FIDELITY BANK PLC

CONDENSED UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

FIDELITY BANK PLC

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

	Notes	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million*
Gross Earnings		**55,922**	**50,127**	**217,306**	**188,873**
Interest and similar income using effective interest rate method	6	48,445	35,916	181,002	153,682
Other interest and similar income	12.1	(243)	1,135	2,315	3,769
Interest and similar expense using effective interest rate method	7	(24,288)	(21,864)	(101,159)	(84,095)
Net interest income		**23,914**	**15,187**	**82,158**	**73,356**
Credit loss expense	8	1,993	(930)	6,866	(4,215)
Net interest income after credit loss expense		**25,907**	**14,257**	**87,524**	**69,141**
Fee and commission income	9	6,055	5,343	25,317	20,410
Fee and commission expense	9	(1,499)	(736)	(5,269)	(3,346)
Modification loss on financial asset	10	-	-	(4,734)	-
Other operating income	11	1,180	7,609	7,856	11,144
Net gains from financial assets at fair value through profit or loss	12	485	125	815	(132)
Personnel expenses	13	(6,671)	(7,163)	(23,684)	(23,910)
Depreciation and amortisation	14	(1,416)	(2,615)	(5,305)	(6,247)
Other operating expenses	15	(14,668)	(11,794)	(51,644)	(41,971)
Profit before income tax		**9,372**	**5,025**	**32,377**	**25,089**
Income tax expense	16	(1,372)	44	(2,914)	(2,163)
PROFIT FOR THE PERIOD		**8,000**	**5,069**	**29,463**	**22,926**
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Revaluation gains on equity instruments at fair value through other comprehensive income**		442	1,509	6,359	1,612
Total items that will not be reclassified subsequently to profit or loss		**442**	**1,509**	**6,359**	**1,612**
Items that will be reclassified subsequently to profit or loss					
Debt instruments at fair value through other comprehensive income**:					
- Net change in fair value during the period		5,328	635	6,464	(2,424)
- Changes in allowance for expected credit losses		341	278	341	277
- Reclassification adjustments to profit or loss		(95)	(1,299)	(124)	(1,671)
Net losses on debt instruments at fair value through other comprehensive inco		5,574	(386)	6,681	(3,818)
Total items that will be reclassified subsequently to profit or loss		**5,574**	**(386)**	**6,681**	**(3,818)**
Other comprehensive (loss)/income for the period, net of tax		**6,016**	**1,123**	**13,040**	**(2,206)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF T		**14,017**	**6,192**	**42,503**	**20,720**
*** Income from these instruments is exempted from tax*					
Earnings per share					
Basic and diluted (in kobo)	18	**28**	**18**	**102**	**79**

** Certain amounts in the comparative have been restated and do not correspond to the amount in the audited financial statements of the prior period presented.*
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 2019

	Note	31 December 2019 N'million	31 December 2018 N'million
ASSETS	**Note**		
Cash and balances with central bank	19	451,392	384,931
Due from banks	21	159,384	111,633
Loans and advances to customers	22	1,127,749	849,880
Investment securities:			
Financial assets at fair value through profit or loss	23.1	44,246	14,052
Debt instruments at fair value through other comprehensive income	23.2	133,715	157,639
Equity instruments at fair value through other comprehensive incor	23.3	13,418	9,977
Debt instrument at amortised cost	23.4	115,112	118,662
Other assets	27	29,699	35,124
Right of Use Assets	24	1,451	-
Property, plant and equipment	24	38,384	36,909
Intangible assets	25	1,745	1,076
TOTAL ASSETS		**2,116,296**	**1,719,883**
LIABILITIES			
Deposits from customers	28	1,225,214	979,413
Current income tax payable	16	3,325	1,609
Deferred tax liabilities	26	-	-
Other liabilities	29	345,381	230,369
Provision	30	3,976	3,343
Debts issued and other borrowed funds	31	304,667	310,733
TOTAL LIABILITIES		**1,882,562**	**1,525,467**
EQUITY			
Share capital	32	14,481	14,481
Share premium	33	101,272	101,272
Retained earnings	33	59,386	37,133
Other equity reserves:			
Statutory reserve	33	32,813	30,744
Small scale investment reserve (SSI)	33	764	764
Non-distributable regulatory reserve (NDR)	33	2,806	408
Fair value reserve	33	19,636	7,038
AGSMEIS reserve	33	2,576	2,576
TOTAL EQUITY		**233,734**	**194,416**
TOTAL LIABILITIES AND EQUITY		**2,116,296**	**1,719,883**

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

The fourth quarter financial statements were approved by the Board of Directors on 27 January 2020 and signed on its behalf by:

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

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

FIDELITY BANK PLC

INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Fair value reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2019	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,039**	**2,576**	**194,417**
Risk reserves reclassification	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	29,463	-	-	-	-	-	29,463
Other comprehensive income						-	-	-	-
Net change in fair value of debt instrument at FVOCI	-	-	-	-	-	-	6,464	-	6,464
Net change in fair value of equity instrument at FVO(	-	-	-	-	-	-	6,359	-	6,359
Changes in allowance for expected credit losses	-	-	-	-	-	-	341	-	341
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(124)	-	(124)
Total comprehensive income	-	-	**29,463**	-	-	**408**	**13,040**	-	**42,503**
Dividends paid	-	-	(3,186)	-	-	-	-		(3,186)
Transfers between reserves (Note 32)	-	-	(4,024)	2,069		2,397	(443)	-	-
At 31 December 2019	**14,481**	**101,272**	**59,386**	**32,813**	**764**	**2,806**	**19,636**	**2,576**	**233,734**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018	Share capital	Share premium	Retained earnings	Statutory reserve	Small scale investment reserve	Non-distributable regulatory reserve	Available for sale reserve	AGSMEIS reserve	Total equity
	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million	N'million
Balance at 1 January 2018	**14,481**	**101,272**	**23,372**	**27,305**	**764**	**28,837**	**5,330**	-	**201,361**
Impact of adopting IFRS 9 (Note 2.18)	-	-	(28,393)	-	-	-	**3,915**	-	(24,478)
Transfers between reserves (Note 32)	-	-	28,393	-	- -	**28,393**	-	-	-
01 January 2018, as restated	**14,481**	**101,272**	**23,372**	**27,305**	**764**	**444**	**9,245**	-	**176,883**
Profit for the period	-	-	22,926	-	-	-	-	-	22,926
Other comprehensive income								-	
Unrealised net gains arising during the period	-	-	-	-	-	-	(2,424)	-	(2,424)
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	1,612	-	1,612
Unrealised net gains arising during the period	-	-	-	-	-	-	277	-	277
Net reclassification adjustment for realised net gains	-	-	-	-	-	-	(1,673)	-	(1,673)
Total comprehensive income	-	-	**22,926**	-	-	-	**(2,208)**	-	**20,719**
Dividends paid	-	-	(3,186)	-	-	-	-	-	(3,186)
Transfers between reserves (Note 32)	-	-	(5,979)	3,439		(36)	-	2,576	-
At 31 December 2018,	**14,481**	**101,272**	**37,133**	**30,744**	**764**	**408**	**7,038**	**2,576**	**194,416**

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 2019

	Note	2019 N'million	2018 N'million
Operating Activities			
Cash flows from/(used in) operations	**34**	(23,369)	113,294
Interest received		154,200	146,676
Interest paid		(109,422)	(81,853)
Payment to staff		-	-
Income tax paid		(1,198)	(1,053)
Net cash flows from /(used in) operating activities		**20,211**	**177,064**
Investing activities			
Purchase of property, plant and equipment	**24**	(5,783)	(2,281)
Proceeds from sale of property and equipment		2,343	76
Purchase of intangible assets	**25**	(2,172)	(2,879)
Purchase of FVTOCI financial assets	**23.6.1**	(124,561)	(246,754)
Purchase of amortised cost financial assets	**23.6.2**	(51,408)	(54,244)
Redemption of amortised cost financial assets at maturity	**23.6.2**	53,556	51,842
Proceed from sale of FVTOCI financial assets	**23.6.1**	143,820	154,647
Proceed from sale of equity instruments at FVOCI	**23.3**	2,918	1,299
Dividend received	**10**	1,392	229
Net cash flows provided by investing activities		**20,105**	**(98,065)**
Financing activities			
Dividends paid		(3,186)	(3,186)
Lease payment	**2.1.2**	(563)	
Proceeds of debts issued and other borrowed funds	**31**	41,485	57,498
Repayment of long term borrowings	**31**	(56,425)	(32,317)
Net cash flows (used in)/ from financing activities		**(18,689)**	**21,995**
Net increase in cash and cash equivalents		**17,078**	**100,994**
Net foreign exchange difference on cash and cash equivalen	**21**	3,402	5,061
Cash and cash equivalents as at 1 January	**20**	**246,950**	**140,895**
Cash and cash equivalents as at 31 December	**20**	**267,430**	**246,950**

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

1. Corporate information

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

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

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

2. Summary of significant accounting policies

2.1 Introduction to summary of significant accounting policies

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

2.1.1 Basis of preparation

Statement of compliance

The Bank's financial statements for the twelve months ended **31 December 2019** have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Bank has applied IAS 34 - Financial Reporting in preparing its financial statements and as such do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2018.

Additional information required by national regulations is included where appropriate.

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

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

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

2.1.2 Changes on accounting policies and disclosures

New and amended standards and interpretations.

The Bank has applied IFRS 9, IFRS 7R (Revised) and IFRS 15, effective for annual periods beginning on or after 1 January 2018, and IFRS 16 effective for annual periods beginning 1 January 2019(for the first time). The Bank did not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Bank applies, for the first time, IFRS 16 Leases that requires restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

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

a IFRS 16 - Leases

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

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

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

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

	N'million
Assets	
Right-of-use assets	1,529
Property, Plant & Equipment	(750)
Prepayments	(779)
Total assets	-
Total adjustment on equity (retained earnings)	-

Accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the bank's financial statements and discloses the new accounting policies that have been applied from1 January 2019. The Bank has adopted IFRS 16 retrospectively from1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. There classifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

IFRS 16 Leases - Continued

Nature of the effect of adoption of IFRS 16

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

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

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

Leases previously accounted for as operating leases

The Bank recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Bank also applied the available practical expedients wherein it:

* Used a single discount rate to a portfolio of leases with reasonably similar characteristics
* Relied on its assessment of whether leases are onerous immediately before the date of initial application

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

Summary of new accounting policies

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

Right-of-use assets

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

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its **short-term leases** (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of **low-value assets recognition exemption to leases** (i.e., below $5,000). Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

For policy applicable before 1 January 2019, see Note 2.9

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

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

		Right-of-use assets
	Building N'million	**Total N'million**
As at 1 January 2019	-	-
Transfer from prepayment	779	779
Transfer from property, plant and equipment (Note 24)	750	750
Additions during the year (Note 24)	563	563
Depreciation expense	(641)	(641)
As at 31 December 2019	1,451	1,451

b IFRS 9- Classification and measurement

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

The IFRS 9 measurement categories are as follows:
- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL.

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

The Bank's classification of its financial assets and liabilities is explained in Notes 2.18.

The impairment calculation

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

c IFRS 7 Revised (IFRS 7R)
To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Bank has adopted it, together with IFRS 9. Detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note 3.

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

i IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

ii Amendments to IFRS 9: Prepayment Features with Negative Compensation

iii Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

v Annual Improvements 2015-2017 Cycle

(a) IFRS 3 Business Combinations

(b) IFRS 11 Joint Arrangements

(c) IAS 12 Income Taxes

(d) IAS 23 Borrowing Costs

2.1.3 Significant accounting judgements, estimates and assumptions

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

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

ESTIMATES AND ASSUMPTIONS

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

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

2.1.3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Allowances for credit losses

Measurement of the expected credit loss allowance

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

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

· Determining criteria for significant increase in credit risk;

· Choosing appropriate models and assumptions for the measurement of ECL;

· Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and

· Establishing groups of similar financial assets for the purposes of measuring ECL.

Determination of collateral Value

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

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

Fair value measurement of financial instruments

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

JUDGEMENTS

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

Depreciation and carrying value of property, plant and equipment

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

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

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

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

2.2 Standards Issued But Not Yet Effective

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

IFRS 17 Insurance Contracts

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

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

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

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

Amendment to IAS 1 and 8: Definition of material

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

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

Amendment to IFRS 3: Definition of business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. These amendments will currently have no impact on the financial statements of the Bank. The Bank will apply this amendment when it becomes effective on 1 January 2020

The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:
• Chapter 1 – The objective of financial reporting
• Chapter 2 – Qualitative characteristics of useful financial information
• Chapter 3 – Financial statements and the reporting entity
• Chapter 4 – The elements of financial statements
• Chapter 5 – Recognition and derecognition
• Chapter 6 – Measurement
• Chapter 7 – Presentation and disclosure
• Chapter 8 – Concepts of capital and capital maintenance

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

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

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

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

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

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

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement.

Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

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

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

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

The bank will apply these amendments when they become effective.

Annual Improvements Cycle

These improvements include:

• IFRS 3 Business Combinations

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. These amendments will currently have no impact on the financial statements of the Bank. The Bank will apply this amendment when it becomes effective on 1 January 2020

• IFRS 11 Joint Arrangements

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

• IAS 12 Income Taxes

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

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

• IAS 23 Borrowing Costs

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

2.3 Foreign currency translation and transaction

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

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

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

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

2.4.1 Initial recognition

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

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

Day 1 profit or loss

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

Amortised cost and gross carrying amount

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

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

Effective interest method

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

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

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

Interest income

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

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

Interest income- continued

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

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

2.4.2 **Financial assets - Subsequent measurement**

a) **Debt instruments**

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

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

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

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

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

Business Model assessment

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

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

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

Business Model assessment - continued

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

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

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

Solely payments of principal and interest (SPPI) assessment

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

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

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

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

Reclassifications

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

Modifications

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

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

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

b) **Equity instruments**

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

2.4.3 Impairment of financial assets

Overview of the ECL principles

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

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

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

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

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

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

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

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

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

The calculation of ECLs

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

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

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

The calculation of ECLs

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

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

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

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

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

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

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

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

The mechanics of the ECL method are summarised below:

Stage 1

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

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

Stage 2

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

Stage 3

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

POCI

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

Loan commitments and letters of credit

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

Loan commitments and letters of credit - continued

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

Financial guarantee contracts

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

Bank overdraft and other revolving facilities

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

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

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

Collateral valuation

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

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

Collateral repossessed

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

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

2.4.4 Presentation of allowance for ECL

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

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

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

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

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

Write-off

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

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

2.4.5 Financial liabilities

Initial and subsequent measurement

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

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

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

Derecognition

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

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

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

Financial guarantee contracts and loan commitments

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

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

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

2.5 Revenue recognition

Interest income and expense

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

Fees and commission income

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

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

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

2.6 Impairment of non-financial assets

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

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

2.7 Statement of cash flows

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

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

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

2.8 Cash and cash equivalents

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

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

2.9 Leases

Leases are divided into finance leases and operating leases

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

i Operating lease

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

ii Finance lease

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

For policy applicable from 1 January 2019 see note 2.1.2

B The company is the lessor

i Operating lease

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

ii Finance lease

When assets are held subject to a finance lease, the related asset is derecognised and the present value of the lease payments (discounted at the interest rate implicit in the lease) is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is 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.

2.10 Property, plant and equipment

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

Property, plant and equipment - continued

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

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

- Building: 50 years
- Leasehold improvements: IFRS 16 definition
- Motor vehicles: 4 years
- Furniture and fittings: 5 years
- Computer equipment: 5 years
-Office equipment: 5 years

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

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

Intangible assets

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

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

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

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

Income taxation

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

i *Current income tax*

The 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.

ii *Deferred income tax*

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

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

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

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

Provisions

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

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

Share capital

(a) Share issue costs

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

(b) Dividends on ordinary shares

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

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

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

Fair value measurement

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

* In the principal market for the asset or liability

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

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

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

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

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

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

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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.

Segment Reporting

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

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

Retail banking

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

Corporate banking

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

Investment banking

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

6 Interest and similar income

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Loans and advances to customers	36,616	25,122	132,555	109,322
Treasury bills and other investment securities:				
-Fair value through other comprehensive income	9,757	4,828	26,933	19,547
-Amortised cost	165	3,501	11,144	16,133
Advances under finance lease	1,532	1,259	4,153	5,389
Placements and short term funds	375	1,206	6,217	3,291
	48,445	**35,916**	**181,002**	**153,682**

7 Interest and similar expense

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Term deposits	14,479	12,912	60,899	51,517
Debts issued and other borrowed funds	6,187	5,959	27,516	22,741
Savings deposits	2,265	1,606	8,186	6,170
Current accounts	1,357	1,387	4,550	3,666
Inter-bank takings	-	-	8	1
	24,288	**21,864**	**101,159**	**84,095**

8 Credit loss expense

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

Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks (Note 21)	- -	498	-	-	-	-	(498)
Loans and advances to customers (Note 22)	- -	11,214	-	2,167	2,943	-	(6,105)
Debt instruments measured at FVOCI (23.8.1)	-	341	-	-	-	-	341
Debt instruments measured at amortised costs (23.8.2)	-	(86)	-	-	-	-	(86)
Financial guarantees (Note 30.3.1)	-	4	-	-	-		4
Letters of credit (Note 30.3.2)	- -	668	-	-	-	-	(668)
	-	**(12,122)**	**-**	**2,167**	**2,943**	**-**	(7,012)
Other assets (Note 27)	-	147	(1)	-	-	-	**146**
	-	147	(1)	-	-	-	**146**
	-	**(11,974)**	**(1)**	**2,167**	**2,943**	**-**	**6,866**

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

Note	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	POCI	Total
Balances with Central Bank of Nigeria	-	-	-	-	-	-	-
Due from banks (Note 21)	-	806	-	-	-	-	806
Loans and advances to customers (Note 22)	-	3,114	-	(1,340)	646	-	2,420
Debt instruments measured at FVOCI (23.8.1)	-	270	-	-	-	-	270
Debt instruments measured at amortised costs (23.8.2)	-	199	-	-	-	-	199
Financial guarantees (Note 30.3.1)	-	(448)	-	-	-	-	(448)
Loan Commitments	-	-	-	-	-	-	-
Letters of credit (Note 30.3.2)	-	618	-	-	-	-	618
	-	**4,559**	**-**	**(1,340)**	**646**	**-**	**3,865**
Other assets (Note 27)	-	350	-	-	-	-	**350**
	-	350	-	-	-	-	**350**
	-	**4,909**	**-**	**(1,340)**	**646**	**-**	**(4,215)**

9 Net fee and commission income

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

Segments	**Q4 2019 N'million**	**Q4 2018 N'million**	**2019 N'million**	**2018 N'million**
Fee and commision type:				
ATM charges	566	968	3,793	3,588
Accounts maintenance charge	887	795	3,372	2,899
Commision on E-banking activities	871	1,486	3,496	2,852
Commission on travellers cheque and foreign bills	511	844	2,869	2,613
Commission on fidelity connect	483	450	1,722	1,432
Letters of credit commissions and fees	473	368	1,519	1,251
Commissions on off balance sheet transactions	206	151	1,280	1,101
Other fees and commissions	1,261	(95)	1,712	772
Commision and fees on banking services	234	126	675	487
Commision and fees on NXP	25	190	912	700
Collection fees	386	(640)	409	266
Telex fees	94	218	877	722
Cheque issue fees	103	44	232	174
Remittance fees	142	108	304	218
Total revenue from contracts with customers	**6,242**	**5,013**	**23,170**	**19,075**
Other non-contract fee income:				
Credit related fees	(187)	330	**2,147**	1,335
Total fees and commission income	6,055	5,343	**25,317**	**20,410**
Fee and commission expense	(1,499)	(736)	(5,269)	(3,346)
Net fee and commission income	**4,556**	**4,607**	**20,048**	**17,064**

10 Modification loss on financial asset

The table below shows the modification charge on financial instruments for the year 31 December 2019 recorded in profit or loss :

	Q4 2019 N'million	Q4 2018 N'million	31 December 2019 N'million	31 December 2018 N'million
Modified Loan Assets	-	-	29,579	-
	-	-	-	-
Less: Allowance for Modification loss	-	-	(4,705)	-
Specific allowances for impairment	-	-	(30)	-
	-	**-**	**24,845**	

11 Other operating income

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Net foreign exchange gains	1,074	7,481	3,402	10,122
Dividend income	-	-	1,392	229
Profit on disposal of property, plant and equipment	4	4	2,510	15
Other income	102	124	552	778
	1,180	**7,609**	**7,856**	**11,144**

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

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Net (losses)/gains arising from:				
- Bonds	72	115	177	(133)
- Treasury bills	413	10	638	1
	485	**125**	**815**	**(132)**
12.1 Interest income on financial assets measured at FVTPL	**(243)**	**1,135**	**2,315**	**3,769**

13 Personnel expenses

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Wages and salaries	3,671	4,687	20,684	21,434
End of the year bonus (see note 30)	2,537	2,000	2,537	2,000
Pension contribution	463	476	463	476
	6,671	**7,163**	**23,684**	**23,910**

14 Depreciation and Amortisation

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Property, plant and equipment (Note 24)	841	1,002	3,161	3,815
Computer software (Note 25)	404	1,613	1,503	2,432
Depreciation of ROU Asset	171		641	-
	1,416	**2,615**	**5,305**	**6,247**

15 Other operating expenses

	Q4 2019 N'million	Q4 2018 N'million	2019 N'million	2018 N'million
Marketing, communication & entertainment	3,326	2,771	10,429	8,352
Banking sector resolution cost	2,405	2,471	10,478	8,764
Outsourced cost	1,101	1,054	4,333	4,022
Deposit insurance premium	1,108	803	4,732	3,310
Repairs and maintenance	950	1,041	3,384	3,114
Other expenses	1,324	1,616	3,912	2,752
Computer expenses	939	(670)	3,301	2,366
Security expenses	367	348	1,149	1,280
Rent and rates	185	253	370	915
Cash movement expenses	312	302	1,170	901
Training expenses	181	107	538	636
Travelling and accommodation	343	266	1,156	840
Consultancy expenses	797	152	1,960	687
Corporate finance expenses	158	463	601	898
Legal expenses	145	210	722	606
Electricity	116	116	472	452
Office expenses	133	163	617	475
Directors' emoluments	113	4	443	262
Insurance expenses	94	92	386	379
Stationery expenses	76	85	306	285
Bank charges	103	70	490	268
Auditors' remuneration	50	20	200	200
Telephone expenses	24	23	95	99
Postage and courier expenses	25	33	108	108
	14,376	**11,794**	**51,352**	**41,971**
Impairment on other assets	292	-	292	-
Finance Cost (IFRS 16 Lease Liabilities)	-	-	-	-
	14,668	**11,794**	**51,644**	**41,971**

16 Taxation

	2019 N'million	2018 N'million
a Current taxes on income for the year	2,590	1,912
Technology levy	324	251
Current income tax expense	2,914	2,163
Deferred tax expense	-	-
Income tax expense	**2,914**	**2,163**

	2019	2018
b Total income tax expense in profit or loss	**N'million**	**N'million**
Profit before income tax	32,377	25,089
Income tax using the domestic corporation tax rate of 30%	9,713	7,527
Non-deductible expenses	4,373	5,892
Tax exempt income	(14,086)	(13,419)
Income Tax expense based on Minimum tax (note 16d)	2,590	1,912
Technology levy (note 16e)	324	251
	2,914	**2,163**

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

17 Net reclassification adjustments for realised net gains

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

18 Earnings per share (EPS)

Basic and Dilluted

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

	2019	2018
	N'million	**N'million**
Profit attributable to equity holders of the Bank	29,463	22,926
	million	**million**
Weighted average number of ordinary shares in issue	28,963	28,963
Basic & diluted earnings per share (expressed in kobo per share)	**101.73**	**79.16**

19 Cash and balances with central bank

	31 December 2018	December 2018
	N'million	N'million
Cash	31,657	44,624
Balances with central bank other than mandatory reserve deposits	76,389	90,693
Included in cash and cash equivalents (note 20)	**108,046**	**135,317**
Mandatory reserve deposits with central bank (see note 19.1 below)	304,618	219,386
Special cash reserve (see note 19.2 below)	38,728	30,228
Carrying amount	**451,392**	**384,931**

19.1

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

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

20 Cash and cash equivalents

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

	31 December 2019	31 December 2018
	N'million	N'million
Cash and balances with central bank (Note 19)	108,046	135,317
Due from banks	159,384	111,633
Total cash and cash equivalents	**267,430**	**246,950**

21 Due from banks	31 December 2019	31 December 2018
	N'million	N'million
Current accounts with foreign banks	101,854	53,684
Placements with other banks and discount houses	57,838	58,755
Sub-total	159,692	112,439
Less: Allowance for impairment losses	(308)	(806)
	159,384	**111,633**

Impairment allowance for due from banks

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

	31 December 2019			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
External rating grade				
Performing				
High grade	106,437	-	-	106,437
Standard grade	53,255	-	-	53,255
Sub-standard grade		-	-	-
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**159,692**	**-**	**-**	**159,692**

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

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

	31 December 2019			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2019	112,439	-	-	**112,439**
New assets originated or purchased	57,838	-	-	**57,838**
Assets derecognised or repaid (excluding write offs)	(10,585)	-	-	**(10,585)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**159,692**	**-**	**-**	**159,692**

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

	31 December 2019			
	Stage 1 individual	Stage 2 Individual	Stage 3	Total
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2019	806	-	-	**806**
New assets originated or purchased	36	-	-	**36**
Assets derecognised or repaid (excluding write offs)	(408)	-	-	**(408)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on Year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	(172)	-	-	**(172)**
Changes to contractual cash flows due to modifications not resulting in derecognition		-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	46	-	-	**46**
At 31 December 2019	**308**	**-**	**-**	**308**

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

Contractual amounts outstanding in relation to Due from banks that were still subject to enforcement activity, but otherwise had already been written off, were nil both at 31 December 2019 and at 31 December 2018.

22 Loans and advances to customers

	31 December 2019 N'million	31 December 2018 N'million
Loans to corporate and other organisations	1,125,000	743,308
Loans to individuals	53,389	163,315
	1,178,389	906,623
Less: Allowance for ECL/impairment losses	(50,640)	(56,743)
	1,127,749	**849,880**

	31 December 2019 N'million	31 December 2018 N'million
Loans to corporate entities and other organisations		
Overdrafts	126,472	57,572
Term loans	953,489	659,101
Advance under finance lease	45,039	26,634
	1,125,000	743,307
Less: Allowance for ECL/impairment losses	(47,029)	(42,036)
	1,077,971	**701,271**
Loans to individuals		
Overdrafts	8,697	7,314
Term loans	44,145	155,802
Advance under finance lease	548	201
	53,389	163,317
Less: Allowance for ECL/impairment losses	(3,611)	(14,708)
	49,778	148,609
Net loans and advances include	**1,127,749**	**849,880**

22.1 Impairment allowance for loans and advances to customers

22.1.1 Corporate and other organisations

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

	31 December 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Internal rating grade					
Performing					
High grade (AAA - A)	73,755	-	-	-	73,755
Standard grade (BBB - B)	682,893	107,710	-	-	790,603
Sub-standard grade (CCC - CC	71,154	148,864	-	-	220,019
Past due but not impaired (C)	4,629	-	-	-	4,629
Non- performing:	-	-	-	-	-
Individually impaired	-	-	35,994	-	35,994
Total	**832,431**	**256,574**	**35,994**	**-**	**1,125,000**

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

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

	31 December 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at 1 January 2019	539,963	169,408	33,937	-	743,308
New assets originated or purchased	451,957	-	-	-	451,957
Assets derecognised or repaid (excluding write offs)	(82,289)	(39,936)	(7,561)	-	(129,786)
Transfers to Stage 1	30,327	(30,327)	-	-	-
Transfers to Stage 2	(185,529)	192,215	(6,686)	-	-
Transfers to Stage 3	-	(11,685)	11,685	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	76,101	(23,650)	16,083	-	68,534
Amounts written off			(11,464)		(11,464)
Foreign exchange adjustments	1,900	550		-	2,450
At 31 December 2019	**832,431**	**256,574**	**35,994**	**-**	**1,125,000**

	31 December 2018				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at 1 January 2018	580,934	91,212	79,333	-	751,479
New assets originated or purchased	282,913	-	-	-	282,913
Assets derecognised or repaid (excluding write offs)	(203,861)	(389)	(78,052)	-	(282,302)
Transfers to Stage 1	44,392	(44,392)	-	-	-
Transfers to Stage 2	(164,415)	164,580	(165)	-	-
Transfers to Stage 3	-	(41,603)	41,603	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(8,782)		(8,782)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2018	**539,963**	**169,408**	**33,937**	**-**	**743,308**

22 Loans and advances to customers - continued

	31 December 2019				
	Stage 1 Collectively N'million	Stage 2 Collectively N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January 2019 under IFRS 9	11,154	16,455	14,428	-	42,036
New assets originated or purchased	6,393	-	-	-	6,393
Assets derecognised or repaid (excluding write offs)	(2,344)	(2,484)	(10,681)	-	(15,509)
Transfers to Stage 1	312	(312)	-	-	-
Transfers to Stage 2	(8,822)	8,858	(37)	-	(0)
Transfers to Stage 3	-	(5,843)	5,843	-	-
Impact on year end ECL of exposures transferred between stages during the year	(4,064)	1,674	19,858	-	17,468
Unwind of discount	-	-	-	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-	-
Amounts written off			(4,500)	-	(4,500)
Foreign exchange adjustments	260	320	560	-	1,140
At 31 December 2019	**2,889**	**18,669**	**25,471**	**-**	**47,029**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2019 (2018: nil).

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

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

22.1.2 Loans to individuals

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

	31 December 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Internal rating grade					
Performing					
High grade (AAA - A)	-	-	-	-	-
Standard grade (BBB - B)	46,745	242	-	-	46,987
Sub-standard grade (CCC - CC	0	-	-	-	0
Past due but not impaired (C)	-	-	-	-	-
Non- performing	-	-	-	-	-
Individually impaired	-	-	6,402	-	6,402
Total	**46,746**	**242**	**6,402**	**-**	**53,389**

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

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

	31 December 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
Gross carrying amount as at 1 January 2019	142,175	3,476	17,664	-	163,315
New assets originated or purchased	33,960	-	-	-	33,960
Assets derecognised or repaid (excluding write of	(117,090)	(44)	(1,215)	-	(118,349)
Transfers to Stage 1	28	(28)	-	-	-
Transfers to Stage 2	(4,369)	4,396	(28)	-	0
Transfers to Stage 3	-	(4,369)	4,369	-	-
Changes to contractual cash flows due to modifications not resulting in derecognition	(8,560)	(3,448)	(4,988)	-	(16,996)
Amounts written off			(9,745)	-	(9,745)
Foreign exchange adjustments	600	260	344	-	1,204
At 31 December 2019	**46,746**	**242**	**6,402**	**-**	**53,389**

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

	31 December 2019				
	Stage 1 Individual N'million	Stage 2 Individual N'million	Stage 3 N'million	POCI N'million	Total N'million
ECL allowance as at 1 January 2019 under IFRS !	3,299	48	11,360	-	14,708
New assets originated or purchased	3,003	-	-	-	3,003
Assets derecognised or repaid (excluding write of	(2,767)	(0)	(869)	-	(3,636)
Transfers to Stage 1	0	(0)	-	-	-
Transfers to Stage 2	(2,761)	2,761	(0)	-	(0)
Transfers to Stage 3	-	(2,766)	2,766	-	-
Impact on year end ECL of exposures transferred between stages during the year	(424)	(43)	(4,398)	-	(4,864)
Unwind of discount	-	-	-	-	-
Amounts written off			(5,600)	-	(5,600)
Foreign exchange adjustments	0	-	0	-	-
At 31 December 2019	**350**	**0**	**3,260**	**-**	**3,611**

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

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

22.1 Advances under finance lease may be analysed as follows:

	31 December 2019	December 2018
Gross investment	**N'million**	**N'million**
- No later than 1 year	1,810	4,003
- Later than 1 year and no later than 5 years	43,549	20,474
- Later than 5 years	227	2,358
	45,586	26,835
Unearned future finance income on finance leases	(546)	(201)
Net investment	**45,039**	**26,634**

The net investment may be analysed as follows:

- No later than 1 year	1,775	3,987
- Later than 1 year and no later than 5 years	43,062	19,888
- Later than 5 years	201	2,759
	45,039	**26,634**

22.2 Nature of security in respect of loans and advances:

	31 December 2019	December 2018
	N'million	**N'million**
Secured against real estate	210,888	63,635
Secured by shares of quoted companies	20	-
Secured others	913,115	807,582
Advances under finance lease	45,567	26,835
Unsecured	8,800	8,571
Gross loans and advances to customers	**1,178,389**	**906,623**

23 Investment securities

23.1 Financial assets at fair value through profit and loss (FVTPL)	31 December 2019 N'million	December 2018 N'million
Held for trading:		
Federal Government bonds	6,583	86
Treasury bills	37,663	13,966
Total financial assets measured at FVTPL	**44,246**	**14,052**

23.2 Debt instruments at fair value through other comprehensive income (FVOCI)	31 December 2019 N'million	December 2018 N'million
Treasury bills	99,171	137,545
Federal Government bonds	17,612	14,131
State bonds	4,255	4,437
Corporate bonds	12,677	1,526
Total debt instruments measured at FVOCI	**133,715**	**157,639**

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

23.3 Equity instruments at fair value through other comprehensive income (FVOCI)	31 December 2019 N'million	December 2018 N'million
Unquoted equity investments:		
- Mobile Telecommunications Network (MTN)	-	2,474
- African Finance Corporation (AFC)	2,198	2,377
- Unified Payment Solution	7,767	1,969
- Nigerian Inter Bank Settlement System (NIBBS)	1,072	1,475
- The Central Securities Clearing System (CSCS)	2,381	1,682
Total equity instruments at FVOCI	**13,418**	**9,977**

23.4 Debt instruments at amortised cost	31 December 2019 N'million	December 2018 N'million
Treasury bills	47,944	37,725
Federal Government bonds	66,264	75,146
State Government bonds	1,028	2,129
Corporate bonds	-	3,872
Sub-total	115,236	118,872
Allowance for impairment	(124)	(210)
Total debt instruments measured at amortised cost	**115,112**	**118,662**
Reconciliation of allowance for impairment		
At beginning of year	210	396
Provision no longer required	(86)	(186)
At end of year	124	**210**
Total investments	**306,492**	**300,330**

23.5 Pledged assets

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

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

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

During the year ended December 2019, the Bank received dividends of N1,392 million from its FVOCI equities which was recorded in the profit or loss as other operating income. The Bank also sold FVOCI equity instruments relating to MTN during the reporting Year. The reasons for disposing of the investments was based on CBN's circular issued in 2016, requesting commercial banks to divest their interest in non-permissible investments of which some equity instruments were part.

23.6 Impairment losses on financial investments subject to impairment assessment

23.6.1 Debt instruments measured at FVOCI

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	117,321	-	-	**117,321**
Standard grade	17,838	-	-	**17,838**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	-
Non- performing				**-**
Individually impaired	-	-	-	-
Total	**135,159**	**-**	**-**	**135,159**

Investments - continued

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Fair value as at 1 January 2019	157,639	-	-	**157,639**
New assets originated or purchased	124,561	-	-	**124,561**
Assets derecognised or matured (excluding write-offs)	(143,820)	-	-	**(143,820)**
Change in fair value	(3,220)	-	-	**(3,220)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**135,159**	-	-	**135,159**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	279	-	-	**279**
New assets purchased	377	-	-	**377**
Assets derecognised or matured (excluding write offs)	(135)	-	-	**(135)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	99	-	-	**99**
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	620	-	-	620

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

23.6.2 Debt instruments measured at amortised cost

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	117,289	-	-	**117,289**
Standard grade	1,096	-	-	**1,096**
Sub-standard grade	-	-	-	**-**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**118,385**	**-**	**-**	**118,385**

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

Investments - continued

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	118,872	-	-	**118,872**
New assets originated or purchased	51,408	-	-	**51,408**
Assets derecognised or matured (excluding write-offs)	(53,556)	-	-	**(53,556)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not derecognised	1,660	-	-	**1,660**
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**118,385**	**-**	**-**	**118,385**

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

	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	210	-	-	**210**
New assets purchased	18	-	-	**18**
Assets derecognised or matured (excluding write offs)	(95)	-	-	**(95)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(9)	-	-	**(9)**
Unwind of discount (recognised in interest income)	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2019	**124**	**-**	**-**	**124**

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

24 Property, plant and equipment

	Land	Buildings	Leasehold improvements	Office equipment	Furniture, fittings & equipment	Computer equipment	Motor vehicles	Right of Use Assests	Work in progress	Total
	N'million	N'million	N'million	N'million	N'million	N'million	N'million		N'million	N'million
Cost										
At 1 January 2019	15,303	16,648	8,013	8,908	2,254	13,673	6,015	1,529	1,477	72,291
Additions	170	-	170	244	41	3,724	266	563	605	5,220
Reclassifications	-	376	-	498	-	-	-	-	(874)	-
Transfers to ROU			(4,449)							(4,449)
Disposals	(265)	(112)	(12)	(134)	(7)	(19)	(499)	-	-	(1,047)
At 31 December 2019	**15,208**	**16,912**	**3,723**	**9,517**	**2,289**	**17,378**	**5,782**	**2,092**	**1,208**	**72,016**
Accumulated depreciation										
At 1 January 2019	-	(2,798)	(5,914)	(7,522)	(1,971)	(11,979)	(5,198)		-	(35,382)
Charge for the year	-	(334)	(225)	(581)	(112)	(1,456)	(454)	(641)	-	(3,161)
Reclassifications		-	-	-	-	-	-	-		-
Transfers to ROU			3,698							3,698
Disposals	-	3	-	147	4	563	497	-	-	1,214
At 31 December 2019	**-**	**(3,129)**	**(2,441)**	**(7,957)**	**(2,079)**	**(12,872)**	**(5,155)**	**(641)**	**-**	**(33,632)**
Carrying amount at 30 June 2019	**15,208**	**13,783**	**1,282**	**1,560**	**210**	**4,506**	**628**	**1,451**	**1,208**	**38,384**
Cost										
At 1 January 2018	15,066	16,128	7,669	8,296	2,128	12,971	5,914		2,236	70,408
Additions	242	-	353	125	129	552	449	-	431	2,281
Reclassifications	-	523	-	501	-	166	-	-	(1,190)	-
Disposals	(5)	(3)	(9)	(14)	(3)	(16)	(348)	-	-	(398)
At 31 December 2018	**15,303**	**16,648**	**8,013**	**8,908**	**2,254**	**13,673**	**6,015**		**1,477**	**72,291**
Accumulated depreciation										
At 1 January 2018	-	(2,436)	(4,891)	(6,976)	(1,855)	(10,788)	(4,958)		-	(31,904)
Charge for the year	-	(362)	(1,023)	(559)	(118)	(1,201)	(552)	-	-	(3,815)
Disposals	-	-	-	13	2	10	312	-	-	337
At 31 December 2018	**-**	**(2,798)**	**(5,914)**	**(7,522)**	**(1,971)**	**(11,979)**	**(5,198)**		**-**	**(35,382)**
Carrying amount at 31 December 2018	**15,303**	**13,850**	**2,099**	**1,386**	**283**	**1,694**	**817**		**1,477**	**36,909**

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

Capital Commitment

At 31 December 2019, the company had no capital commitments for the acquisition of property, plant and equipment (31/12/2018: Nil).

25 Intangible assets - Computer software

	31 December 2019 N'million	31 December 2018 N'million
Cost		
Balance at beginning of year	4,188	3,361
Additions	2,172	2,879
Disposal during the year	(469)	(2,052)
Balance	**5,891**	**4,188**
Accumulated amortization		
Balance at beginning of year	3,112	2,732
Amortisation for the year	1,503	2,432
Disposal during the year	(469)	(2,052)
Balance	4,146	3,112
Carrying amount	**1,745**	**1,076**

These relate to purchased softwares.
The amortisation of intangible asset recognised in depreciation and amortisation in profit or loss was **N1,503** million for the year ended 31 December 2019 (31 December 2018: N2,432).

26 Deferred taxation

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

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

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

26.1 Deferred tax

	31 December 2019 N'million	31 December 2018 N'million
Accelerated tax depreciation	(4,310)	(3,884)
	(4,310)	**(3,884)**
Deferred tax assets		
Property,plant and equipment	4,894	4,818
Allowances for loan losses	4,181	3,363
Tax loss carried forward	23,027	24,275
	32,102	**32,456**
Unrecognised deferred tax assets	**27,792**	**28,572**
Net	-	-

26.2 The Bank has unutilised capital allowance of N32.1 billion (31 Dec 2018:N27.3 billion) and unused tax losses carried forward of N76.7 billion (31 Dec 2018: N80.92 billion). There is no expiry date for the utilisation of these items.

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

27 Other assets

	31 December 2019 N'million	31 December 2018 N'million
Financial assets		
Sundry receivables	23,979	25,525
Others	887	3,515
Investments in SMESIS	2,576	1,430
Shared Agent Network Expansion Facility (SANEF)	50	-
	27,492	**30,470**
Less:		
Specific allowances for impairment	(2,366)	(2,219)
	25,126	**28,251**
Non financial assets		
Prepayments	3,988	6,564
Other non financial assets	586	309
	4,574	6,873
Total	**29,699**	**35,124**

Reconciliation of allowance for impairment

	31 December 2019 N'million	31 December 2018 N'million
At beginning of the year	2,219	1,869
Charge for the year	147	350
At end of the year	**2,366**	**2,219**

28 Deposits from customers

	31 December 2019 N'million	31 December 2018 N'million
Demand	430,104	391,576
Savings	275,219	227,970
Term	247,565	172,178
Domicilliary	261,504	179,753
Others	10,822	7,936
	1,225,214	**979,413**
Current	1,225,214	979,413
Non-current	-	-
	1,225,214	**979,413**

29 Other liabilities

	31 December 2019 N'million	31 December 2018 N'million
Customer deposits for letters of credit	-	-
Accounts payable	81,455	81,235
Manager's cheque	3,484	3,961
FGN Intervention fund (see note 29.1)	250,139	133,840
Payable on E-banking transactions	8,642	8,282
Other liabilites/credit balances	1,661	3,051
	345,381	**230,369**
Lease liabilities (IFRS 16)		
Total other liabilities	**345,381**	**230,369**

29.1 Included in the FGN Intervention fund is CBN Bailout Fund of **N92.07** (31 Dec 2018: N93.39 billion). This represents funds for states in the Federation that are having challenges in meeting up with their domestic obligation including payment of salaries. The loan was routed through the Bank for on-lending to the states. The Bailout fund is for a tenor of 20 years at 7% per annum and availed for the same tenor at 9% per annum. Repayments are deducted at source, by the Accountant General of the Federation (AGF), as a first line charge against each beneficiary state’s monthly statutory allocation.

29.2 The Customer deposits for letters of credit have been reclassified to Debts issued and other borrowed funds (Note 31) based on regulatory advice.

30 Provision

	31 December 2019 N'million	31 December 2018 N'million
Provisions for year end bonus (see note 30.2)	2,580	2,000
Provisions for litigations and claims	643	545
Provision for guarantees and letters of credit	753	798
	3,976	**3,343**
At 1 January	2,000	2,200
Arising during the year	2,537	2,000
Utilised	(1,957)	(2,200)
At the end of the year	**2,580**	**2,000**

	31 December 2019 N'million	31 December 2018 N'million
30.1 Current Provision	3,333	2,798
Non-current provisions	643	545
	3,976	3,343

30.2 A provision is 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.

30.3 Impairment losses on guarantees and letters of credit

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

30.3.1 ***Financial guarantees***

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	-
Standard grade	183,722	-	-	**183,722**
Sub-standard grade	20,414	-	-	**20,414**
Past due but not impaired	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**204,135**	**-**	**-**	**204,135**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	-
Standard grade	224,981	-	-	**224,981**
Sub-standard grade	13,462	-	-	**13,462**
Past due but not impaired	-	-	-	-
Non- performing	-	-	-	-
Individually impaired	-	-	-	-
Total	**238,443**	**-**	**-**	**238,443**

30.3.1 *Financial guarantees - continued*

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2019	238,443	-	-	**238,443**
New exposures	95,578	-	-	**95,578**
Exposure derecognised or matured/lapsed (excluding write-offs)	(129,885)	-	-	**(129,885)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition		-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**204,135**	**-**	**-**	**204,135**

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	1	-	-	**1**
New exposures	2	-	-	**2**
Exposure derecognised or matured/lapsed (excluding write-offs)	(0)	-	-	**(0)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	2	-	-	**2**
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 December 2019	**4**	**-**	**-**	**4**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2018	231,014	-	-	**231,014**
New exposures	139,136	-	-	**139,136**
Exposure derecognised or matured/lapsed (excluding write-offs)	(131,707)	-	-	**(131,707)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**238,443**	**-**	**-**	**238,443**

	31 December 2018			
	Stage 1 Individual	**Stage 2 Individual**	**Stage 3**	**Total**
	N'million	**N'million**	**N'million**	**N'million**
ECL allowance as at 1 January 2018	449	-	-	**449**
New exposures	136	-	-	**136**
Exposure derecognised or matured/lapsed (excluding write-offs)	(584)	-	-	**(584)**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	-	-	-	**-**
Transfers to Stage 3	-	-	-	**-**
Impact on year end ECL of exposures transferred between stages during the year	(0)	-	-	**(0)**
Unwind of discount	-	-	-	**-**
Changes due to modifications not resulting in derecognition	-	-	-	**-**
Changes to models and inputs used for ECL calculations	-	-	-	**-**
Recoveries	-	-	-	**-**
Amounts written off	-	-	-	**-**
Foreign exchange adjustments	-	-	-	
At 31 December 2018	**1**	**-**	**-**	**1**

30.3.2 *Letters of credit*

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
Internal rating grade	**N'million**	**N'million**	**N'million**	**N'million**
Performing				
High grade	-	-	-	-
Standard grade	113,969	-	-	**113,969**
Sub-standard grade	20,112	-	-	**20,112**
Past due but not impaired	-	-	-	-
Non- performing				-
Individually impaired	-	-	-	-
Total	**134,082**	**-**	**-**	**134,082**

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

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	**N'million**	**N'million**	**N'million**
Gross carrying amount as at 1 January 2019	188,641	-	-	**188,641**
New exposures	87,572	-	-	**87,572**
Exposure derecognised or matured/lapsed (excluding write-offs)	(112,551)	-	-	**(112,551)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	(29,579)	-	-	**(29,579)**
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2019	**134,082**	**-**	**-**	**134,082**

30.3.2 *Letters of credit - contnued*

	31 December 2019			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2019	796	-	-	**796**
New exposures	114	-	-	**114**
Exposure derecognised or matured/lapsed (excluding write-offs)	(439)	-	-	**(439)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	(343)	-	-	**(343)**
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 December 2019	**129**	**-**	**-**	**129**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
Gross carrying amount as at 1 January 2018	138,975	-	-	**138,975**
New exposures	146,536	-	-	**146,536**
Exposure derecognised or matured/lapsed (excluding write-offs)	(96,870)	-	-	**(96,870)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2018	**188,641**	**-**	**-**	**188,641**

	31 December 2018			
	Stage 1 Individual	Stage 2 Individual	Stage 3	Total
	N'million	N'million	N'million	N'million
ECL allowance as at 1 January 2018	178	-	-	**178**
New exposures	679	-	-	**679**
Exposure derecognised or matured/lapsed (excluding write-offs)	(61)	-	-	**(61)**
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Unwind of discount	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	
At 31 December 2018	**796**	**-**	**-**	**796**

31 Debts issued and other borrowed funds

	31 December 2019	31 December 2018
	N'million	N'million
Long term loan from Proparco Paris (see note 30.1)	4,045	6,628
Long term loan from African Development Bank (ADB) (see note 30.2)	23,387	13,842
European Investment Bank Luxembourg (see note 30.3)	3,552	4,480
$400 Million Euro Bond issued (see note 30.5)	146,830	143,098
Local Bond issued (see note 30.6)	30,147	30,004
Repurchase transaction with Renaisance Capital (see note 30.7)	22,443	23,088
Loan from Mashreq Bank (see note 30.8))	-	19,627
Afrexim (see note 30.4)	23,285	-
Trade Finance Lines	50,977	69,966
	304,667	**310,733**

Reconcilation of Borrowings during the year:	31 December 2019	31 December 2018
	N'million	N'million
At 1 January	310,733	213,233
Additions during the year	41,485	57,498
Paid during the year	(56,425)	(32,317)
Interest payable	5,188	4,608
Foreign exchange difference	3,685	67,711
At the end of the year	**304,667**	**310,733**

31 Debts issued and other borrowed funds - continued

31.1 The amount of **N4.045 billion** (31 Dec 2018: N6.628 billion) represents the amortised cost balance on the syndicated on-lending facility of $40million granted to the Bank by Proparco Paris on 4 April 2016 to mature on 4 April 2021 at an interest rate of Libor plus 4.75% per annum. The initial loan matured on 4 April 2016 and was renewed on the same day. The Principal and Interest are repaid semi-annually. The borrowing is an unsecured borrowing.

31.2 The amount of **N23.387 billion** (31 Dec 2018: N13.842 billion) represents the amortised cost balance in the on-lending facility of $75million granted to the Bank by ADB on 6 October 2014. The first tranche of $40million was disbursed on 6 October 2014 while the second tranche of $35million was disbursed 15 July 2015 both to mature 6 October 2021 at an interest rate of Libor plus 4.75% per annum. Interest is repaid semi-annually, with principal repayment at maturity.The borrowing is an unsecured borrowing.

31.3 The amount of **N3.552 billion** (31 Dec 2018: N3.552 billion) represents the amortised cost balance in the on-lending facility of $21.946 million granted to the Bank by European Investment Bank on 13 April 2015 to mature 2 March 2023 at an interest rate of Libor plus 3.99% per annum. Interest is repaid quarterly, with principal repayment at maturity. The borrowing is an unsecured borrowing.

31.4 The amount of **N23.285 billion,** (31 Dec 2018: Nill) represents amortised cost balance of $75 million borrowing from AFREXIM (under the repurchase agreement), with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

31.5 On 11 October 2017, Fidelity Bank PLC issued a $400 million five year Eurobond at a 10.50 percent coupon. The Bond was used to finance the existing bondholders who subscribed to the tender offer of $256 million, while the balance (net of issuance costs) will be used to support the trade finance business of Fidelity Bank. The issuance of the Bond was part of a strategic liability management exercise designed to extend Fidelity Bank's debt maturity profile and proactively refinance the maturing 2018 Eurobond. The amount of **N146.830 billion** (31 Dec 2018 : N143.098 billion) represents the amortised cost of $400 million, 5- year, 10.50% Eurobond issued at 99.48% in October 2017. The principal amount is repayable in October 2022, while the coupon is paid semi annually.

31.6 The amount of **N30,147 billion,** (31 Dec 2018: N30.004 billion) represents the amortised cost of a N30 billion, 6.5- year, 16.48% Local bond issued at 96.5% in May 2015. The principal amount for the Local bonds is repayable in Nov 2021. The coupon is paid semi annually. The purpose of the Local bond issuance is to finance the SME business of the economy of Nigeria.

31.7 The amount of **N22.443 billion,** (31 Dec 2018: N23.088 billion) represents a $33million dollar borrowing under a repurchase agreement from Renaissance Capital, with Fidelity Bank pledging its USD denominated Eurobond and FGN, which the Bank has the right to buy at a later date.

31.8 The amount of **N19.627billion** outstanding as at 31 Dec 2018:represents the amortised cost balance on the Syndicated Trade Finance Facility of $55 million granted to the Bank by Mashreq Bank on the 3rd of August 2018 for a tenor of 12 months, at an interest rate of Libor plus 3.90% per annum was fully repiad as agreed by the parties to the contract.Interest was paid quaterly with principal repayment .

31.9 The amount of **N50.977billion** (31 Dec 2018: N69.966 billion) represents Trade Finance Lines from CitiBank, Deutche, FCMB UK, Byblos Bank, British Arab Bank, Standard Bank, Standard Chartered Bank, UBS, Bank of Beirut, First Bank UK, Union Bank UK and UBA UK. As at December 2019, these amounts were classified as Customer deposits for letters of credit under "Other Liabilities" in the

32 Share capital

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

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

33 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.

33 Other equity accounts - continued

Statutory reserve

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

Small scale investment reserve

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

Non-distributable regulatory risk reserve

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

Fair value reserves

The fair value reserve includes the net cumulative change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognised , impaired and fair value gain transfered to retained earnings on disposal of financial assets .

AGSMEIS reserve

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

34 Cash flows from operations

	31 December 2019 N'million	31 December 2018 N'million
Profit before income tax	32,377	25,089
Adjustments for:		
– Depreciation and amortisation	5,305	6,247
– Profit from disposal of property and equipment	(2,510)	(15)
– Foreign exchange gains on operating activities	(3,402)	(5,505)
– Foreign exchange losses/(gains) on debts issued and other borrowed funds	3,685	(2,255)
– Foreign exchange losses/(gains) on loans and advances to customers	(27,235)	6,000
– Foreign exchange (gains)/losses on deposits from customers	14,675	(17,809)
– Net gains from financial assets classified as FVTPL	4,630	132
– Impairment charge on loans and advances	(6,866)	2,420
– Impairment on other debt instrument	-	470
– Impairment charge on other assets	146	350
– Write off of loans and advances/Recoveries	12,121	15,326
– Dividend income	(1,392)	(229)
– Gain on debt instruments measured at FVOCI reclassified from equity	(124)	(1,671)
– Net interest income	(80,658)	(69,587)
	(49,248)	**(41,037)**
Changes in operating assets		
– Cash and balances with the Central Bank (restricted cash)	(85,232)	(68,597)
– Loans and advances to customers	(226,768)	(132,634)
– Financial assets classified at FVTPL	(43,425)	6,455
– Other assets	5,425	6,774
Changes in operating liabilities		
– Deposits from customers	236,814	221,946
– Other liabilities	133,997	115,181
– Provisions	(120)	598
– Interest payable on debts issued and other borrowed funds	5,188	4,608
Cash flows from/(used in) operations	**(23,369)**	**113,294**

35 Contingent liabilities and commitments

35.1 Capital commitments

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

35.2 Confirmed credits and other obligations on behalf of customers

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

	31 December 2019 N'million	31 December 2018 N'million
Performance bonds and guarantees (Note 30.3.1)	204,135	238,443
Letters of credit (Note 30.3.2)	134,082	188,641
Unsettled transactions	-	-
AGSMEIS Disbursement	48	9
	338,265	**427,093**

Included in Performance bonds and guarantees is N69.71bn Bank of industry backed guarantee. Unsettled transactions are transaction that the Bank has entered into, but is either yet to make payment or receive payment in respect of these transactions.

35.3 Litigation

As at reporting date, the Bank had several claims against it by parties seeking legal compensation in the sum of N7.74 billion as at 31 December 2019 (31 Dec 2018: N4.244billion). Based on the estimates of the Bank's legal team and the case facts, the Bank estimates a potential loss of N642.8 million (31 Dec 2018: N544.72 million) upon conclusion of the cases. A provision for the potential loss of N642.8 million is shown in Note **30.**

36 Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers’ Shares, Rulebook of the Exchange 2015 (Issuers Rule) Fidelity Bank Plc maintains effective Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company’s shares. The Policy is regularly reviewed and updated by the Board. The Bank has made specific inquiries of all the directors and other insiders and is not aware of any infringement of the policy during the period