Currency	USD N'million	GBP N'million	Euro N'million
Net effect on Statement of Financial Position	54,835	(1,756)	(2,491)
Closing Exchange Rate (Naira/ Currency)	333	467	409
1% Currency Depreciation (+)	336	472	413
Net effect of depreciation on Profit or loss	548	(18)	(25)
1% Currency Appreciation (-)	330	462	405
Net effect of appreciation on Profit or loss	(548)	18	25

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

3.4.3 Interest rate risk

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

31 March 2019	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	383,039	-	-	383,039
Due from banks	143,488	-	143,488	-
Loans and advances to customers	966,254	241,150	725,104	-
Investment securities	-	-	-	-
- Financial assets at FVTPL	21,637	-	21,637	-
- Debt instruments at FVOCI	155,589	-	155,589	-
- Equity instruments at FVOCI	9,977			9,977
- Debt instruments at amortised cost	105,061	-	105,061	-
Other financial assets	48,652	-	-	48,652
	1,833,696	**241,150**	**1,150,878**	**441,668**
Financial liabilities				
Customer deposits	1,016,999	-	447,013	569,986
Other liabilities	380,519	-	277,614	102,905
Debts issued and other borrowed funds	270,556	68,416	202,140	-
	1,668,074	**68,416**	**926,767**	**672,891**

31 March 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	303,444	-	-	303,444
Due from banks	103,995	-	44,135	59,861
Loans and advances to customers	738,727	273,184	465,543	-
Investment securities	-			
- Financial assets at FVTPL	16,729	-	16,729	-
- Debt instruments at FVOCI	123,762	-	123,762	-
- Equity instruments at FVOCI				6,542
- Debt instruments at amortised cost	104,510	-	104,510	-
Other financial assets	44,469		-	44,469
	1,435,636	**273,184**	**754,678**	**414,316**
Financial liabilities				
Customer deposits	859,358		406,928	452,430
Other liabilities	238,078	-	186,627	51,451
Debts issued and other borrowed funds	202,569	28,496	174,073	-
	1,300,005	**28,496**	**767,628**	**503,881**

(a) Interest rate sensitivity

Total interest repricing gap

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

31 March 2019	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**re than 5 years**	**l rate sensitive**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	-	-	-	-	-	-
Due from banks	101,542	-	41,946	-	-	143,488
Loans and advances to customers	112,212	35,490	53,235	431,607	391,689	1,024,233
Investment securities	-	-	-	-	-	-
- Financial assets at FVTPL	2,301	7,491	11,236	96	513	21,637
- Debt instruments at FVOCI	247	54,000	80,999	6,409	13,934	155,589
- Debt instruments at amortised cost	4,408	21,960	32,941	17,148	28,873	105,329
Total assets	**220,709**	**118,940**	**220,356**	**455,259**	**435,009**	**1,450,274**
Financial liabilities						
Customer deposits	251,347	58,947	39,069	65,373	32,277	447,013
Other liabilities	-	-	-	-	267,409	267,409
Debts issued and other borrowed funds	11,004	21,544	32,316	205,692	-	270,556
Total liabilities	**262,351**	**80,491**	**71,385**	**271,065**	**299,686**	**984,977**
Net financial assets/(liabilities)	(41,642)	38,450	148,972	184,194	135,323	465,297

31 March 2018	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**re than 5 years**	**l rate sensitive**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank of	-	-	-	-	-	-
Due from banks	59,885	-	44,135	-	-	104,019
Loans and advances to customers	192,901	75,686	113,529	235,164	173,093	790,372
Investment securities	-	-	-	-	-	-
- Financial assets at FVTPL	8,854	1,410	2,114	1,049	3,302	16,729
- Debt instruments at FVOCI	11,514	26,248	39,372	27,449	19,178	123,762
- Debt instruments at amortised cost	55,313	8,806	13,209	6,552	20,629	104,510
Total assets	**328,467**	**112,150**	**212,359**	**270,214**	**216,203**	**1,139,393**
Financial liabilities						
Customer deposits	192,783	20,699	31,048	83,038	79,361	406,928
Other liabilities	69,546				117,081	186,627
Debt issued and other borrowed funds	-	-	955	17,973	183,641	202,569
Total liabilities	262,328	20,699	32,003	101,011	380,083	796,124
Net financial assets and liabilities	66,139	91,451	180,356	169,203	(163,880)	343,269
Net financial assets and liabilities excluding Available for sale	57,285	90,041	178,242	168,155	(167,182)	326,540

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

31 March 2019

Asset with variable interest rate	**Increase/Decrease in bp**	**Amount**	**Effect of increase by 200bp on Equity**	**Effect of decrease by 200bp on Equity**
		N'million	**N'million**	**N'million**
Loans and advances to customers	+200bp/-200bp	241,150	4,823	(4,823)
Debts issued and other borrowed funds	+200bp/-200bp	68,416	(1,368)	1,368

(b)

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

31 March 2018 Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Profit	Effect of decrease by 200bp on Profit
		N'million	N'million	N'million
Loans and advances to customers	+/-200bp	273,184	5,464	(5,464)
Debts issued and other borrowed funds	+/-200bp	28,496	(570)	570

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

31 March 2019

Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Equity	Effect of decrease by 200bp on Equity
		N'million	N'million	N'million
Investments:				
-Financial assets held for trading	+/-200bp	21,637	(433)	433
-Debt instruments at FVOCI*	+/-200bp	155,589	(3,112)	3,112

31 March 2018

Asset with variable interest rate	Increase/Decrease in bp	Amount	Effect of increase by 200bp on Equity	Effect of decrease by 200bp on Equity
		N'million	N'million	N'million
Investments:				
-Financial assets held for trading	+/-200bp	16,729	(335)	335
-Debt instruments at FVOCI*	+/-200bp	123,762	(2,475)	2,475

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

3.4.4 Equity price risk

The Bank holds a number of investments in unquoted securities which are carried at fair value with a market value of N9.977billion (31 March 2018: N6.542 billion).

3.5 Fair value of financial assets and liabilities

	31 March 2019		31 March 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets	N'million	N'million	N'million	N'million
Cash and balances with Central banks	**383,039**	**383,039**	**303,444**	**303,444**
Cash	32,271	32,271	23,537	23,537
Balances with central bank other than	92,758	92,758	79,003	79,003
Mandatory reserve deposits with central	258,010	258,010	200,904	200,904
Due from banks	**143,488**	**143,488**	**104,019**	**104,019**
- Current balances with foreign banks	101,542	101,542	59,885	59,885
- Placements with other banks and discount houses	41,946	41,946	44,135	44,135
Loans and advances to customers	**966,254**	**1,024,233**	**734,885**	**790,372**
- Term loans	857,678	897,707	647,924	688,228
- Advances under finance lease	16,530	18,284	24,000	28,688
- Other loans	92,046	108,242	62,962	73,457
Fair Value Through Profit and Loss	**21,637**	**21,637**	**16,729**	**16,729**
- Treasury bills	21,028	21,028	15,801	15,801
- Federal Government bonds	609	609	928	928
- State bonds	-	-	-	-
Debt instruments at FVOCI	**155,285**	**155,589**	**123,552**	**123,762**
- Treasury bills	134,978	135,241	100,425	100,596
- Federal Government bonds	14,380	14,408	16,232	16,260
- State Government bonds	4,400	4,409	6,894	6,906
- Coporate bonds	1,528	1,531	-	
Equity instruments measured at FVOCI	9,977	9,977	6,542	6,542
Debt instruments at amortised	**105,061**	**105,329**	**104,300**	**104,510**
- Treasury bills	25,935	26,001	25,680	25,732
- Federal Government bonds	73,398	73,586	66,074	66,207
- State Government bonds	1,801	1,806	2,654	2,659
- Corporate Bonds	3,927	3,937	9,892	9,912

	31 March 2019		31 March 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Deposits from customers	**400,100**	**400,100**	**317,617**	**317,617**
Term	204,933	204,933	218,713	218,713
Domiciliary	195,167	195,167	98,904	98,904
Debts issued and other borrowed funds	**270,556**	**270,556**	**202,569**	**202,569**

(a) Financial instruments measured at fair value

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

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

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

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

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

31 March 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	609	-	-	609
- State Government bonds	-	-	-	-
- Treasury bills	21,028	-	-	21,028
				-
Debt instruments measured at FVOCI				-
- Treasury bills	135,241	-	-	-
- Federal Government bonds	14,408	-	-	-
- State Government bonds	-	4,409	-	4,409
- Corporate bonds	-	1,531	-	1,531
Equity instruments measured at FVOCI	-	-	-	-
				-
Assets for which fair values are disclosed				-
Loans and advances to customers				-
- Term loans	-	-	897,707	897,707
- Advances under finance lease	-	-	18,284	18,284
- Other loans and overdrafts	-	-	108,242	108,242
				-
Debt instruments at amortised cost				-
- Treasury bills	-	-	26,001	26,001
- Federal Government bonds	-	-	73,586	73,586
- State Government bonds	-	-	1,806	1,806
- Corporate Bonds	-	-	3,937	3,937

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	-	-	270,556	270,556

(a) Financial instruments measured at fair value - continued

31 March 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	928	-	-	-
- State Government bonds	-	-	-	-
- Treasury bills	15,801	-	-	15,801
	-	-	-	-
Debt instruments measured at FVOCI	-	-	-	-
- Treasury bills	100,596	-	-	-
- Federal Government bonds	16,260	-	-	-
- State Government bonds	-	6,906	-	6,906
- Corporate bonds	-	-	-	-
	-	-	-	-
Equity instruments measured at FVOCI	3,619	2,923	-	6,542
	-	-	-	-
Assets for which fair values are disclosed	-	-	-	-
Loans and advances to customers	-	-	-	-
Loans and Advances	-	-	-	-
- Term loans	-	-	688,228	688,228
- Advances under finance lease	-	-	28,688	28,688
- Other loans and overdrafts	-	-	73,457	73,457
Debt instruments at amortised cost				
- Treasury bills	-	-	25,732	
- Federal Government bonds	-	-	66,207	66,207
- State Government bonds	-	-	2,659	2,659
- Corporate bonds	-	-	9,912	9,912

	Level 1	Level 2	Level 3	Total
Financial liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Liabilities for which fair value are disclosed				
Borrowings				
Financial liabilities carried at amortised cost				
- Debt issued and other borrowed funds	-	-	202,569	202,569

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

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

(ii) Due from other banks

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

(iii) Treasury bills and bonds

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

(iv) Equity securities

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

(v) Loans and advances to customers

Loans and advances are carried at amortised cost net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(c) Fair valuation methods and assumptions - continued

(vi) Overdraft

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

(vii) Other assets

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

(viii) Deposits from banks and due to customers

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

(ix) Other liabilities

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

(x) Debt issued and other borrowed funds

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

3.6 OPERATIONAL RISK MANAGEMENT

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

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

Organizational Set-up

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

Operational Risk Framework

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

Loss Data Collection

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

Risk and Control Self Assessments (RCSA)

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

3.6 OPERATIONAL RISK MANAGEMENT - contnued

Key Risk Indicators (KRIs)

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

Business Continuity Management (BCM)

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

4. Capital management

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

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

b. To safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

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

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

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

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

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

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

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

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

1. The Regulatory Risk Reserve created pursuant to Section 12.4 (a) of the Prudential Guidelines which was effective on 1 July 2010 is excluded from regulatory capital for the purposes of capital adequacy assessment;
2. Collective impairment on loans and receivables and other financial assets no longer forms part of Tier 2 capital; and
3. Other Comprehensive Income (OCI) Reserves is recognized as part of Tier 2 capital subject to the limits on the Calculation of Regulatory Capital.

5 SEGMENT ANALYSIS

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

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

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

Segment result of operations

The segment information provided to the Executive Committee for the reportable segments for the year ended **31 March 2019** is as follows:

	Retail banking N 'millions	Corporate banking N 'millions	Investment banking N 'millions	Combined N 'millions
At 31 March 2019				
Revenue derived from external customers	22,325	16,262	9,856	48,443
Revenues from other segments	-	-	-	-
Total	22,325	16,262	9,856	48,443
Interest income	19,214	11,123	8,237	38,574
Interest expense	- 9,854	- 7,251	- 5,795	(22,900)
Profit before tax	3,524	1,825	1,325	6,674
Income tax expense	(388)	(201)	(146)	(734)
Profit for the year	3,136	1,624	1,179	5,940
At 31 March 2019				
Total segment assets	862,412	545,212	462,500	1,870,124
Total segment liabilities	975,821	412,521	279,732	1,668,074
Other segment information				
Depreciation and amortization	(462)	(295)	(236)	(993)

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

	Retail banking N 'millions	Corporate banking N 'millions	Investment banking N 'millions	Combined N 'millions
At 31 March 2018				
Revenue derived from external customers	21,352	14,256	7,720	43,328
Revenues from other segments	-	-	-	-
Total	**21,352**	**14,256**	**7,720**	**43,328**
Interest income	18,254	10,254	9,172	37,680
Interest expense	(8,742)	(6,921)	(5,836)	(21,499)
Profit before tax	2,542	1,524	916	4,982
Income tax expense	(181)	(109)	(65)	(355)
Profit for the year	2,361	1,415	851	4,627
At 31 March 2018				
Total segment assets	765,251	415,265	299,148	1,479,664
Total segment liabilities	856,241	292,258	151,506	1,300,005
Other segment information				
Depreciation and amortization	**(375)**	**(211)**	**(183)**	**(769)**

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

6 Interest and similar income

	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Loans and advances to customers (see note 6.1)	27,439	27,125	109,322
Treasury bills and other investment securities:	-	-	
-Fair value through other comprehensive income	5,726	5,300	19,547
-Amortised cost	3,291	3,938	16,133
Advances under finance lease	960	1,219	5,389
Placements and short term funds	1,257	97	3,291
	38,674	**37,680**	**153,682**

7 Interest and similar expense

	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Term deposits	13,558	13,741	51,517
Debts issued and other borrowed funds	6,379	5,588	22,741
Savings deposits	1,820	1,526	6,170
Current accounts	1,143	644	3,666
Inter-bank takings	-	-	1
	22,900	**21,499**	**84,095**

8 Credit loss expense

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

Note	Stage 1 Individual	Stage 2 Collective	Stage 3	POCI	Total
Balances with Central Bank of Nigeria	-	-	-	-	-
Due from banks (Note 20)	-	-	-	-	-
Loans and advances to customers (Note 21)	11,281	(8,667) -	1,931	-	684
Debt instruments measured at FVOCI (22.8.1)	24	-	-	-	24
Debt instruments measured at amortised costs (22.8.2)	59	-	-	-	59
Financial guarantees (Note 29.3.1)	0	-	-		0
Letters of credit (Note 29.3.2)	269	-	-	-	269
	11,633	**(8,667)**	**(1,931)**	**-**	1,035
Other assets (Note 26)	-	-	-	-	-
	-	-	-	-	-
	11,633	**(8,667)**	**(1,931)**	**-**	**1,035**

The table below shows the impairment charges recorded in profit or loss under IFRS for the year ended **31 March 2019:**

Impairment charge/(reversal) on loans and advances (Note 21) :	
- Overdrafts	191
- Term loans	472
- Finance leases	21
- Others	352
Impairment charge on other assets (Note 26)	-
	1,035

9 Net fee and commission income

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

	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Fee and commision type:			
ATM charges	925	825	3,588
Accounts maintenance charge	815	637	2,899
Commision on E-banking activities	799	460	2,852
Commission on travellers cheque and foreign bills	772	550	2,613
Commission on fidelity connect	429	316	1,432
Letters of credit commissions and fees	355	312	1,251
Commissions on off balance sheet transactions	327	350	1,101
Other fees and commissions	182	355	772
Commision and fees on banking services	197	121	487
Commision and fees on NXP	477	194	700
Collection fees	72	89	267
Telex fees	269	167	721
Cheque issue fees	44	46	174
Remittance fees	52	39	218
Total revenue from contracts with customers	**5,715**	**4,459**	**19,075**
Other non-contract fee income:			
Credit related fees	784	199	1,335
Total fees and commission income	6,499	4,658	20,410
Fee and commission expense	(1,143)	(1,026)	(3,346)
Net fee and commission income	**5,356**	**3,632**	**17,064**

10 Other operating income

	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Net foreign exchange gains	2,250	146	10,122
Dividend income (Note 22.7)	69	38	229
Profit on disposal of property, plant and equipment	13	14	15
Other income	161	358	778
	2,494	**556**	**11,144**

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

	31 March 2019 N'million	31 March 2018 N'million	31 Dec 2018 N'million
Net (losses)/gains arising from:			
- Bonds	35	(252)	(133)
- Treasury bills	(14)	(100)	1
Interest income on financial assets measured at FVTPL	756	787	3,769
	777	**435**	**3,637**

12 Personnel expenses

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Wages and salaries	5,232	4,946	21,434
End of the year bonus (see note 29)	-	-	2,000
Pension contribution	115	126	476
	5,347	**5,072**	**23,910**

13 Depreciation and Amortisation

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Property, plant and equipment (Note 23)	721	510	3,815
Computer software (Note 24)	272	259	2,432
	993	**769**	**6,247**

14 Other operating expenses

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Marketing, communication & entertainment	1,299	1,350	8,352
Banking sector resolution cost	2,191	1,766	8,764
Outsourced cost	1,048	894	4,022
Deposit insurance premium	964	907	3,310
Repairs and maintenance	855	652	3,114
Other expenses	639	729	2,752
Computer expenses	908	944	2,366
Security expenses	129	306	1,280
Rent and rates	221	219	915
Cash movement expenses	291	191	901
Training expenses	98	91	636
Travelling and accommodation	350	155	840
Consultancy expenses	286	184	687
Corporate finance expenses	133	168	898
Legal expenses	206	89	606
Electricity	115	114	452
Office expenses	117	96	475
Directors' emoluments	104	96	262
Insurance expenses	112	99	379
Stationery expenses	71	66	285
Bank charges	117	67	268
Auditors' remuneration	50	50	200
Telephone expenses	22	26	99
Postage and courier expenses	27	17	108
	10,352	**9,279**	**41,971**

16 Net reclassification adjustments for realised net gains

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

17 Earnings per share (EPS)

Basic and Dilluted

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

	31 March 2019	31 March 2018	31 December 2018
	N'million	**N'million**	**N'million**
Profit attributable to equity holders of the Bank	5,939	4,627	22,926
	million	**million**	**million**
Weighted average number of ordinary shares in issue	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**20.51**	**15.98**	**79.16**

18 Cash and balances with central bank

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Cash	32,271	23,537	44,624
Balances with central bank other than mandatory reserve deposits	92,758	79,003	90,693
Included in cash and cash equivalents (note 19)	125,029	102,540	135,317
Mandatory reserve deposits with central bank (see note 18.1 below)	227,782	170,676	219,386
Special cash reserve (see note 18.2 below)	30,228	30,228	30,228
Carrying amount	**383,039**	**303,444**	**384,931**

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

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

19 Cash and cash equivalents

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

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Cash and balances with central bank (Note 18)	125,029	102,540	135,317
Due from banks	142,682	103,995	111,633
Total cash and cash equivalents	**267,710**	**206,535**	**246,950**

20 Due from banks

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Current accounts with foreign banks	101,542	59,885	53,684
Placements with other banks and discount houses	41,946	44,135	58,755
Sub-total	143,488	104,019	112,439
Less: Allowance for impairment losses	(806)	(24)	(806)
	142,682	**103,995**	**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 3.2.1.

	31 March 2019				31 December 2018
	Stage 1 individual	Stage 2 Individual	Stage 3	Total	Total
	N'million	N'million	N'million	N'million	N'million
External rating grade					
Performing					
High grade	101,542	-	-	-	**71,818**
Standard grade	41,946	-	-	-	**40,621**
Sub-standard grade	-	-	-	-	-
Past due but not impaired	-	-	-	-	-
Non- performing	-	-	-	-	-
Individually impaired	-	-	-	-	-
Total	**143,488**	**-**	**-**	**-**	**112,439**

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

	Stage 1 individual	Stage 2 Individual	Stage 3	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at **1 January 2019**	112,439	-	-	**112,439**
New assets originated or purchased	31,049	-	-	**31,049**
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	**143,488**	**-**	**-**	**143,488**

	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	-	-	-	-
Assets derecognised or repaid (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on Year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	**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 March 2019 and at 31 March 2018.

21 Loans and advances to customers

	31 March 2019	**31 March 2018**	**31 December 2018**
	N'million	**N'million**	**N'million**
Loans to corporate and other organisations	803,555	640,664	743,308
Loans to individuals	220,678	153,550	163,315
	1,024,233	794,214	906,623
Less: Allowance for ECL/impairment losses	(57,979)	(55,487)	(56,743)
	966,254	**738,727**	**849,880**

21 Loans and advances to customers - continued

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Loans to corporate entities and other organisations			
Overdrafts	29,236	16,823	57,572
Term loans	759,229	601,131	659,101
Advances under finance lease	15,089	22,710	26,635
	803,555	640,664	743,308
Less: Allowance for ECL/impairment losses	(38,610)	(43,317)	(42,036)
	764,944	**597,347**	**701,272**
Loans to individuals			
Overdrafts	79,006	56,678	7,314
Term loans	138,477	91,446	155,802
Advance under finance lease	3,195	5,426	201
	220,678	153,550	163,317
Less: Allowance for ECL/impairment losses	(19,369)	(12,170)	(14,708)
	201,310	141,380	148,609
Net loans and advances include	**966,254**	**738,727**	**849,881**

21.1 Impairment allowance for loans and advances to customers

21.1.1 **Corporate and other organisations**

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

	31 March 2019					31 December 2018
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million	Total N'million
Internal rating grade						
Performing	-	-	-	-	-	
High grade (AAA - A)	12,646	78		-	12,724	15,131
Standard grade (BBB - B)	691,501	13,420		-	704,921	694,240
Sub-standard grade (CCC - CC	49,847	5,992		-	55,838	-
Non- performing:				-	-	-
Past due (C)	-	-	30,071	-	30,071	33,937
Total	**753,993**	**19,490**	**30,071**	**-**	**803,555**	**743,308**

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

	31 March 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at **1 January 2019**	539,963	169,408	33,937	-	743,308
New assets originated or purchased	81,346	2,166	6,384	-	89,896
Assets derecognised or repaid (excluding write offs)	(16,839)	(159,857)	(7,258)	-	(183,955)
Transfers to Stage 1	8,703	(1,002)	(7,700)	-	-
Transfers to Stage 2	(9,055)	9,056	(1)	-	-
Transfers to Stage 3	(3,372)	(316)	3,689	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	153,249	36	1,021	-	154,306
Amounts written off	-	-	-		-
Foreign exchange adjustments	-	-	-	-	-
At **31 March 2019**	**753,993**	**19,490**	**30,071**	**-**	**803,555**

21 Loans and advances to customers - continued

	31 March 2019				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January 2019	11,154	16,455	14,428	-	42,036
New assets originated or purchased	1,383	44	17	-	1,444
Assets derecognised or repaid (excluding write offs)	153	3	1,427	-	1,582
Transfers to Stage 1	314	(6)	(308)	-	-
Transfers to Stage 2	(368)	368	(0)	-	(0)
Transfers to Stage 3	(1,053)	(77)	1,130	-	-
Impact on year end ECL of exposures transferred between stages during the year	16,525	(15,997)	(6,981)	-	(6,453)
Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At **31 March 2019**	**28,107**	**790**	**9,713 0**	**-**	**38,610**

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

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

21.1.2 Loans to individuals

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

	31 March 2019					31 December 2018
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**	**Total N'million**
Internal rating grade						
Performing						
High grade (AAA - A)	2,122	51	-	-	2,173	-
Standard grade (BBB - B)	188,485	3,929	-	-	192,415	107,641
Sub-standard grade (CCC - CC	5,439	187	-	-	5,626	38,010
Non- performing			-	-	-	-
Past due but not impaired (C)	-	-	20,464	-	20,464	17,664
Total	**196,046**	**4,168**	**20,464**	**- 0**	**220,678**	**163,315**

21 Loans and advances to customers - continued

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

	31 March 2019				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
Gross carrying amount as at **1 January 2019**	142,175	3,476	17,664	-	163,315
New assets originated or purchased	36,336	131	47	-	36,513
Assets derecognised or repaid (excluding write offs	(7,522)	(42)	(53)	-	(7,616)
Transfers to Stage 1	74	(54)	(20)	-	0
Transfers to Stage 2	(3,585)	3,625	(40)	-	(0)
Transfers to Stage 3	(3,701)	(134)	3,835	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	32,269	(2,834)	(969)	-	28,466
Amounts written off	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-
At **31 March 2019**	**196,046**	**4,168**	**20,464 0**	**-**	**220,678**

	31 March 2019				
	Stage 1 Individual N'million	**Stage 2 Individual N'million**	**Stage 3 N'million**	**POCI N'million**	**Total N'million**
ECL allowance as at 1 January 2019	3,299	48	11,360	-	14,708
New assets originated or purchased	621	3	0	-	624
Assets derecognised or repaid (excluding write offs	2	0	14	-	16
Transfers to Stage 1	617	(2)	(616)	-	-
Transfers to Stage 2	(55)	56	(1)	-	0
Transfers to Stage 3	(1,907)	(52)	1,958	-	-
Impact on year end ECL of exposures transferred between stages during the year	4,142	8	(129)	-	4,020
Unwind of discount	-	-	-	-	-
Amounts written off	-	-	-	-	-
Foreign exchange adjustments				-	-
At **31 March 2019**	**6,719**	**62**	**12,588 0**	**-**	**19,369**

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

21.2 Advances under finance lease may be analysed as follows:

	31 March 2019	31 March 2018	31 December 2018
Gross investment	**N'million**	**N'million**	**N'million**
- No later than 1 year	2,810	14,507	4,003
- Later than 1 year and no later than 5 years	15,420	1,898	20,474
- Later than 5 years	55	11,731	2,358
	18,284	28,136	26,835
Unearned future finance income on finance leases	(3,195)	(5,426)	(201)
Net investment	**15,089**	**22,710**	**26,634**
The net investment may be analysed as follows:			
- No later than 1 year	2,252	10,687	3,987
- Later than 1 year and no later than 5 years	12,837	664	19,888
- Later than 5 years	-	11,360	2,759
	15,089	**22,710**	**26,634**

21.3 Nature of security in respect of loans and advances:

	31 March 2019	31 December 2018
	N'million	**N'million**
Secured against real estate	117,432	63,635
Secured by shares of quoted companies	-	-
Secured others	856,563	807,582
Advances under finance lease	18,284	26,835
Unsecured	31,953	8,571
Gross loans and advances to customers	**1,024,233**	**906,623**

22 Investment securities

22.1 Financial assets at fair value through profit and loss (FVTPL)

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Federal Government bonds	609	929	86
Treasury bills	21,028	15,801	13,966
Total financial assets measured at FVTPL	**21,637**	**16,730**	**14,052**

22.2 Debt instruments at fair value through other comprehensive income (FVOCI)

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Treasury bills	135,241	100,596	137,545
Federal Government bonds	14,408	16,260	14,131
State bonds	5,940	6,907	4,437
Corporate bonds	-	-	1,526
Total debt instruments measured at FVOCI	**155,589**	**123,762**	**157,639**

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

22.3 Equity instruments at fair value through other comprehensive income (FVOCI)

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Unquoted equity investments:			
- Mobile Telecommunications Network (MTN)	2,474	3,619	2,474
- African Finance Corporation (AFC)	2,377	638	2,377
- Unified Payment Solution	1,969	1,674	1,969
- Nigerian Inter Bank Settlement System (NIBBS)	1,475	331	1,475
- The Central Securities Clearing System (CSCS)	1,682	282	1,682
Total equity instruments at FVOCI	**9,977**	**6,542**	**9,977**

22.4 Debt instruments at amortised cost

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Treasury bills	26,001	25,732	37,725
Federal Government bonds	73,586	66,207	75,146
State Government bonds	1,806	2,659	2,129
Corporate bonds	3,937	9,912	3,872
Sub-total	**105,329**	**104,510**	**118,872**
Allowance for impairment	(268)	-	(210)
Total debt instruments measured at amortised cost	**105,061**	**104,510**	**118,662**

Total investments	**292,263**	**251,544**	**300,330**

22.7 Pledged assets

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

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

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Treasury bills - Amortised cost	23,484	11,288	17,727
Corporate Bonds - Amortised cost	3,855	-	3,835
Federal Government bonds - Amortised cost	55,258	48,124	53,666
Federal Government bonds - FVOCI	-	-	-

22.8 Impairment losses on financial investments subject to impairment assessment

22.8.1 Debt instruments measured at FVOCI

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	149,649	-	-	**149,649**
Standard grade	4,409	-	-	**4,409**
Sub-standard grade	1,531	-	-	**1,531**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	155,589	-	-	**155,589**

Investments - continued

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Fair value as at 1 January 2019	157,639	-	-	**157,639**
New assets originated or purchased	2,050	-	-	**2,050**
Assets derecognised or matured (excluding write-offs)	(4,100)	-	-	**(4,100)**
Change in fair value	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	**155,589**	**-**	**-**	**155,589**

	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 purchased	50	-	-	**50**
Assets derecognised or matured (excluding write offs)	(26)	-	-	**(26)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 March 2019	**303**	**-**	**-**	**303**

22.8.2 Debt instruments measured at amortised cost

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	N'million	N'million	N'million	N'million
Performing				
High grade	99,587	-	-	**99,587**
Standard grade	1,806	-	-	**1,806**
Sub-standard grade	3,937	-	-	**3,937**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**105,329**	**-**	**-**	**105,329**

Investments - continued

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	118,872	-	-	**118,872**
New assets originated or purchased	6,771	-	-	**6,771**
Assets derecognised or matured (excluding write-offs)	(20,314)	-	-	**(20,314)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	105,329	-	-	105,329

	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 purchased	89	-	-	**89**
Assets derecognised or matured (excluding write offs)	(30)	-	-	**(30)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 March 2019	**268**	-	-	**268**

24 Intangible assets - Computer software

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Cost			
Balance at beginning of year	4,188	3,361	3,361
Additions	299	540	2,879
Disposal during the year	-	(313)	(2,052)
Balance	**4,487**	**3,588**	**4,188**
Accumulated amortization			
Balance at beginning of year	3,112	2,732	2,732
Amortisation for the year	121	267	2,432
Disposal during the year	-	(313)	(2,052)
Balance	**3,233**	**2,686**	**3,112**
Carrying amount	**1,254**	**902**	**1,076**

These relate to purchased softwares.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was **N121** million for the quarter ended **31 March 2019** (31 March 2018: N267).

25 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

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

25.1 Deferred tax

	31 December 2018 N'million
Accelerated tax depreciation	(3,884)
	(3,884)
Deferred tax assets	
Property, Plant and equipment	4,818
Allowances for loan losses	3,363
Tax loss carried forward	24,275
	32,456
Unrecognised deferred tax assets	**28,572**
Net	-

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

26 Other assets

	31 March 2019	31 March 2018	31 December 2018
Financial assets	**N'million**	**N'million**	**N'million**
Sundry receivables	32,308	34,435	25,525
Others	2,547	(0)	3,515
Investments in SMESIS	1,430	-	1,430
	36,285	**34,435**	**30,470**
Less:			
Specific allowances for impairment	(2,219)	(1,869)	(2,219)
	34,066	**32,566**	**28,251**
Non financial assets			
Prepayments	14,096	13,248	6,564
Other non financial assets	491	(1,344)	309
	14,587	**11,903**	**6,873**
Total	**48,652**	**44,469**	**35,124**

Reconciliation of allowance for impairment

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
At beginning of the year	2,219	1,869	1,869
Charge for the year	-	-	350
At end of the year	**2,219**	**1,869**	**2,219**

27 Deposits from customers

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Demand	374,819	353,526	391,576
Savings	242,080	188,215	227,970
Term	196,474	203,032	172,178
Domicilliary	195,167	98,904	179,753
Others	8,458	15,681	7,936
	1,016,999	859,358	979,413
Current	1,016,999	859,358	979,413
Non-current	-	-	-
	1,016,999	**859,358**	**979,413**

28 Other liabilities

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Customer deposits for letters of credit	118,455	3,938	69,966
Accounts payable	73,360	21,065	81,235
Manager's cheque	7,156	4,274	3,961
FGN Intervention fund (see note 28.1)	159,159	117,081	133,840
Payable on E-banking transactions	13,789	18,823	8,282
Other liabilites/credit balances	6,674	65,608	3,051
	378,593	**230,788**	**300,335**

28.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N92.810 billion** (31 March 2018: N97.069billion). This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

29 Provision

		31 March 2019	31 March 2018	31 December 2018
		N'million	N'million	N'million
Provisions for year end bonus (see note 29.2)		2,500	2,000	2,000
Provisions for litigations and claims		-	-	545
Provisions - Others		-	3,510	-
Provision for guarantees and letters of credit	(Note 29.3.1 - 29.3.2)	-	266	798
		2,500	**5,776**	**3,343**
At 1 January		2,000	2,200	2,200
Arising during the year		2,500	2,000	2,000
Utilised		(2,000)	(2,200)	(2,200)
At the end of the year		**2,500**	**2,000**	**2,000**

		31 March 2019	31 March 2018	31 December 2018
29.1	Current Provision	2,500	5,776	2,798
	Non-current provisions	-	-	545
		2,500	**5,776**	**3,343**

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

29.3 Impairment losses on guarantees and letters of credit

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

29.3.1 ***Financial guarantees***

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

	31 March 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	**-**
Standard grade	229,463	-	-	**229,463**
Sub-standard grade	48	-	-	**48**
Past due but not impaired	-	-	-	**-**
Non- performing	-	-	-	**-**
Individually impaired	-	-	-	**-**
Total	**229,511**	**-**	**-**	**229,511**

29.3.1 *Financial guarantees - continued*

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

	31 March 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	-	-	-
New exposures	228,106	-	-	**228,106**
Exposure derecognised or matured/lapsed (excluding write-offs)	(236,988)	-	-	**(236,988)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	(50)	-	-	**(50)**
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	**229,511**	**-**	**-**	**(8,932)**

	31 March 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	787	-	-	**787**
New exposures	466	-	-	**466**
Exposure derecognised or matured/lapsed (excluding write-offs)	(787)	-	-	**(787)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	4	-	-	**4**
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	

At 31 March 2019	**470**	**-**	**-**	**470**

29.3.2 *Letters of credit*

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

	31 March 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	-
Standard grade	132,726	-	-	**132,726**
Sub-standard grade	-	-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**132,726**	**-**	**-**	**132,726**

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

	31 March 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	-	-	-
New exposures	40,594	-	-	**40,594**
Exposure derecognised or matured/lapsed (excluding write-offs)	(60,037)	-	-	**(60,037)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	(36,471)	-	-	**(36,471)**
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 March 2019	**132,726**	**-**	**-**	**(55,914)**

29.3.2 *Letters of credit - contnued*

	31 March 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	796	-	-	-
New exposures	100	-	-	**100**
Exposure derecognised or matured/lapsed (excluding write-offs)	(260)	-	-	**(260)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	(370)	-	-	**(370)**
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 March 2019	**266**	**-**	**-**	**(530)**

30 Debts issued and other borrowed funds

	31 March 2019	31 March 2018	31 December 2018
	N'million	**N'million**	**N'million**
Long term loan from Proparco Paris (see note 30.1)	6,554	8,475	6,628
Long term loan from African Development Bank (ADB) (see note 30.2)	10,814	14,983	13,842
European Investment Bank Luxembourg (see note 30.3)	4,450	5,038	4,480
$400 Million Euro Bond issued (see note 30.5)	147,444	129,364	143,098
Local Bond issued (see note 30.6)	31,293	29,899	30,004
Repurchase transaction with Renaisance Capital (see note 30.7)	23,403	-	23,088
Loan from Mashreq Bank (see note 30.8)	19,643	-	19,627
Loan from Afrexim Bank (see note 30.8)	26,955	-	-
$300 Million Euro Bond issued (see note 30.4)	-	14,809	-
	270,556	**202,568**	**240,767**

Reconcilation of Borrowings during the year:	31 March 2019	31 March 2018	31 December 2018
	N'million	**N'million**	**N'million**
At 1 January	240,767	213,233	213,233
Additions during the year	32,035		57,498
Paid during the year	(9,373)	(16,675)	(32,317)
Interest payable	9,467	9,261	4,608
Foreign exchange difference	(2,340)	(3,250)	(2,255)
At the end of the year	**270,556**	**202,569**	**240,767**

30 Debts issued and other borrowed funds - continued

30.1 The amount of **N6.554 billion** (31 Mar 2018: N8.475 billion) represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semi-annually. The borrowing is an unsecured borrowing.

30.2 The amount of **N10.814 billion** (31 Mar 2018: N14.983 billion) represents the amortised cost balance in the on-lending facility of $75million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repaid semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing.

30.3 The amount of **N4.450 billion** (31 Mar 2018: N5.038 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

30.4 During the reporting year, the 5-year, 6.875% Eurobond issued at 99.48% in May 2013 by the Bank matured in May 2018. The purpose of the debt issuance is to finance foreign currency lending to the Power and Oil sectors of the economy of Nigeria.

30.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) will be used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of **N147.444 billion** (31 March 2018 : N129.365 billion) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

30.6 The amount of **N31.293billion,** (31 Mar 2018: N29.899 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

30.7 The amount of **N23.403 billion,** (31 Mar 2018: Nil billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

30.8 The amount of **N19.643 billion** (31 Mar 2018: Nil) represents the amortised cost balance on the Syndicated Trade Finance Facility of $55 million granted to the Bank by Mashreq Bank on the 3rd of August 2018 for a tenor of 12 months, at an interest rate of Libor plus 3.90% per annum. Interest is paid quaterly with principal repayment on maturity or as agreed by the parties to the contract.

30.9 The amount of **N26.955 billion** (31 Mar 2018: Nil billion) represents the amortised cost balance on the on-lending facility of $75million granted to the Bank by Afrexim, Egypt on 12 March 2019 to mature on 12 March 2022 at an interest rate of Libor plus 5.75% per annum. The Principal and Interest are repaid semi-annually. The borrowing is an unsecured borrowing.

1 Share capital

	31 March 2019	31 March 2018	31 December 2018
Authorised	**N'million**	**N'million**	**N'million**
32 billion ordinary shares of 50k each (2018: 32 billion ordinary shares)	16,000	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	14,481

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

32 Other equity accounts

The nature and purpose of the other equity accounts are as follows:

Share premium

Premiums from the issue of shares are reported in share premium.

Retained earnings

Retained earnings comprise the undistributed profits from previous years and current year, which have not been reclassified to the other reserves noted below.

32 Other equity accounts - continued

Statutory reserve

This represents regulatory appropriation to statutory reserve of 30% of profit after tax if the statutory reserve is less than paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid up share capital.

Small scale investment reserve

The Small scale investment reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investment in qualifying small scale industries.

Non-distributable regulatory risk reserve

The amount at which the loan loss provision under IFRS is less than the loan loss provision under prudential guideline is booked to a non-distributable regulatory riskreserve.

Fair value reserves (2017: Available-for-sale reserve)

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income (2018: available-for-sale investments) until the investment is derecognised or impaired.

AGSMEIS reserve

5% of 2016, 2017 and 2018 PAT (N2.6Bn) relates to AGSMEIS; Agri-Business/Small and Medium Enterprises Investment Scheme (AGSMEIS), the AGSMEIS is maintained to support the Federal Government's effort at promoting Agricultural businesses and Small and Medium Enterprises. Effective 2017 all Deposit Money Banks (DMBs) are required to set aside 5% of their Profit After Tax for equity investment in permissible activities as stipulated in the scheme guidelines. The fund is domiciled with CBN.

33 Cash flows from operations

	31 March 2019 N'million	31 March 2018 N'million	31 December 2018 N'million
Profit before income tax	6,674	4,982	25,089
Adjustments for:	-		
– Depreciation and amortisation	993	769	6,247
– Profit from disposal of property and equipment	-	14	(15)
– Foreign exchange gains on operating activities	2,250	146	(5,505)
– Foreign exchange losses/(gains) on debts issued and other borrowed funds	(2,340)	(3,250)	(2,255)
– Foreign exchange losses/(gains) on loans and advances to customers	-	-	6,000
– Foreign exchange (gains)/losses on deposits from customers	-	-	(17,809)
– Net gains from financial assets classified as FVTPL	777	435	132
– Impairment charge on loans and advances	684	-	2,420
– Impairment on other debt instrument	351	-	470
– Impairment charge on other assets	-	-	350
– Write off of loans and advances/Recoveries	-	-	15,326
– Dividend income	-	38	(229)
– Gain on debt instruments measured at FVOCI reclassified from equity	-	-	(1,671)
– Net interest income	15,774	16,181	(69,587)
	25,162	19,315	28,549
Changes in operating assets			
– Cash and balances with the Central Bank (restricted cash)	(8,396)	(19,901)	(68,597)
– Loans and advances to customers	(63,777)	(17,610)	(132,634)
– Financial assets held for trading	-	-	6,455
– Other assets	(13,528)	(1,276)	6,774
	-		
Changes in operating liabilities	-		
– Deposits from customers	37,586	54,083	221,946
– Other liabilities	78,258	50,897	115,181
– Provisions	(843)	(279)	598
– Interest payable on debts issued and other borrowed funds	9,467	9,261	4,608
Cash flows from/(used in) operations	**63,929**	**94,490**	**178,273**

1 Contingent liabilities and commitments

34.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to **N1.7 billion** (31 March 2018: N270.151 million)

34.2 Confirmed credits and other obligations on behalf of customers

In the normal course of business the Bank is a party to financial instruments with off-statement of financial position risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	31 March 2019	31 March 2018	31 December 2018
	N'million	N'million	N'million
Performance bonds and guarantees (Note 29.3.1)	-	-	238,443
Letters of credit (Note 29.3.2)	-	-	188,641
Unsettled transactions	-	-	-
AGSMEIS Disbursement	-	-	9
	-	**-**	**427,084**

Included in Performance bonds and guarantees is N51.39bn Bank of industry backed guarantee. Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.

34.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of **N4.244 billion** at at 31 March 2019 (31 March 2018: N4.22 billion). Based on the estimates of the Bank's legal team and the case facts, the Bank estimates a potential loss of N544.72 million (31 March 2018: N544.72 million) upon conclusion of the cases.