FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2020

Statement of directors' responsibilities in relation to the preparation of the financial statements for the period ended 31 March 2020

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

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

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

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

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

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

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

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

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

Signed on behalf of the Directors by:
Date: 24 April 2020

Director

Director

Statement of profit or loss and other comprehensive income
for the period ended 31 March 2020

	Notes	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Gross earnings		**51,159**	**48,423**	**215,514**
Interest revenue calculated using the effective interest rate method	*6*	42,297	38,674	176,994
Other interest and similar income	*12.1*	1,629	757	5,350
Interest expense calculated using the effective interest rate method	*7*	(19,326)	(22,900)	(99,289)
Net interest income		**24,600**	**16,530**	**83,055**
Credit loss reversal/(expense)	*8*	(2,103)	(1,035)	5,292
Net interest income after credit loss expense		**22,497**	**15,495**	**88,347**
Fee and commission income	*9*	5,571	6,499	25,262
Fee and commission expense	*9*	(1,556)	(1,143)	(5,268)
Net losses on derecognition of financial assets measured at amortised cost	*10*	-	-	(4,705)
Other operating income	*11*	1,662	2,494	7,908
Net gains/(losses) from financial assets at fair value through profit or loss	*12*	38	21	801
Personnel expenses	*13*	(6,398)	(5,347)	(24,129)
Depreciation and amortisation	*14*	(1,415)	(993)	(5,421)
Other operating expenses	*15*	(13,815)	(10,352)	(52,442)
Profit before income tax expense		**6,583**	**6,674**	**30,353**
Income tax expense		(724)	(734)	(1,928)
Profit for the period		**5,859**	**5,939**	**28,425**
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss				
Fair value gains on equity instruments at fair value through other comprehensive income **#**		-	-	7,476
Total items that will not be reclassified to profit or loss in subsequent period		-	-	7,476
Items that will be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income **#**:				
- Net change in fair value during the period		1,119	940	4,134
- Changes in allowance for expected credit losses		651	-	504
- Reclassification adjustments to profit or loss	*17*		-	2,261
Net gains/(losses) on debt instruments at fair value through other comprehensive		**1,770**	**940**	**6,899**
		-	-	-
Total items that will be reclassified to profit or loss in subsequent period		1,770	940	6,899
Other comprehensive income/(loss) for the year, net of tax		**1,770**	**940**	**14,375**
		7,629	**6,879**	**42,800**
Earnings per share				
Basic and diluted (in kobo)	*18*	***20***	***21***	***98***

*Income from these instruments is exempted from tax*

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

Statement of financial position
as at 31 March 2020

	Notes	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Assets				
Cash and balances with central bank	*19*	546,898	383,039	453,392
Due from banks	*21*	152,000	142,682	149,869
Loans and advances to customers	*22*	1,165,826	966,254	1,126,974
Investments:				
Financial assets at fair value through profit or loss (FVTPL)	*23.1*	36,393	21,637	45,538
Debt instruments at fair value through other comprehensive income (FVOCI)	*23.2*	174,621	155,589	134,846
Equity instruments at fair value through other comprehensive income (FVOCI)	*23.3*	14,536	9,977	14,536
Debt instruments at amortised costs	*23.4*	88,778	105,061	118,569
Other assets	*27*	25,637	48,652	28,756
Right-of-use assets	*28*	1,623	-	1,529
Property, plant and equipment		38,430	35,980	38,392
Intangible assets	*25*	2,046	1,254	1,636
Total assets		**2,246,788**	**1,870,124**	**2,114,037**
Liabilities				
Deposit from customers	*29*	1,352,262	1,016,999	1,225,213
Current income tax payable		2,339	(554)	2,339
Other liabilities	*30*	403,396	378,593	397,074
Provisions	*31*	4,545	2,500	3,795
Debts issued and other borrowed funds	*32*	241,862	270,556	251,586
Total liabilities		**2,004,403**	**1,668,094**	**1,880,007**
Equity				
Share capital	*33*	14,481	14,481	14,481
Share premium	*34*	101,272	101,272	101,272
Retained earnings	*34*	50,225	43,807	43,642
Other equity reserves				
Statutory reserve	*34*	35,008	30,744	35,008
Small scale investment reserve	*34*	764	764	764
Non-distributable regulatory risk reserve	*34*	13,897	408	13,897
Fair value reserve	*34*	22,740	7,978	20,969
AGSMEIS reserve	*34*	3,997	2,576	3,997
Total equity		**242,384**	**202,030**	**234,030**
Total liabilities and equity		**2,246,788**	**1,870,124**	**2,114,037**

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 2020* 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 Abejagah
Chief Financial Officer
FRC/2013/ICAN/00000001733

Statement of changes in equity
for the period ended 31 March 2020

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total
	Notes	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2020	**14,481**	**101,272**	**43,642**	**35,008**	**764**	**13,897**	**20,969**	**3,997**	**234,030**
Profit for the year	-	-	6,583	-	-	-	-	-	6,583
Other comprehensive income:	-	-	-	-	-	-		-	-
Net change in fair value of debt instruments at FVOCI	-	-	-	-	-	-	1,119	-	1,119
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-	-	-	-	-
Changes in allowance for expected credit losses	-	-	-	-	-	-	651	-	651
Reclassification adjustment for realised net gains	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**6,583**	**-**	**-**	**-**	**1,770**	**-**	**8,354**
Dividends			-						-
Transfer between reserves	-	-	-	-	-	-	-	-	-
As at 31 March 2020	**14,481**	**101,272**	**50,225**	**35,008**	**764**	**13,897**	**22,740**	**3,997**	**242,384**

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

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

	Notes	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non distributable regulatory risk reserve	Fair value reserve	AGSMEIS reserve	Total
		N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
As at 1 January 2019		**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**
Impact of adopting IFRS 16							-			
Restated balance as at 1 January 2019		14,481	101,272	37,133	30,744	764	408	7,038	2,576	194,416
Profit for the year		-	-	28,425	-	-	-	-	-	28,425
Other comprehensive income:										
Net change in fair value of debt instruments at FVOCI		-	-	-	-	-	-	4,134	-	4,134
Net change in fair value of equity instruments at FVOCI		-	-	-	-	-	-	7,476	-	7,476
Changes in allowance for expected credit losses		-	-	-	-	-	-	504	-	504
Reclassification adjustment for realised net gains		-	-	-	-	-	-	2,261	-	2,261
Total comprehensive income for the period		**-**	**-**	**28,425**	**-**	**-**	**-**	**14,375**	**-**	**42,800**
Dividends		-	-	(3,186)	-	-	-	-	-	(3,186)
Transfer between reserves		-	-	(18,730)	4,264	-	13,489	(444)	1,421.26	-
As at 31 December 2019		**14,481**	**101,272**	**43,642**	**35,008**	**764**	**13,897**	**20,969**	**3,997**	**234,030**

Statement of cash flows
for the period ended 31 March 2020

	Notes	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Operating activities				
Cash flows used in operations	*35*	(10,382)	63,929	(99,598)
Interest received		42,553	47,676	164,200
Interest paid		(21,704)	(17,853)	(89,455)
Income tax paid		-	-	(1,198)
Net cash flows (used in)/from operating activities		**10,467**	**93,752**	**(26,051)**
Investing activities				
Purchase of property, plant and equipment		(753)	(597)	(5,774)
Proceeds from sale of property and equipment		16	115	2,939
Purchase of intangible assets	*25*	(862)	(299)	(2,183)
Purchase of debt instruments at amortised cost		(17,061)	(60,811)	(51,409)
Purchase of debt instruments at FVOCI		(53,631)	(110,236)	(124,560)
Redemption of financial assets at amortised cost		49,044	10,222	54,556
Proceeds from sale of debt financial assets at FVOCI		15,097	68,201	152,922
Proceeds from sale of equity instruments at FVOCI		-	-	2,918
Dividends received		-	-	1,392
Net cash flows from investing activities		**(8,150)**	**(93,405)**	**30,801**
Financing activities				
Dividends paid		-	-	(3,186)
Lease payment		-	-	(494)
Proceeds of debts issued and other borrowed funds	*32*	20,004	32,035	64,336
Repayment of debts issued and other borrowed funds	*32*	(48,239)	(9,373)	(55,842)
Net cash flows from financing activities		**(28,235)**	**22,662**	**4,814**
Net increase in cash and cash equivalents		(25,918)	23,010	9,564
Net foreign exchange difference on cash and cash equivalents		1,449	(2,250)	3,401
Cash and cash equivalents at 1 January	*20*	**259,915**	**246,950**	**246,950**
Cash and cash equivalents at 31 December	*20*	**235,446**	**267,710**	**259,915**

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

Notes to the financial statements
for the period ended 31 March 2020

1 Corporate information

These financial statements are for Fidelity Bank Plc (the "Bank"), a company incorporated in Nigeria on 19 November 1987. The registered office address of the Bank is at Fidelity Place, 1 Fidelity Bank Close Off Kofo Abayomi Street, Victoria-Island, Lagos, Nigeria.

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

2 Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

The Bank's financial statements for the period ended **31 March 2020** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Additional information required by national regulations is included where appropriate.

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

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

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

2.1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2019. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations are applied for the first time in 2019, but do not have an impact on the financial statements of the Bank.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

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

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

2.1.2 Changes in accounting policies and disclosures continued

IFRS 16 Leases continued

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

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

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

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

Leases previously accounted for as operating leases

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

The Bank also applied the available practical expedients wherein it:

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

(b) Summary of new accounting policies

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

Right-of-use assets

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

Short-term leases and leases of low-value assets

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

For policy applicable before 1 January 2019, see Note 2.9

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

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

2.1.3 Significant accounting judgements, estimates and assumptions

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

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

ESTIMATES AND ASSUMPTIONS

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

Going Concern

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

Depreciation and carrying value of property, plant and equipment

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

Allowances for credit losses

Measurement of the expected credit loss allowance

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

ESTIMATES AND ASSUMPTIONS continued

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

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

Determination of collateral Value

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

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 3.5 for further disclosures.

JUDGEMENTS

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

Significant judgement in determining the lease term of contracts with renewal options

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

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

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

2.2 Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

* A specific adaptation for contracts with direct participation features (the variable fee approach)
* A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

2.2 Standards issued but not yet effective *continued*

Proposed amendments to IFRS 17

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

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

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

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

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

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

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

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

The amendments to IFRS 9

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

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

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

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

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

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

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

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

The amendments to IAS 39

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

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

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

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

2.2 Standards issued but not yet effective *continued*

Definition of a Business - Amendments to IFRS 3

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

The Conceptual Framework for Financial Reporting

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

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

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

Definition of Material - Amendments to IAS 1 and IAS 8

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

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

2.3 Foreign currency translation and transaction

(a) ***Functional and presentation currency***

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

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

(b) ***Transactions and balances***

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

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

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

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

Notes to the financial statements
for the period ended 31 March 2020

2.4 Financial assets and liabilities

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

Effective interest method

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

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

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

Interest income

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

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

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

2.4.2 Financial assets - Subsequent measurement

a) Debt instruments

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

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

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

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

2.4 Financial assets and liabilities *continued*

2.4.2 Financial assets - Subsequent measurement *continued*

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

Business Model assessment

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

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

* how the performance of the portfolio is evaluated and reported to the Bank's management;
* the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
* how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.
* the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing financial assets is achieved and how cash flows are realized.

Solely payments of principal and interest (SPPI) assessment

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

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

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

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

Reclassifications

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

Modifications

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

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

(b) Equity instruments

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

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

* **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12 months expected credit losses (12mECLs). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
* **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
* **Stage 3:** These are loans considered as credit-impaired. The bank records an allowance for the LTECLs.

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

The calculations of ECLs

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

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

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

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

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

Stage 3

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

POCI

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

Loan commitments and letters of credit

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

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

Financial guarantee contracts

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

Bank overdraft and other revolving facilities

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

Restructured financial assets

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

- if the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating cash shortfalls from the existing asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

Evidence that a financial asset is credit-impaired includes the following:

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

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

2.4 Financial assets and liabilities *continued*

2.4.3 Impairment of financial assets *continued*

Collateral valuation

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

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

Collateral repossessed

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

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

2.4.4 Presentation of allowance for ECL

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: the loss allowance is recognised as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

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

2.4.5 Financial liabilities

Initial and subsequent measurement

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

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

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

2.4.5 Financial liabilities *continued*

Derecognition

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

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

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

Financial guarantee contracts and loan commitments

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

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

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

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

2.5 Revenue recognition

Interest Income and expense

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

Fees and commission income

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

Income from bonds or guarantees and letters of credit

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

Dividend income

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

2.6 Impairment of non-financial assets

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

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

2.7 Statement of cash flows

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

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

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

2.8 Cash and cash equivalents

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

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

2.9 Leases

Leases are divided into finance leases and operating leases

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

(i) *Operating lease*

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

(ii) *Finance lease*

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

For policy applicable from 1 January 2019 see note 2.1.2.

(b) The company is the lessor

(i) *Operating lease*

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

(ii) *Finance lease*

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

2.10 Property, plant and equipment

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

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

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Building: Depreciated over 50 years
- Leasehold Improvements: the lower of useful life and lease period.
- Motor vehicles: 4 years
- Furniture and fittings: 5 years
- Computer equipment: 5 years
- Office equipment: 5 years

2.1 Property, plant and equipment *continued*

The assets' residual values, depreciation method and useful lives are reviewed annually, and adjusted if appropriate. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in 'Other operating expenses' in profit or loss.

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

2.11 Intangible assets

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

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

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

Direct computer software costs recognised as intangible assets are amortised on the straight-line basis over 3 years and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

2.12 Income taxation

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

(i) *Current income tax*

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

(ii) *Deferred income tax*

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

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

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

2.13 Provisions

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

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

2.14 Retirement obligations and Employee benefits

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

2.14.1 Defined contribution pension scheme

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

2.14.2 Short-term benefits

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

2.15 Share capital

(i) *Share issue costs*

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the period that are declared after the reporting date are dealt with in the subsequent events note.

2.16 Fair value measurement

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

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

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

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

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

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

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

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

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

2.17 Comparatives

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

Segment Reporting

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

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

Retail banking

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

Corporate banking

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

Investment banking

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

Notes to the financial statements
for the period ended 31 March 2020

3 Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

Set out below is the information about the nature and extent of risks arising from the financial instruments to which the bank is exposed at the end of the reporting period.

Enterprise Risk Management

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

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

ii) Clearly defined governance structure.

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

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

Risk Management Governance Structure

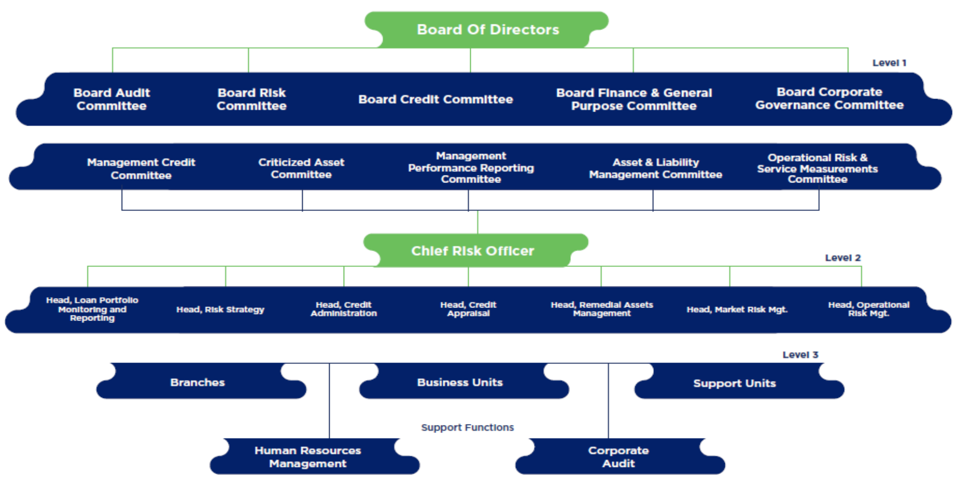
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

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

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

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

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



Enterprise Risk Philosophy

Fidelity Enterprise Risk Mission

Risk Culture

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

Risk Appetite

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

Notes to the financial statements
for the period ended 31 March 2020

3.1 Introduction and overview *continued*

The Bank define the Bank's Risk Appetite quantitatively at two levels: Enterprise level and Business/Support Unit level. To give effect to the above, the Board of Directors of the Bank sets target Key Performance Indicators (KPIs) at both enterprise and business/support unit levels based

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

3.2 Credit risk

3.2.1 Management of credit risk

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

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The Bank measures and 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 counterparty requires approval at the appropriate authority level. The approval limits are as follows:

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

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

Notes to the financial statements
for the period ended 31 March 2020

3.2.2 Credit risk ratings

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

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

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

3.2.3 Credit Limits

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

Monitoring Default Risk

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

Notes to the financial statements
for the period ended 31 March 2020

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 only 'backstop' (30 days past due presumption) indicators. Financial assets that have been granted forbearance could be considered to have significantly increased in credit risk.

Backstop indicators

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

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

(b) Definition of default

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

Quantitative criteria

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

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

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

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

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Notes to the financial statements
for the period ended 31 March 2020

3.2.4 Expected credit loss measurement *continued*

(d) Forward-looking information incorporated in ECL models

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

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

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

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

Economic variable assumption

The most significant period-end assumptions used for the ECL estimate as at 31 March 2020 are set out below. The scenarios "base case", "best case" and "worst case" were used for all portfolios.

		2020	2021	2022
Inflation rate				
	Base Case	12.26%	11.20%	9.50%
	Best Case	11.30%	9.80%	8.10%
	Worst Case	19.90%	15.80%	12.50%
Crude Oil ($)				
	Base Case	27.00	45.00	50.00
	Best Case	45.00	65.00	60.00
	Worst Case	15.00	20.00	30.00
Foreign Reserves ($ Bn)				
	Base Case	35.50	34.00	33.44
	Best Case	39.33	40.24	42.00
	Worst Case	20.00	19.00	20.00
Unemployment rate				
	Base Case	23.10%	24.33%	24.73%
	Best Case	19.00%	21.83%	23.23%
	Worst Case	35.00%	33.00%	30.60%
Real Gross Domestic Product				
	Base Case	1.02%	1.40%	2.60%
	Best Case	1.90%	2.80%	4.10%
	Worst Case	-2.00%	-1.90%	1.10%
Monetary Policy Rate (MPR)				
	Base Case	13.00%	13.50%	13.50%
	Best Case	11.00%	11.50%	11.50%
	Worst Case	15.00%	15.50%	15.50%

(e) Grouping financial instruments for collective assessment

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

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

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

Notes to the financial statements
for the period ended 31 March 2020

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

The Bank's maximum exposure to credit risk as at **31st March 2020** and 31st March 2019 is represented by the net carrying amounts of the financial assets set out below:

	31 March 2020			
	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	511,163	-	-	511,163
Due from banks	152,489	24,273	-	128,216
Loans and advances to customers	1,218,897	8,558,773	7,339,876	-
Investments:	-			
Financial assets at fair value through profit or loss	36,393	-	-	36,393
Debt instruments at fair value through other comprehensive income	174,621	-	-	174,621
Debt instruments at amortised cost	89,174	-	-	89,174
Other assets	28,167	-	-	28,167
Financial guarantee contracts:				
Performance bonds and guarantees	202,608	-	-	202,608
Letters of credit	154,767	-	-	154,767
	2,568,278	**8,583,046**	**7,339,876**	**1,325,108**

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

***Excluding equity instruments**

Notes to the financial statements
for the period ended 31 March 2020

3.2.7 Credit quality

Maximum exposure to credit risk – Financial instruments subject to impairment

The credit risk model is applied as per homogeneous group of risk assets which can be a portfolio or a rating model (e. g. Master Rating). The bank set up 6 portfolios 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 loans and advances for which an ECL allowance is recognised.

The gross carrying amount of loans and advances below also represents the Bank's maximum exposure to credit risk on these assets.

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

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	477,436	222,468	-	699,904
Default	-	-	24,571	24,571
Gross carrying amount	**477,436**	**222,468**	**24,571**	**724,475**
Loss allowance	(3,975)	(13,916)	(16,610)	(34,502)
Carrying Amount	**473,460**	**208,551**	**7,961**	**689,973**

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

b) **Government, Public Sector & NBFIs portfolio**

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	139,252	2	-	139,254
Default	-	-	7,089	7,089
Gross carrying amount	**139,252**	**2**	**7,089**	**146,344**
Loss allowance	(250)	(0)	(5,355)	(5,605)
Carrying Amount	**139,002**	**2**	**1,734**	**140,738**

Notes to the financial statements
for the period ended 31 March 2020

3.2.7 **Credit quality** ***continued***

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	11,825	-	-	11,825
Standard monitoring	123,982	-	-	123,982
Default	-	-	86	86
Gross carrying amount	**135,807**	**-**	**86**	**135,893**
Loss allowance	(62)	-	-	(62)
Carrying Amount	**135,745**	**-**	**86**	**135,831**

c) **Transport, Communication, Commerce & General portfolio**

	31 March 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	187,319	58,713	-	246,032
Default	-	-	21,115	21,115
Gross carrying amount	**187,319**	**58,713**	**21,115**	**267,147**
Loss allowance	(1,565)	(1,577)	(7,826)	(10,968)
Carrying Amount	**185,754**	**57,136**	**13,289**	**256,179**

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

d) Automobile, Equipment & Mortgage Loans portfolio

	31 March 2020			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	5,017	-	-	5,017
Default	-	-	1,146	1,146
Gross carrying amount	5,017	-	1,146	6,164
Loss allowance	(11)	-	(0)	(11)
Carrying Amount	**5,006**	**-**	**1,146**	**6,153**

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

Notes to the financial statements
for the period ended 31 March 2020

3.2.7 Credit quality *continued*

e) Medium and Small Scale Enterprises portfolio

	31 March 2020			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	22,552	439	-	22,991
Default	-	-	1,403	1,403
Gross carrying amount	**22,552**	**439**	**1,403**	**24,393**
Loss allowance	(165)	(1)	(301)	(467)
Carrying Amount	**22,387**	**438**	**1,102**	**23,927**

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

f) Personal & Employee Loans portfolio

	31 March 2020			
	Stage 1 N'million	Stage 2 N'million	Stage 3 N'million	Total N'million
Credit grade				
Investment grade	-	-	-	-
Standard monitoring	47,365	218	-	47,583
Default	-	-	2,792	2,792
Gross carrying amount	**47,365**	**218**	**2,792**	**50,375**
Loss allowance	(896)	(2)	(620)	(1,518)
Carrying Amount	**46,469**	**216**	**2,172**	**48,857**

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

3.2.8 Description of collateral held

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

(a) Key Collateral Management Policies

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

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

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

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

Where guarantees are used for credit risk mitigation, the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counterparty. Management of secured credits requires periodic inspections of the collateral to ensure its existence and adequacy for the bank's exposure. These inspections include examination of security agreements to determine enforceability of liens, verification of adequate insurance protection, proper legal registration and adequacy of overall safeguards.

When obligations are secured by marketable securities, predetermined maintenance margins are established and the securities are liquidated if the value falls to this limit except if additional and satisfactory security is provided. In all cases, only valuations done at the instance of the Bank can be considered acceptable for the purposes of credit risk mitigation. The Bank ensures that all properties and chattels pledged as collateral are properly and adequately insured with the Bank's interest duly noted as first loss beneficiary. Only insurance policies obtained from an insurance firm in the Bank's pre-approved list of Insurance Companies are acceptable as eligible collateral. The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Notes to the financial statements
for the period ended 31 March 2020

3.2.8 Description of collateral held *continued*

(a) Key Collateral Management Policies *continued*

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

	31 March 2020		31 December 2019	
	Exposure	Collateral Value	Exposure	Collateral Value
	N'million	N'million	N'million	N'million
Secured against real estate	267,297	711,460	215,737	2,010,909
Secured by shares of quoted companies	-	-	20	40
Secured by others	720,116	7,847,313	953,832	25,059,620
Unsecured	231,484	-	8,800	-
Gross loans and advances to customers	**1,218,897**	**8,558,773**	**1,178,389**	**27,070,569**

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. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

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

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

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

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

Short-Term Liquidity

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

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

Notes to the financial statements
for the period ended 31 March 2020

3.3.2 Maturity analysis

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

31 March 2020	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	138,009	-	-	-	408,889	546,898
Due from banks	96,867	8,016	47,606	-	-	152,489
Loans and advances to customers	62,509	89,518	164,271	469,808	882,791	1,668,897
Investment securities:	-	-	-	-	-	
Financial instrument at FVTPL	736	730	34,156	766	5	36,393
Debt instruments at FVOCI	4,491	16,761	127,474	6,535	19,360	174,621
Debt instruments at amortised	-	2,312	39,287	14,254	33,322	89,174
Other Assets	2,740	13,448	11,980	-	-	28,167
Total financial assets	**305,352**	**130,785**	**424,774**	**491,363**	**1,344,366**	**2,696,638**
Financial liabilities						
Customer deposits	211,954	239,312	186,867	354,015	603,613	1,595,761
Other liabilities	74,153	30,936	59,538	148,515	96,347	409,488
Debt issued and other borrowed funds	-	-	-	226,038	15,824	241,862
Total financial liabilities	**286,107**	**270,248**	**246,405**	**728,567**	**715,784**	**2,247,111**
Gap (assets-liabilities)	19,245	(139,464)	178,369	(237,205)	628,582	
Cumulative liquidity gap	19,245	(120,219)	58,150	(179,054)	449,528	
Financial guarantee contracts:						
Performance bonds and guarantees	17,547	24,880	96,577	30,262	33,342	202,608
Letters of credit	-	78,657	76,110	-	-	154,767
	17,547	**103,537**	**172,686**	**30,262**	**33,342**	**357,375**

31 December 2019	Up to 1 month N'million	1-3 Months N'million	3-12 Months N'million	1-5 Years N'million	Over 5years N'million	Total N'million
Cash and balances with Central Bank of Nigeria	110,046	-	-	343,346	-	453,392
Due from banks	101,853	3,647	51,294	-	-	156,794
Loans and advances to customers	135,282	149,074	338,959	419,077	339,078	1,381,469
Investment securities:						-
Financial instrument at FVTPL	1,341	10,193	31,550	1,180	1,874	46,138
Debt instruments at amortised	10,815	4,281	95,605	7,225	20,784	138,710
Debt instruments at FVOCI	22,571	23,450	21,262	17,978	40,394	125,655
Other Assets	1,696	2,096	6,045	7,936	9,770	27,543
Total financial assets	**383,604**	**192,742**	**544,714**	**796,742**	**411,900**	**2,329,702**
Financial liabilities						
Customer deposits	249,853	483,146	514,447	-	-	1,247,446
Other liabilities	50,978	95,957	5,003	12,507	250,139	414,584
Debt issued and other borrowed funds	26,015	11,338	22,675	226,754	-	286,782
Total financial liabilities	**326,846**	**590,441**	**542,125**	**239,260**	**250,139**	**1,948,811**
Gap (assets-liabilities)	56,758	(397,699)	2,589	557,482	161,761	380,890.86
Cumulative liquidity gap	56,758	(340,941)	(338,352)	219,130	380,891	
Financial guarantee contracts:						
Performance bonds and guarantees	10,217	20,767	72,375	57,053	43,723	204,135
Letters of credit	10,389	66,134	57,559	-	-	134,082
	20,606	**86,901**	**129,934**	**57,053**	**43,723**	**338,217**

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

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

Notes to the financial statements
for the period ended 31 March 2020

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.

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

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

(ii) Due from other banks

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

(iii) Treasury bills and bonds

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Bank operates. The fair value of treasury bills are derived from the quoted yields, while the fair value of bonds are determined with reference to quoted prices in active markets for identical assets. For certain securities market prices cannot be readily obtained especially for illiquid Federal Government Bonds, State Government and Corporate Bonds. The positions was marked-to-model at 31 December 2019 and 31 December 2018 based on yields for identical assets. Fair value is determined using discounted cash flow model.

(iv) Equity securities

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

(v) Loans and advances to customers

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

(vi) Overdraft

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

(vii) Other assets

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

(viii) Deposits from banks and due to customers

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

(ix) Other liabilities

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

(x) Debt issued and other borrowed funds

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

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:

3.6 Operational Risk Management *continued*

Operational Risk Framework

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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.

Key Risk Indicators (KRIs)

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

Business Continuity Management (BCM)

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

4 Capital management

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

- **a.** To comply with the capital requirements set by the regulators of the banking markets where the entities within the Bank operate;
- **b.** To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- **c.** To maintain a strong capital base to support the development of its business.

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

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

In 2016, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian Banking System for the implementation of Basel II/III in Nigeria. The capital adequacy ratio for the period ended 31 March 2020 and the comparative period 31 December 2018 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II Accord (Internal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian environment.

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

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

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

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

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

Notes to the financial statements
for the period ended 31 March 2020

6 Interest revenue calculated using the effective interest rate method

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Loans and advances to customers	31,978	27,439	132,554
Advances under finance lease.	362	960	4,153
Treasury bills and other investment securities:			
Fair value through other comprehensive income	5,357	5,726	22,059
Amortised cost.	3,441	3,291	12,011
Placements and short term funds	1,159	1,257	6,217
	42,297	**38,674**	**176,994**

7 Interest expense calculated using the effective interest rate method

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Term deposits	9,920	13,558	60,899
Debts issued and other borrowed funds	5,189	6,379	25,647
Savings deposits	1,824	1,820	8,185
Current accounts	929	1,143	4,550
Inter-bank takings	1,464	-	8
	19,326	**22,900**	**99,289**

8 Credit loss reversal/(expense)

The table below shows the ECL charges on financial instruments recorded in profit or loss for the period ended **31 March 2020:**

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks		180	-	-	-	-	180
Loans and advances to customers	-	(1,853)		(3,692)	7,201	-	1,656
Debt instruments measured at FVOCI	-	168		-	-	-	168
Debt instruments measured at	-			-	-	-	-
amortised costs	-	242		-	-	-	242
Financial guarantees	-	3		-	-	-	3
Letters of credit	-	(145)		-	-	-	(145)
Total impairment reversal	**-**	**(1,405)**	**-**	**(3,692)**	**7,201**	**-**	**2,103**
Other assets *(Note 27)*		-	-	-	-	-	-
	-	**(1,405)**	**-**	**(3,692)**	**7,201**	**-**	**2,103**

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

	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks	-	-	-	-	-	-	-
Loans and advances to customers	-	11,281	(8,667)	(1,931)	-	-	684
Debt instruments measured at FVOCI	-	24	-	-	-	-	24
Debt instruments measured at	-		-	-	-	-	-
amortised costs	-	59	-	-	-	-	59
Financial guarantees	-	0	-	-	-	-	0
Letters of credit	-	269	-	-	-	-	269
Total impairment loss	**-**	**11,633**	**(8,667)**	**(1,931)**	**-**	**-**	**1,035**
Other assets (note 27)							-
	-	**11,633**	**(8,667)**	**(1,931)**	**-**	**-**	**1,035**

Notes to the financial statements
for the period ended 31 March 2020

9 Net fee and commission income

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

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Fee and commission type:			
ATM charges	801	925	4,440
Accounts maintenance charge	735	815	3,295
Commission on travellers cheque and foreign bills	516	772	3,141
Commision on E-banking activities	523	799	2,947
Commission on fidelity connect	300	429	1,529
Other fees and commissions	131	182	870
Commision and fees on banking services	169	197	517
Commision and fees on NXP	179	477	1,101
Collection fees	96	72	334
Telex fees	189	269	1,027
Cheque issue fees	28	44	166
Letters of credit commissions and fees	354	355	1,334
Commissions on off balance sheet transactions	476	327	1,351
Remittance fees	32	52	205
Total revenue from contracts with customers	**4,529**	**5,715**	**22,255**
Other non-contract fee income:			
Credit related fees	1,042	784	3,007
Total fees and commission income	**5,571**	**6,499**	**25,262**
Fee and commission expense	(1,556)	(1,143)	(5,268)
Net fee and commission income	**4,015**	**5,356**	**19,994**

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

A significant modification was carried out on a loan to a customer in December 2019 and the cash flows of the modified assets are substantially different from the contractual cash flows of the original financial assets. Based on this, the cash flows of the original financial assets were deemed to have expired and therefore derecognised and a new financial assets was recognised at fair value. The gross carrying amount of the loan before modification was N29 billion. The financial assets is not deemed to be credit impaired.

11 Other operating income

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Net foreign exchange gains	1449	2,250	3,401
Dividend income (Note 23.3.1)	-	69	1,444
Profit on disposal of property, plant and equipment	15	13	2,510
Other income	198	161	553
	1,662	**2,494**	**7,908**

Notes to the financial statements
for the period ended 31 March 2020

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

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Net gains/(losses) arising from:			
- Bonds	50	35	177
- Treasury bills	(12)	(14)	650
- Placements	-	-	(26)
	38	**21**	**801**

	31 March 2020	31 March 2019	31 Dec 2019
12.1 Interest income on financial assets measured at FVTPL	**1,629**	**757**	**5,350**

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

13 Personnel expenses

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Wages and salaries	5,536	5,232	21,129
End of the year bonus (see note 31.1)	750	-	2,537
Pension contribution	112	115	463
	6,398	**5,347**	**24,129**

14 Depreciation and amortisation

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Property, plant and equipment (Note 24)	798	721	3,112
Intangible asset-computer software (Note 25)	452	272	1,623
Depreciation of right-of-use assets (Note 28)	165	-	686
	1,415	**993**	**5,421**

15 Other operating expenses

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Banking sector resolution cost	2,992	2,191	10,478
Marketing, communication & entertainment	2,659	1,299	10,430
Other expenses	1,492	639	4,858
Deposit insurance premium	1,293	964	4,732
Outsourced cost	1,123	1,048	4,333
Repairs and maintenance	789	855	3,383
Computer expenses	920	908	3,301
Consultancy expenses	165	286	1,960
Cash movement expenses	239	291	1,170
Security expenses	335	129	1,149
Travelling and accommodation	335	350	1,130
Legal expenses	52	206	726
Office expenses	170	117	617
Corporate finance expenses	164	133	601
Training expenses	61	98	538
Bank charges	83	117	490
Electricity	110	115	472
Directors' emoluments	175	104	443
Insurance expenses	191	112	387
Rent and rates	40	221	370
Stationery expenses	69	71	306
Auditors' remuneration	50	50	200
Donations	251	-	165
Postage and courier expenses	31	27	108
Telephone expenses	26	22	95
	13,815	**10,352**	**52,442**

Notes to the financial statements
for the period ended 31 March 2020

17 Net reclassification adjustments for realised net gains

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

18 Earnings per share (EPS)

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

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Profit attributable to equity holders of the Bank	5,859	5,939	28,425
Weighted average number of ordinary shares in issue (million unit)	28,963	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**20**	**21**	**98**

Notes to the financial statements
for the period ended 31 March 2020

19 Cash and balances with central bank

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Cash	35,735	32,271	31,658
Balances with central bank other than mandatory reserve deposits	47,711	92,758	78,388
Included in cash and cash equivalents (note 20)	**83,446**	**125,029**	**110,046**
Mandatory reserve deposits with central bank (see note 19.1 below)	408,889	227,782	304,618
Special cash reserve (see note 19.2 below)	54,563	30,228	38,728
	546,898	**383,039**	**453,392**

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

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

20 Cash and cash equivalents

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

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Cash and balances with central bank (Note 19)	83,446	125,029	110,046
Due from banks	152,000	142,682	149,869
Total cash and cash equivalents	**235,446**	**267,710**	**259,915**

21 Due from banks	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Current accounts with foreign banks	94,867	101,542	101,853
Placements with other banks and discount houses	57,622	41,946	48,325
Sub-total	####### #######	####### #####	####### ####
Less: Allowance for impairment losses	(489)	(806)	(309)
	152,000	**142,682**	**149,869**

Impairment allowance for due from banks

The table below shows the credit quality and the maximum exposure to credit risk based on the external credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the external rating system are explained in Note 3.2.2 and policies about whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

		31 March 2020		
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	97,457	-	-	97,457
Standard grade	55,032	-	-	55,032
Total	**152,489**	**-**	**-**	**152,489**

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

		31 March 2020		
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	150,178			150,178
New assets originated or purchased	4,560			4,560
Assets derecognised or repaid (excluding write offs)	(5,890)			(5,890)
Accrued interest	650			650
Foreign exchange adjustments	2,991			2,991
At 31 March 2020	**152,489**	**-**	**-**	**152,489**

21 Due from banks *continued*

	31 March 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	309			309
New assets originated or purchased	295			295
Unwind of discount	5			5
Assets derecognised or repaid (excluding write offs)	(121)			(121)
Foreign exchange adjustments	1			1
At 31 March 2020	**489**	**-**	**-**	**489**

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

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

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 2020 and at 31 December 2019.

22 Loans and advances to customers

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Loans to corporate and other organisations	1,168,522	803,555	1,125,000
Loans to individuals	50,375	220,678	53,389
	1,218,897	1,024,233	1,178,389
Less: Allowance for ECL/impairment losses	(53,071)	(57,979)	(51,415)
	1,165,826	**966,254**	**1,126,974**

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Loans to corporate entities and other organisations			
Overdrafts	136,803	29,236	126,472
Term loans	997,707	759,229	953,489
Advances under finance lease	34,012	15,089	45,039
	1,168,522	**803,555**	**1,125,000**
Less: Allowance for ECL/impairment losses	(51,553)	(38,610)	(47,793)
	1,116,969	**764,944**	**1,077,207**
Loans to individuals			
Overdrafts	5,241	79,006	8,696
Term loans	41,546	138,477	44,145
Advances under finance lease	3,588	3,195	548
	50,375	**220,678**	**53,389**
Less: Allowance for ECL/impairment losses	(1,518)	(19,369)	(3,622)
	48,857	**201,310**	**49,767**
Net loans and advances	**1,165,826**	**966,254**	**1,126,974**

Notes to the financial statements
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22.1 Impairment allowance for loans and advances to customers

22.1.1 Corporate and other organisations

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 March 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	74,464	1,473	-	75,937
Standard grade (BBB-B)	637,465	140,839	-	778,303
Sub-standard grade (CCC-C)	119,648	139,310	-	258,958
Non-performing	-	-		
Individually impaired	-	-	55,325	55,325
Total	**831,576**	**281,622**	**55,325**	**1,168,522**

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

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

	31 March 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2020	832,431	256,575	35,994	1,125,000
New assets originated or purchased	243,249	-	-	243,249
Assets derecognised or repaid (excluding write offs)	(182,429)	(17,276)	(3,006)	(202,711)
Transfers to Stage 1	31,593	(31,593)	-	-
Transfers to Stage 2	(89,622)	89,774	(152)	(0.20)
Transfers to Stage 3	-	(21,274)	21,274	-
Accrued interest	(2,300)	3,539	-	1,239
Foreign exchange adjustments	(1,347)	1,877	1,215	1,745
At 31 March 2020	**831,576**	**281,622**	**55,325**	**1,168,522**

	31 March 2020			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2020	5,654	19,188	22,951	47,793
New assets originated or purchased	1,309	-	-	1,309
Assets derecognised or repaid (excluding write offs)	(20)	(51)	(841)	(912)
Transfers to Stage 1	7	(7)	-	-
Transfers to Stage 2	(4,566)	4,567	(1)	(0)
Transfers to Stage 3	-	(1,906)	1,906	-
Impact on year end ECL of exposures transferred between stages during	2,603	(6,816)	5,346	1,134
the year	-	-	-	-
Foreign exchange adjustments	980	520	730	2,230
At 31 March 2020	**5,967**	**15,494**	**30,092**	**51,553**

Notes to the financial statements
for the period ended 31 March 2020

22.1.1 Corporate and other organisations *continued*

	31 December 2019			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2018	539,962	169,408	33,937	743,307
New assets originated or purchased	562,980	-	-	562,980
Assets derecognised or repaid (excluding write offs)	(164,848)	(39,386)	(17,510)	(221,744)
Transfers to Stage 1	67,838	(67,838)	-	-
Transfers to Stage 2	(198,054)	204,740	(6,686)	-
Transfers to Stage 3	-	(19,449)	19,449	-
Accrued interest	22,653	8,550	6,761	37,964
Foreign exchange adjustments	1,900	550	43	2,493
At 31 December 2019	**832,431**	**256,575**	**35,994**	**1,125,000**

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

22.1.2 Loans to individuals

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and yearend stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 3.2.2 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Note 3.2.4.

	31 March 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Internal grading				
Performing				
High grade (AAA-A)	-	-	-	-
Standard grade (BBB-B)	1,129	30	-	1,159
Sub-standard grade (CCC-C)	46,235	188	-	46,424
Past due but not impaired(C)	-	-	-	-
Non-performing				
Individually impaired	-	-	2,792	2,792
Total	**47,365**	**218**	**2,792**	**50,375**

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

Notes to the financial statements
for the period ended 31 March 2020

22.1.2 Loans to individuals *continued*

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

	31 March 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2020	50,726	24	2,639	53,389
New assets originated or purchased	9,620	-	-	9,620
Assets derecognised or repaid (excluding write offs)	(11,891)	(4)	(42)	(11,937)
Transfers to Stage 1	73	(73)	-	-
Transfers to Stage 2	(562)	630	(68)	-
Transfers to Stage 3	-	(380)	380	-
Accrued interest	(1,346)	21	(320)	(1,644)
Foreign exchange adjustments	746	1	202	948
At 31 March 2020	**47,365**	**218**	**2,792**	**50,375**

	31 March 2020			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2020	3,062	-	560	3,622
New assets originated or purchased	443	-	-	443
Assets derecognised or repaid (excluding write offs)	(2,741)	(0)	(9)	(2,750)
Transfers to Stage 1	0	(0)	-	-
Transfers to Stage 2	(49)	49	(0)	(0)
Transfers to Stage 3	-	(52)	52	-
Impact on period end ECL of exposures transferred between stages	-	-	-	-
during the period	(69)	5	(3)	(67)
Foreign exchange adjustments	250		20	270
At 31 March 2020	**896**	**2**	**620**	**1,518**

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

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

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22.2 Advances under finance lease may be analysed as follows:

	31 March 2020	31 March 2019	31 Dec 2019
	N'million	N'million	N'million
Gross investment			
- No later than 1 year	3,964	2,810	1,809
- Later than 1 year and no later than 5 years	31,696	15,420	43,549
- Later than 5 years	1,941	55	227
	37,600	18,284	45,585
Unearned future finance income on finance leases	(4,600)	(3,195)	(546)
Net investment	**33,000**	**15,089**	**45,039**
The net investment may be analysed as follows:			
No later than 1 year	3,479	2,252	1,775
Later than 1 year and no later than 5 years	27,818	12,837	43,062
Later than 5 years	1,703	-	201
	33,000	**15,089**	**45,039**

22.3 Nature of security in respect of loans and advances:

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Secured against real estate	267,297	117,432	210,888
Secured by shares of quoted companies	-	-	20
Secured others	682,590	856,563	913,115
Advances under finance lease	37,527	18,284	45,567
Unsecured	231,484	31,953	8,800
Gross loans and advances to customers	**1,218,897**	**1,024,233**	**1,178,389**

23 Investments

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
23.1 Financial assets at fair value through profit and loss (FVTPL)			
Held for trading:			
Federal Government bonds	5	609	1,875
Treasury bills	36,388	21,028	36,176
Placements	-	-	7,487
Total financial assets measured at FVTPL	**36,393**	**21,637**	**45,538**

23.2 Debt instruments at fair value through other comprehensive income (FVOCI)	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Treasury bills	135,449	135,241	98,939
Federal government bonds	17,994	14,408	18,147
State government bonds	6,509	5,940	4,353
Corporate bonds	14,669	-	13,407
Total debt instruments measured at FVOCI	**174,621**	**155,589**	**134,846**

An expected credit loss of **N651M** (31 Dec 2019: N504M) has been recognised on debt instrument measured at FVTOCI, the allowance has been credited to other comprehensive income for the year

23.3 Equity instruments at fair value through other comprehensive income (FVOCI)	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Unquoted equity investments:			
- Unified Payment Services Limited (UPSL)	8,776	1,969	8,776
- African Finance Corporation (AFC)	2,223	2,377	2,223
- The Central Securities Clearing System (CSCS)	1,840	1,682	1,840
- Nigerian Inter Bank Settlement System (NIBBS)	1,697	1,475	1,697
- Mobile Telecommunications Network (MTN)	-	2,474	-
Total equity instruments at FVOCI	**14,536**	**9,977**	**14,536**

23.4 Debt instruments at amortised cost	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Treasury bills	38,505	26,001	48,248
Federal government bonds	49,926	73,586	69,378
State government bonds	743	1,806	1,097
Corporate bonds	-	3,937	-
Sub-total	**89,174**	**105,329**	**118,723**
Allowance for impairment	(396)	(268)	(154)
Total debt instruments measured at amortised cost	**88,778**	**105,061**	**118,569**

23.5 Pledged assets

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

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

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Treasury bills - Amortised cost	31,784	23,484	26,051
Corporate Bonds - Amortised cost	-	3,855	-
Federal Government bonds - Amortised cost	37,349	55,258	51,499
Federal Government bonds - FVOCI	-	-	-

25 Intangible assets - Computer software

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Cost			
Balance at beginning of year	5,846	4,188	4,188
Additions	862	299	2,183
Disposal during the year	-	-	(525)
Balance	**6,708**	**4,487**	**5,846**
Accumulated amortization			
Balance at beginning of year	**4,210**	**3,112**	**3,112**
Amortisation for the year	452	121	1,623
Disposal during the year	-	-	(525)
Balance	**4,662**	**3,233**	**4,210**
Carrying amount	**2,046**	**1,254**	**1,636**

These relate to purchased software.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was **N452M** for the period ended 31 March 2020 (2018:N121M).

26 Deferred taxation

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

Deferred taxes are calculated on all temporary differences under the liability method using a statutory tax rate of *30% or 32%* as applicable *(2018: 30% or 32%).*

27 Other assets

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Financial assets			
Sundry receivables	23,907	32,308	24,163
Others	557	2,547	888
Investments in SMESIS	2,575	1,430	2,575
Shared Agent Network Expansion Facility (SANEF)	50	-	50
	27,089	**36,285**	**27,676**
Less:			
Specific allowances for impairment	(2,547)	(2,219)	(1,927)
	24,542	**34,066**	**25,749**
Non financial assets			
Prepayments	5,032	14,096	2,422
Other non financial assets	(3,937)	491	585
	1,095	14,587	3,007
Total	**25,637**	**48,652**	**28,756**

Reconciliation of allowance for impairment

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
At beginning of the year	-	-	2,219
(Reversal)/charge for the year	2,547	2,219	(292)
At end of the year	**2,547**	**2,219**	**1,927**

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28 Right-of-use assets

Building

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Cost			
Opening balance	2,215	-	-
Effect of adoption of IFRS 16	-	-	1,721
Additions	259	-	494
	2,474	**-**	**2,215**
Accumulated depreciation			
Balance at beginning of year	(686)	-	-
Depreciation for the year	(165)	-	(686)
Balance	**(851)**	**-**	**(686)**
Carrying amount	**1,623**	**-**	**1,529**

29 Deposits from customers

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Demand	440,133	374,819	430,107
Savings	312,109	242,080	275,219
Term	286,922	196,474	247,564
Domicilliary	294,654	195,167	261,503
Others	18,444	8,458	10,820
	1,352,262	**1,016,999**	**1,225,213**
Current	1,352,262	1,016,999	1,225,213
Non-current	-	-	-
	1,352,262	**1,016,999**	**1,225,213**

30 Other liabilities

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Customer deposits for letters of credit	61,188	56,081	50,978
Accounts payable	77,795	73,360	82,170
Manager's cheque	3,829	7,156	3,484
FGN Intervention fund (see note 30.1)	252,174	221,533	250,139
Payable on E-banking transactions	8,328	13,789	8,642
Other liabilites/credit balances	82	6,674	1,661
	403,396	**378,593**	**397,074**

30.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N89.782 billion** (31 Dec 2019: N92.07 billion) This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state's monthly statutory allocation.

30.2 The amount N62.374bn being BOI Backed funds was reclassified from Customer deposits for letters of credit to FGN Intervention fund in March 2019

31 Provisions

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Provisions for year end bonus (see note 31.1)	3,330	2,500	2,580
Provisions for litigations and claims (see note 31.1)	623	-	623
Provision for guarantees and letters of credit (see note 31.3)	592	-	592
	4,545	**2,500**	**3,795**

		31 March 2020	31 March 2019	31 Dec 2019
31.2	Current provisions	3,330	2,500	3,172
	Non-current provisions	-	-	623
		3,330	**2,500**	**3,795**

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32 Debts issued and other borrowed funds

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Long term loan from Proparco Paris (see note 32.1)	4,289	6,554	3,979
Long term loan from African Development Bank (ADB) (see note 32.2)	21,622	10,814	22,630
European Investment Bank Luxembourg (see note 32.3)	3,774	4,450	3,465
$400 Million Euro Bond issued (see note 32.5)	160,178	147,444	145,141
Local Bond issued (see note 32.6)	31,206	31,293	30,137
Repurchase transaction with Renaissance Capital (see note 32.7)	20,794	23,403	23,650
Afrexim (see note 32.4)	-	26,955	22,584
Loan from Mashreq Bank (see note 32.8)	-	19,643	-
	241,862	**270,556**	**251,586**

Reconciliation of debt issued and other borrowed funds:	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
At 1 January	251,586	240,767	240,767
Additions during the year	20,004	32,035	64,336
Accrued interest (Note 7)	16,724	9,467	5,067
Payment during the year	(48,239)	(9,373)	(55,842)
Foreign exchange difference	1,787	(2,340)	(2,742)
At the end of the year	**241,862**	**270,556**	**251,586**

32.1 The amount of **N4.289 billion** (31 Dec 2019: N3.979 billion) represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semiannually. The borrowing is an unsecured borrowing.

32.2 The amount of **N21.622 billion** (31 Dec 2019: N22.630 billion) represents the amortised cost balance in two different on-lending facility granted to be bank by ADB. The first is a $75million facility granted 6 October 2014 while the second is a $40million facility granted on 7 May 2019. The $75million facility was disbursed in two tranches. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021. The $40million facility was disbursed on 27 April 2019 and matures on 27 July 2021. Both facilities are at the interest rate of Libor plus 4.75% (for the $75million facility) and 4.5% (for the $40million facility) per annum. Interest is repaid semi-annually, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.3 The amount of **N3.774 billion** (31 Dec 2019: N3.465 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

32.4 The amount of **Nil billion**, (31 Dec 2019: N22.584) represents amortised cost balance of $75 million borrowing from AFREXIM due to mature in March 2022. Repayment is semi-annual and the interest rate is six months LIBOR plus 5.75%.

32.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) is used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend, Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of **N160.178 billion** (31 Dec 2019 : N145.141 billion)) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

32.6 The amount of **N31.206 billion** (31 Dec 2019: N30.137 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

32.7 The amount of **N20.794billion**, (31 Dec 2019: N23.650 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, at an interest rate of Libor plus 3% per annum.

32.8 The amount of Nil billion (31 Dec 2019: Nil billion) represents the amortised cost balance on the Syndicated Trade Finance Facility of $55 million granted to the Bank by Mashreq Bank on the 3rd of August 2018 for a tenor of 12 months, at an interest rate of Libor plus 3.90% per annum. Interest is paid quarterly with principal repayment on maturity or as agreed by the parties to the contract.

33 Share capital

	31 March 2020	31 March 2019	31 Dec 2019
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.

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34 Other equity accounts

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

Share premium

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

Retained earnings

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

Statutory reserve

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

Small scale investment reserve

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

Non-distributable regulatory risk reserve

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

Fair value reserve

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognised or impaired.

AGSMEIS reserve

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

35 **Cash flows from operations**

	31 March 2020 N'million	31 March 2019 N'million	31 Dec 2019 N'million
Profit before income tax	6,583	6,674	30,353
Adjustments for:	-	-	-
– Depreciation and amortisation	1,415	993	5,421
– Profit from disposal of property and equipment (Note 11)	(15)	-	(2,510)
– Net foreign exchange gains	(1,449)	(90)	(3,401)
– Net (gains)/losses from financial assets at fair value through profit or loss	(38)	777	(801)
– Impairment (reversal)/charge on financial assets	2,103	684	(5,584)
– Impairment charge on other assets	-	351	292
– Increase in provisions	2,045	-	452
– Net losses on derecognition of financial assets measured at amortised cost	-	-	4,705
– Dividend income	-	-	(1,445)
– Gain on debt instruments measured at FVOCI reclassified from equity	-	-	2,261
– Net interest income	(24,600)	(16,530)	(83,055)
	(13,955)	**(7,141)**	**(53,312)**
Changes in operating assets			
– Cash and balances with the Central Bank (restricted cash)	(104,271)	23,908	(93,732)
– Loans and advances to customers	(38,852)	(63,777)	(270,484)
– Financial assets held for trading	9,145	-	(30,685)
– Other assets	4,181	(13,528)	6,076
Changes in operating liabilities			
– Deposits from customers	127,049	37,586	245,800
– Other liabilities	6,322	86,882	96,739
Cash flows (used in)/from operations	**(10,382)**	**63,930**	**(99,598)**

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36 **Contingent liabilities and commitments**

36.1 **Capital commitments**

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

36.2 **Confirmed credits and other obligations on behalf of customers**

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

36.3 **Litigation**

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N7.74billion billion as at 31 March 2020 (31 Dec 2019: N7.74 billion). Based on the advice of the Bank's legal team and the case facts, the management of the Bank estimates a potential loss of N623million (31 Dec 2019: N623 million) upon conclusion of the cases. A provision for the potential loss is shown in Note 31.