FIDELITY BANK PLC
LAGOS, NIGERIA
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

FIDELITY BANK PLC
Table of contents
for the year ended 31 December 2016

FIDELITY BANK PLC

Directors' Report

For the year ended 31 December 2016

The Directors are pleased to submit their report on the affairs of Fidelity Bank Plc ("the Bank''), together with the financial statements and joint auditors' report for the year ended 31 December 2016.

	2016	2015
1 RESULTS	N'million	N'million
Profit before income tax	11,061	14,024
Income tax expense	(1,327)	(120)
Profit after income tax	9,734	13,904
Earnings per share		
Basic and diluted (in kobo)	34	48

PROPOSED DIVIDEND

In respect of the 2016 financial year, the Board of Directors recommend a dividend of 14 kobo per Ordinary Share of 50 kobo each amounting to N4.05 billion for approval at the Annual General Meeting. If approved, dividend will be paid to Shareholders whose names appear on the Register of Members. The proposed dividend is subject to Withholding Tax at the appropriate tax rate, which will be deducted before payment.

2 LEGAL FORM

The Bank was incorporated on 19 November 1987 as a private limited liability company and domiciled in Nigeria. It obtained a merchant banking license on 31 December 1987 and commenced banking operations on 3 June 1988. The Bank converted to a commercial bank on 16 July 1999 and registered as a public limited company on 10 August 1999. The Bank obtained its universal banking license on 6 February 2001. The Bank's shares have been listed on the floor of the Nigerian Stock Exchange since 17 May 2005.

3 PRINCIPAL BUSINESS ACTIVITIES

The principal activity of the Bank continues to be the provision of banking and other financial services to corporate and individual customers from its Headquarters in Lagos and 212 business offices. These services include retail banking, granting of loans and advances, equipment leasing, collection of deposit and money market activities

Further to the Central Bank of Nigeria Guidelines on Regulation on the Scope of Banking Activities and Ancillary Matters No. 3 of 2010 which repealed the Universal Banking Model, the Bank has applied to the Central Bank for a Commercial Banking License on an international basis.

4 BENEFICIAL OWNERSHIP

The Bank's shares are held largely by Nigerian Citizens and Corporations.

5 SHARE CAPITAL

The range of shareholding as at 31 December 2016 is as follows:

Range		No. of Holders	Holders%	Holders Cum	Units	Units %
1 -	1,000	94,404	23.30%	94,404	79,949,684	0.28%
1,001 -	5,000	173,111	42.72%	267,515	477,220,601	1.65%
5,001 -	10,000	53,215	13.13%	320,730	437,375,986	1.51%
10,001 -	50,000	60,579	14.95%	381,309	1,450,490,728	5.01%
50,001 -	100,000	11,257	2.78%	392,566	888,964,218	3.07%
100,001 -	500,000	9,764	2.41%	402,330	2,124,403,137	7.33%
500,001 -	1,000,000	1,394	0.34%	403,724	1,033,549,043	3.57%
1,000,001 -	5,000,000	1,062	0.26%	404,786	2,251,246,865	7.77%
5,000,001 -	10,000,001	171	0.04%	404,957	1,272,605,690	4.39%
10,000,001 -	50,000,001	184	0.05%	405,141	3,534,087,792	12.20%
50,000,001 -	100,000,000	24	0.01%	405,165	1,723,691,520	5.95%
100,000,001 -	28,962,585,692	56	0.01%	405,221	13,689,000,428	47.26%
GRAND TOTAL		405,221	100%		28,962,585,692	100%

The share holding range above was the same as 2015.

Substantial interest in shares

The Bank's shares are widely held and according to the Register of Members, no single Shareholder held up to 5% of the issued share capital of the Bank during the year except Stanbic Nominees Limited which held 938, 842,330 representing 3.2% of the Bank's share capital). Stanbic Nominees held the shares in its trading accounts as Custodian for multiple investors. Beneficial ownership of the shares resides with the said investors, not Stanbic Nominees.

6 DIRECTORS AND THEIR INTEREST

Changes to the Board
Since the last Annual General Meeting, the following changes have taken place on the Board:

(i) The under-listed Executive Directors, having attained retirement age in accordance with the Bank's Human Capital Policy retired from the Board of Directors of the Bank:

(a) Chief Christopher Ezeh MFR- retired with effect from October 10, 2016;

(b) Mr. Kayode Olowoniyi retired with effect from December 31, 2016;

(c) Ichie Nnaeto Orazulike retired with effect from December 31, 2016.

(d) Mallam Umar Yahaya retired with effect from December 31, 2016

(ii) The under-listed Non- Executive Directors were appointed to the Board:

(a) Mr. Seni Adetu. His appointment was approved by the Central Bank of Nigeria on April 28, 2016 and is being presented for Shareholders' approval at the 29th Annual General Meeting.

(b) Mr. Ernest Ebi. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and is being presented for Shareholders' approval at the 29th Annual General Meeting.

(c) Chief Charles Umolu. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and is being presented for Shareholders' approval at the 29th Annual General Meeting.

(d) Pastor Kings Akuma. His appointment was approved by the Central Bank of Nigeria on November 25, 2016 and is being presented for Shareholders' approval at the 29th Annual General Meeting.

These Directors will be presented to Shareholders for approval at the 29th Annual General Meeting.

Retirement by rotation

In accordance with Article 95(1)(a) of the Articles of Association of the Bank which requires one-third (or the number closest to one-third), of the Non-Executive Directors to retire by rotation at each Annual General Meeting, the Directors retiring by rotation are Mr. Michael Okeke and Mr. Alex Ojukwu. Being eligible, they offer themselves for re-election.

A detailed profile of all the Directors, including the Directors to be presented for election/re-election is in the Annual Report.

Directors' shareholding:

The Directors who held office during the year together with their interests in the issued share capital of the Bank as recorded in the Register of Directors' Shareholding and as notified by the Directors for the purpose of Sections 275 and 276 of the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004 (CAMA) and the listing requirements of the Nigerian Stock Exchange are as detailed below:

FIDELITY BANK PLC
Directors' Report- continued
For the year ended 31 December 2016

		31 Dec 2016				31 Dec 2015
NAME OF DIRECTOR	**DIRECT**	**INDIRECT**	**TOTAL**	**DIRECT**	**INDIRECT**	**TOTAL**
Mr. Ernest Ebi, MFR, FCIB#	1,185,000	nil	1,185,000	1,185,000	nil	1,185,000
Chief Christopher I. Ezeh, MFR*	53,812,533	99,986,005	153,798,538	53,812,533	99,986,005	153,798,538
Mallam Umar Yahaya**	1,689,572	nil	1,689,572	1,689,572	nil	1,689,572
Ichie (Dr.) Nnaeto Orazulike**	2,065,300	1,665,300	3,730,600	2,065,300	1,665,300	3,730,600
Mr. Kayode Olowoniyi**	5,942,000	NIL	5,942,000	5,942,000	NIL	5,942,000
Alhaji Bashari Gumel	NIL	NIL	NIL	NIL	NIL	NIL
Mr. Robert Nnana-Kalu	1,000,000	NIL	1,000,000	1,000,000	NIL	1,000,000
Mr. Alex Ojukwu	NIL	NIL	NIL	NIL	NIL	NIL
Mr. Michael Okeke	NIL	NIL	NIL	NIL	NIL	NIL
Mr. Nnamdi Okonkwo	101,000,000	NIL	101,000,000	101,000,000	NIL	101,000,000
Mrs. Chijioke Ugochukwu	70,645,080	NIL	70,645,080	70,645,080	NIL	70,645,080
Mr. Mohammed Balarabe	67,079,246	NIL	67,079,246	67,079,246	NIL	67,079,246
Mrs. Aku Odinkemelu	44,958,500	NIL	44,958,500	44,958,500	NIL	44,958,500
Mr. Adeyeye Adepegba	12,806,000	NIL	12,806,000	12,806,000	NIL	12,806,000
Onyeali-Ikpe Nneka Chinwe	52,456,000	NIL	52,456,000	52,456,000	NIL	52,456,000
Pastor Akuma King#	27,700	NIL	27,700	27,700	NIL	27,700
Mr. Charles Umolu#	NIL	NIL	NIL	NIL	NIL	NIL
Mr. Seni Adetu##	NIL	NIL	NIL	NIL	NIL	NIL

* Retired effective October 10, 2016

** Retired on December 31, 2016

\# Appointed October 20, 2016 and approved by the Central Bank of Nigeria on November 25, 2016

\#\# Appointed March 17, 2016 and approved by the Central Bank of Nigeria on April 28, 2016

i Chief (Dr) Christopher I. Ezeh has indirect shareholding amounting to 99,986,005 through Crane Nigeria Limited 2015 (99,986,005 shares)

ii Ichie (Dr) Nnaeto Orazulike has indirect shareholding amounting to 1,665,300 shares through Genesis Foods Limited 2015 (1,665,300 shares)

Directors interest in Contracts:

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

Related Director	Interest in entity	Name of entity	Services to the Bank
Chief Christopher I. Ezeh	Director	John Holt Plc	Supply and maintenance of generators
Ichie (Dr.) Nnaeto Orazulike	Director	Genesis Foods Limited/ Genesis Deluxe Cinemas Limited	Catering Services/ Loyalty Schemes/Co-Location of ATMs
Mr. Alex Ojukwu	Director	Damos Practice Limited	Debt recovery

Disclosure on Directors' Remuneration

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

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

a. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximizing shareholders' return;
b. Enable the Bank attract and retain Directors with integrity, ability, experience and skills to deliver the Bank's strategy;
c. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability;
d. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management;
e. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

FIDELITY BANK PLC
Directors' Report- continued
For the year ended 31 December 2016

Remuneration Structure:
The Bank has a formal Board Remuneration Policy which is consistent with its size and scope of operations and is designed to address the compensation of both Executive Directors and Non-Executive Directors. The Policy aims to achieve amongst other things, the following:
a. Motivate the Directors to promote the right balance between short and long term growth objectives of the Bank while maximizing shareholders' return.
b. Enable the Bank attract and retain Directors with integrity, ability, experience and skills to deliver the Bank's strategy;
c. Promote compliance with global regulatory trends and governance requirements, with emphasis on long-term sustainability;
d. Align individual rewards with the Bank's performance, the interests of shareholders, and a prudent approach to risk management;
e. Ensure that remuneration arrangements are equitable, transparent, well communicated, easily understood, aligned with the interest of shareholders and adequately disclosed.

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

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

Executive compensation is therefore tied to specific deliverables and includes fixed and variable pay components. Fixed pay includes basic salary, transport, housing and other allowances.
These are paid monthly, quarterly or annually as appropriate. Variable pay represents pay at risk and is dependent on achievement of pre-set targets.

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

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

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

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

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

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

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

Table 2: Key elements of Non-Executive Directors' remuneration arrangements:

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

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

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

7 EVENTS AFTER REPORTING PERIOD

There are no significant events after reporting period which could have had a material effect on the financial position of the Bank as at 31 December 2016 and on the profit and other comprehensive income for the year then ended, which have not been adequately provided for or disclosed.

8 PROPERTY AND EQUIPMENT

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

9 DONATIONS AND CHARITABLE CONTRIBUTIONS

Donations and gifts to charitable organizations during the year amounted to N65,578,432 (2015: N92,841,027). There were no donations to political organizations during the year. The beneficiaries are:

	₦
Youth Empowerment Programme At Waziri Umaru Federal Polytechnic Birnin-Kebbi, Kebbi S	15,000,000
Renovation & Furnishing Of Blocks Of Classrooms At Police Children School Obalende, Lagos	8,800,000
Rebranding Of The Tennis Section Of Apapa Tennis Club, Apapa, Lagos	5,220,000
Renovation Of The Kwalli VVF Centre, Kano	4,739,342
Renovation Of Students Hostels & Donation Of School Materials At Edo State IDP Camp	3,000,000
Renovation Of Shagari Health Care Centre Gusau	2,513,116
Renovation And Furnishing Of The Children's Ward, Regina Caeli Hospital	2,371,554
Living Fountain Orphanage, Lagos	2,000,000
History/Economic Centre, Umar Suleiman College Of Education, Gashua.Yobe State	1,111,420
Furnished/Equipment Vocational Centre, Etiosa Community Secondary School, Lagos	728,000
The Poorest Of The Poor's Annawim Home, Abuja	700,000
The Chosen Child Orphanage And Child Centre	570,000
The Captain's Day Golf Tournament Ikoyi Club 1938, Lagos	1,000,000
Ebbecly Cancer Care, Lagos	500,000
God's Love Tabitha Royal Foundation, Abuja	330,000
Modupe Cole Memorial Home, Lagos	300,000
The Missionaries Of Charity's Treasure Of Love Home	255,000
The Poorest Of The Poor's Annawim Home, Abuja	240,000
The Down Syndrome Foundation Nigeria, Lagos	200,000
The Vigilant Heart Charitable Society	200,000
Lady's Captain Cup, Abuja	2,000,000
Medical Outreach @ (Nyak Ajikamai) Shendam Lga, Plateau State.	1,000,000
The Sera's 2016 (10Th Anniversary Edition) Csr Awards	2,000,000
The 2016 Zik Prize	500,000
Access Women Network'S Walk-A-Thon	300,000
Centre For Social Awareness, Advocacy And Ethics Inc., Owerri	500,000
2016 World Mental Health Day Symposium	500,000
Youth Empowerment Programme: UNN, Nsukka, Enugu State	7,500,000
Payment Of Medical Bills For Indigent Patients In Jos	600,000
Dee Medical Centre	900,000
	65,578,432

10 EMPLOYMENT & EMPLOYEES

Gender Analysis as at December 31, 2016

Fidelity Bank is an equal opportunity employer and is committed to promoting gender diversity in the work place. The Bank recognizes that women have different skill sets, viewpoints, ideas and insights which will enable the Bank serve a diverse customer base more effectively.

GENDER ANALYSIS OF TOTAL STAFF AS AT DECEMBER 31, 2016

GENDER	NUUMBER	PERCENTAGE OF TOTAL STAFF
FEMALE	1,443	43%
MALE	1,915	57%
TOTAL	**3,358**	**100%**

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

GENDER ANALYSIS OF EXECUTIVE MANAGEMENT AS AT DECEMBER 31, 2016		
GENDER	**NUMBER**	**PERCENTAGE**
FEMALE	3	50%
MALE	3	50%
TOTAL	**6**	**100%**

GENDER ANALYSIS OF TOP MANAGEMENT (AGM-GM) AS AT 31/12/2016			
GRADE	**FEMALE**	**MALE**	**TOTAL**
General Manager	0	9	9
Deputy General Manager	1	9	10
Assistant General Manager	7	15	22
TOTAL	**8**	**33**	**41**
Percentage	**20%**	**80%**	**100%**

GENDER ANALYSIS OF THE BOARD OF DIRECTORS AS AT 31/12/2016			
GRADE	**FEMALE**	**MALE**	**TOTAL**
Executive Director	3	1	4
Deputy Managing Director	0	1	1
Managing Director	0	1	1
Non Executive Director	0	8	8
TOTAL	**3**	**11**	**14**
Percentage	**21%**	**79%**	**100%**

Employment of disabled persons

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

Health, Safety and Welfare of Employees

The health, safety and wellbeing of all employees both in and outside the workplace places is top of the priorities of Fidelity Bank. The Bank also has not relented but continues to make significant investments along these lines.

Fidelity Bank's employees are provided with comprehensive healthcare coverage through a health management scheme with over 500 hospitals across the country. The scheme covers each staff, his/her spouse and four biological children.

The Bank also has an International Health Insurance Scheme which provides staff with a personal health insurance plan and emergency medical evacuation support.

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

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

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

The foregoing was particularly emphasized during the review period when the Bank held some awareness sessions on the lassa fever epidemic and educated its employees, customers, vendors and other stakeholders extensively in order to check the spread of the disease.

Through regular medical updates from the in-house Medical Doctor, emails, text messages and periodic "Health Awareness" presentations staff members are frequently educated on how to take personal responsibility for their health by consciously making better lifestyle choices.

All staff of Fidelity Bank are insured under the Group Life Insurance Scheme. The scheme caters for staff members that die while in the service of the Bank. Entitlements are processed, received and given to the deceased staff next of kin as stated in the personnel's records.

Fidelity Bank is also actively involved in the Nigerian Bankers Games (NBG). This is the biggest and most glamorous sporting event in Corporate Nigeria and the Bank positively dazzled as it topped the medals table in the 2015 edition of the tournament, winning a total of Twenty Two (22) medals (11 - Gold; 3 – Silver; and 8 – Bronze) including winning the football trophy in 2016 back to back, having won it in 2015. Winning the 2016 football trophy at the Bankers Games also qualified the Bank to participate in the Remitta Champions Cup in which only the champions in the various corporate games (Insurance, Telecom, Bankers' Games) participate. This will hopefully take place in April 2017 and Team Fidelity hopes to clinch this trophy, to cap the Bank's scintillating achievements in corporate sports in the country.

Employee involvement and training

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

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

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

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

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

The Bank currently has Nine modern learning centres in Lagos, Ibadan, Benin, Port-Harcourt, Owerri, Awka, Enugu, Abuja and Kano with robust plans to build a similar centre in the North East location of Bauchi. A total of 4,028 staff members participated in various training programs in 2016.

11 AUDITORS

The Joint Auditors, Messrs. Ernst & Young and Messrs. PKF Professional Services' have indicated their willingness to continue in office as the Bank’s auditors in accordance with section 357 (2) of the Companies and Allied Matters Act, CAP C20 LAw of the Federal Republic of Nigeria (LFN) 2004. A resolution would be proposed at the Annual General Meeting to authorize the Directors to determine their remuneration.

Ezinwa Unuigboje
Company Secretary
FRC/2015/NBA/00000006957
2 Fidelity Close
Off Kofo Abayomi Street
Victoria Island
Lagos
Date: 29 March 2017

FIDELITY BANK PLC

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

FOR THE YEAR ENDED 31 DECEMBER 2016

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 annual financial statements which give a true and fair view of the state of affairs of the Bank, and of the financial performance for the year. The responsibilities include ensuring that:

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

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

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

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

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

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

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

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

Signed on behalf of the Directors by:

Nnamdi Okonkwo		**Nneka C. Onyeali-Ikpe**
Managing Director	**29 March 2017**	*Executive Director*

Report of the Audit Committee
For The Year Ended 31 December 2016

To The Members of Fidelity Bank Plc

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

- Reviewed the scope and planning of the audit requirements and found them adequate.
- Reviewed the financial statements for the year ended 31 December 2016 and are satisfied with the explanations obtained.
- Reviewed the External Auditors Management report for the year ended 31 December 2016 and are satisfied that Management is taking appropriate steps to address the issues raised.
- Ascertained that the bank has complied with the provisions of Central Bank of Nigeria (CBN) Circular BSD/1/2004 dated February 18, 2004 on "Disclosure of insider credits in the financial statements of banks". In addition, related party transactions and balances have been disclosed in the Notes to the financial statements for the year ended December 31, 2016 in accordance with the prescribed CBN format.
- Ascertained that the accounting and reporting policies of the company for the year ended 31 December 2016 are in accordance with legal requirements and agreed ethical practices.

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

Mr. Chidi Agbapu
Chairman, Audit Committee
March 29, 2017

Members of the Shareholders Audit Committee are:

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

In Attendance:
Mrs. Ezinwa Unuigboje - Company Secretary

**The Chairman, Audit Committee was granted a waiver by the Financial Reporting Council of Nigeria which allows him to sign the Financial Reports without indicating his FRC Registration number along with his certification.*

Building a better working world

10th Floor, UBA House
57, Marina
Lagos, Nigeria
Tel: +234 (01) 844 996 2/3
Fax:+234 (01) 463 0481
website: www.ey.com

Chartered Accountants
PKF House
205, Ikorodu Road
Obanikoro
G.P.O. Box 2047 Marina
Tel: +234 1 7748366
Fax: +234 1 7734940
email: lagos@ pkf-ng.com

Independent Auditors' Report to the members of Fidelity Bank PLC
Report on the financial statements

Opinion

We have audited the accompanying financial statements of Fidelity Bank PLC (" the Bank") which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the relevant provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, the Banks and Other Financial Institutions Act, CAP B3, Laws of the Federation of Nigeria 2004, the Financial Reporting Council Act No. 6, 2011 and CBN Circulars.

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How the matter was addressed in the audit
1. Loans and advances - Impairment The appropriateness of allowance for loan impairment is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty and expected future cash flows. The use of different techniques and assumptions could produce significantly different estimates of loan loss provisions. Associated risk management disclosure is complex and dependent on high quality data. There is significant measurement uncertainty involved in this assessment, which makes it a key audit matter. The Bank's accounting policy on impairment, related disclosures on credit risk and allowance for impairment are shown in notes 2.11, 3.2 and 21 to the finnacial statements respectively.	For allowance for impairment calculated on an individual basis we tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. For loan allowance for impairment calculated on a collective basis we tested, the underlying techniques and assumptions including the approval and validation process of these techniques and assumptions. We also tested the appropriateness and accuracy of the inputs to those models, such as recovery rates
2. Information Technology (IT) systems and control over financial reporting The Bank is strongly dependent on its IT infrastructure for the continuity of the business processes. During the year Fidelity Bank Plc invested in the upgrade of its core business application from Finacle 7 to Finacle 10 and this involved a migration of data (balances) from the Finacle 7 to Finacle 10 with attendant effect on its IT hardware, systems and processes, and the security, reliability and continuity of electronic data and processing.	We assessed the reliability and continuity of electronic data processing only to the extent necessary within the scope of the audit of the financial statements. Our work consisted assessing the upgrade of the IT Infrastructure and testing of relevant internal controls related to IT systems and processes during data migration.

Building a better working world

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by Section 342 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, Corporate Governance Report as required by Code of Corporate Governance issued by Securities and Exchange Commision (SEC) and Audit Committee Report as required by Section 359(6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

· Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

· Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20

i) We have obtained all the information and explanations which to the best of our knowledge and belief

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

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

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

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

ATM customer complaints are disclosed in note 38.2 to the financial statements in compliance with Central Bank of Nigeria circular PDR/DIR/CIR/01/20.

As stated in note 38.1, the Bank was charged penalties for contravention of certain sections of the Banks

Signed:
Kayode A. Famutimi, FCA,
FRC/2012/ICAN/00000000155
For: Ernst & Young
Lagos, Nigeria
Date: 29 March 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0124964

Signed:
Najeeb A. Abdussalaam, FCA
FRC/2013/ICAN/00000000753
For: PKF Professional Services
Chartered Accountants
Lagos, Nigeria
Date: 29 March 2017

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0139395

FIDELITY BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 N'million	2015 N'million
Gross Earnings		**152,021**	**146,948**
Interest and similar income	6	123,153	121,158
Interest and similar expense	7	(61,225)	(60,294)
Net interest income		**61,928**	**60,864**
Impairment charge	8	(8,671)	(5,764)
Net interest income after impairment charge		**53,257**	**55,100**
Fee and commission income	9	20,557	17,237
Fee and commission expense	9	(3,238)	(2,411)
Other operating income	10	8,311	8,553
Net losses from financial instruments classified as held for trading	11	(625)	(291)
Personnel expenses	12	(27,231)	(27,125)
Depreciation and amortisation	13	(4,308)	(3,985)
Other operating expenses	14	(35,662)	(33,054)
Profit before income tax		**11,061**	**14,024**
Income tax expense	15	(1,327)	(120)
PROFIT FOR THE YEAR		**9,734**	**13,904**
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Net (losses)/gains on available-for-sale financial assets*:			
-Unrealised net (losses)/gains arising during the year		(2,308)	5,163
-Net reclassification adjustments for realised net gains	16	(906)	(783)
Net other comprehensive (losses)/ income to be reclassified to profit or loss in subsequent period		**(3,214)**	**4,380**
Items that may not be reclassified subsequently to profit or loss			
Remeasurement losses from defined benefit obligations	30	-	(2,667)
Other comprehensive (loss)/income for the year, net of tax		**(3,214)**	**1,713**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,520**	**15,617**

* Income from these instruments is exempted from tax

	Note	2016	2015
Earnings per share			
Basic and diluted (in kobo)	17	**34**	**48**

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

FIDELITY BANK PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 N'million	31 December 2015 N'million
ASSETS			
Cash and balances with central bank	18	207,061	185,332
Due from banks	20	49,200	79,942
Loans and advances to customers	21	718,401	578,203
Investments:			
Held for trading (fair value through profit or loss)	22.1	18,098	4,070
Available for sale	22.2	88,586	116,607
Held to maturity	22.3	138,134	180,736
Other assets	26	37,510	45,902
Property, plant and equipment	23	40,356	39,985
Intangible assets	24	795	945
TOTAL ASSETS		**1,298,141**	**1,231,722**
LIABILITIES			
Deposits from customers	27	792,971	769,636
Current income tax liability	15	1,327	2,332
Other liabilities	28	159,406	124,832
Debts issued and other borrowed funds	29	159,035	141,975
Retirement benefit obligations	30	-	9,431
TOTAL LIABILITIES		**1,112,739**	**1,048,206**
EQUITY			
Share capital	31	14,481	14,481
Share premium	32	101,272	101,272
Retained earnings	32	25,719	8,797
Other equity reserves:			
Statutory reserve	32	24,675	23,016
Small scale investment reserve (SSI)	32	764	764
Non-distributable regulatory reserve (NDR)	32	16,271	33,480
Available-for-sale (AFS) reserve	32	2,220	5,434
Remeasurement reserve	32	-	(3,728)
Total equity		**185,402**	**183,516**
TOTAL LIABILITIES AND EQUITY		**1,298,141**	**1,231,722**

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 29 March 2017 and signed on its behalf by:

Ernest Ebi
Chairman
FRC/2017/CIBN/00000016317

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

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

FIDELITY BANK PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders								
	Share capital	**Share premium**	**Retained earnings**	**Statutory reserve**	**Small scale investment reserve**	**Non-distributable regulatory reserve**	**Available-for-sale reserve**	**Remeasurment reserve**	**Total equity**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Balance at 1 January 2015	**14,481**	**101,272**	**11,721**	**20,930**	**764**	**23,950**	**1,054**	**-1,061**	**173,111**
Profit for the year	-	-	13,904	-	-	-	-	-	13,904
Other comprehensive income									
Unrealised net gains arising during the year	-	-	-	-	-	-	5,163	-	5,163
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(783)	-	(783)
Remeasurement loss (Note 30)	-	-	-	-	-	-	-	(2,667)	(2,667)
Total comprehensive income/ (loss)	**-**	**-**	**13,904**	**-**	**-**	**-**	**4,380**	**(2,667)**	**15,617**
Dividends paid	-	-	(5,213)	-	-	-	-	-	(5,213)
Transfers between reserves (Note 32)	-	-	(11,615)	2,086	-	9,530	-	-	-
At 31 December 2015	**14,481**	**101,272**	**8,797**	**23,016**	**764**	**33,480**	**5,434**	(3,728)	**183,516**
Profit for the year	-	-	9,734	-	-	-	-	-	9,734
Other comprehensive income									
Unrealised net losses arising during the year	-	-	-	-	-	-	(2,308)		(2,308)
Net reclassification adjustment for realised net (gains)	-	-	-	-	-	-	(906)	-	(906)
Total comprehensive income	**-**	**-**	**9,734**	**-**	**-**	**-**	**(3,214)**	**-**	**6,520**
Dividends paid	-	-	(4,634)	-	-	-	-		(4,634)
Transfers between reserves (Note 32)	-	-	12,021	1,460	-	(17,209)	-	3,728	-
At 31 December 2016	**14,481**	**101,272**	**25,918**	**24,476**	**764**	**16,271**	**2,220**	**-**	**185,402**

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

FIDELITY BANK PLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 N'million	2015 N'million
Operating Activities			
Cash flows (used in)/ from operations	**33**	-89,585	60,093
Interest received		105,595	108,144
Interest paid		(59,746)	(58,191)
Retirement benefits paid	**30a&b**	(10,839)	(1,997)
Income taxes paid	**15c**	(2,332)	(917)
Net cash flow (used in)/ from operating activities		**(56,907)**	**107,132**
Investing activities			
Purchase of property, plant and equipment	**23**	(4,502)	(5,920)
Proceeds from sale of property and equipment		52	151
Purchase of intangible assets	**24**	-143	(739)
Proceeds from sale of unquoted securities		-	1,309
Purchase of AFS and HTM financial assets		-114,625	(148,701)
Redemption of HTM financial assets at maturity		18,637	2,112
Proceeds from sale of AFS financial assets		160,172	17,023
Dividends received		68	1,393
Net cash flows provided by/(used in) investing activities		**59,659**	**-133,372**
Financing activities			
Dividends paid		(4,634)	(5,213)
Repayment of long term borrowings		(30,399)	(26,268)
Proceeds of debts issued and other borrowed funds		-	41,059
Net cash flows (used in)/ from financing activities		**(35,033)**	**9,578**
Net decrease in cash and cash equivalents		**(32,281)**	**(16,662)**
Net foreign exchange difference on cash and cash equivalents		4,161	4,054
Cash and cash equivalents at 1 January	**19**	**114,135**	**126,743**
Cash and cash equivalents at 31 December	**19**	**86,015**	**114,135**

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

1. General information

These financial statements are the financial statements of 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.

The financial statements for the year ended 31 December 2016 were approved for issue by the Board of Directors on 29 March 2017.

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 all the years presented, unless otherwise stated.

2.1.1 Basis of preparation

Statement of Compliance
The Bank’s financial statements 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 financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cashflows and the notes to the financial statements

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

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 and they are rounded up to the nearest million.

2.1.2 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 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 uncertainty 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.

Impairment of loans and advances

Financial assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy Note 2.11

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The

Fair value of financial instruments

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of techniques as described in accounting policy Note 2.5 For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Retirement benefit obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long–term nature of these plans, such estimates are subject to significant uncertainty. See Note 30 for the assumptions used.

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:

Determination of impairment of property, plant and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The Bank applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

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 to the financial statements.

2.2 A **STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The 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 standards, if applicable, when they become effective.

The nature and the impact of each new standard/amendment are described below:

- *IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as property or equipment. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. This will be effective from 1 January 2018. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

• *IFRS 16 - Leases*

IFRS 16 – Leases was issued in January 2016 and will replace IAS 17 – Leases. The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The accounting treatment of leases by lessees will change fundamentally based on the new standard. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

The Bank is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

•*Amendments to IAS 12- Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments to IAS 12 clarify the consideration to be made when assessing the recoverability of deferred tax assets (DTA)
The amendment consists of some wording changes to the standards and adds in some examples to clarify that:

- Financial assets measured at Fair Value, with no corresponding tax base adjustment, will result in a temporary difference even if the entity intends to keep the financial asset to collect the contractual cash-flows (pull to par) and not to sell it at its fair value
- Where tax legislation ring-fence certain tax deductions [e.g. capital gains tax (CGT) losses]the recoverability of the related DTA is assessed against the future taxable income, or taxable temporary differences, of that type only (i.e. CGT losses is assessed against future CGT profits)
- When assessing the sufficiency of future taxable income the amount considered is the amount before the relevant tax deduction currently being assessed – i.e. when assessing the recoverability of an assessed loss the amount of future taxable income you consider should be the amount before the deduction of said assessed loss.
- Where assets are carried at cost in the SOFP but you expect to realise them at an amount above cost in the same period as the turnaround of the DTA under assessment; you increase the future taxable profits with the amount above cost, at the relevant rate, if there is sufficient evidence. I.e. if you carry owner occupied buildings at cost but intend to sell it within the next 5 years you add the taxable capital gains that will be realised on the sale to the future taxable income – provided there is sufficient evidence of the value and intention to sell

The amendment requires retrospective application with an adjustment to the opening retained earnings of the earliest comparative period presented. Effective 1 Jan 2017 with early adoption permitted. The Bank is currently assessing the impact of ammendment to IAS 12 and plans to adopt the new standard on the required effective date.

• *IFRS 9 - Financial instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

Impact

The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held.The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. This is applicable to the Bank and the Bank has put processes in place to ensure adherence to the standard.

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

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements

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 a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions. This does not have an impact on the Bank as the Bank does not have interest in a Subsidiary.

• *IAS 7 Disclosure Initiative – Amendments to IAS 7*

Effective for annual periods beginning on or after 1 January 2017.

Key requirements
The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

Transition
On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

Impact
The amendments are intended to provide information to help investors better understand changes in an entity's debt. The Bank is currently evaluating the impact, but does not anticipate that adopting the amendments would have a material impact on its financial statements.

• *IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 .*

Effective for annual periods beginning on or after 1 January 2018.

Key requirements
The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions.
The amendments address three main areas:
• The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

• The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the Sharebased payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement
feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement
feature.

• The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equitysettled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment
transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a
credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

Transition
On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

Impact
The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The Bank has assessed the impact, and this is not applicable to the Bank as it has no sharepayment arrangement.

• *Transfers of Investment Property (Amendments to IAS 40)*
Effective for annual periods beginning on or after1 January 2018.

Key requirements
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of
investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Transition
Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must
be disclosed.

Impact
The amendments will eliminate diversity in practice. This standard is not applicable to the Bank as it has not invested in Investment property.

• *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after 1 January 2018

Key requirements

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Transition

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation

prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation

Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed.

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.

Impact

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency. Management is assessing what the likely impact will be on the

Annual improvement 2014-2016 cycle (issued in December 2016)

- IFRS 1 First-time Adoption of International Financial Reporting

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.

Impact

This ammendment does not have impact on the Bank, as the Bank is nit a first time adopter of IFRS 9.

- IAS 28 Investments in Associates and Joint Ventures

The amendments clarifies that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

• The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

Impact

2.2 B **New standards, interpretations and amendments issued and effective.**

The accounting policies adopted in the preparation of the 2015 financial statements are consistent with those followed in the preparation of the Bank's 2016 financial statements. The new standards and improvement did not have any impact on the financial statements of the Bank.

The following new standards and amendments became effective as of 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IAS 1 Disclosure Initiative
- Annual improvements 2012-2014 Cycle
  These improvements are effective for annual periods beginning on or after 1 January 2016. They include
  IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  IFRS 7 Financial Instruments: Disclosures
  IAS 19 Employee Benefits
  IAS 34 Interim Financial Reporting
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

2.3 Foreign currency translation

(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") which is Naira.

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 using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using 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 year-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 available-for-sale, 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 available-for-sale financial assets, are included in other comprehensive income.

2.4 Financial assets and liabilities

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

A) Initial recognition and measurement

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

B) Subsequent measurement

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

C) Classification and related measurement

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

i) Financial assets

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

a) Financial assets at fair value through profit or loss

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

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

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

b) Loans and receivables

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

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

• those that the Bank upon initial recognition designates as available-for-sale; or
• those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in the profit or loss. Refer to accounting policy 2.11 for the impairment of financial assets.

c) Held-to-maturity financial assets

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

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

These financial assets are subsequently measured at amortised cost using the effective interest rate method. Interest income is included in 'Interest & similar income' in profit or loss. Refer to accounting policy 2.11 for the impairment of financial assets.

d) Available-for-sale financial assets

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

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

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

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

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

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

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

E) Derecognition

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

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

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

2.5 **Determination of fair value**

The Bank measures financial instruments such as investments in bonds, treasury bills and unquoted equities at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in this note. Aside from this note, additional fair value related disclosures, including the valuation methods, significant estimates and assumptions are also provided in:

i) Diclosure for valuation method, significant estimates and assumptions are in Note 2.1.2

ii)Fair value of financial instruments (including those carried at amortised cost) are in note 3.5 (a)

iii)Quantitative disclosures of fair value measurement hierachy are in note 3.5(b)

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

Or

- 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

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

For assets and liabilities that are recognised in the financial statements 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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or if there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the reporting dates.

2.6 Offsetting financial instruments

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

2.7 Renegotiated loans

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

2.8 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within Cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to Financial assets held for trading pledged as collateral or to Financial investments available-for-sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within Cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in Net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within Financial liabilities held for trading and measured at fair value with any gains or losses included in Net trading income.

2.9 Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is 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 that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy

2.10 Revenue recognition

Interest income and expense

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Where the estimated cash flows on financial assets are subsequently revised, other than impairment losses, the carrying amount of the financial assets is adjusted to reflect actual and revised estimated cash flows.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. 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.

Dividend income

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

2.11 Impairment of financial assets

(i) Assets carried at amortised cost

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:
· Delinquency in contractual payments of principal or interest;
· Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
· Breach of loan covenants or conditions;
· Initiation of bankruptcy proceedings;
· Deterioration of the borrower's competitive position;
· Deterioration in the value of collateral;

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

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

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

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

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

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

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

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

(ii) Available-for-sale financial assets

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

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

2.12 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 of disposal 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 of disposal 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.

2.13 Statement of cash flows

The Statement of cash flows shows the changes in cash and cash equivalents arising during the year 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 cash flows from investing and financing activities are determined by using the direct method. The Bank's assignment of the cash flows to operating, investing and financing category depends on the Bank's business model (management approach). Interest and dividends received and interest paid are classified as operating cash flows, while dividends paid are included in financing activities.

2.14 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.

2.15 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are divided into finance leases and operating leases.

(a) The Bank is the lessee

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the 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 the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are measured subsequently at their fair value.

(b) The Bank is the lessor

(i) Operating lease

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

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

(ii) Finance lease

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

2.16 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:

- Buildings: 50 years
- Leasehold improvements: The lower of useful life and lease period
- Office equipment: 5 years
- Furniture, fittings & equipment: 4 years
- Computer equipment: 3 years
- Motor vehicles: 4 years

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

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

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

2.17 Intangible assets

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

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

- the expenditure attributable to the software product during its development can be reliably measured.

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

Direct computer software development 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.

2.18 Income taxation

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

(a) Current income tax

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

(b) Deferred tax

Deferred 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred 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 tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxables entities where there is an intention to settle the balance on a net basis.

Tax assessments are recognized when assessed and agreed to by the Bank with the Tax authorities, or when appealed, upon receipt of the results of the appeal.

2.19 Employee benefits

Defined contribution scheme

For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans on a contractual basis. The Bank contributes 10% of basic salary, rent and transport allowances, with the employee contributing a further 8% under the provisions of the Pension Reform Act of 2014. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit 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.

Defined benefit scheme

The Bank operates two defined benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

On separation, staff who have spent a minimum number of periods are paid a sum based on their qualifying emoluments and the number of periods spent in service of the Bank upon retirement.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.
Remeasurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to Remeasurement reserve through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss. Interest is calculated by applying the discount rate to the defined benefit liability. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using Federal Government Bonds of Nigeria as High Quality Corporate bonds are not available.
The Bank recognises the following changes in defined benefit obligation under personnel expenses in profit or loss:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
-Interest expense.

2.20 Provisions

Provisions for 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.

2.21 Financial guarantee contracts

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, 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 best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.
Any increase in the liability relating to financial guarantees is recorded in the profit or loss in Credit loss expense. The premium received is recognised in the profit or loss in Net fees and commission income on a straight line basis over the life of the *guarantee.*

2.22 Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

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

2.23 Comparatives

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

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Executive Committee as its chief operating decision maker.

All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

The Bank has four reportable segments, as follows:

Retail banking
The Retail banking segment offers a comprehensive range of retail, personal and commercial services to individuals, small and medium business customers includong 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. This segment covers the Power and Infrastructure, Oil and Gas Upstream and downstream, Real Estate , Agro-Allied and other industries.

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

Public sector
The Public sector offers a wide variety of services to governments of various levels including parstatals,ministries, departmen s and other agencies.

Refer to Note 5 for the segment report.

3. Financial risk management and fair value measurement and disclosure

3.1 Introduction and overview

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

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

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

ii) Clearly defined governance structure.

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

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

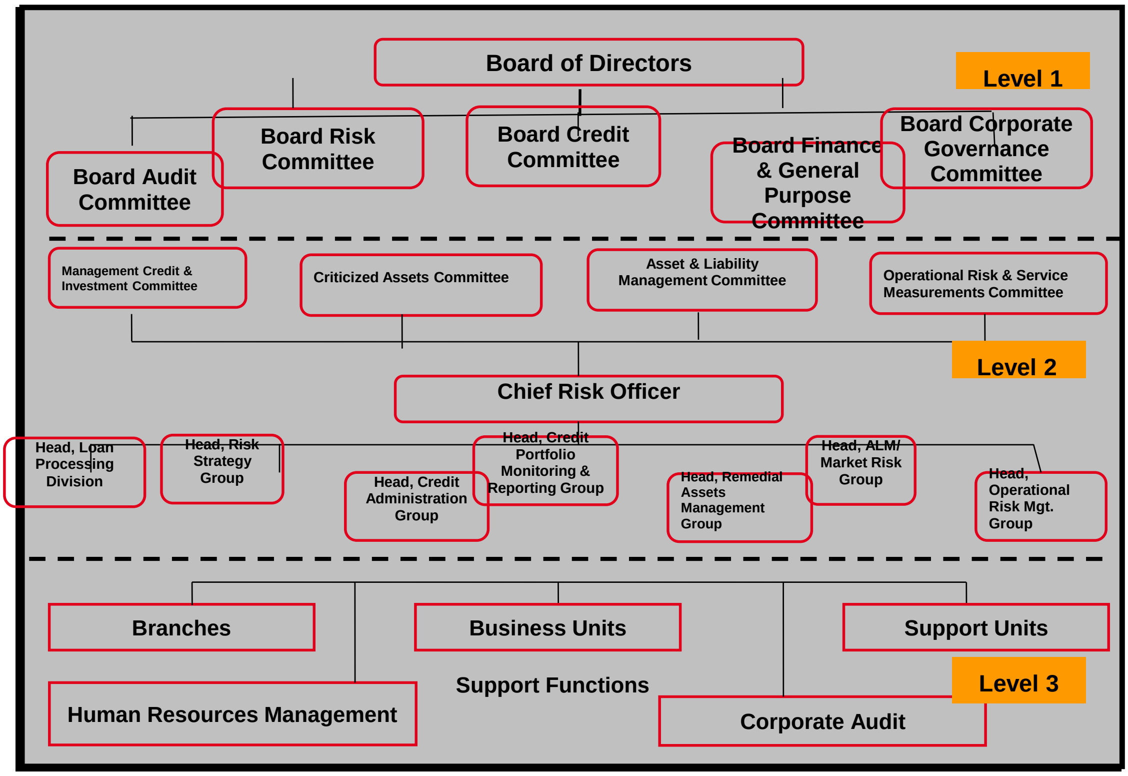
Risk Management Governance Structure
Enterprise-wide risk management roles and responsibilities are assigned to stakeholders in the Bank at three levels as follows:

Level 1 - Board/Executive Management oversight is performed by the Board of Directors, Board Audit & Risk Committee (BA&RC), 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 and Investment Committee (MCIC), Credit Review Committee (CRC), Loan Recovery Committee (LRC), 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 Finance & General Purpose 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

The Bank's Enterprise Risk Mission is to proactively anticipate and stem enterprise-wide losses that may occur in the execution of its mission of making financial services easy and accessible.

Risk Culture

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

Risk Appetite

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

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

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

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

3.2 Credit risk

3.2.1 Management of credit risk

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

The Bank measures and manage credit risk following the principles below:

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

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

• The Bank assigns credit approval authorities to individuals according to their qualifications, experience, training and quality of previous credit decisions. These are also revieThe Bankd 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 Inspection and Credit Administration departments regularly undertake independent audit and credit quality reviews of credit portfolios held by business units.

3.2.2 Credit risk ratings

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

The Bank has its own in-house assessment methodologies and rating scale for evaluating the creditworthiness of it's counter-parties. The Bank's programmed 9-grade rating model was developed in collaboration with Agusto & Company, a foremost rating agency in Nigeria, to enable comparism between the Bank's internal ratings and the common market practice, which ensures comparability between different portfolios of the Bank. We generally rate all the Bank's credit exposures individually. The rating scale and its mapping to the Standard and Poors agency rating scale is as follows:

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

3.2.4 Monitoring Default Risk

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

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

The Bank's maximum exposure to credit risk as at 31st December 2016 and 31st December 2015 is represented by the net carrying amounts of the financial assets set out below:

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**2016**	**2016**	**2016**	**2016**
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	172,200	-	-	172,200
Due from banks	49,200	-	-	49,200
Loans and advances to customers	718,401	3,270,056	-2,551,655	-
Investments:			-	
Held for trading(Fair value through profit or loss)	18,098	-	-	18,098
Available for sale	82,569	-	-	82,569
Held to maturity	138,134	-	-	138,134
Other assets	32,658	-	-	32,658
Financial guarantee contracts:				
Performance bonds and guarantees	169,337	-	-	169,337
Letters of credit	44,038	-	-	44,038
On-lending facilities	-	-	-	-
	1,424,635	**3,270,056**	**-2,551,655**	**706,234**

	Maximum exposure	Fair value of Collateral held	Surplus collateral	Net exposure
Financial Assets	**2015**	**2015**	**2015**	**2015**
	N'million	**N'million**	**N'million**	**N'million**
Cash and balances with central bank	164,997	-	-	164,997
Due from banks	79,942	-	-	79,942
Loans and advances to customers	578,203	3,270,056	-2,691,853	-
Investments:				
Held for trading(Fair value through profit or loss)	4,070	-	-	4,070
Available for sale	109,364	-	-	109,364
Held to maturity	180,736	-	-	180,736
Other assets	40,144	-	-	40,144
Financial guarantee contracts:				
Performance bonds and guarantees	133,677	-	-	133,677
Letters of credit	39,270	-	-	39,270
	1,330,403	**3,270,056**	**-2,691,853**	**752,200**

3.2.6 Credit concentrations

The Bank monitors concentrations of credit risk by sector and by geographical location. An analysis of concentrations of credit risk at 31 December 2016, is set out below:

	31 Dec 2016				
Financial assets with credit risk:	**Cash and balance with Central bank N'million**	**Due from banks N'million**	**Loans and advances to customers N'million**	**Investment securities N'million**	**Other assets N'million**
Carrying amount	172,200	49,200	718,401	238,801	32,658
Concentration by sector					
Agriculture	-	-	9,740	-	-
Oil and gas	-	-	188,217	-	-
Capital markets	-	-	-	-	-
Consumer credit	-	-	57,214	-	-
Manufacturing	-	-	75,006	-	-
Mining and Quarrying	-	-	0	-	-
Mortgage	-	-	433	-	-
Real estate and construction	-	-	23,000	-	-
Construction	-	-	22,873	-	-
Finance and insurance	172,200	49,200	6,310		32,658
Government	-	-	101,007	244,818	-
Power	-	-	87,845	-	-
Other public utilities	-	-	-	-	-
Transportation	-	-	72,830	-	-
Communication	-	-	43,566	-	-
Education	-	-	3,474	-	-
Other	-	-	51,605	-	-
Total gross amount	172,200	49,200	743,120	244,818	32,658
Concentration by location	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Abroad	-	49,200	-	-	-
Nigeria:					
North East	-	-	9,495	-	-
North Central	172,200	-	71,462	-	-
North West	-	-	23,354	-	-
South East	-	-	39,642	-	-
South South	-	-	64,127	-	-
South West	-		535,040	244,818	32,658
Total gross amount	172,200	49,200	743,120	244,818	32,658

	31 Dec 2015				
Financial assets with credit risk:	**Cash and balance with Central bank**	**Due from banks**	**Loans and advances to customers**	**Investment securities**	**Other assets**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Carrying amount	164,997	79,942	578,203	294,170	40,144
Concentration by sector					
Agriculture	-	-	11,724	-	-
Oil and gas	-	-	147,407	-	-
Capital markets	-	-	-	-	-
Consumer credit	-	-	65,959	-	-
Manufacturing	-	-	58,670	-	-
Mining and Quarrying	-	-	46	-	-
Mortgage	-	-	433	-	-
Real estate and construction	-	-	17,157	-	-
Construction	-	-	20,462	-	-
Finance and insurance	164,997	79,942	552	8,904	40,144
Government	-	-	60,003	285,266	-
Power	-	-	68,483	-	-
Other public utilities	-	-	41,620	-	-
Transportation	-	-	54,806	-	-
Communication	-	-	48,298	-	-
Education	-	-	3,358	-	-
Other	-	-		-	-
Total gross amount	164,997	79,942	598,978	294,170	40,144
Concentration by location	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Abroad	-	72,460	-	-	-
Nigeria:					
North East	-	-	55,084	-	-
North Central	164,997	-	11,173	-	-
North West	-	-	25,091	-	-
South East	-	-	20,975	-	-
South South	-	-	54,660	-	-
South West	-	7,482	431,995	294,170	40,144
Total gross amount	164,997	79,942	598,978	294,170	40,144

3.2.7 Credit quality

	31 Dec 2016					
	Cash and balance with Central bank	**Due from banks**	**Loans and advances to customers**	**Debt securities**	**Other assets**	
	N'million	**N'million**	**N'million**	**N'million**	**N'million**	
Neither past due nor impaired	172,200	49,200	693,765	238,801	32,658	693,765
Past due but not impaired	-	-	-	-	-	
Past due and collectively impaired	-	-	16,111	-	-	16,111
Individually impaired	-	-	33,244	-	-	33,244
Gross	172,200	49,200	743,120	238,801	32,658	
Impairment allowance						
Collective Impairment	-	-	-9,692	-	-	
Individual impairment	-	-	(15,027)	-	-	
Net	172,200	49,200	718,401	238,801	32,658	

	31 Dec 2015				
	Cash and balance with Central bank	**Due from banks**	**Loans and advances to customers**	**Debt securities**	**Other assets**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Neither past due nor impaired	164,997	79,942	571,370	294,170	40,144
Past due but not impaired	-	-	-	-	-
Past due and collectively impaired	-	-	7,213	-	-
Individually impaired	-	-	20,395	-	-
Gross	164,997	79,942	598,978	294,170	40,144
Impairment allowance					
Collective Impairment	-	-	-7,336	-	-
Individual impairment	-	-	(13,440)	-	-
Net	164,997	79,942	578,202	294,170	40,144

(a) Financial assets neither past due nor impaired

The credit quality of the portfolio of financial assets that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

		To customers					
	Due from Banks	**Overdrafts**	**Term loans**	**Finance leas**	**Other**	**Total**	**Other assets**
31 December 2016	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:							
1. AAA to A/	49,200	378	6,512	271	-	56,361	-
2. A+ to A-	-	2,031	46,032	747	-	48,810	-
3. BBB+ to B	-	11,685	102,193	13,251	-	127,128	-
4. Below BB-	-	3,949	37,018	562	9	41,539	-
5. Unrated	-	22,978	437,653	7,174	1,322	469,127	32,658
	49,200	41,021	629,408	22,005	1,331	742,965	32,658
31 December 2015		**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Grades:							
1. AAA to A/	79,942	1,244	29,175	437	-	30,856	-
2. A+ to A-	-	4,151	38,648	3,132	-	45,931	-
3. BBB+ to B	-	24,882	109,578	6,423		140,883	-
4. Below BB-	-	1,445	42,068	1,776	2,343	47,632	-
5. Unrated	-	24,127	272,944	8,995	-	306,066	40,144
	79,942	55,849	492,413	20,763	2,343	571,368	40,144

(b) Financial assets individually impaired

	To customers				
	Overdrafts	Term loans	Finance lease	Others	Total
31 December 2016	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Gross amount					
1. AAA to AA	-	-	-	-	-
2. A+ to A-	123	-	-	-	123
3. BBB+ to BB-		736	-	-	736
4. Below BB-	13,454	7,878	5,506	5,506	26,838
5. Unrated	156	3,804	276	276	4,236
	13,733	12,418	5,782	5,782	31,933
Individual impairment	(4,822)	(7,497)	(2,708)	(4,030)	(15,027)
Net amount	8,911	4,921	3,074	1,752	16,906
			37,716	33,244	

	To customers				
	Overdrafts	Term loans	Finance lease	Others	Total
31 December 2015	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Gross amount					
1. AAA to AA		-	-	-	-
2. A+ to A-		-	-	-	-
3. BBB+ to BB-	10,092	1,126	-	-	1,126
4. Below BB-	1,971	909	1,205	1,205	3,319
5. Unrated	2,677	1,734	681	681	3,096
	14,740	3,769	1,886	1,886	7,541
Individual impairment	(8,835)	(3,493)	(1,112)	-	(4,605)
Net amount	5,905	276	774	1,886	2,936

(c) Financial assets collectively impaired

	To customers			
	Overdrafts	Term loans	Finance lease	Total
31 December 2016	**N'million**	**N'million**	**N'million**	**N'million**
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	2	-	-	2
3. BBB+ to BB-	111	415	-	526
4. Below BB-	4,881	774	68	5,723
5. Unrated	1,444	5,527	213	7,184
	6,438	6,715	281	13,434
Collective impairment	(3,438)	(6,010)	(228)	(9,676)
Net amount	3,000	705	53	3,758

31 December 2015	To customers Overdrafts N'million	Term loans N'million	Finance lease N'million	Total N'million
Gross amount				
1. AAA to AA	-	-	-	-
2. A+ to A-	-	9	46	55
3. BBB+ to BB-	2,551	-	7	2,558
4. Below BB-	2,870	-	5	2,875
5. Unrated	3,541	109	28	3,678
	8,962	118	86	9,166
Collective impairment	(2,120)	(18)	(21)	(2,159)
Net amount	6,842	100	65	7,007

The credit quality of cash and cash equivalents, short-term investments and investments in government and corporate securities that were neither past due nor impaired can be assessed by reference to the bank's internal rating agency at 31 December 2016 and 31 December 2015:

		Investments in Government Securities				
	Cash & cash equivalents	Treasury bills	Federal Gov bonds	State bonds	Corporate bonds	Others
31 December 2016	N'million	N'million	N'million	N'million	N'million	N'million
AAA to AA	172,200	126,823	79,771	13,299	-	-
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	-	-	-
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	172,200	126,823	79,771	13,299	-	-

	Cash & cash equivalents N'million	Treasury bills N'million	Federal Gov bonds N'million	State bonds N'million	Amcon bonds N'million	Others N'million
31 December 2015						
AAA to AA	164,997	167,231	95,737	15,055	16,147	40,144
A+ to A-	-	-	-	-	-	-
BBB+ to BB-	-	-	-	-	-	-
Below BB-	-	-	-	-	-	-
Unrated	-	-	-	-	-	-
	164,997	167,231	95,737	15,055	16,147	40,144

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.

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 cthe Bank'sse 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 following table indicates the Bank’s credit exposures by class and value collaterals:

	31 December 2016		31 December 2015	
	Exposure	Collateral Value	Exposure	Collateral Value
	N'million	N'million	N'million	N'million
Secured against real estate	337,214	2,520,484	99,082	302,024
Secured by shares of quoted companies	114	215	269	367
Secured by others	405,086	749,357	498,087	2,967,665
Unsecured	418	-	1,540	-
Gross loans and advances to customers	742,832	3,270,056	598,978	3,270,056

3.3 Liquidity risk

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

3.3.1 Management of liquidity risk

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

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

Short-Term Liquidity

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

Asset Liquidity

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

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

3.3.2 Maturity analysis

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

	Up to 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
31 December 2016	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	42,831	30,582	79,619	21,169	-	174,200
Due from banks	49,200	-	-	-	-	49,200
Loans and advances to customers	47,075	62,896	138,919	372,931	98,581	720,401
Investment securities						
- Held for trading	778	4,161	10,319	4,290	550	20,098
- Available for sale	0	9,890	64,714	7,334	8,647	90,586
- Held to maturity	344	14,516	50,640	49,091	25,543	140,134
Other Assets	3,600	9,752	10,506	12,801	-	36,658
Total financial assets	143,827	131,797	354,717	467,616	133,321	1,231,277
Financial liabilities						
Customer deposits	160,398	114,525	298,165	219,883	-	792,971
Other liabilities	14,422	38,980	20,181	12,024	72,233	157,840
Debt issued and other borrowed funds	-	-	-	124,268	34,767	159,035
Financial guarantee contracts:						
Performance bonds and guarantees	21,423	36,331	35,479	21,762	54,341.47	169,337
Letters of credit	20,128	17,368	6,543	-	-	44,039
On-lending facilities	-	-	-	-	-	-
Total financial liabilities	216,371	207,204	360,368	377,936	161,342	1,323,221
Gap (assets-liabilities)	-72,544	-75,408	-5,651	89,680	-28,021	
Cumulative liquidity gap	-72,544	-147,951	-153,602	-63,922	-91,943	

31 December 2015	Up to 1 month N'million	1-3 months N'million	3-12 months N'million	1-5 years N'million	Over 5 years N'million	Total N'million
Cash and balances with Central Bank o	13,858	-	-	-	-	13,858
Due fron banks	81,541	-	-	-	-	81,541
Loans and advances to customers	32,065	46,334	61,337	269,444	173,672	582,851
Investment securities						
- Held for trading	3,832	-	-	115	139	4,086
- Available for sale	9,065	18,538	49,715	41,656	1,976	120,949
- Held to maturity	29,241	26,776	53,528	49,166	27,776	186,486
Total financial assets	169,601	91,648	164,579	360,380	203,563	989,772
Financial liabilities						
Customer deposits	404,409	277,405	85,418	4,737	-	771,969
Other liabilities	10,462	62,248	51,880	-	-	124,590
	-	-	-	142,395	-	142,395
Debt issued and other borrowed funds						
Financial guarantee contracts:						
Performance bonds and guarantees	-	-	-	-	-	-
	-	-	-	-	-	-
Letters of credit						
On-lending facilities	-	-	-	-	-	-
Total financial liabilities	414,871	339,653	137,298	147,132	-	1,038,954
Gap (assets-liabilities)	-245,270	-248,005	27,282	213,248	203,563	
Cumulative liquidity gap	-245,270	-493,275	-465,993	-252,745	-49,182	

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

3.4.2 Measurement of market risk

The Bank's major measurement technique used to measure and control market risk is outlined below.

Value at risk (VAR)

VaR measures the worst expected loss in the fair value of a financial instrument over a defined period of time (horizon) under normal market conditions at a stated confidence level.

Delta Normal approach to VaR is adopted to measure the potential loss in financial instrument over a one business day horizon at 99% confidence level (1% probability) and a defeasance (holding) period of 10 business days. The 1% probability measure implies that the VaR amount may be exceeded three times in a year for 250 business days.

The risk factors used to calculate the VaR numbers are foreign exchange rate and interest rate and both impacted the positions held being very volatile during the year.

The VaR approach adopted were under assumptions of normally distributed returns and effect of correlations in calculating the potential losses.

However, the VaR figures may not accurately capture potential losses, to the extent that there are deviations from normal distribution and abnormally large number of extreme events. The table below shows the VaR of the trading position of the Bank.

	12 months to 31 December 2016			12 months to 31 December 2015		
	Average	**High**	**Low**	**Average**	**High**	**Low**
	N'000	N'000	N'000	N'000	N'000	N'000
Foreign exchange risk	2,845	28,706	242	7,967	45,071	767
Interest rate risk	15,064	271,155	5,321	14,333	355,350	2,221
Equity risk	-	-	-	-	-	-
Total VAR	17,909	299,861	5,563	22,300	400,421	2,988

3.4.3 Foreign exchange risk

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

The table below summarises the Bank's exposure to foreign currency exchange risk at 31 December 2016.

	31 December 2016				
	USD	**GBP**	**Euro**	**Naira**	**Total**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	16,963	-	-	155,237	172,200
Due from banks	39,547	897	2,645	6,111	49,200
Loans and advances to customers	318,143	530	334	399,106	718,113
Investment securities:					
- Financial assets held for trading	-	-	-	18,098	18,098
- Available for sale	-	-	-	88,586	88,586
- Held to maturity	22,186	-	-	115,948	138,134
Other financial assets	-	-	-	36,002	36,002
	396,839	1,427	2,979	819,088	1,220,333
Financial liabilities					
Customer deposits	187,986	2,925	2,878	599,182	792,971
Other liabilities	-	-	-	157,840	157,840
Debt issued and other borrowed funds	130,159	-	-	28,876	159,035
	318,145	2,925	2,878	785,898	1,109,846

Sensitivity Analysis of Foreign Currency Statement of Financial Position

Currency	USD N'million	GBP N'million	Euro N'million
Net effect on Statement of Financial Position	78,694	(1,499)	101
Closing Exchange Rate (Naira/ Currency)	305.00	380.36	325.08
1% Currency Depreciation (+)	308.05	384.17	328.33
Net effect of depreciation on Profit or loss	240,018	(5,702)	330
1% Currency Appreciation (-)	301.95	376.56	321.83
Net effect of appreciation on Profit or loss	(240,018)	5,702	(330)

	31 December 2015				
	USD	GBP	Euro	Naira	Total
Financial assets	N'million	N'million	N'million	N'million	N'million
Cash and balances with Central Bank	3,643	45	180	181,464	185,332
Due from banks	68,668	849	3,400	7,025	79,942
Loans and advances to customers	233,009	492	277	344,426	578,203
Investment securities:					
- Financial assets held for trading	-	-	-	4,070	4,070
- Available for sale	-	-	-	116,607	116,607
- Held to maturity	18,408	-	-	162,328	180,736
Other financial assets	-	-	-	40,144	40,144
	323,726	1,386	3,857	856,064	1,185,034
Financial liabilities					
Customer deposits	136,623	2,650	1,662	628,701	769,636
Other liabilities	30,881.15	48.76	824.93	93,133	124,888
Debt issued and other borrowed funds	111,003	-	-	30,972	141,975
	278,507	2,698	2,487	752,807	1,036,499

Sensitivity Analysis of Foreign Currency Statement of Financial Position

Currency	USD N'million	GBP N'million	Euro N'million
Net effect on Statement of Financial Position	78,694	(1,499)	101
Closing Exchange Rate (Naira/ Currency)	199.00	295.29	217.57
1% Currency Depreciation (+)	200.99	298.24	219.75
Net effect of depreciation on Profit or loss	156,602	(4,427)	221
1% Currency Appreciation (-)	197.01	292.34	215.39
Net effect of appreciation on Profit or loss	(156,602)	4,427	(221)

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

3.4.4 Interest rate risk

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

31 December 2016	Carrying amount N'million	Variable interest N'million	Fixed interest N'million	Non interest-bearing N'million
Financial assets				
Cash and balances with Central Bank of Nigeria	172,200	-	-	172,200
Due from banks	49,200	-	49,200	-
Loans and advances to customers	718,401	292,395	426,006	-
Investment securities				
- Financial assets held for trading	18,098	-	18,098	-
- Available for sale	88,586	-	82,569	6,017
- Held to maturity	138,134	-	138,134	-
Other financial assets	36,002	-	-	36,002
	1,220,621	292,395	714,007	214,219
Financial liabilities				
Customer deposits	792,971		523,476	269,495
Other liabilities	155,736	-	99,703	56,033
Debts issued and other borrowed funds	159,035	38,753	120,282	-
	1,107,742	38,753	743,461	325,528

31 December 2015	Carrying amount N'million	Variable interest N'million	Fixed interest N'million	Non interest-bearing N'million
Financial assets				
Cash and balances with Central Bank of Nigeria	185,332	-	164,997	20,335
Due from banks	79,942	-	79,942	-
Loans and advances to customers	578,203	196,601	381,602	-
Investment securities				
- Financial assets held for trading	4,070	-	4,070	-
- Available for sale	109,364	-	102,180	7,184
- Held to maturity	180,736	-	180,736	-
Other financial assets	40,144	-	-	40,144
	1,177,791	196,601	913,527	67,663
Financial liabilities				
Customer deposits	769,636	-	500,141	269,495
Other liabilities	124,832	-	5,607	119,225
Debts issued and other borrowed funds	141,975	51,854	90,121	-
	1,036,443	51,854	595,869	388,720

Interest rate sensitivity

Total interest repricing gap

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

31 December 2016	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total rate sensitive
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank of Nigeria	170,246	-	-	-	-	170,246
Due from banks	49,200	-	-	-	-	49,200
Loans and advances to customers	110,330	11,823	127,128	371,133	97,987	718,401
Investment securities						
- Available for sale	10,027	12,505	53,105	4,643	2,290	82,570
- Held to maturity	19,196	42,678	7,128	39,417	29,715	138,134
Total assets	358,999	67,006	187,360	415,193	129,992	1,158,551
Financial liabilities						
Customer deposits	229,159	35,117	17,173	242,027	-	523,476
Debt issued and other borrowed funds	-	-	-	124,298	34,737	159,035
Total liabilities	229,159	35,117	17,173	366,325	34,737	682,511
Net financial assets and liabilities	129,839	31,889	170,187	48,868	95,255	476,040
Net financial assets and liabilities excluding Available for sale	(50,722)	19,384	117,083	44,225	92,927	222,897

31 December 2015	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Total rate sensitive
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**	**N'million**
Cash and balances with Central Bank	151,139	-	-	-	-	151,139
Due from banks	79,942	-	-	-	-	79,942
Loans and advances to customers	74,288	25,627	37,339	225,043	193,014	555,312
Investment securities						
- Available for sale	28,441	23,051	29,529	23,438	5,003	109,462
- Held to maturity	32,327	12,718	45,978	54,039	31,643	176,705
Total assets	366,137	61,397	112,846	302,520	229,661	1,072,560
Financial liabilities						
Customer deposits	251,930	169,939	23,880	0	-	445,750
Debts issued and other borrowed funds	-	51,854	-	59,149	29,050.16	140,053
Total liabilities	251,930	221,793	23,880	59,149	29,050	585,803
Net finnacial assets and liabilities						
Net financial assets and liabilities	114,206	(160,397)	88,965	243,371	200,611	486,757
	85,766	(183,448)	59,437	219,933	195,608	377,295

INTEREST RATE SENSITIVITY ANALYSIS ON VARIABLE RATES INSTRUMENTS ON PROFIT

Asset with variable interest rate	**Increase/Decrease in bp**	**Amount**	**Effect of increase by 200bp on Profit**	**Effect of decrease by 200bp on Profit**
		N'million	**N'million**	**N'million**
Loans and advances to customers	+200bp/-200b	292,395	5,848	-5,848
Investment securities				
-Financial assets held for trading	+200bp/-200b	18,098	-362	362
Debts issued and other borrowed	+200bp/-200b	38,753	-775	775

Asset with variable interest rate	**Increase/Decrease in bp**	**Amount**	**Effect of increase by 200bp on Equity**	**Effect of increase by 200bp on Equity**
		N'million	**N'million**	**N'million**
Investment securities				
-Available for sale	+200bp/-200b	88,586	-1,772	1,772
Loans and advances to customers	+200bp/-200b	196,601	3,932	-3,932
Investment securities				

	Increase/Decrease in bp N'million	**Amount N'million**	**Effect of increase by 200bp on Equity N'million**	**Effect of increase by 200bp on Equity N'million**
Investment securities				
-Available for sale	+200bp/-200b	109,364	-2,187	2,187

3.4.5 Equity price risk

The Bank holds a number of investments in unquoted securities some of which are carried at fair value with a market value of N4.846 billion (31 December 2015: N6.480 billion). The significant investments which are carried at fair value is MTN at N3.619billion (cost N4.221 billion). MTN Nigeria is a private limited liability company whose principal activity is the provision of mobile telecommunications service using the Global System for Mobile Communications (GSM) platform.

3.5 Fair value of financial assets and liabilities

	31 December 2016		31 December 2015	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Due from banks	**49,200**	**49,200**	**79,942**	**79,942**
Loans and advances to customers	**641,629**	**638,275**	**510,221**	**506,356**
- Term loans	614,274	611,288	489,195	485,479
- Advances under finance lease	27,355	26,987	21,025	20,877
Held for trading	**18,098**	**18,098**	**4,070**	**4,070**
- Treasury bills	17,801	17,801	-	-
- Federal Government bonds	297	297	238	238
- State bonds	-	-	3,832	3,832
- Corporate bonds	-	-	-	-
- Listed equity instruments	-	-	-	-
Available for sale	**88,586**	**87,415**	**115,844**	**115,844**
- Treasury bills	74,599	74,599	71,750	71,750
- Federal Government bonds	29	29	32,186	32,186
- State Government bonds	7,941	7,941	5,428	5,428
-Corporate Bonds		-	-	-
- Equity investments	4,846	4,846	6,480	6,480
Held to maturity investment	**138,134**	**136,370**	**180,736**	**178,535**
- Treasury bills	34,423	34,467	95,481	96,109
- Federal Government bonds	79,445	78,011	63,313	61,163
- State Government bonds	5,358	5,353	5,795	6,118
- Corporate Bonds	18,908	18,539	16,147	15,145
Financial liabilities				
Deposits from customers	**769,636**	**805,713**	**806,320**	**806,320**
Demand	269,495	269,495	315,209	315,209
Saving	119,140	97,996	83,325	83,325
Term	321,947	297,641	269,150	269,150
Domiciliary	54,391	135,918	132,759	132,759
Others	4,663	4,663	5,877	5,877
Other liabilities				
- Debts issued and other borrowed funds	159,035	144,665	141,975	112,629

(b) 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

- 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
- 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

31 December 2016	Level 1	Level 2	Level 3	Total
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Assets measured at fair value				
Held for trading				
- Treasury bills	17,801		-	17,801
- Federal Government bonds	297		-	297
- State Government bonds			-	-
- Corporate bonds			-	-
- Listed equity instruments			-	-
				-
Available for sale				-
- Treasury bills	74,599		-	74,599
- Federal Government bonds	29		-	29
- State Government bonds	7,941		-	7,941
- FMB Zero Coupon Bonds	-	-	-	-
-Corporate Bonds	-	-	-	-
- Equity investments	-	3,267	1,579	4,846
Assets for which fair value are disclosed				
Financial assets carried at amortised cost				
Loans and Advances				
- Term loans	-	611,288	-	611,288
- Advances under finance lease	-	26,987	-	26,987
Held to maturity investment				
- Treasury bills	-	34,467	-	34,467
- Federal Government bonds	-	78,011	-	78,011
- State Government bonds	-	5,353	-	5,353
- Corporate bonds	-	18,539	-	18,539
	100,667	777,912	1,579	880,158

	Level 1	Level 2	Level 3	Total
Financial liabilities	**N'million**	**N'million**	**N'million**	**N'million**
Liabilities for which fair value are disclosed				
Borrowings				
Financial liabilities carried at amortised cost				
- Debt issued and other borrowed funds	-	144,665	-	144,665
	-	144,665	-	**144,665**

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets	**N'million**	**N'million**	**N'million**	**N'million**
Assets measured at fair value				
Held for trading				
- Treasury bills	-		-	0
- Federal Government bonds	238		-	238
- Corporate bonds	3,832		-	3,832
- Listed equity instruments	-	-	-	0
	0	0	-	0
Available for sale				0
- Treasury bills				0
- Federal Government bonds	71,750		-	71,750
- State Government bonds	32,186		-	32,186
- FMB Zero Coupon Bonds	5,428		-	5,428
-Corporate Bonds	-	-	-	0
- Equity investments	-	4,221	2,259	6,480
	-			0
				0
Assets for which fair value are disclosed				0
Financial assets carried at amortised cost				0
- Advances under finance lease	-	465,756	-	465,756
	-	20,877	-	20,877
				0
Held to maturity investment				0
- Treasury bills		96,109		96,109
- Federal Government bonds		61,163		61,163
- State Government bonds	-	6,118	-	6,118
- Unlisted Equity Securities	-	78,011	-	78,011
Corporate Bonds	-	15,145	-	15,145
	113,434	669,389	2,259	785,082

Liabilities for which fair value are disclosed

Financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
- Debt issued and other borrowed funds	-	112,629	-	112,629
	-	112,629	-	112,629

Reconciliation of Level 3 items

	Unlisted equity N'million
At 1 January 2016	6,480
Total gains	-1,634
Purchases	-
Sales	
Issues	
Settlements	
At 31 December 2016	4,846

Total gains or losses for the period is included in Net gains/(losses) on Available-for-sale financial assets recognised in other comprehensive income as at 31 December 2016.

	Unlisted equity securities N'million
At 1 January 2015	7,703
Total losses	469
Purchases	-
Sales	(1,692)
Issues	-
Settlements	-
At 31 December 2015	6,480

Total gains or losses for the period is included in Net gains/(losses) on Available-for-sale financial assets recognised in other comprehensive income as at 31 December 2016.

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at 31 December 2016 and 2015 are as shown below:

AFS financial assets in unquoted equity shares	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of the input to fair value**
- Financial services sector	Market / Guideline Company Approach, using P/E multiple derived from selected comparable companies	Earnings of selected comparable companies, minority and liquidity discount.	Weight of 0-1 in arriving at average P/E multiples from selected comparable	5% (2015: 5%) increase (decrease) in the earnings would result in an increase (decrease) in fair value by N85 million (2015: N80 million)
- Telecommunications sector	Market approach- Reference to recent market transaction	The price per unit of the shares in the recent transaction	N/A	5% (2015: 5%) increase (decrease) in the price would result in an increase (decrease) in fair value by N239 million (2015: N201 million)

(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 2015 and 2016 based on yields for identical assets.

(iv) Equity securities

The fair value of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. The fair value of unquoted equity securities are determined based on the level of information available. The investment in AFC and similar smaller holdings in various unquoted entities is carried at cost. The investment in MTN Nigeria was valued by reference to recent market transaction price (unadjusted). The investment in Unified Payment System(formely Valuecard Nigeria) is fair valued using the P/E multiple.

(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 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

(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 own non-performance risk as at 31 December 2016 was assessed to be insignificant.

3.6 OPERATIONAL RISK MANAGEMENT

Operational risk is the potential for loss arising from inadequate or failed internal processes, people and systems or from
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:

Process/Risk Mapping

With the objective to engender standardization and facilitate risk communication among the Bank's team members, key processes of the Bank have been mapped to procedural levels with inherent risk and controls identified and overlaid. Process maps and documentation developed from this implementation assist the Bank in identifying process bottlenecks, pinpointing redundancies, locating waste and processes for optimisation.

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 measure quantifiable risk statistics or metrics that provide warning signals of risk hotspots in The Bank's entity. The Bank have established key risk indicators with tolerance limits for core operational groups of the Bank. The Bank's KRI database integrate 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's BCM plans assist us in building resilience for effective response to catastrophic and business disruption events. In broad categories, the plans cover disaster recovery, business recovery, business resumption, contingency planning and crisis management events. The Bank's event specific BCM plans which are tested semi-annually deal with threats of fire, flood, robberies, loss of utilities, information security breaches, civil disturbances, disruption from outsThe Bank'sced service partners amongst others.

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

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 10% for a National bank.

In 2015, the Central Bank of Nigeria issued circular BSD/DIR/CIR/GEN/LAB/06/03 to all Bank's and discount houses on the implementation of Basel II/III issued 10 December 2013 and guidance notes to the regulatory capital measurement and management for the Nigerian BAnking System for the implementation of Basel II/III in Nigeria.The capital adequacy ratio for the year ended 31 December 2016 and the comparative period 31 December 2015 is in line with the new circular. The computations are consistent with the requirements of Pillar I of Basel II ACord (Interenal Convergence of capital measurement and Capital Standards. Although the guidelines comply with the requirement of the Basel II accord certain sections were adjusted to reflect the peculiarities of the Nigerian enviroment.

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

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

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

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2015 and 2016. During those two years, the individual entities within the Bank and the Bank as an entity as well complied with all of the externally imposed capital requirements to which they are subject.

	2016 N'million	2015 N'million
Tier 1 capital		
Share capital	14,481	14,481
Share premium	101,272	101,272
Retained earnings (less proposed dividend)	25,719	4,163
Statutory reserve	24,675	23,016
Small scale investment reserve	764	764
Tier 1 Deductions - Intangible Assets	-795	
Total qualifying Tier 1 capital	166,116	143,696
Regulatory adjustment	19,020	-
Adjusted qualifying Tier 1 capital	147,096	143,696
Tier 2 capital		
Eurobond Issue (Discounted to 20%)	18,555	24,428
Local Bond Issue	29,042	29,050
Revaluation Reserve	-	1,706
Available-for-sale (AFS) reserve	2,220	-
Total Tier 2 capital	49,817	55,184
Qualifying Tier 2 Capital restricted to lower of Tier 2 and 33.33% of Tier 1 Capital	49,817	47,851
Total Tier 1 & Tier 2 Capital	196,913	191,547
Risk-weighted assets:		
Credit Risk Weighted Assets	914,809	772,107
Market Risk Weighted Assets	62,506	89,766
Operational Risk Weighted Assets	160,943	150,189
Total risk-weighted assets	1,138,258	1,012,062
Capital Adequacy Ratio (CAR)	17.22%	19%
Minimum Capital Adequacy Ratio	15%	15%

5 SEGMENT ANALYSIS

Following the management approach of IFRS 8, operating segments are reported in accordance with the internal reports provided to the Bank's Executive Committee (the chief operating decision maker). In 2016, Management prepared its financial records in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board . This standard is what the Bank's Executive Committee reviews in assessing performance, allocating resources and making investment decisions.

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

Segment result of operations - IFRS 8.23

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2016 is as follows:

	Retail banking N 'millions	**Corporate banking N 'millions**	**Investment banking N 'millions**	**Public sector N 'millions**	**Combined N 'millions**
At 31 December 2016					
Revenue derived from external customers	64,998	51,111	35,029	819	151,957
Revenues from other segments	-	-	-	-	-
Total	64,998	51,111	35,029	819	151,957
Interest income	35,129	47,234	39,913	877	123,153
Interest expense	-22,193	-5,214	-33,668	-150	-61,225
Profit before tax	2,730	6,812	1,260	259	11,061
Income tax expense	-328	-790	-151	0	-1,269
Profit for the year	2,402	6,022	1,109	259	9,792
At 31 December 2016					
Total segment assets	703,531	281,984	311,387	1,235	1,298,138
Total segment liabilities	578,545	247,893	284,982	1,227	1,112,647
Other segment information					
Depreciation/Amortization	-2,821	-1,187	-287	-13	-4,308

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2015 is as follows:

	Retail banking N 'millions	**Corporate banking N 'millions**	**Investment banking N 'millions**	**Public sector N 'millions**	**Combined N 'millions**
At 31 December 2015					
Revenue derived from external customers	37,841	58,352	49,908	790	146,891
Revenues from other segments	-	-	-	-	-
Total	37,841	58,902	49,908	790	146,891
Interest income	25,337	54,974	40,159	688	121,158
Interest expense	-31,534	-14,170	-7,005	-7,585	-60,294
Profit before tax	3,851	8,921	967	285	14,024
Income tax expense	-33	-72	-8	-6	-120
Profit for the year	3,851	8,925	967	279	13,904
At 31 December 2015					
Total segment assets	750,049	401,472	80,201		1,231,722
Total segment liabilities	649,195	331,099	69,417		1,048,206
Other segment information					
Depreciation/Amortization	-2,476	-1,245	-250	-15	-3,985

6 Interest and similar income

	2016 N'million	2015 N'million
Loans and advances to customers (see note 6.1)	88,065	80,267
Treasury bills and other investment securities:		
-Held for trading	2,685	12,387
-Available for sale	12,014	14,150
-Held to maturity	15,537	8,723
Advances under finance lease	4,650	4,566
Placements and short term funds	202	1,065
	123,153	121,158

6.1 Interest and similar income on loans and advances to customers

Interest income on loans and advances to customers of N88.06 billion (2015:N80.3 billion) includes interest income on impaired financial assets of N2.1 billion (2015:N2.7 billion), recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

7 Interest and similar expense

	2016 N'million	2015 N'million
Term deposits	38,491	47,741
Debt issued and other borrowed funds	15,262	7,819
Current accounts	1,687	621
Savings deposits	5,297	3,963
Inter-bank takings	488	150
	61,225	60,294

8 Impairment charge

	2016 N'million	2015 N'million
Impairment reversal/ (charge) on loans and advances (Note 21):		
- Overdrafts	1,148	(4,227)
- Term loans	(7,175)	(302)
- Finance leases	(1,321)	(1,511)
- Others	12	5
Additional (provision)/reversal during the year on other assets (Note 26)	(469)	270
Write off on overdraft during the year	(866)	-
	(8,671)	(5,764)

9 Net fee and commission income

	2016 N'million	2015 N'million
Commision on E-banking activities	6,661	6,180
Commissions on turnover	1,737	2,143
Commission on travellers cheque and foreign bills	1,662	1,365
Commision and fees on banking services	924	1,116
Commision and fees on NXP	560	1,006
Credit related fees	987	1,005
ATM charges	2,588	978
Remittance fees	220	685
Letters of credit commissions and fees	852	642
Commission on fidelity connect	1,441	408
Commissions on off-statement of financial position transactions	623	491
Collection fees	590	241
Telex fees	384	273
Cheque issue fees	204	231
Other fees and commissions	1,124	473
Total fees and commission income	20,557	17,237
Total fee and commission expense	-3,238	(2,411)
Net fee and commission income	17,319	14,826

10 Other operating income

	2016 N'million	2015 N'million
Net foreign exchange gains	7,772	6,213
Dividend income	68	1,393
Profit on disposal of unquoted securities	2	86
Other income	469	861
	8,311	8,553

11 Net losses from financial instruments classified as held for trading

	2016	2015
Net gains/losses arising from:	N'million	N'million
Bonds	47	(287)
Treasury bills	-672	(4)
	-625	-291

12 Personnel expenses

	2016 N'million	2015 N'million
Wages and salaries	20,126	25,062
Pension costs		
- Pension contribution	561	281
- Staff Gratuity Plan (Note 30)	5,010	717
- Staff Retirement benefit plan (Note 30)	1,534	1,065
	27,231	27,125

13 Depreciation and Amortisation

	2016 N'million	2015 N'million
Property, plant and equipment (Note 23)	4,015	3,685
Intangible-computer software (Note 24)	293	300
	4,308	3,985

14 Other operating expenses

	2016 N'million	2015 N'million
Banking sector resolution cost	6,159	5,935
Marketing, communication & entertainment	9,579	5,845
Deposit insurance premium	3,220	3,332
Contractor compensation	3,428	3,533
Repairs and maintenance	2,563	2,457
Computer expenses	1,565	1,627
Security expenses	1,345	1,295
Training expenses	407	650
Corporate finance expenses	402	606
Litigations and claims	-	545
Bank charges	308	434
Legal expenses	253	432
Consultancy expenses	577	407
Travelling and accomodation	621	531
Telephone expenses	307	251
Postage and courier expenses	97	111
Insurance expenses	348	319
Office expenses	382	395
Cash movement expenses	601	591
Stationery expenses	256	218
Rent and rates	285	315
Directors' emoluments	249	346
Electricity	399	372
Auditors' remuneration	150	150
Loss on disposal of property, plant and equipments	64	57
Other expenses	2,097	2,300
	35,662	33,054

15 Taxation

		2016	2015
		N'million	N'million
a	Current taxes on income for the reporting period	1,216	1,390
	Technology levy	111	140
	Current income tax charge	1,327	1,530
	Deferred taxation		
	Reversal of temporary differences	-	(1,410)
	Total deferred taxation	-	(1,410)
	Income tax expense	1,327	120

		2016	2015
b	**Total income tax expense in profit or loss**	N'million	N'million
	Profit before income tax	11,061	14,024
	Income tax using the domestic corporation tax rate of 30%	3,318	4,207
	Non-deductible expenses	385	2,181
	Tax exempt income	-3,703	(6,388)
	Income Tax expense based on dividend (note 15d)	1,216	1,390
	Technology levy (note 15e)	111	140
	Reversal of temporary differences	-	(1,410)
		1,327	120

The effective income tax rate is 11% for 2016 (2015:1%).

c	**The movement in the current income tax liability is as follows:**		
	At 1 January	2,332	1,719
	Tax paid	(2,332)	(917)
	Income tax charge	1,327	1,530
	At 31 December	1,327	2,332

Reconciliation of effective tax rate

d The basis of income tax is 30% of N4.1 billion of dividend that will be paid to shareholders in 2017 relating to the 2016 financial year results (2015: The basis of income tax is 30% of N4.6 billion of dividend paid to shareholders in 2016 relating to the 2015 financial year results). This is in compliance with Section 15A of Company Income Tax Act which states that where there is no taxable profit or total profit is less than the amount of dividend paid, the company shall be charged as if the dividend is the total profits of the company for the year of assessment to which the accounts, out of which dividend is declared relates.

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

16 Net reclassification adjustments for realised net (gains)/ losses

The net reclassification adjustments for realised net (gains)/ losses from other comprehensive income to profit or loss are in respect of available for sale financial assets which were sold during the year.

17 Earnings per share (EPS)

Basic and Dilluted

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

	2016	2015
	N'million	N'million
Profit attributable to equity holders of the Bank	9,734	13,904
	million	million
Weighted average number of ordinary shares in issue	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	34	48

18 Cash and balances with central bank

	2016	2015
	N'million	N'million
Cash	34,861	20,335
Balances with central bank other than mandatory reserve deposits	1,954	13,858
Included in cash and cash equivalents	36,815	34,193
Mandatory reserve deposits with central bank	170,246	151,139
Carrying amount	207,061	185,332

Mandatory reserve deposits are not available for use in the Bank's day-to-day operations. Mandatory reserve deposits are non interest-bearing. The mandatory reserve deposits represents a mandatory 25% of qualifying Naira deposits (December 2015: 25% of qualifying Naira deposits).

19 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 other banks and other short-term highly liquid investments with original maturities of less than three months.

	2016	2015
	N'million	N'million
Cash and balances with central bank (Note 18)	36,815	34,193
Due from banks	49,200	79,942
Total cash and cash equivalents	86,015	114,135

20 Due from banks

	2016	2015
	N'million	N'million
Current accounts with foreign banks	36,189	72,460
Placements with other banks and discount houses	13,011	7,482
Carrying amount	49,200	79,942

21 Loans and advances to customers

	Gross amount	Individual impairment	Collective impairment	Total impairment	Carrying amount
	N'million	N'million	N'million	N'million	N'million
31 December 2016					
Overdrafts	67,246	(4,822)	(3,438)	(8,260)	58,986
Term loans	646,541	(7,497)	(6,010)	(13,507)	633,034
Advances under finance lease	27,968	(2,708)	(228)	(2,936)	25,032
Other loans	1,365	-	(16)	(16)	1,349
	743,120	-15,027	-9,692	-24,719	718,401
31 December 2015					
Overdrafts	78,446	(8,835)	(3,966)	(12,801)	65,645
Term loans	495,528	(3,493)	(2,839)	(6,332)	489,197
Advances under finance lease	22,640	(1,112)	(503)	(1,615)	21,025
Other loans	2,364	-	(28)	(28)	2,336
	598,978	(13,440)	(7,336)	(20,776)	578,203

Reconciliation of impairment allowance on loans and advances to customers:

	Overdrafts N'million	Term loans N'million	Finance lease N'million	Others N'million	Total N'million
Balance at 1 January 2016					
Individual impairment	8,835	3,493	1,112	-	13,440
Collective impairment	3,966	2,839	503	28	7,336
	12,801	6,332	1,615	28	20,776
Write off during the year					
Individual impairment	(3,393)	-	-	-	(3,393)
Collective impairment		-	-	-	-
	-3,393	-	-	-	-3,393
Individual impairment	5,442	3,493	1,112	-	10,047
Collective impairment	3,966	2,839	503	28	7,336
	9,408	6,332	1,615	28	17,383
Additional impairment charge/(reversal) for the year					
Individual impairment	(620)	4,004	1,596	-	4,980
Collective impairment	(528)	3,171	(275)	(12)	2,356
Total charge to profit or loss	(1,148)	7,175	1,321	(12)	7,336
Individual impairment	4,822	7,497	2,708	-	15,027
Collective impairment	3,438	6,010	228	16	9,692
Balance at 31 December 2016	8,260	13,507	2,936	16	24,719

	Overdrafts N'million	Term loans N'million	Finance lease N'million	Other N'million	Total N'million
Balance at 1 January 2015					
Individual impairment	9,356	1,471	21	-	10,848
Collective impairment	769	5,718	83	33	6,603
	10,125	7,189	104	33	17,451
Write off during the year					
Individual impairment	(1,539)	(1,159)	-	-	(2,698)
Collective impairment	(12)	-	-	-	(12)
	(1,551)	(1,159)	-	-	(2,710)
Additional impairment charge/(reversal) for the year					
Individual impairment	1,018	3,181	1,091	-	5,290
Collective impairment	3,209	(2,879)	420	(5)	745
Total charge to profit or loss	4,227	302	1,511	(5)	6,034
Individual impairment	8,835	3,493	1,112	-	13,440
Collective impairment	3,966	2,839	503	28	7,336
Balance at 31 December 2015	12,801	6,332	1,615	28	20,776

21.2 Advances under finance lease may be analysed as follows:

	2016	2015
Gross investment	**N'million**	**N'million**
- No later than 1 year	2,910	2,833
- Later than 1 year and no later than 5 years	22,567	20,659
- Later than 5 years	3,988	1,988
	29,465	25,480
Unearned future finance income on finance leases	-1,497	(2,840)
Net investment	27,968	22,640

The net investment may be analysed as follows:

- No later than 1 year	3,256	2,776
- Later than 1 year and no later than 5 years	22,190	19,665
- Later than 5 years	2,522	199
	27,968	22,640

21.3 Nature of security in respect of loans and advances:

	2016 N'million	2015 N'million
Secured against real estate	337,214	99,082
Secured by shares of quoted companies	114	269
Secured others	382,479	477,392
Advances under finance lease	22,895	20,695
Unsecured	418	1,540
Gross loans and advances to customers	743,120	598,978

22 Investments

	2016 N'million	2015 N'million
Debt and equity securities		
22.1 Fair value through profit and loss		
Federal Government bonds	297	238
State bonds	-	3,832
Treasury bills	17,801	-
	18,098	4,070

	2016 N'million	2015 N'million
22.2 Available for sale		
Treasury bills	74,599	71,750
Federal Government bonds	29	32,186
State bonds	7,941	5,428
Unquoted equity investments at cost (see note 22.2a)	1,579	1,171
Unquoted equity investments at fair value	4,846	6,480
	88,994	117,015
Impairment on unquoted equity investment at cost	(408)	(408)
	88,586	116,607

Reconciliation of allowance for impairment

	2016 N'million	2015 N'million
At beginning of year	408	408
At end of year	408	408

22.2a Unquoted equity investments at cost

These are investments in AFC (African Finance corporation) and other small scale enterprises which are carried at cost because their fair value cannot be reliably measured. The carrying cost of these investments are N763 million (2015: N763 million). The fair value of these investments cannot be reliably benchmarked because there is no active market. The Bank does not intend to dispose the investment.

	2016 N'million	2015 N'million
22.3 Held to maturity		
Treasury bills	34,423	95,481
Federal Government bonds	79,445	63,313
State Government bonds	5,358	5,795
Corporate bonds	18,908	16,147
	138,134	180,736
Total investments	244,818	301,413

22.4 Pledged assets

Treasury Bills and Bonds are pledged to the Nigerian Inter Bank Settlement System Company (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 cash balance with Visacard International in respect of electronic card transactions.

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

	2016 N'million	2015 N'million
Treasury bills- Held to maturity	18,502	16,400
Federal Government bonds- Held to maturity	9,859	6,400

23 Property, plant and equipment	Land N'million	Buildings N'million	Leasehold improvements N'million	Office equipment N'million	Furniture, fittings & equipment N'million	Computer equipment N'million	Motor vehicles N'million	Work in progress N'million	Total N'million
Cost									
At 1 January 2016	13,643	15,016	5,918	7,252	1,995	11,319	6,004	3,890	65,037
Additions	293	-	1,222	762	123	1,070	421	611	4,502
Reclassifications	321	704	319	-	-	116	-	-1,460	-
Disposals	(4)	-	-	-80	-42	-5	-353	-	-484
At 31 December 2016	14,253	15,720	7,459	7,934	2,076	12,500	6,072	3,041	69,055
Accumulated depreciation									
At 1 January 2016	-	(1,740)	(3,882)	(5,993)	(1,646)	(7,460)	(4,331)	-	-25,052
Charge for the year	-	-379	-789	-611	-132	-1,344	-760	-	-4,015
Disposals	-	-	-	79	39	5	245	-	368
At 31 December 2016	-	-2,119	-4,671	-6,525	-1,739	-8,799	-4,846	-	-28,699
Carrying amount at 31 December 2016	**14,253**	**13,601**	**1,460**	**1,409**	**337**	**3,701**	**1,226**	**3,041**	**40,356**
Cost							795		
At 1 January 2015	13,367	14,698	5,633	6,891	1,802	10,915	5,499	1,021	59,826
Additions	276	-	42	390	215	420	1,147	3,430	5,920
Reclassifications	-	318	243	-	-	-	-	-561	-
Disposals	-	-	-	-29	-22	-16	-642	-	-709
At 31 December 2015	13,643	15,016	5,918	7,252	1,995	11,319	6,004	3,890	65,037
Accumulated depreciation									
At 1 January 2015	-	(1,377)	(3,273)	(5,415)	(1,550)	(6,256)	(3,997)	-	(21,868)
Charge for the year	-	(363)	(609)	(603)	(114)	(1,218)	(778)	-	(3,685)
Disposals	-	-	-	25	18	14	444	-	501
At 31 December 2015	-	(1,740)	(3,882)	(5,993)	(1,646)	(7,460)	(4,331)	-	(25,052)
Carrying amount at 31 December 2015	**13,643**	**13,276**	**2,036**	**1,259**	**349**	**3,859**	**1,673**	**3,890**	**39,985**

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

24 Intangible assets - Computer software

	2016 N'million	2015 N'million
Cost		
Balance at beginning of year	2,849	2,110
Additions	143	739
Balance at end of year	2,992	2,849
Accumulated amortization		
Balance at beginning of year	1,904	1,604
Amortisation for the year	293	300
Balance at end of year	2,197	1,904
Carrying amount	795	945

These relate to purchased softwares.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was N293 million (2015: N300 million).

25 Deferred taxation

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

Deferred taxes are calculated on all temporary differences under the liability method using an effective tax rate of 30 % (2015: 30 %).

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

25.1 Deferred tax liabilities

	2016 N'million	2015 N'million
Accelerated tax depreciation	-	(2,728)
	-	(2,728)
Deferred tax assets		
Unutilised capitalised allowance	2,450	3,891
Allowances for loan losses	2,907	-
Pension and other post-retirement benefits	1,541	2,829
Tax loss carried forward	16,686	16,480
	23,584	23,200
Unrecognised deferred tax asset	(23,584)	(20,472)
Net	-	-

25.2

Movements in temporary differences during the year:	**1 Jan 2016**	**Recognised in P&L**	**Recognised in OCI**	**31 Dec 2016**
Accelerated tax depreciation	(2,728)	5,178	-	2,450
Unutilised capitalised allowance	3,891	-3,891	-	-
Allowances for loan losses	-	2,907	-	2,907
Tax loss carry forward	16,480	206	-	16,686
Employee benefits	2,829	-1,288	-	1,541
Unrecognised Deferred tax assets	(20,472)	-3,112	-	-23,584
	-	-	-	-

Movements in temporary differences during the year:	**1 Jan 2015**	**Recognised in P&L**	**Recognised in OCI**	**31 Dec 2015**
Accelerated tax depreciation	(1,410)	(1,318)	-	(2,728)
Unutilised capitalised allowance	4,968	(1,077)	-	3,891
Allowances for loan losses	30	(30)	-	-
Tax loss carry forward	10,544	5,936	-	16,480
Employee benefits	2,551	278	-	2,829
Unrecognised deferred tax assets	(18,093)	-2,379	-	(20,472)
	-1,410	1,410	-	-

25.3 The Bank has unutilised capital allowance of N18.5 billion (2015:N13.0 billion) unused tax losses carried forward of N55.6 billion (2015: N39.2 billion) and deductible temporary differences of N2.1 billion (2015: N8.3 billion) to be offset against future taxable profits. There is no expiry date for the utilisation of these items.

The tax effect on remeasurement gains/(losses) is nil as the deferred tax asset on employee benefit 2016: N1.5 billion and 2015: N0.6 billion is not recognised.

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

26 Other assets

	2016	**2015**
Financial assets	**N'million**	**N'million**
Sundry receivables (see note 26.1)	29,254	39,764
Others	3,404	380
	32,658	40,144
Non financial assets		
Prepayments	6,381	6,580
Other non financial assets	322	560
	6,703	7,140
Specific allowance for impairment	(1,851)	(1,382)
	4,852	5,758
	37,510	45,902

26.1 Included in Sundry receivables is non-proprietory assets amounting to nil (2015: 12.3billion) representing financial instruments bought on behalf of customers in the Bank's name. The corresponding amount is included in Note 28 Account payable.

Reconciliation of allowance for impairment

	2016	**2015**
	N'million	**N'million**
At beginning of year	1,382	1,678
Charge for the year	469	-
Reversal of provision no longer required	-	(270)
Write-off during the year	-	(26)
At end of year	1,851	1,382

27 Deposits from customers

	2016	**2015**
	N'million	**N'million**
Demand	314,791	269,495
Savings	155,019	119,140
Term	168,599	321,947
Domicilliary	138,670	54,391
Others	15,892	4,663
	792,971	769,636
Current	792,971	769,636
Non-current	-	-
	792,971	769,636

28 Other liabilities

	2016	**2015**
	N'million	**N'million**
Customer deposits for letters of credit	-	5,607
Accounts payable	34,837	39,306
Manager's cheque	3,704	2,866
Provisions year end bonus (see note 28.1)	1,001	1,400
CBN bailout fund (see note 28.2)	99,991	66,264
Provisions for litigations and claims (see note 28.3)	545	545
Payable on E-banking transactions	8,929	6,543
Payable to staff in respect of Staff gratuity (see note 28.4 & 30)	-	-
Other liabilites/credit balances	5,262	2,301
	154,269	124,832

28.1 Movement in Provision for year end bonus

	2016	**2015**
	N'million	**N'million**
At 1 January	1,400	1,537
Arising during the year	1,001	1,400
Utilised	-1,400	-1,537
At the end of the year	1,001	1,400

The provision during the year is entirely current.

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

28.2 CBN Bailout fund 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 onward transmission 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.

28.3 Movement in Provision for litigations and claims

	2016	2015
	N'million	N'million
At 1 January	545	89
Arising during the year	-	545
Utilised	-	-89
At the end of the year	545	545

The provision during the year is entirely current.

28.4 Included in payable to staff in respect of staff gratuity is N1.5 billion which will be net off against loan availed to the staff by the Bank.

29 Debts issued and other borrowed funds

	2016	2015
	N'million	N'million
Long term loan from Proparco Paris (see note 29.1)	10,151	7,960
Long term loan from African Development Bank (ADB) (see note 29.2)	21,539	14,925
Long term loan from Citibank International Limited (see note 29.3)	-	24,875
European Investment Bank Luxembourg (see note 29.4)	5,529	4,094
Bond issued (see note 29.5)	92,774	60,380
Local Bond issued (see note 29.6)	29,042	29,741
	159,035	141,975

29.1 The amount of N10.151 billion, (2015 : N7.960 billion) repr+B185esents the amortised cost balance on the syndicated on-lending facility $40million granted to the Bank by Proparco P+B234aris on 4 April 2016 to mature 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The innitial loan matured 4 April 2016 and was renewed same day. The Principal and Interest are repayed semi-annually. The borrowing is an unsecured borrowing.

29.2 The amount of N21.539 billion, (2015 : N14.925 billion) represents the amortised cost balance in the on-lending facility of $75million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July, 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repayed semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing

29.3 The amount of nil balance, (2015 : N24.875 billion) represents the amortised cost balance in the syndicated on-lending facility of $125million granted to the Bank by Citibank, N.A. London Branch, Commerzbank Luxemburg, HSBC Bank Plc and Standard Chartered Bank on 22 December 2014 to mature 22 December 2016 and it is renewable every 2 years at an interest rate of Libor plus 4.5% per annum. The borrowing is an unsecured borrowing. The borrowing matured during the year, but was not renewed.

29.4 The amount of N5.529 billion , (2015 : N4.094) 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 repayed quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

29.5 The amount of N92.774 billion, (2015 : N60.380 billion) represents the amortised cost of a $300 million, 5 year, 6.875% Eurobond issued at 99.48% in May 2013. The principal amount is repayable in May 2018, while the coupon is paid semi annually. The purpose of the debt issuance is to finance foreign currency lending to the Power and Oil sectors of the economy of Nigeria.

29.6 The amount of N29.042 billion, (2015 : (29.741 billion)) represents the amortised cost of a N30 billion, 6.5 year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

30 Retirement benefit obligations

The Bank had two unfunded final salary defined benefit plan, namely the staff gratuity plan and the staff retirement plan. The plans are not regulated by any Regulatory framework in Nigeria. The plans are not governed by a Board of Trustees.

The level of benefits provided depends on the member's length of service and salary at retirement age.

The staff gratuity plan benefits is paid to any core member who has served for a minimum of five years and who exits the Bank for reasons other than dismissal (on account of fraud, mis-conduct or criminal offence). The staff retirement plan is based on the total years of service put in by the qualified staff, who have either spent a minimum of 15 years unbroken service (voluntary retirement) or Attained the age of 55 years of age (compulsory retirement). On 15 December 2016 the Bank ended it Retirement and Gratuity scheme and no further provision will be made in respect of the scheme.

	2016 N'million	2015 N'million
Defined benefit obligations recognised in Statement of financial position		
Staff Gratuity Plan (see note 30a)	-	3,494
Retirement Benefit Scheme (see note 30b)	-	5,937
	-	9,431
Profit or loss:		
Staff Gratuity Plan	5,010	717
Retirement Benefit Scheme	1,534	1,065
	6,544	1,782
Remeasurement losses/(gains) recognised in other comprehensive income.		
Staff Gratuity Plan	-	971
Retirement Benefit Scheme	-	1,696
	-	2,667

(a) Gratuity scheme

The amounts recognised in the statement of financial position are as follows:

	2016 N'million	2015 N'million
Present value of unfunded obligations	-	3,494
Liability in the statement of financial position	-	3,494

The movement in the defined benefit obligation over the year is as follows:

	2016	2015
At beginning of the year	3,494	2,715
Current service cost	-	329
Interest cost	-	388
Benefits paid	(3,375)	(909)
Liability to staff to be net off against loan balance of staff	(1,505)	-
Remeasurement (gains)/ losses:		
- Change in demographic assumptions	-	631
- Change financial assumptions	-	340
Settlement loss	5,010	-
Transfer to Other liabilities	(3,624)	-
At end of the year	-	3,494

The amounts recognised in the profit or loss are as follows:

	2016 N'million	2015 N'million
Current service cost	-	329
Interest cost	-	388
Settlement loss	5,010	-
Total, included in staff costs	5,010	717

The principal actuarial assumptions were as follows:

	2016	2015
Average long term discount rate (p.a.)	11.4%	11%
Average long term rate of inflation (p.a.)	10%	10%
Average long term pay increase (p.a.)	5%	5%

<u>Mortality</u>
Pre-retirement: A49/52

<u>Withdrawal and Early Retirement</u>
It was assumed that withdrawals and early retirements would be in accordance with the following table:

	2016		2015
Age group	**Annual rate of**	**Age group**	**Annual rate of**
18-29	0%	18-29	10%
30-33	0%	30-33	8%
34-38	0%	34-38	4%
39-42	0%	39-42	3%
43-49	0%	43-49	1%
50-51	0%	50-51	5%
52-53	0%	52-53	10%
54	0%	54	15%
55	0%	55	100%

(b) Retirement benefit obligation

The amounts recognised in the statement of financial position are determined as follows:

	2,016 N'million	2,015 N'million
Present value of unfunded obligations	-	5,937
Liability in the statement of financial position	-	5,937

	2016 N'million	2015 N'million
The movement in the defined benefit obligation over the year is as follows:		
At beginning of the year	5,937	4,265
Current service cost	-	441
Interest cost	-	624
Benefits paid	(7,464)	(1,088)
Liability to staff to be net off against loan balance of staff		
Remeasurement (gains)/ losses:		
- Change in demographic assumptions	-	202
- Change financial assumptions	-	1,494
Settlement loss	1,535	-
Transfer to Other liabilities	(8)	
At end of the year	-	5,937

The amounts recognised in profit or loss are as follows:	2016 N'million	2015 N'million
Current service cost	-	441
Interest cost	-	624
Settlement loss	1,535	-
Total, included in staff costs	1,535	1,065

The calculated service and Interest cost is Nil due to closure of scheme at 15 December 2016

The principal actuarial assumptions were as follows:		
Discount rate	0%	11.4%
Inflation rate	0%	10%
Future salary increases	0%	5%

Mortality
Pre-retirement: A49/52

Withdrawal and Early Retirement
It was assumed that withdrawals and early retirements would be in accordance with the following table:

	2016		2015
Age group	**Annual rate of Withdrawal/Re-tirement**	**Age group**	**Annual rate of Withdrawal/Re-tirement**
18-29	0%	18-29	10%
30-33	0%	30-33	8%
34-38	0%	34-38	4%
39-42	0%	39-42	3%
43-49	0%	43-49	1%
50-51	0%	50-51	5%
52-53	0%	52-53	10%
54	0%	54	15%
55	0%	55	100%

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

-The discount rate assumption on the defined benefit obligation by adding and subtracting 1% to the discount rate; and
-The salary increase rate on the defined benefit obligation by adding and subtracting 1% to the salary increase rate.
-The mortality assumption on the defined benefit obligation by increasing and decreasing the age rating by 1 year.

Staff Gratuity Plan

	2016			2015		
Discount rate	**Main Result**	**+1% N'million**	**-1% N'million**	**Main Result**	**+1% N'million**	**-1% N'million**
Defined Benefit Obligation	-	-	-	3,494	-219	247
Change		-	-		-6.3%	7.0%

	2016			2015		
Salary increase rate	**Main Result**	**+1% N'million**	**-1% N'million**	**Main Result**	**+1% N'million**	**-1% N'million**
Defined Benefit Obligation	-	-	-	3,494	89	-81
Change		-	-		2.5%	-2.3%

	2016			2015		
Mortality improvement r	**Main Result**	**+1 year**	**-1 year**	**Main Result**	**+1 year**	**- 1 year**
Defined Benefit Obligation	-	-	-	3,494	9	-7
Change		-	-		0.2%	-0.2%

Retirement Benefit Scheme

	2016			2015		
Discount rate	**Main Result**	**+1% N'million**	**-1% N'million**	**Main Result**	**+1% N'million**	**-1% N'million**
Defined Benefit Obligation	-	-	-	5,937	-545	470
Change		-	-		-8.1%	9.2%

Salary increase rate	Main Result	+1% N'million	-1% N'million
Defined Benefit Obligation	-	-	-
Change		-	-

Main Result	+1% N'million	-1% N'million
5,937	498	-305
	9.6%	-8.6%

Mortality improvement r	Main Result	+1 year	-1 year
Defined Benefit Obligation	-	-	-
Change		-	-

Main Result	+1 year	- 1 year
5,937	66	-71
	0.04%	-0.05%

The weighted average duration of the retirement benefit obligation at the end of the reporting period 31 December 2015 for Gratuity and Retirement Scheme is 1 year respectively (2015: 6 and 8 years respectively).

	Staff Gratuity Plan N'million	Retirement Benefit Scheme N'million
- No later than 1 year	-	-
- Later than 1 year	-	-
	-	-

2016

The Defined benefit obligation report was prepared by PWC

2015

The Defined benefit obligation report was prepared by AlexanderForbes
FRC Number: FRC/2012/0000000000504

31 Share capital

	2016	2015
Authorised	**N'million**	**N'million**
32 billion ordinary shares of 50k each (2015: 32 billion ordinary shares)	16,000	16,000
Issued and fully paid		
28,963 million ordinary shares of 50k each (2015: 28,963 million ordinary shares)	14,481	14,481

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

32 Other equity accounts

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

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

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

Statutory reserve
This represents regulatory appropriation to statutory reserves 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 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.

Available-for-sale reserve

The fair value reserve includes the net cumulative change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Remeasurement reserve
The remeasurement reserve shows the effect of actuarial gains/losses arising from actuarial valuation of defined benefit plan using projected unit credit method (PUCM). The reserve will be nil at the point where the gratuity and retirement benefit scheme no longer exist.

33 Cash flows from operations

	2016 N'million	2015 N'million
Profit before tax	11,061	14,024
Adjustments for:		
– Depreciation and amortisation	4,308	3,985
– Profit on disposal of unquoted securities	-	-86
– Losses from disposal of property and equipment	-64	57
– Foreign exchange gains on operating activities	-4,161	-4,054
–Foreign exchange losses on debts issued and other borowed fund	47,805	8,017
– Net (gains)/losses from financial assets classified as held for trading	-625	291
– Impairment charge on loans and advances	7,336	6,034
– Impairment charge/(reversal) on other assets	469	-270
– Write off of loans and advances	-3,393	-
– Defined benefit charge	6,544	1,782
– Dividend income	-68	-1,393
– Net interest income	-61,928	-60,864
– Gain on available for sale financial assets reclassified from equity	-906	-783
	6,378	-33,260
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	-19,083	48,965
– Loans and advances to customers	-126,105	-32,964
– Financial assets held for trading	-13,403	79,002
– Other assets	7,920	-9,376
Changes in operating liabilities		
– Deposits from customers	21,510	-50,875
– Other liabilities	27,933	58,602
Cash flows (used in)/ from operations	-94,850	60,093

34 Contingent liabilities and commitments

34.1 Capital commitments

At the reporting date, the Bank had capital commitments amounting to N317.751 million (2015: N1.161 billion)

34.2 Confirmed credits and other obligations on behalf of customers

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

	2016 N'million	2015 N'million
Performance bonds and guarantees	169,337	133,677
Letters of credit	44,038	39,270
Unsettled transactions	6,664	-
	220,039	172,947

Unsettled transation are

34.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N3.96 billion (2015: N3.80 billion). Based on the estimates of the Bank's legal team and the case facts, the Bank estimates a potential loss of N544.72 million (2015: 544.72 million) upon conclusion of the cases. A provision for the potential loss of N544.72 million is shown in note 28.3. On the other hand, the Bank has outstanding claims against various individuals in the sum of N7.63 billion (2015: N9.11 billion) that are yet to be settled.

35 Related party transactions with Key Management Personnel

35.1 Deposits/ Interest expense from related parties

Transactions with related entities

Entity Controlled by Key Management Personnel	Related party	Deposits at 31 Dec 2016	Interest expense 2016	Deposits at 31 Dec 2015	Interest expense 2015
		N	N	N	N
Geoelis and Co Nig Ltd (HM) (DP)	Insider related	72,267,963	5,772,152	18,756,906	437
Rosies Textile Mill Ltd	Insider related	3,382,637	-	1,209,878	76,148
Cy Incorporated Nig Ltd (DSRA)	Insider related	265	-	68,750	
Equipment Solutions and Logistics Services Limited	Insider related	51,610	-	780,880	31
Ass. Haulages (Nig) Ltd 2	Insider related	-	-	12,095	-
The Genesis Restaurant Limited	Insider related	56,225,216	907	165,632	907
Next International	Insider related	762,638,131	-	4,298,832,450	448,676,549
Namjid. Com Limited	Insider related	818,925	30	43,897	9,078
SUB-TOTAL		895,384,748	5,773,088	4,319,870,488	448,763,150
Transactions with Key Management Personnel	Insider related	757,657,588	6,229,930	568,938,643	32,209,490
SUB-TOTAL		757,657,588	6,229,930	568,938,643	32,209,490
TOTAL		1,653,042,336	12,003,018	4,888,809,131	480,972,640

35.2 Loans and Advances/ Interest Income from Related parties

Entity Controlled by Key Management Personnel	Related party	Loan amount Outstanding	Interest Income	Loan amount Outstanding	Interest Income	Facility Type	Status	Collateral Status
		2016	2016	2015	2015			
		N	N	N	N			
Cy Incorporated Nig Ltd	Mrs. Onome Olaolu (Former Director)	269,547,033	45,016,735	258,395,470	14,978,672	Finance Lease/Overdraft	Doubtful	Perfected
Equipment Solutions And Logistics Services Ltd	Mr. Ik Mbagwu	397,486,834	35,867,117	403,837,139	23,019,914	Term Loan/Overdraft	Performing	Perfected
The Genesis Restaurant Ltd	Ichie Nnaeto Orazulike	227,496,672	37,339,930	313,868,125	68,594,401	Term Loan/Overdraft	Performing	Perfected
Genesis Deluxe Cinemas	Ichie Nnaeto Orazulike	294,444,444	34,292,694	41,666,667	14,291,258	Term Loan	Performing	Perfected
Genesis Hub Ltd	Ichie Nnaeto Orazulike	313,704,324	60,351,350	518,013,232	119,241,877	Term Loan/Overdraft	Performing	Perfected
John Holt Plc	Chief Christopher Ezeh	666,479,020	85,680,637	550,588,022	1,861,079	Term Loan	Performing	Perfected
A-Z Petroleum Products Ltd	Mr. Alex Ojukwu	60,280,870	14,720,324	-	-	Term Loan/Overdraft	Performing	Perfected
Congregation Of The Holy S	Mrs Aku P. Odinkemelu	250,000,000	863,014	-	-	Term Loan	Performing	Perfected
Dangote Industries Ltd	Mr. Ernest Ebi	35,852,468,769	889,201,634	-	-	Term Loan	Performing	Perfected
Tenderville Ltd	Chief Christopher Ezeh	15,942,864	2,753,199	-	-	Term Loan/Overdraft	Performing	Perfected
Tower Aluminium Nigeria Pl	Otunba Seni Adetu	1,209,603,478	61,653,932	-	-	Term Loan/Overdraft	Performing	Perfected
CHIS Stores Limited	Chijioke Ugochukwu	7,850,205	2,526,036	18,599,581	4,874,970	Term Loan	Performing	Perfected
Transcorp Ughelli Power Limited	Mr. Stanley Lawson	4,575,000,000	432,952,380	3,316,666,665	326,241,535	Term Loan	Performing	Perfected
SUB-TOTAL		44,140,304,513	1,703,218,982	5,421,634,901	573,103,707			

Okonkwo Nnamdi John	Managing Director	174,295,531	6,415,961	130,791,704	-	Term Loan	Performing	Perfected
Chijioke Ugochukwu	Executive Director	96,589,743	3,617,055	30,694	-	Term Loan	Performing	Perfected
Mohammed Balarabe	Executive Director	106,017,326	3,758,219	-	-	Term Loan	Performing	Perfected
Odinkemelu Aku Pauline	Executive Director	135,054,067	3,537,973	1,247,973	-	Term Loan	Performing	Perfected
Onyeali - Ikpe Nnekachinwe	Executive Director	27,020,000	4,574,144	-	-	Term Loan	Performing	Perfected
Adepegba Adeyeye Olawale	Executive Director	34,339,622	1,216,382	-	-	Term Loan	Performing	Perfected
Umar I Yahaya	Non Executive Director	-	-	435,497	-	Term Loan	Performing	Perfected
Ichie Nnaeto Orazulike	Non Executive Director	40,000,000	10,573,413	60,321,176	8,284,932	Term Loan	Performing	Perfected
Kayode Gabriel Olowoniyi	Non Executive Director	1,177,695	156,577	2,106,430	-	Overdraft	Performing	Perfected
Nnamdi I. Oji	Non Executive Director	2,264,461	273,834	1,038,856	-	Overdraft	Performing	Perfected
Nnana-Kalu Robert Nena	Non Executive Director	3,192,161	1,714	4,065,403	-	Overdraft	Performing	Perfected
Bashari M. Gumel	Non Executive Director	-	-	1,007,248	-	Overdraft	Performing	Perfected
SUB-TOTAL		619,950,606	34,125,273	200,037,732	8,284,932			
TOTAL		**44,760,255,119**	**1,737,344,255**	**5,621,672,633**	**581,388,638**			

Bank Gurantees in favour of Key Management Personnel

35.3

2016

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED BANK DIRECTOR	POSITION IN BANK	AMOUNT (N)
BORKIR INTERNATIONAL COMPANY LIMITED	DANGOTE CEMENT PLC (HEAD OFFICE)	Ebi ERNEST EBI	CHAIRMAN	100,000,000
NATIONAL UNIVERSITIES COMMISSION	CHRISTOPHER EZEH	CHIEF CHRISTOPHER EZEH	FORMER CHAIRMAI	200,000,000
NATIONAL UNIVERSITIES COMMISSION (NUC)	CONGREGATION OF THE HOLY SPIRIT (SPIR	ICHIE NNAETO ORAZULIKE/MRS. PAULI	DIRECTOR	200,000,000
NATIONAL UNIVERSITIES COMMISSION (NUC)	CONGREGATION OF THE HOLY SPIRIT (SPIR	ICHIE NNAETO ORAZULIKE/MRS. PAULI	DIRECTOR	200,000,000
DELTA MALL DEV CO.	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	DIRECTOR	36,780
CEDDI CORPORATION LTD	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	DIRECTOR	54,320
BOI	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	DIRECTOR	250,000,000
FLOUR MILLS OF NIG. PLC	THE GENESIS RESTAURANT LIMITED	ICHIE NNAETO ORAZULIKE	DIRECTOR	25,000,000
HONEYWELL FLOUR MILLS PLC	THE GENESIS RESTAURANT LIMITED	ICHIE NNAETO ORAZULIKE	DIRECTOR	25,000,000
CROWN FLOUR MILLS LTD	THE GENESIS RESTAURANT LIMITED	ICHIE NNAETO ORAZULIKE	DIRECTOR	50,000,000
BANK OF INDUSTRY	TOWER ALUMINIUM NIGERIA PLC	OTUNBA SENI ADETU	DIRECTOR	2,981,487,000
UNITED INTERNATIONAL PIC (SOUTH AFRICA)	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	DIRECTOR	34,160,000
				4,065,738,100

2015

BENEFICIARY NAME	RELATED ENTITY	NAME OF RELATED BANK DIRECTOR	POSITION IN BANK	AMOUNT (N)
NATIONAL UNIVERSITIES COMMISSION	CHIEF CHRISTOPHER EZEH	CHIEF CHRISTOPHER EZEH	CHAIRMAN	200,000,000
NATIONAL UNIVERSITIES COMMISSION (NUC)	CONGREGATION OF THE HOLY SPIRIT (SPIR	ICHIE NNAETO ORAZULIKE/MRS. PAULI	DIRECTOR/EXECUT	200,000,000
BANK OF INDUSTRY	GENESIS DELUXE CINEMAS	ICHIE NNAETO ORAZULIKE	DIRECTOR	250,000,000
				650,000,000

35.4 Key management compensation

	2016 N'million	2015 N'million
Salaries and other short-term employee benefits (Executive directors only)	273	346
Pension cost		14
Post-employment benefits paid- Gratuity		114
Post-employment benefits paid- Retirement	767	398
Other employment benefits paid		504
	1,040	1,376

36 Employees

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

	Number 2016	Number 2015
Executive directors	6	6
Management	497	526
Non-management	2,917	2,979
	3,420	3,511

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

	Number 2016	Number 2015
N300,000 - N2,000,000	116	154
N2,000,001 - N2,800,000	453	424
N2,800,001 - N3,500,000	771	775
N3,500,001 - N6,500,000	923	956
N6,500,001 - N7,800,000	373	570
N7,800,001 - N10,000,000	450	278
N10,000,001 and above	334	354
	3,420	3,511

37 Directors' emoluments

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

	Number 2016 N'million	Number 2015 N'million
Fees and sitting allowances	78	75
Executive compensation	273	346
Other director expenses	113	345
	464	766

Fees and other emoluments disclosed above include amounts paid to:

Chairman	18	15
Highest paid director	102	94

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

	Number 2016	Number 2015
Below N1,000,000	-	-
N1,000,000 - N2,000,000	-	-
N2,000,001 - N3,000,000	-	-
N5,500,001 - and above	15	15
	15	15

38 Compliance with banking regulations

38.1 The Directors are of the opinion that the financial statements of the Bank is in compliance with the Bank and Other Financial Institutions act, 2012 CAP B3 LFN 2004 and all relevant CBN circulars, except for the contraventions below which attracted penalties during the year.

	Fine/Penalties	
Nature of Contravention	**2016 (N'000)**	**2015 (N'000)**
Penalty payment on CBN FINA returns	475	28,000
Penalty for discrepancy of information on Ethelbert	-	4,000
Penalty on AML/CFT	-	4,000
Penalty for failure to meet TSA deadline	-	4,000
Penalty for hiring a blacklisted person	-	2,000
Penalty for CBN/NDIC risk based supervisory report	-	2,000
Penalty on late rendition of daily returns	-	450
Penalty for late rendition of mobil payment	-	50
CBN-Commencing branch operations without approval	12,000	-
Penalty for International Money Transfer issues	60,000	-
Penalty in respect of dismissed staff template	4,000	-
Penalty on FOREX-related issues	8,000	-
Penalty in respect of NOTAP issues	150	-
Penalty for contravening Policy Circulars	12,000	-
Penalty on Risk Assessment Report issues	4,000	-
Penalty for Operation of Surrogate Account	74,000	-
	174,625	44,500

38.2 In line with circular FDR/DIR/CIR/GEN/01/020, the returns on customers' complaints for the year ended 31 December 2016 is set as below:

S/N	DESCRIPTION	NUMBER		AMOUNT CLAIMED		AMOUNT REFUNDED	
		2016	2015	2016[Million]	2015[Million]	2016[Million]	2015[Million]
1	Pending complaints b/f	45	28	876	199	N/A	N/A
2	Received complaints	865	929	2,204	2,212	N/A	N/A
3	Resolved complaints	862	912	1,760	1,658	382	124
4	Unresolved complaints escalated to CBN for intervention	-	0	-	0	N/A	N/A
5	Unresolved complaints pending with the Bank c/f	48.00	45	1,320	876	N/A	N/A

38.3 Whistle Blowing policy

The Bank complied with the CBN circular FPR/DIR/GEN/01/004 code of Corporate Governance for Banks and Discount Houses in Nigeria and Guidelines for Whistle Blowing Policy in

39 Gender Diversity

2016

	WOMEN Number	%	MEN Number	%	TOTAL
Board Members	3	21%	11	79%	14
Management staff (AGM & Above)	11	23%	36	77%	47
	14		47		61
Total					

2015	WOMEN Number	%	MEN Number	%	TOTAL
Board Members	3	21%	11	79%	14
Management staff (AGM & Above)	11	24%	35	76%	46
Total	14		46		60

40 Statement of prudential adjustments

Transfer to regulatory risk reserve

The regulatory body Central Bank of Nigeria (CBN) and the Nigerian Deposit Insurance Commission (NDIC) stipulates that provisions recognized in the profit or loss account shall be determined based on the requirements of IFRS (International Financial Reporting Standards). The IFRS provisions should be compared with provisions determined under prudential guidelines and the expected impact/changes in retained earnings should be treated as follows:

(i) Prudential Provisions is greater than IFRS provisions; transfer the difference from the retained earnings to a non-distributable regulatory reserve.

(ii) Prudential Provisions is less than IFRS provisions; the excess charges resulting should be transferred from the regulatory reserve account to the retained earnings to the extent of the non-distributable regulatory reserve previously recognized.

	2016 N'million	**2015 N'million**
Transfer to regulatory reserve		
Prudential provision:		
Specific provision	19,184	19,950
General provision	21,806	10,355
Provision for other assets	1,851	1,382
Provision for litigations and claims	545	545
Provision for investments	408	408
Total prudential provision (A)	43,794	32,640
IFRS provision:		
Specific impairment (see note 21)	15,027	13,440
Collective impairment (see note 21)	9,692	7,336
Provision for other assets (see note 26)	1,851	1,382
Provision for litigations and claims (see note 28.3)	545	545
Provision for investments (see note 22.2)	408	408
Total IFRS provision (B)	27,523	23,110
Non-distributable regulatory reserve	16,271	9,530

41 Maturity analysis of assets and liabilities

Maturity analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2016

ASSETS	Maturing within 12 months N'million	Maturing after 12 months N'million	Total N'million
Cash and balances with central bank	207,061	-	207,061
Due from banks	49,200	-	49,200
Loans and advances to customers	246,889	471,512	718,401
Investments:			-
Held for trading (fair value through profit or loss)	13,258	4,840	18,098
Available for sale	72,605	15,981	88,586
Held to maturity	67,500	70,634	138,134
Other assets	13,653	23,857	37,510
Property, Plant and equipment	-	40,356	40,356
Intangible assets	27	768	795
TOTAL ASSETS	**670,193**	**627,948**	**1,298,141**

LIABILITIES			
Deposits from customers	573,088	219,883	792,971
Current income tax liability	1,327	-	1,327
Other liabilities	73,583	85,823	159,406
Debt issued and other borrowed funds	-	159,035	159,035
TOTAL LIABILITIES	**647,998**	**464,741**	**1,112,739**

As at 31 December 2015

ASSETS	Maturing within 12 months N'million	Maturing after 12 months N'million	Total N'million
Cash and balances with central bank	185,332	-	185,332
Due from banks	79,942	-	79,942
Loans and advances to customers	27,416	550,787	578,203
Investments:			
Held for trading (fair value through profit or loss)	4,070	-	4,070
Available for sale	4,723	111,884	116,607
Held to maturity	23,491	157,245	180,736
Other assets	28,246	17,656	45,902
Property, Plant and equipment	-	40,036	40,036
Intangible assets	177	768	945
TOTAL ASSETS	**353,397**	**878,376**	**1,231,773**

LIABILITIES	Maturing within 12 months N'million	Maturing after 12 months N'million	Total N'million
Deposits from customers	769,636	-	769,636
Current income tax liability	2,332	-	2,332
Other liabilities	124,832	-	124,832
Debt issued and other borrowed funds	-	141,975	141,975
Retirement benefit obligations	743	8,661	9,404
TOTAL LIABILITIES	**897,543**	**150,636**	**1,048,179**

42 EVENTS AFTER REPORTING PERIOD

There are no significant events after the reporting period except payment of Dividend which could have had a material effect on the state of financial affairs of the Bank as at 31 December 2016 and on the profit or loss and other comprehensive income for the year then ended, which have not been adequately provided for or disclosed. In respect of the 2016 financial year, the Board of Directors recommend a dividend of 14 kobo per Ordinary Share of 50 kobo each amounting to N4.05 billion for approval at the Annual General Meeting. If approved, dividend will be paid to Shareholders whose names appear on the Register of Members. The proposed dividend is subject to Withholding Tax at the appropriate tax rate, which will be deducted before payment.

FIDELITY BANK PLC

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 N'million	%	2015 N'million	%
Interest and similar income	123,153		121,158	
Interest and similar expense	-61,225		-60,294	
	61,928		60,864	
Administrative overheads				
-Local	-6,023		-4,753	
Value added	**55,905**	**100**	**56,111**	**100**
Distribution				
Employees:				
Salaries and benefits	27,231	49	27,125	48
Government:				
-Income tax	1,216	2	1,390	2
-IT levy	111	-	140	-
The future:				
-Dividend paid during the year	4,634	8	5,213	9
-Deferred taxation	-	-	-1,410	-3
-Asset replacement (depreciation and amortisation)	4,308	8	3,985	7
-Asset replacement (provision for losses)	8,671	15	5,764	9
-Expansion (transfers to reserves)	9,734	17	13,904	26
	55,905	**100**	**56,111**	**100**

Value added represents the additional wealth the Bank has been able to create by its own and its employees' efforts. This statement shows the allocation of the wealth among the employees, shareholders, government and the portion re-invested for creation of more wealth.

FIDELITY BANK PLC

FIVE - YEAR FINANCIAL SUMMARY

Financial Position **As at 31 December**	**2016** **N'million**	**2015** **N'million**	**2014** **N'million**	**2013** **N'million**	**2012** **N'million**
Assets:					
Cash and balances with central bank	207,061	185,332	258,131	207,834	117,291
Due from other banks	49,200	79,942	68,735	80,875	98,000
Loans and advances to customers	718,401	578,203	541,686	426,076	345,500
Investments:					
Held for trading (Fair value through P or L)	18,098	4,070	83,363	254,909	201,806
Available for sale	88,586	116,607	90,864	21,041	21,835
Held to maturity	138,134	180,736	69,526	45,104	76,258
Property, plant and equipment	40,356	39,985	37,958	37,470	35,358
Intangible assets	795	945	506	-	470
Other assets	37,510	45,902	36,256	7,908	17,842
	1,298,141	**1,231,722**	**1,187,025**	**1,081,217**	**914,360**
Financed by:					
Liabilities					
Customer deposits	792,971	769,636	820,034	806,320	716,749
Current income tax payable	1,327	2,332	1,719	1,307	2,275
Deferred income tax liabilities	-	-	1,410	1,955	1,955
Other liabilities	154,269	124,832	66,230	30,286	26,354
Debts issued and other borrowed funds	159,035	141,975	117,541	70,328.00	-
Retirement benefit obligations	-	9,431	6,980	7,566	5,572
Equity					
Share capital	14,481	14,481	14,481	14,481	14,481
Share premium	101,272	101,272	101,272	101,272	101,272
Statutory reserve	24,476	23,016	20,930	18,861	17,703
Retained earnings	25,918	8,797	11,721	9,118	7,916
Small scale industries reserve	764	764	764	764	764
Non-distributable regulatory reserve	16,271	33,480	23,950	18,884	19,608
AFS/ Remeasurement reserve	2,220	1,706	-7	75	- 289
	1,293,004	**1,231,722**	**1,187,025**	**1,081,217**	**914,360**

FIDELITY BANK PLC

FINANCIAL SUMMARY-continued

Statement of Profit or loss and Other Comprehensive Income For the year ended 31 December	**2016**	**2015**	**2014**	**2013**	**2012**
	N'million	**N'million**	**N'million**	**N'million**	**N'million**
Operating income					
Net interest income	61,928	60,864	48,826	30,812	36,810
Impairment charge for credit losses	(8,671)	(5,764)	(4,306)	(8,140)	(4,610)
Net interest income after impairment charge for credit losses	53,257	55,100	44,520	22,672	32,200
Commission and other operating income	28,868	25,442	28,094	40,661	39,100
Other operating expenses	(71,064)	(66,518)	(57,099)	(54,305)	(50,708)
Operating profit	11,061	14,024	15,515	9,028	20,592
Profit from sale of subsidiary	-	-	-	-	757
Profit before income tax	11,061	14,024	15,515	9,028	21,349
Income tax expense	(1,327)	(120)	-1,719	(1,307)	(3,425)
Profit after taxation	**9,734**	**13,904**	**12,498**	**7,721**	**17,924**
Other comprehensive income	(3,214)	1,713	(82)	363	1,757
Total comprehensive income for the year	**6,520**	**15,617**	**12,416**	**8,084**	**19,681**
Per share data in kobo:					
Earnings per share (basic & diluted)	**34k**	**48k**	**48k**	**27k**	**62k**
Net assets per share	**640k**	**636k**	**603k**	**564k**	**2,350k**

Note:
The earnings per share have been computed on the basis of the profit after tax and the number of issued shares as at year end.

Net assets per share have been computed based on the net assets and the number of issued shares at year end.